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HANDELSHØJSKOLEN

**“Let’s Go Outside”: The Value of Co-Creation**

# “Let’s Go Outside”: The Value of Co-Creation

**Thomas Lopdrup-Hjorth**

PhD Series 20.2013

Doctoral School of Organisation  
and Management Studies

PhD Series 20.2013

“Let’s Go Outside”:  
*The Value of Co-Creation*

**Thomas Lopdrup-Hjorth**

Supervisor: Bent Meier Sørensen

Doctoral School of Organisation and Management Studies  
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## **Preface and acknowledgements**

Within management and organization theory new ideas are continually introduced. Sometimes this happens quietly and without much notice; a book or a paper comes out, presents an idea, and fades into oblivion. At other times, ideas quickly catch on, are taken up by practitioners, get to travel the world, and perhaps even have a lasting impact on how we relate to others and ourselves. It is not always clear, however, why some ideas fall within the first category and others within the latter. Looking back, it can be difficult to understand why certain ideas of the past have had the impact they have had. What was that craze all about? Why were people persuaded by that?

Viewed in this light, it is probably wise to abstain from the temptation to predict which contemporary ideas within management and organization theory are going to have a lasting impact. Hence, instead of predicting the future, we could more modestly attempt to map how certain tendencies prevailing in the present came into being. Whether significant or irrelevant, seen in retrospect from the future, it is perhaps enough to inquire into what difference today makes in relation to yesterday? This dissertation is an attempt at doing this in relation to the contemporary phenomenon of co-creation.

I have been working on this dissertation from 2008 to 2012. From the very beginning, The Department of Management, Politics, and Philosophy at Copenhagen Business School has provided a supportive and stimulating environment that has shaped significantly the thoughts presented in the dissertation. I would like to extend my profound gratitude to all of my colleagues. I would also like to thank the VELUX FOUNDATION for providing the necessary financial support without which this work could not have been undertaken.

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Thomas Lopdrup-Hjorth

Frederiksberg  
December 2012

## **Abstract**

*Co-creation* has emerged today as a concept which thinkers across otherwise largely opposed traditions have come to embrace. This dissertation substantiates how the concept of co-creation, from proponents of Strategic Management Thought to thinkers coming out of Autonomist Marxism and Critical Management Studies, appears as designating either: (1) a new win-win mode of value creation where businesses co-create value with various sorts of outsiders; (2) a new social, commons-based value creation autonomous from business interests; or (3) a mode of value creation intimately intertwined with new modes of management capable of harnessing and exploiting productive capacities outside established organizations. Behind these contemporary differences, the dissertation discloses a more encompassing history. Through this, the emergence of a widely shared co-creation vocabulary is brought forth. While this vocabulary is used persistently to express a whole new mode of value creation, in whatever form, the dissertation argues that the co-creation vocabulary actually undermines the very possibility of speaking about value creation in a consistent manner.

At the same time, however, it is not a vocabulary which can just be dispensed with, since its emergence is intimately intertwined with an accelerated emphatic injunction; an injunction advanced by a reformulated managementality that throughout the twentieth century has tempted management 'to go outside'. Accounting for this history, the dissertation claims that a complex experience has been born, an experience of the outside. Through this experience, the outside has emerged not merely as a source of value creation and an object of management; it has also emerged as an obligation that has to be met, an obligation which is forcefully expressed today through the co-creation vocabulary.

In order to inquire into contemporary accounts of co-creation, as well as the historical trajectories through which this phenomenon has come to emerge, the dissertation develops what is designated as the historical problematization analysis, inspired by and reconstructed from the very late work of Michel Foucault. By utilizing this mode of analysis, it becomes possible to bring together otherwise separate accounts of co-creation on the same level of analysis, to inquire into central historical conditions of possibility through which the phenomenon of co-creation has come to emerge and to take stock of what difference the arrival of co-creation introduces in relation to yesterday.



## Dansk resumé

Begrebet *co-creation* træder i dag ikke blot frem som et nyt strategisk ledelseskoncept, hvormed virksomheder søger at skabe værdi gennem samarbejde med en række organisationseksterne produktive kapaciteter. Co-creation optræder ligeledes som et begreb, der er begyndt at dukke op og gøre sig gældende på tværs af en række i udgangspunktet forskelligartede akademiske traditioner. Denne afhandling undersøger, hvordan co-creation træder frem på umiddelbart ganske forskellige måder i litteratur, der spænder fra strategisk ledelse over diverse former for ny-marixisme til kritisk orienterede ledelsesstudier. Inden for disse traditioner forstås co-creation enten (1) som en helt ny form for værdiskabelse, hvor virksomheder og diverse former for produktive konsumenter finder sammen i nye og gensidigt berigende fællesskaber, (2) som en helt ny, autonom og fællesskabsorienteret måde at skabe værdi på, der på ingen måde blot lader sig indordne under virksomhedsinteresser, og som samtidig, i større eller mindre udstrækning, synes at udfordre kapitalismens orden som sådan, eller (3) som en ny måde at skabe værdi på, der er intimt og uadskilleligt forbundet med, hvordan nye ledelsesformer har muliggjort udbygning af produktive kapaciteter, der befinder sig uden for allerede etablerede organisationer.

Frem for at tage stilling til, hvilken af disse tre forståelser der i udgangspunktet synes mest adækvat, analyserer afhandlingen deres respektive fremstillinger som led i en mere omfattende problematiseringshistorie, hvori den vedvarende og udbredte mobilisering af co-creation ansues som et komplekst og mangefaceteret svar på problemet angående, hvordan og under hvilke betingelser værdi i dag (kan eller bør) skabes. Bag de umiddelbart givne forskelle fremanalyserer afhandlingen følgelig en mere omfattende historie, igennem hvilken fremkomsten af et vidt udbredt co-creation vokabular dukker op som en sammenbindende mønsterdannelse, hvis komponenter går på tværs af og træder frem i de ovennævnte forskellige udlægninger og forståelser af co-creation. Trods det forhold, at dette vokabular vedvarende anvendes til at artikulere, hvordan værdi nu skabes, så hævder afhandlingen, at co-creation vokabularet underminerer mulighedsbetingelserne for at konceptualisere værdiskabelse på konsistent vis, såfremt denne ansues på baggrund af centrale karakteristika, der hidtil har gjort sig gældende som uomgængelige for tidligere historisk vægtige værdiskabelsesbegreber.

Samtidig hermed hævder afhandlingen imidlertid, at dette forhold ikke bør forlede til, at man følgelig blot skulle se bort fra og diskvalificere co-creation og det hertil knyttede vokabular. Det handler derimod om at begribe, på hvilken måde og

under hvilke betingelser dette vokabular kunne komme til at få en sådan forpligtende og tværgående karakter, som det for indeværende synes at have fået. Afhandlingen belyser derfor, hvordan dette co-creation vokabular er blevet til igennem en langstrakt problematiseringshistorie. Med denne historie vises det, hvordan en bestemt erfaring, kaldet *erfaringen af det udenfor*, i løbet af det 20. århundrede gradvist har sat sig igennem med stadig større vægt. Arnestederne for dannelsen denne erfaring finder afhandlingen i særdeleshed i den måde, hvorpå en række centrale begivenheder og problematiseringsforløb i ledelses-, organisationsteoriens og økonomiens historie fra 1920'erne til 1940'erne har lagt grunden til en række nye måder at koncipere ledelse, organisering og værdiskabelse på. Ved at analysere og sammenbinde disse begivenheder viser afhandlingen ikke blot, hvorledes erfaringen af det udenfor gradvist er kommet til at få en stadig mere omsiggribende og forpligtende karakter; den fastholder tillige, at det samtidige fænomen co-creation er nært forbundet med og synes at give udtryk til denne erfaring på en særlig kondenseret vis.

Som antydnet gøres der i forbindelse med afhandlingens undersøgelse af co-creation brug af en såkaldt "historisk problematiseringsanalyse". Inspirationen og forlægget til rekonstruktionen af denne analyseform finder afhandlingen i Michel Foucaults senværk. Ved at udvikle og bringe denne analyseform i spil bliver det ikke kun muligt at sammenholde umiddelbart modstridende samtidige udlægninger af co-creation på ét og samme analytisk plan. Det bliver desuden muligt at analysere de historiske mulighedsbetingelser for dette fænomens fremkomst, ligesom det bliver muligt at tage bestik af, hvilken forskel fremkomsten af co-creation markerer og implicerer i forhold til vores forståelser af værdiskabelse og ledelse. Endelig tillader den i afhandlingen anvendte analyseform at fastholde den på én og samme tid normativt forpligtende og problemgenererende karakter, der aktuelt synes at præge fænomenet co-creation. Gennem problematiseringsanalysen fastholdes det hermed, hvorledes det analyserede fænomen melder sig som en særlig problematisk begivenhed i tankens historie, som det både er vanskeligt at undslå sig og undslippe, samtidig med at det fastholdes, at dette fænomens fremkomst implicerer en række vanskeligheder og udfordringer, der ikke umiddelbart lader sig løse. Et væsentligt bidrag fra afhandlingen såvel som fra den anvendte historiske analyse tager således form af den hidtil mest omfattende redegørelse for, hvordan og hvorfor det syntes at forholde sig på denne måde med co-creation som et komplekst udtryk for værdiskabelsens problemer mere generelt.

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## Introduction

### **Revaluing the outside: from the sentiment of the street to co-creation. The research questions**

In October 1922, Wallace B. Donham, Dean at Harvard Business School, opened the very first article in the very first issue of *Harvard Business Review* by outlining the agenda for the necessary groundwork to be initiated if a proper theory of business were ever to come into being:

Unless we admit that rules of thumb, the limited experience of the executives in each individual business, and the general sentiment of the street, are the sole possible guides for executive decisions of major importance, it is pertinent to inquire how the representative practices of business men generally may be made available as a broader foundation for such decisions, and how a proper theory of business is to be obtained. (Donham 1922: 1)

In formulating his proposal for this endeavor, in the very first sentence of what was later to become the most influential and wide reaching research-based practitioner-oriented management journal, Donham sets up his argument in such a way that it, if not negates, then at least points to the insufficiencies of executive decision making founded on the three sources of rules of thumb, individual experience and the general sentiment of the street. While Frederick W. Taylor ([1911] 1967) had already devalued and opposed the quality and legitimacy of decision making based on rules of thumb and individual experience, the interesting thing to note about Donham's opening is perhaps the latter of the three sources - "the general sentiment of the street". Perhaps it is merely a substantially insignificant gesture on Donham's part, a way of adding a third element to enhance the rhythmic structure of the composition of the sentence, a rhetorical move of which we should be careful not to overestimate the importance? Then again, perhaps this "general sentiment of the street" is to be ascribed the same weight as both rules of thumb and individual experience, also implying that it is just as accessible and immediately available as these?

However we assess and tentatively answer these questions, Donham never states what this general sentiment of the street actually means, thus leaving it open to interpretation as to whether it might refer to a loosely shared executive way of relating to business problems, a matter of a general organizational or public sentiment, or perhaps something entirely different. While it is possible to point to how the word sentiment from the eighteenth century, as specified in the Oxford English Dictionary (OED Online version, Sept. 2012), have carried a number of historically varying meanings, ranging from “a knowledge due to vague sensations”, “an opinion or view as to what is right or agreeable”, which were often used “with [a] collective sense”, and which, from the nineteenth century onwards, additionally took on the connotations of something which acted “as a principle of action or judgment”; and while it is possible, moreover, to point to early twentieth century usages of “the sentiment of the street” as a phrase used explicitly in conjunction with political (Ray 1913: 391) as well as economic (Selden 1910: 96) themes, it is questionable whether an analysis of such usages would bring us much closer to Donham’s intended meaning.

Instead of specifying to what the sentiment of the street refers, Donham quickly moves on to make his point that “business will continue” to be “unsystematic, haphazard, and for many men a pathetic gamble” (Donham 1922: 1), if its basis for decision making remains exclusively anchored in these three sources, while neglecting the more encompassing theoretical framework on which practical decisions could lean for support. Hence, if the foundation for executive decision making is not based on the systematized and elaborated experience of other business men, that is, on a proper theory of business, the individual executive will be unable to “grasp the underlying forces controlling business” and his capabilities of sound judgment will suffer accordingly (*ibid.*: 1).

While the preconditions for the progress of such a theory preoccupy the central thrust of the remainder of the article, the general sentiment of the street, whatever it might imply, allegedly remains unimportant, too vague and incoherent, something to be overcome and dispensed with, an obstacle to the further development of these systematizing concerns of major importance. Then again, perhaps it is merely a straw man to be knocked down and eliminated by the promise and potential of a true theory of business in the making? In any case, such

a sentiment seems much too diffuse, too inaccurate, too uncontrollable, too much on the outside of the sphere of representation, and therefore incapable of either competing with or adding to a scientifically founded business theory developed through the strict procedure of “first, the recording of facts; second, the arrangement of these facts into series and relationships; third, the development of generalizations which can be safely made only upon the basis of such recorded facts” (Donham 1922: 10).

Today when one browses through the latest issues of *Harvard Business Review*, what is striking is the way in which what Donham considered as something to be left behind and overcome, in order to arrive at a proper theory of business, now seems to have come to the forefront of issues related to executive decision making. Here, the sentiment of the street has become something which holds a promise, something which managers and management thinkers celebrate and cherish, something which, if attended to in a proper way, may be a source of hitherto unimaginable creativity, innovation and, not least, value creation. Thus, in a 2010 autumn issue of *Harvard Business Review*, engaging and listening to outsiders is placed at the very center of successfully conducting a business. This can either be done online by hiring community managers “whose sole purpose is monitoring, participating in, and engaging customers (...) wherever people meet online” (Armano 2010: 24), or by arranging exclusive multiple course dinner parties where the company, in an intimate atmosphere, not only shares its plans with but also listens to “would-be customers’ reactions and suggestions” by way of asking “how best to serve them” (Kramer 2010: 122). This aspiration to involve and utilize outside parties might even go so far as to lay bare key issues such as strategy formulation, usually developed in utmost secrecy, in a manner inspired by the open strategy process of the Wikimedia Foundation (Newstead and Lanzerotti 2010: 32). Hence, within the confines of one of the most prestigious practitioner-oriented management journals, the sentiment of the street seems to have moved from initially being the more or less readily available, loosely defined background knowledge which a theory of business somehow had to move beyond and transgress in order to establish itself as a legitimate and practically useful mode of

knowledge, to becoming something which business theorists inquire into (cf. Lopdrup-Hjorth and Raffnsøe 2012).

In spite of the fact that it is difficult to assess *exactly* what Donham had in mind when using the phrase “sentiment of the street”, the important point to take stock of is the following: whereas previously the knowledge necessary for guiding business men in their actions should be obtained through dispensing with the sentiment of the street, and in its place put the collection and systematization of the knowledge of other business men, today, the knowledge, opinions, and sentiments of all kinds of outsiders have come into sight as being of major importance to operating a business. From being something which theorists of management should move beyond and dispense with, the sentiment of the street has today become something to be harnessed, something into which management thought inquires, something into which it advises managers to set themselves in a beneficial relation. In this sense, the sentiment of the street has moved from being something of questionable value to becoming a highly valued asset, not merely in the sense of something to which positive connotations are being ascribed, but more importantly as a source of economic value, as a source that is indispensable for the creation of value, and as something to which managers must therefore attend (Cf. Prahalad and Ramaswamy 2000; Allee 2000; Vargo and Lusch 2004; Tan et al. 2008).

Perhaps the most striking example of how this revaluation of the sentiment of the street has come to be expressed is the phenomenon of *co-creation*. In the *Harvard Business Review* article “Building the co-creative enterprise”, Ramaswamy and Gouillart (2010b: 102) state that co-creation amounts to nothing less than a complete reversal of how businesses ought to conceive of and conduct themselves. Whereas businesses previously held on “to their hierarchies”, and restricted their focus to optimizing the activities and processes of the firm, they now have to open up their organizations to engage and interact with all kinds of outside parties if they are to succeed. This has become a necessity, since “people are inherently creative and want to engage with organizations” (*ibid.*), but also because establishing relations through co-creation provides new opportunities for the creation of value



– not merely for the firm, but for all those in the “ecosystem” who participates in such co-creation processes (*ibid*; see also Prahalad and Ramaswamy 2000).

Simultaneously with co-creation surfacing in *Harvard Business Review*, the concept has manifested itself as a new business approach through which major global corporations have reorganized their strategies in order to manage and harness value-creating capacities outside their own organizations. Throughout the last decade, co-creation has thus been sweeping across the corporate world where it has been taken up by major firms, including, among others, BMW, Procter & Gamble, Nokia, LEGO, Nike, IBM, Samsung, Starbucks, IKEA, Ducati, Philips Electronics, Unilever, and Harley Davidson (see Promise/LSE Enterprise 2009).

However, what is possibly more surprising is that the notion of co-creation additionally has caught on as a key concept that scholars coming out of radically different traditions have embraced recently.<sup>1</sup> From various strands of management

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<sup>1</sup> **R. Normann** and **R. Ramírez** (1993a) “From Value Chain to Value Constellation: Designing Interactive Strategy”, *Harvard Business Review*, 71(4): 65-77. **Id.** (1993b) “Strategy and the Art of Reinventing Value: In a Post-Industrial Economy is the Value Chain Obsolete?”, *Harvard Business Review*, 71(5): 39-51. **C. K. Prahalad** and **V. Ramaswamy** (2000) “Co-opting Customer Competence”, *Harvard Business Review*, 78(1): 79-87. **Id.** (2003) “The New Frontier of Experience Innovation”, *MIT Sloan Management Review*, 44(4): 12-18. **Id.** (2004a) “Co-creating Unique Value with Customers”, *Strategy and Leadership*, 32(3): 4-9. **Id.** (2004b) *The Future of Competition: Co-Creating Unique Value with Customers*. Boston, Massachusetts: Harvard Business School Press. **Id.** (2004c) “Co-Creating Experiences: The Next Practice in Value Creation”, *Journal of Interactive Marketing*, 18(3): 5-14. **M. Lazzarato** (2004) “From Capital-Labor to Capital-Life”, *Ephemera: theory & politics in organization*, 4(3): 187-208. **S. Vargo** and **R. Lusch** (2004) “Evolving To a New Dominant Logic for Marketing”, *Journal of Marketing*, 68(1): 1-17. **Id.** (2010) “From Repeat Patronage to Value Co-creation in Service Ecosystems: A Transcending Conceptualization of Relationship”, *Journal of Business Market Management*, 4(4): 169-179. **R. Lusch** and **S. Vargo** (2006) “Service-dominant logic: reactions, reflections and refinements”, *Marketing Theory*, 6(3): 281-288. **P. Berthon et al.** (2007) “When Customers Get Clever: Managerial Approaches To Dealing With Creating Consumers”, *Business Horizons*, 50 (1): 39 -50. **Rowley et al.** (2007) “Customer community and co-creation: a case study”, *Marketing Intelligence and Planning*, 25(2): 136-146. **A. Arvidsson** (2008) “The Ethical Economy of Customer Coproduction”, *Journal of Macromarketing*, 28(4): 326-338. **Id.** (2009) “The Ethical Economy: Towards a Post-Capitalist Theory of Value”, *Capital & Class*, 33(1): 13-29. **Id.** (2010) “The Ethical Economy: New forms of Value in the Information Society?”, *Organization*, 17(5): 637–644. **A. Arvidsson et al.** (2008) “The Crisis of Value and the Ethical Economy”, *Journal of Futures Studies*, 12(4): 9-20. **J. Banks** and **S. Humphreys** (2008) “The Labour of User Co-Creators: Emergent Social Network Markets?”, *Convergence*, 14(4): 401-418. **S. Bonsu** and **A. Darmody** (2008) “Co-creating Second Life: Market Consumer Cooperation in Contemporary Economy”, *Journal of Macromarketing*, 28(4): 355-368. **A. Humphreys** and **K. Grayson** (2008) “The Intersecting Roles of Consumer and Producer: A Critical Perspective on Co-production, Co-creation and

thought, encompassing first and foremost Strategic Management Thought and marketing, to Autonomist Marxism and Critical Management Studies, co-creation has come into view as a way in which hitherto reigning concepts of value creation and management have been reformulated and recast so as to provide new kinds of responses to the problems and possibilities conceivably at hand. The way in which it does so, however, differs markedly.

Within Strategic Management Thought (Normann and Ramírez 1993a, 1993b, 1994; Ramírez 1999; Prahalad and Ramaswamy 2000, 2003, 2004a, 2004b, 2004c; Ramaswamy and Guillard 2010a, 2010b), co-creation shows up as a particular answer to the problem of how companies can handle and utilize the fact that value creation has moved increasingly outside of established organizations. In this context, co-creation comes into view not only as a description of a new mode of value creation, but also as an answer to how businesses can take advantage of and manage value-creating capacities located beyond the boundaries of the organization. By way of doing so, it is stated that businesses can co-create value

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with various sorts of outsiders in a way that not only creates value for businesses, but also for those outside the organization who contribute to this process. Exemplarily, Ramaswamy and Gouillart (2010a: 7) state that co-creation “involves both a profound democratization and decentralization of value creation, moving it from concentration inside the firm to interactions with its customers, customer communities, suppliers, partners, and employees”. Hence, it seems as if previously reigning conceptions of value creation and management are put into question and rendered insufficient.

In more critical lines of thought, the concept of co-creation, (or equivalent terms), also shows up. Here, however, it is used with different inferences. Within Autonomist Marxists’ accounts, for instance, co-creation surfaces as designating a decentralized, social, and commons-based production that marks the arrival of a whole new mode of value creation *irreducible* to business interests, and signaling an actual or potential challenge to capitalism as such. Whether formulated as “singularities acting in common” (Hardt and Negri: 2004: 204, 348-9), “biopolitical” value creation (Hardt and Negri: 2009: 317) “cooperation between minds” (Lazzarato: 2004: 187), or as the emergence of an “ethical economy” (Arvidsson 2008, 2009, 2010; Arvidsson et al. 2008), co-creation, within these accounts, is tied together with a larger transformation by way of which value creation has moved beyond the confines of organizations, and in so doing has been socialized and transformed in radical ways. When Hardt and Negri (2000: 364-365, 2004: 148, 2009: 317), for instance, argue that value creation has today become “biopolitical”, this not merely implies that value creation has been relocated spatially outside of established organizations, but also, more fundamentally, that “living and producing tend to be indistinguishable” (Hardt and Negri 2004: 148). According to these influential authors, this transformation implies that value creation has become dependent upon the “externalities” of “the common” that can neither be contained nor completely captured by corporations, nor measured as it previously could (*ibid*: 148-149). While co-creation within Autonomist Marxists’ accounts is also seen as something businesses have come to be dependent upon, it is first and foremost seen as holding the promise of a socialized mode of value creation that goes beyond, and is irreducible to, business interests (Lazzarato 2004).

Hence, when businesses intervene in and capitalize upon this mode of value creation, it actually decreases “the power of co-creation” (*ibid*: 197).

Finally, within Critical Management Studies, co-creation has also come into view within recent years (Banks and Humphreys 2008; Humphreys and Grayson 2008; Zwick et al. 2008; Böhm and Land 2009; Cova and Dalli 2009; Willmott 2010; Bonsu and Polsa 2011; Cova et al. 2011). While several thinkers within this tradition have remained in close dialogue with and been inspired by Autonomist Marxism, the postulate that co-creation should be seen in conjunction with the rise of a new and irreducible mode of value creation beyond business interests has been criticized (see for example Böhm and Land 2009; Willmott 2010). While agreeing that the coming into being of co-creation marks a new mode of value creation, thinkers within this line of thought have nevertheless predominantly insisted on viewing co-creation as being inseparably tied to new and more supple modes of management that reach beyond the confines of organizations to exploit or harness the value created by an unpaid, ‘free’ workforce consisting of consumers and various sorts of user-communities. In spite of being less sanguine about the emergence of a new autonomous mode of value creation beyond business interests, thinkers coming out of Critical Management Studies also insist that value is now created “beyond the factory walls” (Böhm and Land 2009: 7), and that this relocation towards the outside implies nothing less than the emergence of a “new ‘hidden abode of production’” in which value is now increasingly created (*ibid*).

The starting point of this dissertation is thus the observation that co-creation has caught on - in a major way and across rather different lines of thought - as a key concept through which value creation and management have been associated with a number of new problems and possibilities, demands and prospects, anticipations and drawbacks. While differences persist as to whether co-creation is predominantly to be understood in conjunction with new possibilities for businesses, with a fundamental challenge to capitalism, or as being irreducibly tied to new forms of exploitation, these differences, however, could also be regarded simultaneously in light of the prevalent and mutual agreement that value creation increasingly takes place outside organizations, that this challenges previously dominant understandings of value creation and management, and that these

transformations, in one way or another, are intimately interwoven with and expressed through the concept of co-creation. Hence, from Donham's initial characterization of the sentiment of the street as something to be overcome and dispensed with, a radical reversal seems to have taken place. Today, with the arrival of co-creation, the sentiment of the street appears to have surfaced in an alternative or mutated form: as something through which value can be created; as something in which hopes and worries are invested; as something signaling the arrival of new and potentially ground-breaking possibilities; and therefore as something with which thinkers, across otherwise largely opposed traditions, have come to be centrally preoccupied.

Given the somewhat antagonistic normative and political outlooks that exist between management thought on the one hand and Autonomist Marxism and Critical Management Studies on the other, the emergence of co-creation as a shared, though also disputed and undecided, concept through which a whole new mode of value creation has come to be expressed, is already in and of itself of such interest that it merits further interrogation and examination.

However, the emergence and widespread appeal of co-creation across practical and theoretical contexts also seems to carry with it a number of more general issues, concerns and themes which are currently still undetermined and open for further developments, and therefore neither clarified to any further extent nor comprehensively accounted for. While businesses at present experiment with co-creation in a major way, and while strong hopes are invested in co-creation as a new silver bullet, there are at present no clear-cut guidelines and unambiguous formulas as to how organizations can be successful in utilizing this new outside reference that has become indispensable for the creation of value (Promise/LSE Enterprise 2009). While the already existing literature, critical as well as non-critical, presents various kinds of answers regarding what co-creation is and how it challenges previous understandings of value creation and management, the issue as to what kind of broader transformation is implied by the way in which the outside has surfaced as central to the creation of value at present also seems to be largely unresolved and in need of further clarification. Consequently, co-creation appears as something in which practitioners and scholars from all walks of life have invested strong interests, hopes and aspirations; but at the same time the arrival of

this phenomenon also comes into view with implications that are still largely unsettled and as something with which businesses and scholars still seem to be struggling to come to terms.

Consequently, it is these largely unresolved issues that make up the point of departure for this dissertation's explorations. This is not least the case since such issues have not been explored sufficiently within the already existing literature on co-creation, no matter whether this literature has predominantly viewed co-creation as a contemporary phenomenon (Normann and Ramírez 1993a, 1993b; Prahalad and Ramaswamy 2000, 2003, 2004a, 2004b, 2004c; Vargo and Lusch 2004, 2010; Lusch and Vargo 2006; Berthon et al. 2007; Rowley et al. 2007; Banks and Humphreys 2008; Bonsu and Darmody 2008; Humphreys and Grayson 2008; Payne et al. 2008; Spohrer and Maglio 2008; Vargo et al. 2008; Böhm and Land 2009; Van Dijck and Nieborg 2009; Helm and Jones 2010; Le Ber and Branzei 2010; Ramaswamy and Gouillart 2010a, 2010b; Willmott 2010; Lusch and Webster 2011), or as something that has a preceding history to be accounted for (Ramírez 1999; Arvidsson 2006, 2008, 2009, 2010; Zwick et al. 2008; Cova and Dalli 2009; Ritzer and Jurgenson 2010; Cova et al. 2011). When seen in light of this unresolvedness it becomes pertinent to ponder the contemporary complex phenomenon of co-creation, apparently able to materialize across radically different streams of thought as something that has to be attended to, as something inducing reflection and new directions, and as something urgent in which optimism, hope, and positive expectations (for example Prahalad and Ramaswamy 2004a; Lazzarato 2004; Ramaswamy and Gouillart 2010a) but also reservations and suspicions (for example Zwick et al. 2008; Böhm and Land 2009) are presently invested. Approaching co-creation from this perspective not only entails a meticulous assessment of what the arrival of this phenomenon, across otherwise largely different accounts, appears to carry with it, but entails equally a consideration of what implications it seems to have to embrace the concept of co-creation, not least for our understanding of value creation and management.

It is in light of these important and still largely unresolved issues that the present dissertation poses the first of two sets of research questions, which are at the same

time supposed to be relatively simple and yet carry with them implications of a more general kind:

— How is it possible for co-creation to surface as a mutual concern with divergent inferences and prospects within the literature coming out of the different traditions of Strategic Management Thought, Autonomist Marxism and Critical Management Studies? What exactly characterizes co-creation as a mode of value creation in order for this phenomenon to represent a mutually shared concern for exponents of these different traditions? Which transformations and implications does the advent of a prevalent and transverse attention to co-creation seem to convey when regarded in light of the history of seminal conceptions of value creation?

However, to inquire adequately into the common concern with co-creation against the backdrop of the way in which value creation has hitherto been delimited also requires special attention to a number of the key characteristics of this phenomenon which are voiced by the exponents of the three traditions themselves. Thus, when scholars coming out of Critical Management Studies claim that a new “hidden abode” (Böhm and Land 2009) has emerged outside of established organizations, by implication this would involve an occurrence that has become possible through a specific historical transformation at which juncture new modes of management, reaching beyond the confines of organizations and tapping into productive user-communities, have come to play a key role (Zwick et al. 2008; Willmott 2010). Similarly, as protagonists of Autonomist Marxism, Hardt and Negri (2004) accentuate how value creation in the process of becoming “biopolitical” concurs with a major historical transformation by which the creation of value has come to be reliant on the externalities of the common (Hardt and Negri 2004, 2009), elusive to the territories and assessments traditionally belonging to corporations. Finally, when Ramaswamy and Gouillart (2010a) state that co-creation is closely related to a movement in which the creation of value is democratized and decentralized beyond the boundaries of the organization, they are not only expanding the question of value creation to a “ecosystem” of interactions between corporation, customers, suppliers, partners and employees. By the same token, proponents of Strategic Management Thought are pointing to the arrival of an entirely new situation at which point “the firm-centric view of the

world” (Prahalad and Ramaswamy 2004c: 8) is put into question, presumably with profound consequences not only for the determinations of value creation in general, but for managers as well who have to now establish progressively “an active, explicit, and ongoing dialogue” in order to manage the new externally located producer-consumers (Prahalad and Ramaswamy 2000: 81).

When the present dissertation embarks upon a second set of research questions in order to complement the first, it is therefore with the specific aim of taking into account the historical conditions of possibility for the emergence of co-creation which are to a certain extent already voiced by the literature concerned with this phenomenon. Taking seriously how exponents of the three traditions mentioned either specifically account for or implicitly presuppose: a major historical transition with the arrival of co-creation, a solid rapport between this phenomenon and the revaluation of the outside of organizations, and new challenges related to managing value creation with regard to this outside, the second set of research questions consequently inquires:

— How, why and in relation to what could co-creation emerge as a specific mode of value creation which is currently the object of common but differing concerns? What kind of historical transformations has been paving the way for the advent of co-creation as a common yet heterogeneous concern combining questions about value creation in general and the revaluation of the outside in particular? And how has the arrival of co-creation, discernibly merging the topic of the outside of organizations with value creation, presented problems for the management of these matters?

The reason why it becomes important to pose these two series of questions in relation to one another is not only that in conjunction – and from a historical point of view – they make it possible to shed new light on a significant contemporary phenomenon that has drawn wide attention within contemporary business life and various kinds of scholarship from the more instructive to the more critical. Just as importantly, inquiring into co-creation and the way in which this phenomenon appears to be capable of gathering the apparently disparate and different, it also becomes possible to explore the arrival of this phenomenon in light of historically changing conceptions of value creation and management at a more general level. The importance of such an inquiry - seen from the contemporary as well as the



historical point of view - is closely connected to the unresolved concern as to how something outside established organizations could come into view as a matter of concern that at one and the same time presented a challenge and held out a promise for the way in which value could be created.

Thus, by way of exploring the set of research questions presented above, the dissertation ventures to excavate a stratum beneath and behind contemporary differences about how co-creation is to be understood. By doing so, the aim is to inquire into the contemporary, wide-spread appeal of the notion of co-creation through a historical investigation which aspires to take stock of what the arrival of this phenomenon signals in a broader way than has previously been accounted for by the existent literature (Normann and Ramírez 1993a, 1993b; Ramírez 1999; Prahalad and Ramaswamy 2000, 2003, 2004a, 2004b, 2004c; Vargo and Lusch 2004, 2010; Arvidsson 2006, 2008, 2009, 2010; Lusch and Vargo 2006; Berthon et al. 2007; Rowley et al. 2007; Banks and Humphreys 2008; Bonsu and Darmody 2008; Humphreys and Grayson 2008; Payne et al. 2008; Spohrer and Maglio 2008; Vargo et al. 2008; Zwick et al. 2008; Böhm and Land 2009; Cova and Dalli 2009; Van Dijck and Nieborg 2009; Helm and Jones 2010; Le Ber and Branzei 2010; Ramaswamy and Gouillart 2010a, 2010b; Ritzer and Jurgenson 2010; Willmott 2010; Lusch and Webster 2011; Cova et al. 2011).

The attempt to answer research questions with ambitions of this kind makes it essential that the dissertation enacts a mode of analysis that is able to satisfy at least three principal requirements. Accordingly, the proposed study on co-creation first of all necessitates a mode of analysis that is capable of identifying, articulating and making explicit how and in what ways exponents of various traditions or schools of thought more or less concurrently begin to relate to and inquire into the same issue, but apparently with profoundly different goals, expectations and aspirations. Secondly, the aspiration to analyze how and through what co-creation has emerged historically also requires a particular mode of analysis that is capable of bringing together previous and alternative conceptions of value creation, the outside as a point in question, and challenges to management, yet without doing so on a level of analysis that is different from and incomparable with the level of exposition characterizing the configuration or constellation identified within and across the

respective traditions. Finally, in light of the different normative propensities or predilections respectively implied, pursued or sought out by the different ways in which co-creation is presented by the proponents of the respective traditions, it becomes necessary as well to enact a mode of analysis capable of making explicit the implied forms of normativity invested in the respective accounts of co-creation, in such a way that the implicit prescriptions can be assessed on an equal footing and without forcing the dissertation at the outset to identify with, to speak for, or to be subsumed under any of the investigated interpretations.

Consequently, the dissertation is in need of a mode of analysis that is not only capable of bringing the different accounts of co-creation into contact with one another with the aim of identifying their mutuality and, on the same level of exposition, weaving such accounts together with previous conceptions of value creation, the outside and management, but which is also apposite to investigate co-creation as a contemporary phenomenon, that is, so to speak, beyond good and evil. Not in the sense that the normative propensities invested in the phenomenon should be disregarded, but in the sense that the analysis should attempt to remain neutral to the specific prescriptive inclinations invested in the respective accounts of co-creation in order to arrive at a more encompassing level where it becomes possible to assess what the arrival of this phenomenon, in all its complexity, also carries with it and seems to imply. It is this mode of analysis that the dissertation finds the groundwork for in what Michel Foucault throughout the latter part of his life referred to as analyzing “problematizations”. Referring to this notion, Foucault gave a retrospective account of a mode of analysis that he seemingly had been working with already in his early work, which clearly served him as a tool in his later studies, and which also appears to be apposite for the present study of co-creation.

However, as becomes apparent in the following sections of this introduction, analyzing what difference the arrival of co-creation introduces in relation to yesterday, to use a phrase from Foucault (2007c: 99), does not only entail a reconstruction of what is from now on designated *the historical problematization analysis*. The questions that the dissertation poses using this mode of analysis also imply a specific positioning in relation to the already existing literature on co-creation which, given the fact that parts of this literature also make up the empirical

material of the dissertation, is presented after the analytical framework has been introduced. In the final section of this introduction, the dissertation's overall argument, exposition and outline is presented.

As a final point, the remaining sections in the introduction are also supposed to expand upon and clarify what it means to ask the two sets of posed research questions respectively, from the chosen analytical point of view, from the point of view of the existent literature and current research on the topic of co-creation, and finally with regard to how the argument of the dissertation proceeds. The aim of the introduction is therefore also to clarify and specify successively and cumulatively the research questions already posed above.

### **Historical problematization analysis**

Given that the dissertation employs Foucault's notion of "problematization" as part of an analytical approach which makes it possible to address how dissimilar traditions, at the same time, can share the same object but with different aspirations, this mode of inquiry involves a number of the same questions raised by Foucault in a series of lectures held in 1983 on the problematization of *parresia* in Antiquity:

What I tried to do from the beginning was to analyse the process of 'problematization' - which means: how and why certain things (behaviour, phenomena, processes) became a *problem*. Why, for example, certain forms of behaviour were characterized and classified as 'madness' while other similar forms were completely neglected at a given historical moment; the same thing for crime and delinquency, the same question of the problematization of sexuality.

Some people have interpreted this type of analysis as a form of "historical idealism", but I think that such an analysis is completely different. For when I say that I am studying the "problematization" of madness, crime, or sexuality, it is not a way of denying the reality of such phenomena. On the contrary, I have tried to show that it was precisely some real existent in the world which was the target of social regulation at a given moment. The question I raise is this one: How and why were very different things in the world gathered

together, characterized, analyzed, and treated as, for example, ‘mental illness’? What are the elements which are relevant for a given ‘problematization’? And even if I won’t say that what is characterized as ‘schizophrenia’ corresponds to something real in the world, this has nothing to do with idealism. For I think there is a relation between the thing which is problematized and the process of problematization. The problematization is an “answer” to a concrete situation which is real. (Foucault 2001: 171)

Provisionally substituting “co-creation” for “mental illness”, with which Foucault retrospectively exemplified a number of the characteristic features pertaining to the historical analysis of processes of problematization, the application of this mode of inquiry in the present dissertation would entail an analysis that takes into account how and why certain things (such as questions about the relevant conditions of value creation, questions about new modes of management, questions about how productive capacities increasingly became identified as something located outside established organizations) could become a problem to be responded to by proponents of Strategic Management Thought, Autonomist Marxism and Critical Management Studies. Equally, to inquire into co-creation in a manner of resemblance with Foucault’s account of problematizations would also imply asking why certain objects, concepts and topics of economic, organizational, managerial and critical relevance could come to be mobilized, considered and categorized as being of importance for problems concerning value creation. And in agreement with Foucault’s avowal, this mode of inquiry would not refute the “reality” of co-creation, in spite of the fact that the problematization analysis patently presumes it to be a phenomenon of genuine and dateable historical emergence, that the phenomenon is seemingly gathered together from diverse materials before it is treated as something explicit, and that referents of co-creation are contested and therefore not immediately coinciding. Even if co-creation, in accord with schizophrenia as a mental illness, does not correspond to something real in the world, this would not mean that the phenomenon could be reduced to a plane of existence that was ultimately dependent only on mental representations, conceptual delineations or scholarly dispute, that is, “a formal system that has only reference to itself” (Foucault 1997e: 117). According to the historical problematization analysis sporadically outlined by Foucault, co-creation would instead come into

view precisely as a specific “answer” to a concrete situation that is real, and the key question would be to ask exactly what the relevant elements constituting the problematizations are in which co-creation emerges as an answer.

Hence, inserting the question about the elements of co-creation within a specific constellation between the various existent problems and responses to the problematization of the phenomenon signals that the prospect of the historical problematization analysis is to account for how unlike traditions of thought, at the same time, can exhibit a shared concern in co-creation, with aspirations that are unlike in both content and perspective. However, in order to specify more precisely how this mutual interest exercised differently by exponents of Strategic Management Thought, Autonomist Marxism and Critical Management Studies surfaces from the analysis of the processes of problematization, the dissertation would also have to take into consideration several comments given by Foucault in two very similar interviews, from November 1983 and May 1984. Hence, in answering his interlocutors by explaining what he had meant by a “history of problematics” (Foucault 1996a: 421, 1997e: 117), Foucault contends that the aim of a historical analysis of this kind was principally to revive “what has made possible the transformations of the difficulties and obstacles of a practice into a general problem for which one proposes diverse solutions” (Foucault 1996a: 421). Yet in this context he also sheds light on how the analysis of problematizations would consider the differences which emerge frequently amongst purported solutions and identified problems:

Actually, for a domain of action, a behavior, to enter the field of thought [i.e. problematization], it is necessary for a certain number of factors to have made it uncertain, to have it lose its familiarity, or to have provoked a certain number of difficulties around it. These elements result from social, economic, or political processes. But here their only role is that of instigation. They can exist and perform their action for a very long time, before there is effective problematization by thought. And when thought intervenes, it doesn't assume a unique form that is the direct result or the necessary expression of these difficulties; it is an original or specific response – often taking many forms, sometimes even contradictory in its different aspects – to these difficulties, which are defined for it by a situation or a context, and which hold true as a

possible question. [...] To one single set of difficulties, several responses can be made. And most of the time different responses are actually proposed. But what has to be understood is what makes them simultaneously possible: it is the point in which their *simultaneity* is rooted; it is the soil that can nourish them in all their diversity and sometimes in spite of their contradictions. (Foucault 1997e: 117-18)

It is exactly in this important facet of Foucault's notion of problematization that this dissertation finds its principal analytical inspiration for the elucidation of co-creation as an object of simultaneous, conjoint and yet divergent concern for the exponents of the three traditions mentioned. The task is therefore

to rediscover at the root of these diverse solutions the problematization that has made them possible – even in their very opposition; or what has made possible the transformation of the difficulties and obstacles into a general problem for which one proposes diverse practical solutions. (Foucault 1996a: 421)

The task of the analysis is therefore to discern what the common elements are in the assorted determinations of co-creation when this phenomenon is regarded not only as “an “answer” to a concrete situation which is real” (Foucault 2001: 171), but also as an actual answer in which a range of emerging concerns, lurking difficulties, identified problems, specific responses and instructive solutions are drawn together in a particular constellation, which is the problematization of the given matter of concern. From the analytical point of view, it is then “the problematization that responds to these difficulties, but by doing something quite other than expressing them or manifesting them” (Foucault 1997e: 118). As a certain kind of answer to a matter of concern, the problematization is the development that in close connection with the said difficulties and problems “develops the conditions in which possible responses can be given” and “defines the elements that will constitute what the different solutions attempt to respond to” (*ibid.*). In other words, the “point of problematization” and the question which the analysis inquires into is the “transformation of a group of obstacles and difficulties into problems to which the diverse solutions will attempt to produce a response” (*ibid.*).

It is in a similar way that this dissertation scrutinizes how co-creation has surfaced today across a range of different traditions, each of them reflecting upon the phenomenon as a specific answer to the problem of how value is, or ought to be, created. In spite of their differences, in spite of their diverse understandings of the phenomenon of co-creation, the differing answers appear as a way in which the conditions of value creation are presently rearticulated, and thereby also as specific answers that show up persistently and induce further reflection in particular directions. Equally, it is in light of the persistency with which this answer occurs today - and in light of the ever more prevalent articulation of co-creation as a vocabulary of components which are neither completely ingrained or determined nor entirely haphazard but rather appear to be characterized by a certain family resemblance - that the dissertation finds it necessary to inquire into why this phenomenon continually seems to emerge, and what the utilization of this vocabulary of problematization across heterogeneous and otherwise incompatible streams of thought seems to bear with it. As such, a basic question that presents itself in light of the historical problematization analysis as the chosen mode of inquiry becomes: What is it that is happening right now with the intricate arrival of the phenomenon of co-creation as an “answer”?

Accordingly, it is with the ambition to inquire into ongoing or still arriving answers of this kind that the dissertation reconstructs a mode of analysis that works not only to identify how the various accounts of co-creation “in all their diversity and sometimes in spite of their contradictions” (Foucault 1996a: 421) have been assembled in specific sequences of concerns, difficulties, responses and solutions in association with this phenomenon, but also to make explicit by what kind of mutually shared components these problematization successions are linked together and arranged in specific constellations.

While the above excerpts of the late Foucault’s reflections on what he sporadically referred to as “the history of *problematizations*” (Foucault 2007e: 141) and their interpretation in the context of examining co-creation provide several key features of relevance to the historical problematization analysis under construction in the present dissertation, they also point to the conditions under which it is necessary to introduce this mode of inquiry by way of inventive paraphrasing. Since Foucault

never gave any comprehensive or systematic presentation of the contours and characterizations of the history of problematizations, the mobilization of this mode of analysis in the context of the dissertation is dependent upon the piecing together of statements scattered throughout Foucault's work. Regarding the piecing together of the analytical categories that make up this mode of analysis, it is therefore important to take note that even though the reconstruction put forward here draws extensively upon - and remains indebted to - Foucault's work, its primary concern is not to be faithful to Foucault (whatever that might imply). This is not to suggest that one can more or less pick out at random whatever is found to be useful in Foucault's work and, in so doing, totally disregard the way in which he characterizes and utilizes his analytical terms. It is rather to suggest that such terms are never presented as clear-cut methodological categories to be followed, that the categories continually remain 'under construction' throughout Foucault's work, and that they are seldom presented and discussed as something that should be abstracted from the concrete analysis within which they are developed (Foucault 2002d: 240, see also 1992: 10-13, 1998a: 92-102, 2001: 171-173, 2007a: 2-4, 116-118, 2007b: 55-65, 2007d: 115-118, 2007e: 136-142).

Consequently, the criterion through which the reconstruction carried out here finds its relevance is in a certain way only partly grounded with reference to Foucault's work and to how he specifically uses and alters the term *problematization* (Foucault 1992: 10-13, 1996a: 418-421, 1996b: 456-457, 1997e: 114-119, 1997g: 256, 2001: 74, 171-173, 2007d: 115-118, 2007e: 136-142). Likewise, this dissertation can only find partial support in later receptions, discussions and further developments of the historical problematization analysis (Castel 1994; Rabinow 1997: xxxvi; O'Leary 2010; Lemke 2011a; Borch 2012; Gudmand-Høyer, forthcoming), because the relevance of the reconstruction carried out here has to be established first of all by the way in which the historical problematization analysis can provide a framework through which it becomes possible to analyze co-creation. The reconstruction put forward therefore seeks to systematize and tie together a range of more or less heuristic recommendations and guidelines given by Foucault on different occasions, with the aim of developing a specific analytical framework through which it becomes possible to explore what the arrival of co-creation signals, what implications it has, and how it has come into being.



While the scope of the analytical framework in a number of respects can only be assessed and fully evaluated in light of the dissertation as a whole, it is nevertheless possible to formulate a number of key implications which are, with reference to Foucault's formulations, important to recognize in regards to how this mode of analysis is undertaken. Accordingly, it is on these conditions that a number of key points pertaining to the reconstructed historical problematization analysis are presented below, primarily with reference to Foucault's scarce comments on the subject matter and only secondarily to other developments (especially O'Leary 2010; Borch 2012; Gudmand-Høyer, forthcoming) of this mode of analyzing contemporary concerns in light of the history of their problematizations. In addition to the requirements of the mode of inquiry already hinted at above - that is, first, the analytical possibility of accounting for the simultaneity in different problematizations of the phenomenon of co-creation, and, second, the prospects of investigating on the same level of analytical exposition how related or similar matters of concern were previously problematized - the following presentation of the important heuristic implications in the chosen mode of inquiry also considers a third analytical prerequisite regarding the question about the implied normativity in interrelating problems and responses in a certain way.

*Heuristic implications of the historical problematization analysis*

*First of all, the object of analysis is neither the problems nor their solutions themselves but the process of problematization in which the former two occur and interconnect in specific ways. This proposition does not mean that the notion of a problem is not central to the problematization analysis (Foucault 2007e: 141), or that commonsensical understandings of the word are irrelevant to the context (see Gudmand-Høyer, forthcoming: 40-41). According to a commonsense understanding, a problem can be a thing or an object, a person or a group, a process, a way of being, a fact, an institution, a lack of something, a cause or a consequence of something that presents a certain difficulty towards which some kind of action is to be initiated. And for the problem to be a problem, it obviously has to be so in relation to something or someone to whom it appears as a problem in a more or less intense way. For that reason, a problem is conceived here as something which is yet unresolved and therefore in need of a solution, that is, the*

problem is conceivable as an obstacle towards which an action will have to be initiated – an action which is successful to the extent that its immediate effect is the disappearance of the problem (see Deleuze 1994: 158).

Yet, when analyzing problematizations one is not aiming to solve a specific problem, neither is one interested in assessing the extent to which a particular solution to a problem actually solves the problem, thereby making it disappear. As maintained by Foucault, what comes into view when one analyzes problematizations is rather a particular “relation between the thing which is problematized and the process of problematization”, or a relation that is also “an ‘answer’ to a concrete situation which is real” (Foucault 2001: 172, 1996a: 421). In this respect, the genuine object of analysis is therefore the very process in which something presenting a certain difficulty or concern comes to be taken up as a problem in various ways and toward which a number of responses and solutions are formulated. What the analysis asks of this object, also designated “the process of problematization” (see Foucault 2001: 171), is then how but also why do certain issues relating to the creation of value, to new democratized and decentralized modes of production, to forms of management reaching beyond the confines of established organizations, begin to be addressed as problems in need of varying kinds of responses? In other words, a central question to ask of the object of analysis becomes: what are “the elements which are relevant for a given problematization” (Foucault 2001: 172)?

It is therefore important to stress that in addition to the commonsensical understanding, the problem in the context of historical problematization analysis is also to be regarded as something that comes about and begins to stand out in relation to something other than itself. It is something that under a set of more or less contingent circumstances emerges within or across a set of practices, where it makes itself felt in the sense that its appearance presents a difficulty and an obstacle in relation to upholding and continuing with what had previously been done (Foucault 2001: 74). In this sense, the problem as such is neither good nor bad. It is simply something one finds it apposite to relate to and take into consideration. As such, a specific kind of problem might appear within and in relation to a certain way of conceptualizing value creation, to a specific reflection upon the way in which the mode of organization leading to its creation ought to be altered, to

pointing out how changing conditions for the creation of value necessitate new modes of management, or to maintaining that such changed conditions contain a yet unrealized but ground-shaking potential for a new social order. In light of the historical problematization analysis, the arrival of a problem destabilizes and questions what had - up until the arrival of the problem - been the more or less self-evident conditions for thinking, acting and being (Foucault 2007e: 141-142). The arrival of the problem regarded from this point of view is thus detectable through the way in which it gives rise to reflection, discussion, contestations and debates about possible or adequate responses. Since the genuine object of analysis is interrelated with the elements relevant for a given “problematization”, the problem is therefore not equal to the starting point of any straightforward practical solution; instead the problem surfaces as the “instigation” (Foucault 1997e: 118) of a whole development of interrelations between various difficulties, concerns, reflections, responses and solutions to be analyzed.

An important implication of an analytical object along these lines is that the present dissertation is not first and foremost concerned with whether and to what extent problems identified are real, merely imagined, or pseudo-problems to be ignored. Neither is it primarily concerned with whether and to what extent proposed solutions actually solve or respond to problems in an adequate way. Furthermore, the analysis itself is not aimed at solving the problems perceived, or prescribing the necessary interventions needed according to which such problems would go away or disappear (see Foucault 1991c: 84, 2002d: 288). Rather, what comes to be analytically central is the fact that something has emerged as a problem and that specific attempts, mobilizing various kinds of resources, are made at countering or solving the problem at hand. Hence, by attending to the complex object of a problematization, including the elements comprised within it, the analysis aspires to make intelligible the process through which such a problematization embracing specific problem-response-constellations could come into being in all its complexity. In the specific context of the inquiry undertaken this entails, for instance, analyzing how and in what way the ‘firm-centric’ view of the world came to pose a problem for the creation of value, including taking into account the way in which a range of elements came to be rearticulated and reassembled, thereby providing the conditions through which co-creation could

eventually come into view as a perceivably adequate or necessary response capable of displacing the firm as the central locus of value creation.

*Second*, what is closely related to an object of analysis along these lines is the specific *level of exposition* to which the historical problematization analysis attends (see Gudmand-Høyer, forthcoming 2012: 62-65). Accordingly, the analytical task is not to disclose and record each and every instance of concern, difficulty, solution and response conceivably present in the variety of assertions considered in regards to co-creation. Rather, the task is to scrutinize the assertions comprised in the assortment of materials, which frequently work on different levels of abstraction, as well as with diverse targets and aspirations, in order to discern how a given account of a phenomenon such as co-creation tends to advance the specific type of “answer” that interrelates problems and responses in a certain fashion. Even if this latter approach depends to some extent upon the former, the level upon which this mode of analysis aims to expose the contents of the material studied represents a reduction, or rather an abstraction, by which the assertions are construed in order to exteriorize a particular rapport between their immediate contents and the potential difficulties, problems, responses or solutions that make it relevant to introduce the material in a given context at a given time and with a given purpose.

For that reason, the aim of the analysis could also be regarded as an attempt to convert all the assertions dealt with into a cluster of coordinates dispersed by the rapports existing between the problems, the responses and the given matter of concern. By implication, what the problematization analysis attempts to expound could then be conceived of as a kind of lateral vocabulary that is neither determining what is to be conveyed about the matter of concern nor merely expressing what it is that is of concern. Rather, the specific level of exposition that the problematization analysis aspires to reach and elucidate is the *simultaneous vocabulary* that is somehow co-coordinated with or is laterally present in most assertions that either explicitly or implicitly find it relevant to address something of concern.

To illustrate, it is on this level that exponents of Strategic Management Thought addressing co-creation become an object for problematization analysis insofar as they criticize the firm-centric view of the world as a problem and purport as a solution the necessity of establishing various kinds of relations with external,

creative producer-consumers in order to further value creation (see Prahalad and Ramaswamy 2004b; Ramaswamy and Gouillart 2010a). Equally, it is on this same level of exposition that the problematization analysis attends to how proponents of Autonomous Marxism conceive of how “singularities acting in common” (Hardt and Negri 2004: 204) rise as a new commons-based mode of value creation that is irreducible to corporate interests and points to the possibility of establishing new relations beyond exploitation (Hardt and Negri 2000: 410) Finally, it is also by attending to this expositional level of analysis that such statements can be brought together with thinkers from Critical Management Studies, challenging the “unapologetically under socialized” (Le Ber and Branzei 2010: 599) resource-based view when they point to how the mobilization of thinkers ranging from Marxism, Feminism and Environmentalism enables the establishment of a new theoretical scheme that can be mobilized in order to advance an alternative and more socialized mode of value creation taking into account what Le Ber and Branzei (2010) designate as the intended beneficiary in cross-sector value creation partnerships. Finally, it is the transversality pertaining to this level of exposition that makes it analytically relevant to compare what is mutually common in assertions ranging from how companies ought to conduct themselves, to how exploitation might be ended, and how otherwise neglected beneficiaries can be given a more prominent role in cross-sector value creation partnerships. These assertions can all be analyzed at the same level, in spite of the fact that such statements at first sight might appear incommensurable and seemingly concerned with non-related problem-response constellations.

*Third*, the particular problem-response constellation pertaining to the problematization entails a *circuitous imperative dimension*. As emphasized by Borch (2012: 7-8) in his short outline of the problematization analysis concerned with the sociological history of the “crowd problem”, it would be rare to observe any instance of problematization that was not in one way or the other infused or supported by “something like an imperative discourse” (see Foucault 2007a: 3). As in Borch’s case, this circumstance could be described as the tendency of the problematization of something to always involve an explicit or implicit articulation of a preferred solution to the related problem, particularly if it is suggested how to deal practically with the problem at hand. In light of the object of analysis and the

level of exposition accounted for above, this circuitous imperative dimension could also be depicted less overtly as the particular directions which are implied when certain kinds of problems and certain kinds of responses are arranged in a particular manner. Advancing a specific type of “answer” in relation to a matter of concern would in this case imply that the coordinates established by the interrelations between potential difficulties, problems, responses or solutions can also be described as a particular set of vectors which would rather point the attention to the matter of concern in one direction as opposed to another.

While the circuitous imperative, or the convoluted “ought to”, inhabiting the problem-response constellations in this manner is likely to be indirect, concealed or even negative in numerous instances of the problematization activity, it would nevertheless be analytically discernible through the ways in which a particular field of concern are put forward at the expense of others of a principally similar kind. Compatibly, both the start and the end points of the circuitous imperatives could often be as different as in the examples given above: they could relate to the rewarding conduct of companies or to liberation and the end of exploitation, or they could merely point to a detailed problem within a larger framework of interest, or simply warn against a very specific effect in connection to a given solution. Yet in the context of the historical problematization analysis, these roundabout imperatives would still represent a special kind of instance of normative injunction by way of which it is possible not only to tell various problematizations apart in view of the specific coordinates organizing them, but at times to also identify an additional mutuality between them when the established vectors of problem-response, in one way or another, appear to point in a similar direction.

To finish, it is by taking these injunctions into consideration, although only expediently and not systematically, that the historical problematization analysis concomitantly makes it possible to confirm and explore implicit or explicit prescriptions regularly emerging in relation to the different problematizations of value creation through the notion of co-creation, and to place the analysis in a position from whence it is possible to describe normative injunctions without subjugating to one or the other.

*Forth*, the historical analysis of a problematization *entails further problematizations*. While problematization is the most basic and foundational element

to which the analysis attends it is important to note that a problematization, at the same time, can be conceived of as being more or less encompassing, making it difficult at the outset to account for its spatial and temporary extension. Furthermore, one problematization can be tied in with another, and with a third, and with a fourth, and so on. As an outcome hereof, partial and local problematizations can come together to form a more complex problematization. Since such variability and interrelation exists, the dissertation utilizes the term problematization in the singular as well as in the plural. So, for instance, when it is said that value creation is problematized, across otherwise separate traditions, through the concept of co-creation this problematization can be seen at the same time to be made up of other problematizations.

For instance, when different scholars of co-creation can agree that something outside established organizations has come into view today as being central for the creation of value, it becomes necessary to inquire into how this outside-reference could emerge as something of major significance. In the dissertation, this entails attending to how from the early twentieth century something outside established organizations had already come to pose central problems for management thought towards which specific responses were made. By analyzing how this outside-reference has become central today to the way in which value creation is problematized through co-creation, the inquiry is for that reason led to other problematizations that feed into and show up as relevant for something that otherwise allegedly is stated as being of a recent date. In this way, different and partial problematizations from the early twentieth century, comprising more or less limited series of problems and responses, come to be tied together with the overall investigation of co-creation.

In spite of this variability, the historical problematization analysis rests on the assumption that it is empirically possible to identify a certain family resemblance between, on the one hand, the overall or inclusive problematization being analyzed in the singular in relation to a specific matter of concern and, on the other hand, the plurality of problematizations which are at the same time contributing to the singularity in various ways but differ from it since these problematizations are also occupied with other matters of concern. That this presumably indefinable family resemblance – which could also be characterized as a recurrent pattern or a

particular order in the constellation between problems and responses with reference to certain issues – is only empirically discernible implies the unfeasibility of defining in apriority where or how to find the semblances between the singular problematization and the problematizations in plural.

*Fifth*, the mode of analysis does not uncover the origin of a problem but instead *how things are problematized anew*. Explaining in an interview from 1981 how his general analytic concern had been “the history of *problematizations*, that is, the history of the way in which things become a problem”, Foucault also emphasized how this difference should be understood, once again addressing his history of madness:

How, why and in what exact way, does madness become a problem in the modern world, and why has it become an important one? It is such an important problem that a number of things, for example, psychoanalysis (and God knows how much it is spread throughout our entire culture) take off from a problem which is absolutely contained within the relationships that one could have with madness. No, you know, it's the history of these problems. *In what new way* did illness become a problem; illness which was obviously always a problem. But, it seems to me, that there is a new way of problematizing illness starting with the 18<sup>th</sup> and 19<sup>th</sup> centuries. (Foucault 2007e: 141, emphasis added)

On this note, it also becomes important for the present dissertation to clarify a central issue concerning the historical dimension of the mode of analysis it employs. Since it is not unreasonable to infer that value and the conditions under which it was created has, in ways not unlike illness, always posed a problem, the relevant criterion is rather in what *new way* value creation has come to be problematized. This does not necessarily imply that the line separating one problematization from another is always clear-cut and unambiguous. The arrival of a new problematization might both be discernible from previous problematizations and draw in completely new elements; yet it might also carry with it elements from former problematizations that it draws upon, implicitly or explicitly, in the way in which it rearticulates the problem of value creation and elaborates new guidelines according to which it can be adequately handled. As suggested by Foucault in direct



continuation of the above, it is therefore “the genealogy of problems” that are of interest here in the sense that new ways of problematizing emanate from a family tree of affiliated problematizations, and beg the questions: “Why a problem and why such a kind of problem, why a certain way of problematizing appears at a given point in time” (*ibid.*).

In the context of the dissertation, this implies, for instance, that when contemporary proponents of co-creation problematize not only the conditions under which value is created today, but also previously dominant conceptions of value creation, they do so by re-actualizing a specific value creation framework from the eighteenth century, according to which the creation of value was conceived as emanating from some kind of productive activity. While this early production-based view of value creation was problematized by economics from the end of the nineteenth century, a productive-based outlook of value creation has nevertheless resurfaced today (though often only implicitly) as central for scholars of co-creation.

*Sixth*, the mode of analysis does not concern the history of ideas or behavior, but *the history of thought*. When analyzing problematizations and the historical processes through which they occur, it is important not to confuse this particular mode of study with related, and yet different, approaches such as the history of ideas and the history of mentalities (Foucault 1996a: 420). While the history of ideas is primarily concerned with tracing the birth of a particular notion, following its historical development, and situating it in relation to the wider conceptual network within which it is developed, the history of mentalities for its part studies the actual behavior and attitudes of people (Foucault 1996a: 420-421). In contrast to both of these approaches, the history of problematizations neither fixes its attention on ideas as such, nor on actual behavior or attitudes. Instead, the analysis simply charts how, under what circumstances, and in relation to which processes something begins to take on the character of a *problem*. In this sense, its point of reference is not reality as such, whether in the form of real behavior or real attitudes, nor their mode of appearance in sociological, economical or psychological representations.

Equally, the present analysis does not attend to how value creation or the management of this is or has been actually organized within real-life organizations,

just as it does not seek to assess the representational worth or adequacy of specific previous or contemporary accounts of such matters. Rather, the analysis attends to “the specific work of thought” (Foucault 1997e: 118), that is, to the “level of reflection” (Foucault 2008: 2) at which such matters come into view as something urgent, as something inducing reflection, as something presenting obstacles and possibilities to which thought responds. Put differently, the way in which something comes to take on the appearance of a problem is through what Foucault refers to as “thought” understood as a “form of action” (Foucault 1997f: 201). Accordingly, thought is not merely something passive that represents, mirrors or expresses reality in a secondary or inferior way, it is rather something that intervenes in the world, raises issues, gives rise to concerns of various kinds, and therefore is also of central importance for the way in which specific problem-response constellations come to appear and to be taken up. In spite of the fact that thought is always situated within specific political, social and economic contexts that are not irrelevant to its specific interventions, thought nevertheless has an “irreducibility” (Foucault 1997f: 201) to it that cannot be reduced to such contexts. The historical problematization analysis is therefore centrally preoccupied with this layer at which “specific events of thought” (*ibid.*) are situated, because it is through attending to the “specific work of thought” and to the events that constitute it (Foucault 1997e: 118) that it becomes possible to give an account of how, why and under what circumstances specific problematizations emerge. While such events of thought are obviously different from “the invention of a steam engine, or an epidemic”, they nevertheless belong to history just as much as these other kinds of events. (Foucault 2002d: 277).

It is also in this sense that the dissertation is not concerned with how co-creation is organized in a supposedly more real organization or real user-community, just as it is not concerned with the representational worth or validity of a specific theory about how value is or ought to be created through a co-creation-approach. This is not because such studies are irrelevant, unimportant or uninformative, it is rather because the mode of analysis mobilized here takes stock of the fact *that* co-creation has come into view as a widespread and multifaceted phenomenon, the conditions of possibility of which have to be examined through inquiring into the “events of thought” that have made this arrival possible.

Although the analysis does not take ideas or behaviors as its direct object of investigation, it must be emphasized that the process of problematization is not viewed as totally separate from them either, given the fact that a particular problematization will always be dependent upon and is articulated through “our knowledge, ideas, theories, techniques, social relations and economic processes” (Foucault 1996a: 418). The analysis therefore relates to and takes these into account to the extent that they are relevant to the problematization to which the analysis attends. Because of this, the analysis passes through and takes up material that also belongs to the history of ideas and the history of mentalities, but it always does so from the specific angle of a concrete problem which it seeks to make intelligible.

*Seventh*, historical problematization analysis does not entail a historical account for its own sake but *a history of the present, the actual*. In spite of the fact that the analysis explicitly denotes the historical as its dimension of investigation, its point of departure and primary concern is not history per se. Its preoccupation with history rather springs from a concern with the present (Foucault 1991a: 31), from a concern with our present day actuality and the way in which this actuality marks out a horizon of experiences that we share and are immersed in. As such, the basic question the analysis starts out with is: what are we right now? What is it that is happening right now that has important implications for how we think of and relate to ourselves? This concern with what is happening, however, “is not so much inhabited by the desire to know how something can happen, always and all over the place; but rather by the desire to guess what is hidden under this exact, floating, mysterious and absolutely simple word: “Today”” (Foucault 2007f: 121-122). The historical problematization analysis is therefore a mode of inquiry that aims at grasping and making visible how something happening today marks and implies a difference in relation to yesterday (Foucault 2007d: 99). Not with the aim of celebrating this ‘current happening’ as the completion or exceptional turning point of a historical trajectory, nor, inversely, of denouncing it as a degeneration of our values or as the unfortunate arrival of a new system of enslavement and exploitation. Rather, the aim is to grasp what is happening today as a singular historical phenomenon that has to be analyzed in all its complexity.

For the dissertation, analyzing the arrival of the phenomenon of co-creation as something that marks out and is distinctive for our actuality entails that it

becomes necessary to attend to history in a certain way. The historical material that comes into view as being of relevance for the analysis is therefore not necessarily in the form of well-established historical facts, but rather the *dispositions* or *tendencies* inherent in the historical material that show up as being relevant for the specific problematization investigated (see Raffnsøe et al. 2008: 345). Hence, just as Foucault's description of Bentham's Panopticon (Foucault 1991a: 200-209) can in no way be said to give a full and adequate representation of Bentham's thought, the same can be said of the way in which the dissertation takes up prominent names within the history of management and economics. Just as Foucault is not aspiring to give a full account of Bentham's thought, but rather to indicate how the conceived outline of the specific architectural device of the Panopticon could be considered a cleansed diagram of a more general, diffuse and prevalent mode of establishing and organizing surveillance, the analysis of the central conditions of possibility for the phenomenon of co-creation also entails highlighting specific aspects of former events of thought that only come into view as being of relevance from the perspective of the history of a specific actuality in the process of taking shape.

It is in this light that Schumpeter's thought, for instance, in the present work comes into view not first and foremost as being of central relevance because of the way in which he depicted the entrepreneur as a vital and heroic figure in economic life, but rather because it is within Schumpeter's thought that specific tendencies of central importance for the surfacing of co-creation begin to become detectable. More specifically, as we will come to see, the way in which Schumpeter's theoretical account gradually slides from the entrepreneur to an 'entrepreneurial function', that is, as something that begins to be depersonalized and socialized, is of central importance for what today is hailed as essential for the co-creation of value.

It is equally in the context of this analytical relationship with the historical that the analysis does not start out with, nor seeks to end up with, a firm theoretical position from which unambiguous judgments can be made, and it is in this sense that the analysis does not aim either to give an account of the phenomenon it investigates as a totalizing object or tendency. The historical problematization analysis endeavors to abstain from the temptation to make grand and all-

encompassing claims on behalf of the object it studies, and instead focuses its attention on partial and local problems. The point is therefore not to detect a general principle or law that everything else owes its existence to or is determined by, nor to claim that nothing else is as important, or has as huge an impact, as the phenomenon the analysis investigates. Instead, the analysis seeks to map the occurrence of a historical and singular experience in all its fragility and complexity.

In this sense, the perspective through which the historical problematization analysis establishes its field of analysis is preoccupied with a contemporary phenomenon which presents us today with certain difficulties and problems to which we try to respond through a wide variety of means. This implies that the analysis starts out with a preliminary charting of a phenomenon which seems urgent in the sense that it constantly reappears and makes itself felt through and across a wide range of practices. It is therefore a kind of analysis that seeks out “a field containing a number of points that are particularly fragile or sensitive at the present time” (Foucault 2007e: 137).

It is through this prism, through this preoccupation with what is happening to us right now, that the historical dimension of the analysis finds its perspective and relevance. More precisely, the analysis investigates the processes through which a certain problematization emerges and begins to make itself felt. The proper object of the analysis is thus the way in which a problematization has been formed and comes into view as being something of central importance today. Since problematizations are always formed through historical processes, the analysis attends to the way in which these processes provides the conditions for the appearance of specific anxieties and questions which at certain historical moments emerge as problems to be attended to, worked through and answered.

A final and complementary point which it is important to make in relation to the historical problematization analysis, as partially and sporadically construed in Foucault’s late work, is the close relationship between this mode of enquiry and a concomitant historical analysis of what he designated as the “the ‘focal points of experience’” (Foucault 2010: 3), or, more precisely, the “the *foyers* of experiences” (O’Leary 2010: 170). While Gudmand-Høyer (forthcoming) has demonstrated how this historical analysis – which correlates both synchronically and diachronically the

particular problematizations with the articulation of “forms of possible knowledge”, “normative frameworks of behavior”, and “potential models of existence for possible subjects” (Foucault 2010: 3) – could very well form a combined mode of enquiry entitled “historical problematization and experience analysis”, the present dissertation engages in a different but related interpretation and utilization of the analytical relationship between the categories of problematization and experience. Instead of directly merging the two categories into one single framework, the historical inquiry into the problematization of value creation through co-creation rather points to how this specific problematization activity in due course became related to the occurrence of a particular historical experience whose general matrix is to a great extent in accordance with O’Leary’s (2010) exposition of the both implicit and explicit ways in which Foucault was addressing experience as a wide-ranging object of analysis.

Reading Foucault “as a philosopher of the historical transformation of experience”, O’Leary (2010: 163) first of all makes the point, which is also significant for the present application of this supplementary analytical category, that Foucault himself seems to use the notion of experience in a manner making allowance for two “general forms” (*ibid.*: 165). On the one hand, experience can thus be taken “to indicate the general forms of thought, perception and practice that characterize a particular area of human life during a particular period” (*ibid.*). In this way, the category points “to the general background forms and structures that, in a general sense, determine, or at least set the parameters for, the everyday experience of people who live in a given period” (*ibid.*). On the other hand, however, O’Leary emphasizes that the notion of experience is also taken “to indicate an exceptional occurrence in the life of an individual (or, sometimes, a culture) which changes the way that individual (or culture) approaches a given area of human life”. Calling this aspect of the category “transformative experience” (*ibid.*: 166), he therefore points to a frame of reference of the notion that, in partial opposition to the everyday experience, has to do with “an exceptional, perhaps unexpected, occurrence from which one emerges in some way changed (*ibid.*: 166).

As also indicated by O’Leary with reference to Foucault’s philosophical work, it is both the identifiable difference between these two general forms *and* the possibility for them to occur simultaneously or concomitantly in relation to a

specific matter of concern that is significant for the particular experience that plays a central part in this dissertation. What is attended to by way of the historical problematization analysis is therefore not merely how a widely shared contemporary experience - which in the dissertation is called an *experience of the outside* - has come into view as a shared background uniting otherwise heterogeneous proponents of co-creation, but also how this experience has come to be born through a long history. Accounting for this history, the dissertation not only shows how value creation has become intimately interlinked with an experience of the outside through a specific and shared co-creation vocabulary, but also how this experience has come to be born through an extended problematization history that is intimately intertwined with specific events of thought pertaining to changing reflective prisms advanced within management theory and economics. By adapting and making creative use of O'Leary's (2010) account of the double-sided nature of the concept of experience, the dissertation shows how the experience of the outside at one and the same time is to be seen as a shared background uniting otherwise disparate contemporary accounts, but at the same time how this experience of the outside has to be understood as a destabilizing matrix that persistently urges to change, transformation and transgressions of various kinds by way of an increasingly accelerated injunction 'to go outside' that at present is forcefully expressed in the co-creation vocabulary.

It is also from this point of view that it becomes relevant to specify that the parallel inquiry into experiences is more precisely designated as the history of "the *foyers* of experiences" (O'Leary 2010: 170). What becomes discernible through the historical problematization analysis is thus equivalent to what O'Leary translates, initially, "with a range of meanings from hearth, home, and place of abode, to refuge, source, and even 'hotbed'", and, finally, as "a 'matrix,' primarily to indicate the conditions that makes possible a whole range of experiences (of both the everyday and the 'limit' varieties)" (O'Leary 2010: 171). Translating a *foyer* of experiences into a matrix of experiences would then refer to "a complex set of conditions that makes possible the experiences that occur, for example, around madness, sexuality, and so on", or, more comprehensively, to "a source of those possible experiences, both making them possible for us and giving us the means with which to understand and interpret them when they occur" (*ibid.*: 171-72). It

was apparently in this sense that Foucault himself was able to maintain that “[t]he experience of madness, the experience of disease, the experience of criminality, and the experience of sexuality” all together represented “important focal points [*foyers*] of experience of our culture” (Foucault 2010: 5). Referring to the exact same collection of already examined experiential matrices, it was probably also with regard to this dual sense of the notion that Foucault could state that what is designated here as the historical problematization analysis is “a matter of analyzing, not behaviors or ideas, nor societies and their ‘ideologies’, but the *problematizations* through which being offers itself to be, necessarily, thought – and the *practices* on the basis of which these problematizations are formed” (Foucault 1992: 11).

### **Empirical material, positioning, and contributions**

In spite of the fact that there are certain overlaps between the empirical material analyzed and the literature to which the dissertation positions itself and presents its contributions, it is nevertheless both possible and useful to consider these three categories separately and consecutively. Consequently, firstly there follows some specification as to the textual-empirical material utilized in the dissertation, including some qualifying remarks regarding exactly why this literature has been chosen. Secondly, the dissertation positions itself by pointing to traditions and works which comprise its immediate context of contribution. Thirdly, this positioning finally paves the ground upon which the specific contributions of the dissertation are set forth.

#### *Primary and additional textual-empirical material*

The empirical material dealt with in the historical problematization analysis carried out in this dissertation first and foremost comprises texts coming out of the traditions of Strategic Management Thought, Autonomist Marxism and Critical Management Studies; these texts comprise the *primary* textual-empirical material of the inquiry. Yet in addition to this material, a wide selection of supplementary and varied textual sources also plays a major role in answering the research questions posed; these latter texts comprise the *additional* empirical material which is made use of in the dissertation.



Accordingly, the literature which relates to Strategic Management Thought that the dissertation takes as its primary empirical material includes early and highly influential texts explicitly attending to co-creation (Normann and Ramírez 1993a, 1993b, 1994; Prahalad and Ramaswamy 2000, 2003, 2004a, 2004b, 2004c; Ramaswamy and Goullart 2010a, 2010b) as well as texts within Strategic Management Thought which are either explicitly discussed within the co-creation literature and/or constitute implicit dialogue partners. This latter group of texts is also characterized by the fact that, within the tradition itself, they are regarded as seminal contributions on which new paradigms have been built. Central among these are: Porter ([1985] 2004), which has given rise to the ‘value chain’-approach; Penrose ([1959] 2009), Wernerfelt (1984), Prahalad and Hamel (1990), comprising central texts upon which the ‘resource-based view’ has been built; and Teece, Pisano and Shuen (1997), which has been a starting point for the ‘dynamic capabilities perspective’.

There are three reasons as to why the literature pertaining to Strategic Management Thought constitutes central and privileged empirical material for the dissertation. First, it is in this literature that reflections on co-creation (Normann and Ramírez 1993a, 1993b, 1994; Prahalad and Ramaswamy 2000, 2003, 2004a, 2004b, 2004c) first began to be set forth and have had a major impact on management thought. While co-creation research also comes out of the tradition of marketing, the growth of this perspective within marketing has to a considerable extent been built with references to or on the foundations laid out by earlier conceptualizations of co-creation within Strategic Management Thought (see for example Vargo and Lusch 2004: 9-10; Grönroos 2008: 303).

Second, Strategic Management Thought, or ‘business policy’ as its early antecedent was designated (Hoskisson et al. 1999), has been *the* discipline aspiring to guide “executive decisions of major importance”, to use Donhams phrase (1922: 1), since its very inception in the first half of the twentieth century, and has been doing so in a manner that has sought to integrate all other disciplines within management thought and business administration (McKiernan 1996, Vol 1: xv; Hoskisson et al. 1999: 418; Ghemawat 2002: 40; Kiechel 2010). The literature with an affiliation to Strategic Management Thought therefore constitutes a central

source by which it becomes possible to attend to how scholars, at the highest integrative and general level within management thought, conceive of the fundamental challenges facing businesses, and how such challenges are to be handled and solved by real life managers and executives. As such, the co-creation literature with an affiliation to Strategic Management Thought also provides a privileged context for considering the reflective prism through which the topos/topology of the outside, in a more general way, has come to surface as a major and overriding concern, that is, as something that it has become imperative for businesses to relate to, inquire into and to harness in one way or the other.

Third, given that value creation throughout the last three decades has been one of the most central concepts within Strategic Management Thought (see Foss and Stieglitz 2010: 3), and in light of the fact that the co-creation literature within this tradition explicitly criticizes previously dominant value creation conceptions, this collection of textual material also represent a highly relevant framework through which a number of interconnections between the two can be distinguished for the analysis.

While the above mentioned texts are assembled and examined from the point of view of the historical problematization analysis, their interrelations and connections are not merely a construct of this mode of inquiry. Rather, connections between these texts are evident from the way in which they explicitly relate to, reflect upon or criticize each other. For instance, the co-creation literature not only explicitly criticizes Porter's (2004) value chain-approach (Norman and Ramírez 1993a, 1993b; Prahalad and Ramaswamy 2004b: 12-14) when setting forth its own contributions, but proponents of the co-creation perspective also utilize, add to and remain in a continued dialogue with the resource-based view (Prahalad and Ramaswamy 2000: 81-82, 2004b: 196-7), of which Prahalad (Prahalad and Hamel 1990) himself had contributed to the development. By implication, it is also an important aspect of the historical problematization analysis to explicate the constellations between diverse responses and problems relating to co-creation by following the lines of connection already articulated in the literature in question. Taken together, this mode of inquiry therefore endeavors to map out the conglomerated network of problem-response connections which are both explicitly and implicitly present in the empirical material concerning the phenomenon of co-

creation. This dual approach is not only the case when analyzing texts from Strategic Management Thought, but also when attending to the literature from Autonomist Marxism and Critical Management Studies, although in ways less directly appreciable.

While literature coming out of Strategic Management Thought comprises a privileged place for considering how management thought, in a more general way, has come to be centrally preoccupied with co-creation, the literature affiliated with the traditions of Autonomist Marxism and Critical Management Studies equally comprises empirical material which is central to the concerns of the dissertation for a number of reasons.

To begin with, the primary empirical material selected from exponents of Autonomist Marxism includes: Michael Hardt and Antonio Negri's *Empire* (2000), *Multitude: War and Democracy in the age of Empire* (2004), and *Commonwealth* (2009). In addition to these seminal books, texts by Maurizio Lazzarato (1996, 2004, 2005, 2006), and Adam Arvidsson (2006, 2008, 2009, 2010), including Arvidsson, Bauwens and Peitersen (2008), are also utilized. Correspondently, the primary empirical material selected from the tradition of Critical Management Studies includes: Jacques 2000; Prichard 2000; Willmott 2010, 2010; Jaros 2007; Humphreys and Grayson 2008; Zwick et al. 2008; Böhm and Land 2009; Van Dijk and Nieborg 2009; Le Ber and Branzei 2010; Prichard and Mir 2010; Reinicke 2010.

There are three reasons for privileging literature coming out of exactly these two traditions. Firstly, Autonomist Marxists, as well as scholars associated with Critical Management Studies, either explicitly utilize the concepts of co-creation (Lazzarato 2004: 197; Le Ber and Branzei 2010: 610), co-production (Böhm and Land 2009: 6), or equivalent terms, such as, for instance, “singularities acting in common” (Hardt and Negri 2004: 204, 348-9), or they criticize previously advanced understandings of value and value creation in ways that bear a more or less direct resemblance to co-creation accounts (Reinecke 2010).

Secondly, a central criterion for selecting literature belonging to Autonomist Marxism and Critical Management Studies is that the normative inclinations of proponents of these two traditions are, if not directly adversarial/opposed to

Strategic Management Thought, then at least severely at odds with the aspirations pursued by exponents of this latter tradition. While Strategic Management Thought aims at offering support, practical advice and new tools to assist business-managers in their strategic planning (see Kiechel 2010), thinkers coming out of the critical traditions aim at completely different objectives. Hence, by way of attending to literature from Strategic Management Thought in conjunction with accounts coming out of Autonomist Marxism and Critical Management Studies, it thereby becomes possible to attend to the phenomenon of co-creation in a broader way than if literature from merely one of these traditions had been taken up to be scrutinized.

Thirdly, and in conjunction with the previous point, in spite of being critical and thereby sharing an oppositional stance towards the aims pursued by proponents of Strategic Management Thought, the traditions of Autonomist Marxism and Critical Management Studies are nevertheless different theoretical perspectives that come out of diverse intellectual and institutional contexts and attend to different kinds of objects and practical-empirical problems. The critical approach effective in the literature coming out of the tradition conventionally designated as 'Autonomist Marxism' – in so far as this school of thought is known to place “at its center the self-activity of the working class” (Witheyford 1994: 85) and from its early historical origins in the 1960s has been associated with “the struggles of Italian workers, students and feminists” (*ibid.*) – has in several of its more contemporary manifestations, including the material analyzed in the dissertation, been concerned predominantly with the changing conditions of value creation in conjunction with grander societal transformations, such as that from modern to post-modern capitalism, or from disciplinary societies to control societies, with a specific emphasis on the alternatives presenting themselves to the creative proletariat of today, that is, the multitude (Hardt and Negri 2000). Thus, a central ambition here has been to construct “concepts for theorizing and acting in and against” contemporary capitalism (Hardt and Negri 2000: xvi). In a different way, the literature situated within Critical Management Studies has as its geographical epicenter the UK, where from the late 1980s and early 1990s it has been rising as a field of study (Fournier and Grey 2000; Parker 2002; Adler et al. 2008). Whereas contemporary Autonomist Marxists have preferred generally a

meta-level critique of capitalism, thinkers coming out of Critical Management Studies question and contest not only the validity of the knowledge generated specifically within management thought, but also the legitimacy of the practice of management (see for example Grey 1996, Parker 2000). Central tenets within Critical Management Studies include its anti-performative stance as well as an aspiration to de-naturalize and provide more reflexive accounts of management (Fournier and Grey 2000). Hence, whereas Autonomist Marxist accounts have battled capitalism more readily, Critical Management Studies - although also being strongly connected to critiques of capitalism in various ways - has first and foremost been centrally preoccupied with explicitly criticizing management in its various forms, even - and perhaps especially - when such forms are presented as liberating, as reversing established hierarchies of power, or as promoting new kinds of equality (see for example Grey 1999).

Consequently, by bringing together empirical textual material from the three diverse intellectual traditions - each intertwined with the pursuit of different theoretical and practical goals but nevertheless all inquiring into how something outside established organizations has come to play a key-role for the way in which value is created - the historical problematization analysis should make it possible to investigate the arrival of co-creation as a phenomenon inhabiting a broader historical transformation. Examining co-creation through this analytical perspective, it therefore becomes possible to attend to a level of investigation, comprising various problem-response constellations, in which theoretical instructions for business managers meet anti-capitalist utopian aspirations and various kinds of critique aimed at management - altogether comprising an extensive and multifarious field for co-creation to surface as a contemporary phenomenon of interest, which can be scrutinized from the point of view of the historical problematization analysis developed in the present dissertation.

In addition to this primary material, the dissertation also makes use of other texts as empirical sources in the pursuit of the set of main questions posed. However, the criterion of selection through which this latter kind of *additional material* comes into view as central for the present exploration is to a wide extent preconditioned by the analysis of the primary empirical material. Given that one of the key features

of the historical problematization analysis is its capability to bring together otherwise different and apparently unrelated sources, the weaving together of additional textual-empirical material with the primary sources is an integrated analytical operation through which the historical problematization analysis approaches the “intelligibility” of the phenomenon it investigates (Foucault 1991c: 77). In respect to this analytical intelligibility, what Foucault is referring to as “a sort of multiplication or pluralization of causes” (*ibid.*) could therefore be regarded, from the point of view of choosing the empirical material for the investigation, as the process in which it becomes required to establish sources which are, in a certain sense, both the precondition for the analysis at hand and the outcome of the various connections between materials discovered by the analysis in effect. Consequently, since an essential characteristic of the different co-creation accounts is that value creation increasingly takes place outside of established organizations, it becomes necessary to pursue, by use of a wide range of eventually identified empirical materials, not only how this relates to previous accounts of value creation, but also how an outside reference could become established as a necessary precondition, and to inquire into when, where and under what circumstances the outside could begin to show up as a problem towards which responses can be made.

Hence, in addition to literature coming out of Strategic Management Thought, Autonomist Marxism, and Critical Management Studies, the dissertation also utilizes textual-empirical material that ranges from the history of economic thought (notably Quesnay [1758] 1973, Smith [1776] 1999, and Schumpeter [1911] 2011a) over to the history of management thought (particularly Taylor [1911] 1967; Mayo [1949] 1975, [1933] 2003 and Roethlisberger and Dickson [1939] 2000) as well as more contemporary sources pertaining to post-disciplinary management (for example Deleuze 1995a; Spicer 2010) and commons-based social production (for example Bollier 2008; Bruns 2009).

Finally, Michel Foucault’s work not merely serves as the central resource by way of which the historical problematization analysis utilized in this dissertation is reconstructed; the inquiry also relies extensively on the “history of governmentality” which Foucault (2007a, 2008) investigated in the lectures he gave at the Collège de France in 1978 and 1979. The material covered in these lectures is

utilized at length in the dissertation due to its great importance for answering the second set of research questions concerning how co-creation has come to be born. As such, the history of governmentality portrayed by Foucault not only becomes a central resource, it also comes to provide a source of inspiration for what the dissertation explores as a history of managementality.

*Positioning, or context of contribution*

Following these specifications regarding the empirical material utilized, it is now possible to position the work undertaken in the dissertation. Given the nature of the analytical point of departure, however, such a positioning can perhaps more adequately be described as a specific set of relations and tensions which the dissertation establishes – first and foremost with the primary empirical-textual material it explicitly takes up and investigates, but also with already existing historical accounts of co-creation, as well as other scholarly works that the dissertation either explicitly or implicitly relates to, or with which it sees itself as having an intellectual affinity. Consequently, the establishment of such relations and tensions might more adequately be described as a *context of contribution* in relation to and in terms of which the specific contributions of the dissertation are to be viewed.

In light of the fact that a specific aim of the historical problematization analysis is to not merely investigate a specific phenomenon, but also to urge the reader (and the wider context into which such a work is written) to reconsider and reassess what the arrival of the analyzed phenomenon might entail and imply (Raffnsøe et al. 2008: 322, 327), the relations that this dissertation aspires to establish with the traditions it examines can be described as not merely assessing ‘the costs’ of embracing the phenomenon of co-creation, but also, ideally, of attempting to shift the perspective through which the phenomenon of co-creation appears. In this sense, the work undertaken in the dissertation not merely speaks *of* how co-creation has come to appear within the analyzed traditions. It also speaks *to* co-creation scholars within these traditions – no matter whether their predominant inclination is to address co-creation as something to be cherished, extended, implemented and furthered in various ways, or, inversely, as something to be denounced and criticized. Although the dissertation ideally speaks to and has

something of relevance to say about all of the three analyzed traditions, its closest intellectual affinity is nevertheless with scholars coming out of Critical Management Studies. This intellectual affinity stems from the fact that the dissertation – as with works coming out of Critical Management Studies more generally – explicitly inquires into management thought in ways which are based on extensive reading of the literature at hand, but at the same time does so in a manner that remains critical towards its various effects and influences.

In addition to scholars of co-creation within these three strands of thought, the dissertation in particular aspires to establish relations with historically oriented accounts of co-creation. While such accounts are already present within management thought (Ramírez 1999; Vargo and Lusch 2004), the dissertation views critically oriented historical accounts which inquire into the conditions under which co-creation has arisen in conjunction with changing conceptions of value creation and management (Hardt and Negri 2000, 2004; Lazzarato 2004; Arvidsson 2006, 2008, 2009, 2010; Zwick et al. 2008; Cova and Dalli 2009; Ritzer and Jurgenson 2010; Cova et al. 2011) as its most immediate context of contribution. As can be seen, several of the accounts belonging to this context not only figure as intended recipients of the work undertaken here, but also comprise parts of the empirical material attended to in the dissertation.

Finally, the dissertation also speaks to a range of implicit and explicit dialogue partners in various ways. These can be subdivided into three groups. The first of these comprises governmentality studies and Foucault-inspired studies within management and organization theory (see chapter five), especially those that have taken up Foucault's notion of governmentality (for example Brewis 1996; Clegg et al. 2002; Triantafillou 2003; Skälen et al. 2006; Dixon 2007; Zwick et al. 2008; Bonsu and Polska 2011; Weiskopf and Munro 2011). The second group within this collection to whom the dissertation aims to contribute is Deleuzian-inspired scholars on post-disciplinary management that have inquired into how management has begun to rely upon and utilize differences and open spaces (Munro 2000; Fleming and Spicer 2004; Weiskopf and Loacker 2006; Martinez 2010; Spicer 2010). The reason for this is that scholars attending to this matter have done so in a way that bears a striking resemblance to several of the critical accounts of co-creation taken up in the dissertation. Third, the dissertation sees



itself as having a largely implicit but nevertheless crucial intellectual affinity with scholars that have questioned and criticized the ways in which contemporary thought – whether critical or not – has embraced flows, change, innovation and bottom-up movements as superior alternatives to bureaucratic and more formal modes of organizing (du Gay 2003, 2005; du Gay and Wikkelsø 2011, 2012; Villadsen and Dean 2012). In this way, they have criticized tendencies that are significantly overlapping with several of the tenets of proponents of co-creation.

### *Contributions*

Not unlike the philosophical treatise, it is often difficult for a piece of work of historical orientation to declare in advance precisely in what way and to what exactly it contributes. Given that this difficulty also applies to the present dissertation as the proper presentation of its contributions would require familiarity with the historical argument not yet accounted for, it is therefore only possible at this juncture to disclose in advance a very general outline regarding these questions, appended with a few more specific points on the existent literature which examines co-creation from a historical point of view.

First of all, concerning the three traditions comprising the primary empirical material of the dissertation and, to some extent, also the traditions with which the present work positions itself, it must be emphasized that the results of the historical problematization analysis do not provide a foundation upon which it becomes possible to set forth a new theory about how value is co-created, and how businesses can re-organize their strategic outlooks to take stock of and benefit from an emerging new paradigm of value creation (see Normann and Ramírez 1993a, 1993b, 1994; Prahalad and Ramaswamy 2000, 2003, 2004a, 2004b, 2004c; Lusch and Vargo 2006; Berthon et al. 2007; Payne et al. 2008; Spohrer and Maglio 2008; Ramaswamy and Gouillart 2010a, 2010b). Neither do the results of the problematization analysis tie in with or give rise to a new philosophy or overall theory concerning how value creation today has become dependent upon a creative multitude's biopolitical production (see Hardt and Negri 2000, 2004, 2009), an ethical economy (see Arvidsson 2008, 2009, 2010; Arvidsson et al. 2008), a cooperation between minds (see Lazzarato 2004), or something similar which

should by some means prove to be irreducible to or autonomous from business interests. Nor do the results of such a historical analysis provide the grounds upon which it would be possible to claim that a new mode of value creation has arisen, which is supposed to be centrally dependent upon management techniques capable of exploiting or harnessing an unpaid workforce comprising user-communities and externally located producers (see Banks and Humphreys 2008; Humphreys and Grayson 2008; Zwick et al. 2008; Böhm and Land 2009; Cova and Dalli 2009; Willmott 2010; Cova et al. 2011).

What is provided instead is a historical contribution which assesses how co-creation has come to be employed as a concept through which different theories, philosophies and claims of the kinds mentioned above have found nourishment in their pursuit of radically conflicting goals. What the dissertation provides is a historical account of how a general mode of problematization of the creation of value has come into being. The overall contribution amounts to a history of how this general mode of problematization has been born in conjunction with a certain *experience of the outside*, that is, an experiential matrix of societal relevance intimately interwoven with and expressed through the common and co-existing vocabulary by which value creation is currently problematized as co-creation. Accounting for this, the dissertation analyses co-creation as a historically singular phenomenon, the arrival of which not merely makes a difference in relation to yesterday, but also a phenomenon through which otherwise separate historical trajectories today come together. In light of this, it is possible to specify a range of more substantial contributions.

Of major importance among such contributions is not least that co-creation scholars across the three analyzed traditions, implicitly or explicitly, draw nourishment from and re-actualize a conceptual value creation framework that dates back to the eighteenth century, while simultaneously undermining central preconditions on which this framework originally was established. Although this in no way entails the phenomenon of co-creation, including its various problem-response constellations, being annulled, it nevertheless raises new and largely unresolved problems for proponents of the three traditions to the extent that they aspire to speak about value creation in a consistent manner. In this sense, co-creation comes into view as a new concept through which value creation is

problematized and re-articulated, but at the same time utilizing the concept of co-creation also seems to undermine the very possibility of speaking consistently about value creation, when viewed against the backdrop of the central characteristics of the concepts' preceding history.

Moreover, the work undertaken in the dissertation is also a contribution to a history about how previously seminal conceptions of value creation and management, and the modes of knowledge supporting their formulation, have become crisis-ridden. By accounting for how an experience of the outside has come into view as something that has prescriptive effects and brings with it an obligation 'to go outside', the dissertation tells a history about how the organization as a self-contained locus of value creation and object of management has come to be viewed as something to be overcome and transgressed in various ways. Just as Foucault in 1979 spoke about how a prevalent 'state-phobia' was capable of uniting critics from left to right across the political spectrum (Foucault 2008: 76, see also 2007a: 109), the historical problematization analysis set forth in the present dissertation in a like-minded way can be read as a history of the emergence of an 'organization-phobia' that is currently widely disseminated and exemplarily expressed in contemporary co-creation accounts. By accounting for this history, the dissertation not merely contributes to and complements contemporary investigations into how the above mentioned state-phobia has reappeared in new and somewhat surprising ways within contemporary critical theories (Villadsen and Dean 2012), it also ties in with critiques of contemporary organization and social theories' obsession with innovation, change and the denunciation of bureaucracies and formal organization (du Gay 2003, 2005; du Gay and Vikkelsø 2011, 2012). Whereas Villadsen and Dean (2012) revisit Foucault's lectures from 1978 and 1979 (Foucault 2007a, 2008) as a resource through which it becomes possible to explore and criticize how an anti-statist stance, in conjunction with a certain vitalism, has re-emerged today, the dissertation utilizes these same lectures as a resource to track how an experience of the outside, born in conjunction with a reformulated managementality, has come into view as a new, widely diffused normative injunction currently manifesting itself in forceful ways. It is also in light of this history that the dissertation aspires to contribute to du Gay (2003, 2005) and du Gay and Vikkelsø (2011, 2012) – not by taking a direct, oppositional stance against

various proponents of change, innovation, bottom-up organizing and critics of bureaucracy, but by accounting for a problematization history that partakes in and feeds into a context where such claims have become commonplace solutions and responses and, by extension, have emerged as something to be critically scrutinized and countered.

Furthermore, the dissertation's reconstruction and utilization of the historical problematization analysis, its utilization of Foucault's history of governmentality and its unfolded history of managementality contribute at a more general level to studies of governmentality (Burchell 1991, Gordon 1991; Dean 1994, 1998, 1999, 2003, 2011; Rose 1996, 1999a, 1999b) by making original use of material contained within Foucault's lectures (2007a, 2008). In utilizing these lectures in new ways, however, the dissertation also contributes to already existing research within organization and management studies that has been inspired by and has relied upon material dealt with in Foucault's lectures on governmentality (Brewis 1996; Clegg et al. 2002; Triantafillou 2003; Skälen et al. 2006; Dixon 2007; Zwick et al. 2008; Bonsu and Polsa 2011; Weiskopf and Munro 2011). The dissertation contributes to this reception and utilization of Foucault by constructing a specific history of managementality that, although intertwined with Foucault's account, remains irreducible to a history of governmentality. Through the deployment of the notion of managementality, the dissertation insists on the centrality of Foucault's work on governmentality for studies of organization and management, while at the same time showing how this work can be turned away from reflections and problems concerning the genealogy of the modern state and the rise of neoliberalism and instead turned more directly towards problems pertaining to management and organizations.

In relation to the literature that has already provided a selection of historical accounts concerning the phenomenon of co-creation, the dissertation presents a number of more specific contributions which, although being mutually interrelated in various ways, for the sake of clarity are presented separately. First, whereas already existing historical accounts of co-creation have given weight to developments pertaining to the latter part of the twentieth century, this dissertation argues that the history of co-creation is more adequately viewed within a much

longer time-span, and with a particular emphasis on the first half of the twentieth century. While insightful and full of engaging and relevant material regarding developments in the second half of the twentieth century, already existing historically oriented accounts pertaining to the coming into being of co-creation (Hardt and Negri 2000, 2004; Lazzarato 2004; Arvidsson 2006, 2008, 2009, 2010; Arvidsson et al. 2008; Zwick et al. 2008; Cova and Dalli 2009; Cova et al. 2011) nevertheless do not sufficiently appreciate the more encompassing historical trajectories through which co-creation eventually began to take on the prevailing contours it has acquired today. This neglect is something they share with several of those who have followed Deleuze's (1995a) description of a new form of post- or anti-disciplinary power emerging after WWII (Hardt and Negri 2000, 2004; Fleming and Spicer 2004; Weiskopf and Loacker 2006; Spicer 2010; Martinez 2010), and several of those who have merely depicted co-creation as a predominantly contemporary phenomenon (Normann and Ramírez 1993a, 1993b; Prahalad and Ramaswamy 2000, 2003, 2004a, 2004b, 2004c; Vargo and Lusch 2004, 2010; Lusch and Vargo 2006; Berthon et al. 2007; Rowley et al. 2007; Banks and Humphreys 2008; Bonsu and Darmody 2008; Humphreys and Grayson 2008; Payne et al. 2008; Spoher and Maglio 2008; Vargo et al. 2008; Böhm and Land 2009; Van Dijck and Nieborg 2009; Helm and Jones 2010; Le Ber and Branzei 2010; Ramaswamy and Gouillart 2010a, 2010b; Willmott 2010; Lusch and Webster 2011).

Second, and in continuation of the previous point, within all of the above mentioned accounts, it has not been sufficiently appreciated how central components of the co-creation vocabulary already begin to show up from the 1920s to the 1940s as problems to which various solutions are proposed. The dissertation therefore contributes to the existent literature by pointing out how, from the 1930s, spontaneously formed social realities and communally based social values come to pose problems for management thought to which responses are made. It furthermore makes a contribution by pointing out how something outside established organizations, in the same period, also begins to come into view as a concern of overriding importance to which management thought responds by pointing out how this outside can be managed. Last but not least, the dissertation makes a contribution by showing how the concept of value creation, throughout

the 1920s and 1930s, begins to be reconceived along completely new lines, where it becomes dependent upon the creative impulse, the pleasure of activity itself, a continuous transgression of the already existing, and an increasingly depersonalized and socialized production of events. While the existent literature either ignores, overlooks, or alternatively ties together all of these characteristics with later developments pertaining to the second part of the twentieth century, the dissertation states that these significant transformations come into view and begin to interrelate much earlier than has been previously accounted for. Hence, whereas already existing accounts to a large extent presuppose that pre-1960s management thought had not yet “discovered the productivity of the social” (Arvidsson 2006: 41) and should be seen as reducible to “Taylorist management” which seeks “to discipline an unruly labor force into adopting certain pre-programmed forms of behavior” (*ibid.*), from the perspective of the historical problematization analysis mobilized in this dissertation, it is rather in the first half of the twentieth century that a range of highly relevant preconditions for the emergence of co-creation come to the fore and begin to interrelate.

Third, a further contribution from the work presented here is that its account of the history of co-creation neither relies upon a pre-existing moral schema that distributes good and bad from the outset (such as the multitude against Empire (Hardt and Negri 2000), nor true co-creation against corporate exploitation hereof (Lazzarato 2004)), nor sets forth or relies upon a grand ‘epochal transformation’ (such as one from disciplinary societies to control societies (Hardt and Negri 2000, Lazzarato 2004) with which the arrival of co-creation somehow should be intertwined. Instead, the history of co-creation presented here provides a historical account that attends to singular events of thought and local problem-response constellations, and at the same time aspires to do so from a perspective beyond good and evil. In opposition to already existing historical accounts coming out of Autonomist Marxism, this entails giving management thought a more formative role instead of being viewed as something predominantly reactive, that is, as something merely adapting to “*the truly creative moment?*” brought about by the experiments in the 1960s (Hardt and Negri 2000: 276), and a herewith intertwined “new activation of civil society” (Arvidsson 2008: 327). Furthermore, since most of the critically oriented literature pertaining to the history of co-creation comes out

of Autonomist Marxism (Hardt and Negri 2000, 2004; Lazzarato 2004; Arvidsson 2006, 2008, 2009) or is significantly influenced by this tradition (Zwick et al. 2008; Cova and Dalli 2009; Cova et al. 2011; for exceptions to this see Ramírez 1999; Ritzer and Jurgenson 2010), normative inclinations of the kind mentioned above, as well as ‘epochal theorizing’ such as that which diagnoses a transition from a disciplinary society to a society of control, also looms in the background here (for example Zwick et al. 2008). As should be clear, however, the problematization analysis pursued within the present dissertation does not entail a complete refusal of such normative propensities inherent in co-creation accounts or a reversal of their established hierarchies for that matter. It rather entails that such propensities are viewed as being intertwined with the particular ways in which their proponents aspire to have an impact on and shape the investigated phenomenon in specific ways.

Fourth, the dissertation furthermore makes a contribution by providing a history of the emergence of co-creation that cuts across several disciplines (including economics, human relations and public relations), which brings diverse problem-response constellations together on the same level of analysis. Hence, it contributes to historically oriented studies of co-creation by attending to how central components of the co-creation vocabulary have been born out of a broad problematization history, encompassing more disciplines than has been previously accounted for. In spite of the fact that several accounts within the existent literature which inquires into the historical conditions of co-creation have been able to resist, to some extent, the normative inclination coloring Autonomist Marxist theories, and, consequently, have been able to account for a more active role played by management thought (Arvidsson 2006; Zwick et al. 2008; Cova and Dalli 2009), such accounts have nevertheless predominantly emphasized the changing role of the consumer within marketing, and thereby have not been able to appreciate sufficiently how co-creation was born out of a more complex pattern of trajectories in which the historical *variables of management and value creation* have come together in historically singular ways. Only by attending to these historical variables in conjunction and across a range of different disciplines, the dissertation claims, is it possible to provide an adequate historical account of the historical conditions of possibility through which co-creation has come to be born.

## **Exposition and outline of the argument**

Finally, it is with reference partly to the empirical material, the positioning and the contributions outlined above, and partly to a mode of inquiry organized in agreement with the historical problematization analysis, that the overall ambition of the present dissertation is broken down into two main objectives in accordance with the two sets of research questions posed above.

The first objective is registering and taking stock of how co-creation has entered literature coming out of the traditions of Strategic Management Thought, Autonomist Marxism, and Critical Management Studies, and through this assess to what extent the arrival of co-creation brings with it a whole new mode of value creation. From the expositional point of view, this first objective, which is explored in Part One of the dissertation, is thus taken to correspond to the first set of research questions asking: How is it possible for co-creation to surface as a mutual concern with divergent inferences and prospects within the literature coming out of the three traditions mentioned? What exactly characterizes co-creation as a mode of value creation in order for this phenomenon to represent a mutually shared concern for exponents of these different traditions? And what kind of transformations and implications does the advent of a prevalent and transverse attention to co-creation seem to entail when seen in light of the history of seminal conceptions of value creation?

The second objective, which is pursued in Part Two of the dissertation, concerns how co-creation, through a somewhat longer historical process, has come into being. Attending to the complex and wide-ranging historical trajectories through which co-creation has been born, this objective is therefore to be regarded as the expositional translation of the second set of research questions asking: How, why and in relation to what was it possible for co-creation to emerge as a specific mode of value creation which is currently the object of common but differing concerns? What kind of historical changes has been paving the way for the advent of co-creation as a common yet heterogeneous concern combining questions about value creation in general and the revaluation of the outside in particular? And how has the arrival of co-creation, discernibly merging the topic of the outside of organizations with value creation, been posing problems for the management of these matters?



As will become evident in the course of the dissertation, the two objectives are intended to be intimately intertwined, since pursuing the first opens the horizon through which pursuing the latter becomes possible. While both objectives are pursued through the historical problematization analysis, it can nevertheless, in relative accord with Foucault's specifications (1992: 11-12), be stated that such a mode of inquiry entails an archeological as well as a genealogical analysis, respectively informing the first and the second objective being pursued. More precisely, in the present interpretation the archeological analysis charts how the concept of co-creation gradually made its entrance as a concept through which value creation began to be criticized and re-articulated, while the genealogical analysis maps the longer historical trajectories through which the components inherent in co-creation, as identified in the archeological analysis, gradually have surfaced, have been transformed, and, eventually have come together. Moreover, it is in accordance with this interpretation that the final subsections of the introduction will specify *how* the dissertation pursues the two objectives and *what* following them holds in store, with the intention of providing a general outline of arguments presented by the dissertation as well.

*First objective: An archeological analysis of the problematization of value creation through co-creation*

Whereas widespread agreement persists that value today is co-created, and that this renders previously dominant concepts of value creation inadequate, the historical grounds on which such claims are advanced vary enormously. While thinkers coming out of Strategic Management Thought develop this insight by problematizing the "firm-centric view of the world" (Prahalad and Ramaswamy 2004c: 8) and, in particular, Michael Porter's (2004) value creation framework (Normann and Ramírez 1993a, 1993b, 1994), thinkers coming out of Autonomist Marxism and Critical Management Studies view this in conjunction with a deeper transformation of capitalism that needs to be grasped by either re-actualizing, updating, or overturning Marx's ([1867] 1990) thought (Michael Hardt and Antonio Negri 2000, 2004, 2009; Maurizio Lazzarato 2004, 2005; Adam Arvidsson 2008, 2009, 2010; Arvidson et al. 2008; Humphreys and Grayson 2008; Zwick et al. 2008; Böhm and Land 2009; Willmott 2010). Therefore, the different theoretical traditions utilize co-creation as a concept through which previous understandings

of value creation can be problematized, but the way in which they do so is determined by different theoretical lineages and gives scarce attention, if any at all, to work undertaken in the ‘opposing camp’.

This dissertation proposes another route. By pursuing its first objective, it strives to set forward a history that not merely accounts for how value creation is problematized within and across these different theoretical traditions, but it also strives to grasp the common ground that nourishes them in their - at first sight - radically conflicting accounts. By way of resituating the contemporary problematizations of value creation in a history that stretches from political economy, to economics, and on to today, the dissertation opens a longer and wider history that weaves thinkers from Strategic Management Thought, Autonomist Marxism, and Critical Management Studies together. Through attending to this history the dissertation excavates a number of particular findings.

First, across these traditions value creation is viewed as deriving from some kind of *productive* activity. Hence, in spite of their different theoretical outlooks, in spite of their conflicting conceptualizations, thinkers across Strategic Management Thought, Autonomist Marxism, and Critical Management Studies can be seen to re-actualize a conceptual framework that dates back to the classical economists. While this framework informed the value creation concepts set forth by Quesnay ([1758], 1973), Smith ([1776], 1999), Ricardo ([1817], 2010), and Marx ([1867], 1990), it was displaced, with the coming into being of the Marginalist Revolution in the 1870s, by a new understanding according to which value became conceptualized as being created in *exchange* (Mirowski 1989). The dissertation inquires into how the concept of value creation, after this transformation, on the one hand disappeared from mainstream economics, but, on the other hand, somewhat later, came to be taken up as one of *the* most central concepts within Strategic Management Thought. Through this history, a more encompassing trajectory is located lurking behind otherwise conflicting contemporary accounts. The dissertation shows how value creation came into view as a central problem in political economy, how it was radically transformed in the 1870s, and how thinkers today coming out of Strategic Management Thought, Autonomist Marxism and Critical Management Studies problematize it through the concept of co-creation in a way that descends from this long history.

Second, the dissertation shows how contemporary problematizations of value creation across Strategic Management Thought, Autonomist Marxism and Critical Management Studies have come to utilize a specific *co-creation vocabulary*, regarded as the constellation or pattern of components characterized by a family resemblance that recurrently seems to show up and inform otherwise heterogeneous accounts. The arrival of this vocabulary is first attended to within Strategic Management Thought and, afterwards, within Autonomist Marxism and Critical Management Studies. By way of following this double trail, the dissertation shows how these traditions in their respective ways have come to rely upon this co-creation vocabulary as a vocabulary through which value creation is problematized. This vocabulary is made up of four components and it is flexible enough to be utilized in the pursuit of largely conflicting political and economic goals.

After having attended to the ways in which the respective traditions utilize this vocabulary, the dissertation, with inspiration from Foucault's (1992: 26-27) delineation of the different categories identified as important for the study of the practices of ethical self-formation in relation to the codes of sexual morals in Antiquity, brings the different accounts together by way of showing how they problematize *the locus* of value creation, *the attributes* of the processes that lead to value creation, *the primary activity* through which value is created, and *the substrate* on which value is created. With these problematizations (a) *the locus* of value creation increasingly shifts from *inside* the organization towards its *outside*. This is the most important transformation. (b) *The attributes* of the processes leading to value creation shift from *passive, calculable, and easily manipulated*, to *spontaneously self-forming*. (c) *The primary activity* through which value is created shifts from *managerially planned activities or labor* to *innovation and events*. And (d) *the substrate* on which value is created shifts from *the material and directly visible* to the *immateriality* of *knowledge, language and sociality*. By attending to this vocabulary, and to the changes induced by its occurrence, the dissertation discloses a pattern that though easily overlooked brings otherwise dissimilar accounts together in ways that are productive for the further study of the phenomenon of co-creation.

Having accounted for these changes, the dissertation proposes that they give rise to the formation of a particular and widely shared experience, an *experience of the outside* as a source of value creation, an experience which is expressed through the

components making up the co-creation vocabulary. This experience is what nourishes the different accounts, it is the common ground that at one and the same time holds them together and allows for their - at first sight - irreconcilable diversity. At the same time, however, the formation of this experience has detrimental effects on the possibility of conceptualizing a consistent concept of value creation. This is because, with the formation of this experience, the respective traditions' re-actualization of the classical economist's value creation framework simultaneously becomes undermined. By way of problematizing value creation through the co-creation vocabulary, the concept of value creation is so radically transformed that its former central characteristics are completely evacuated. The dissertation therefore considers what implications this has for the respective traditions. By way of doing so, it is suggested that while the formation of the experience of the outside as a source of value creation constitutes an important contemporary occurrence, its arrival, on the other hand, simultaneously undermines the possibility of formulating a consistent concept of value creation.

Lastly, this history, which marks the end of Part One and of the first objective pursued, is distributed into three chapters only to be roughly sketched out here:

*Chapter one* charts the historical foundation upon which contemporary conceptualizations of value creation depend. It shows how value went from being created in some kind of productive activity to becoming created in exchange. Through this history it is shown how two fundamental yet incompatible ways of conceptualizing value creation have emerged.

*Chapter two* states that value creation within Strategic Management Thought today has come to be problematized through the concept of co-creation, and through an associated co-creation vocabulary. The chapter shows that this contemporary occurrence is to be seen in light of the way in which Michael Porter's value chain-framework has been problematized, and that central works within this tradition have provided important preconditions for the formation of the co-creation vocabulary.

*Chapter three* shows how central components of the co-creation vocabulary have surfaced within the works of thinkers coming out of Autonomist Marxism and Critical Management Studies. It then states that the way in which value creation is problematized across these traditions and Strategic Management

Thought gives rise to the formation of an experience of the outside as a source of value creation. However, the problematizations through which this experience is formed have detrimental implications for the possibility of formulating a consistent concept of value creation, since they undermine the grounds upon which such a conceptualization had been dependent previously. This marks the end of Part One of the dissertation.

*Second objective: A genealogical analysis of the birth of co-creation*

Following the archeological analysis of the simultaneity of different traditions in their problematization of value-creation through co-creation, the dissertation turns to the second objective which is the genealogical analysis of the historical trajectories through which co-creation has been born. By way of pursuing this objective, the dissertation launches an exploration that cuts across already existing accounts of co-creation.

Whereas already existing historical accounts of co-creation have restricted their analysis to occurrences pertaining to the latter part of the twentieth century (Hardt and Negri 2000, 2004; Lazzarato 2004; Arvidsson 2006, 2008, 2009, 2010; Zwick et al. 2008; Cova and Dalli 2009; Cova et al. 2011; for exceptions to this see Ramírez 1999; Ritzer and Jurgenson 2010), the dissertation locates a history that reaches considerably beyond this time frame. It does this in two steps. First, it locates a small text by Gilles Deleuze (1995a) that has served as a direct or indirect guide for several of the already existing historical accounts of co-creation. By way of criticizing central postulates within Deleuze's text, the dissertation proposes to cast a historical investigation of co-creation within a longer time frame. Second, by way of this operation, the dissertation opens a historical perspective in which a genealogy of co-creation can be undertaken. This genealogy is constructed as an investigation into the historical trajectories through which the components of the co-creation vocabulary, as identified in Part One, have surfaced, been modified, and come together.

In opening up this route, Michel Foucault's (2007a, 2008) Collège de France lectures from 1978 and 1979 are utilized extensively. Through exploring these lectures, the dissertation shows how the components of the co-creation vocabulary have to be grasped within a history that reaches significantly beyond the second

half of the twentieth century. The dissertation traces this genealogy as a history that spans from the political “government of men [*sic*]” (Foucault 2008: 2) in the eighteenth century to the management of people in the twentieth century. More precisely, this history is constructed as an exploration that crosses from Foucault’s history of governmentality to an associated, but nevertheless irreducible, *history of managementality*.

By way of accounting for three specific problematizations within this latter history, the dissertation exhibits how the components of the co-creation vocabulary, from the 1920s to the 1940s, show up as problems to which responses are made. Through these problematizations, something *outside* the organization comes into view as new and interesting objects to which management must attend. Through these problematizations, *spontaneously self-forming processes* that flow from inside the organization to its outside are also discovered. Through these problematizations, value creation comes to be rearticulated as dependent upon *innovation*, and an increasingly *depersonalized, socialized production of events*. And through these problematizations a new *immaterial* and hitherto overlooked social reality comes into view as central for the organization of production. By accounting for this history, it is shown how these problematizations not only constitute central historical preconditions through which co-creation comes to be born; these problematizations at the same time give rise to a reformulated managementality, a managementality through which an experience of the outside comes into view, an experience of the outside as a source of value creation *and* an object of management.

Accordingly while Part One locates the arrival of the co-creation vocabulary within and across the traditions surveyed, Part Two explores the historical trajectories through which the components of this vocabulary have been born out of a history that ventures considerably beyond these traditions. More precisely, this second objective is pursued in the following three chapters:

*Chapter four* criticizes the grounds upon which previously dominant historical accounts of co-creation have been set forth. It locates a small text by Gilles Deleuze that has served as a direct or indirect source of reference for several thinkers inquiring into the historical trajectories of co-creation. Through criticizing central postulates within Deleuze’s text, the chapter brings Michel Foucault’s

lectures from 1978 and 1979 into view as an alternative point of departure. On these grounds the chapter makes two claims. First, these lectures can serve as an alternative point of departure for a history of co-creation. Second, while Foucault's thought has figured prominently within organization and management studies, the content of these lectures has not yet been sufficiently appreciated.

*Chapter five* states that while Foucault's lectures on governmentality do not explore co-creation, they nevertheless attend to historical trajectories through which central components that will later come together in the co-creation vocabulary emerge. In addition to showing how Foucault's lectures surface problems of how to manage *events* and *spontaneously* forming processes *outside* disciplinary enclosures, the chapter argues that Foucault's history can be tied in with a history of *manageriality*, a history which is intimately intertwined with a history of governmentality, but which is nevertheless irreducible to this.

*Chapter six* finally shows how a manageriality grounded on engineering-based management thought and neo-classical economics comes into being from the late nineteenth century. However, this manageriality is challenged from the 1920s to the 1940s and re-articulated through three problematizations. Through these, it is stated, co-creation eventually came to be born. By way of attending to this history, the chapter additionally presents how a more encompassing experience of the outside has also come into being, not merely as a source of value creation and an object of management, but also as an obligation that has to be met, and an activity that has to be undertaken: that is, 'to go outside'. This injunction, the chapter claims, has been accentuated throughout the twentieth century and is forcefully expressed today through the co-creation vocabulary.

By pursuing these two main objectives, the dissertation not only tells a history of how co-creation has come into being and what consequences the arrival of co-creation has for the concept of value creation. It also tells a history at a more comprehensive level; it tells the history of how the birth of the experience of the outside gradually comes to have a more encompassing and binding character. It tells the history of how a manageriality, founded on enclosing, on exorcising the outside, on actualizing an already existing potential, gradually establishes relations to something outside. It tells the history of how management thought

discovers the productivity of events, how management thought problematizes previous modes of knowledge, how it comes to rely upon a new temporality, how it comes to rely upon the crossing of spatial borders, and discovers new and exciting detours to be taken in the pursuit of management goals and the creation of value. At this more comprehensive level, the dissertation tells a history of how the outside - which at first sight appears to be merely one component in the co-creation vocabulary - comes into view not merely as a source of value creation and an object of management, but also as an *obligation* that has to be met and an *activity* that has to be undertaken. That is 'to go outside', to cross organizational borders, to rely upon a self-forming spontaneous sociality, to navigate the temporal and uncertain, to produce events, and to transgress the already existing in a way that creates value.

At this somewhat more abstract level, the birth of the experience of the outside is therefore also a history about how the outside has come to appear as a challenge that thinkers within organization and management thought recurrently have encountered throughout the twentieth century; that is, as a persistent, recurring and accentuated challenge to which various sorts of responses have been made. Through encountering this experience, organization and management studies have come to abandon, gradually, and through a long historical process, the place from which this outside initially came into view as a source, object and concern to be taken into account. Through this history, the organization as a demarcated entity, as a demarcated inside, has been problematized to such an extent that it seems to have been turned inside out, not as an empirical fact, but as an accentuated normative injunction that throughout the twentieth century has been set forth within management thought, and through which organizations have been advised 'to go outside'.

Viewed in light of this history, co-creation comes to appear quite differently from the way in which it is set forth within contemporary accounts. It appears not merely as a new win-win mode of value creation, or as a new biopolitical mode of value creation. Nor does it first and foremost appear as a new mode of value creation tied to novel modes of management that have discovered just recently the productivity of the social. It rather appears as a concept and an associated vocabulary flexible enough to be utilized in the pursuit of radically conflicting



political goals: a vocabulary that has come into being through a long problematization history; a vocabulary intimately interwoven with a reformulated managementality; a managementality with which an experience of the outside has been born; an experience which today is expressed forcefully through the co-creation vocabulary.

## **Part One**

# Chapter 1

## Value and value creation within political economy and economics

“[F]rom no source do so many errors, and so much difference of opinion (...) proceed, as from the vague ideas which are attached to the word value.”

David Ricardo ([1817] 2010: 4)

### **The tricky concept of value**

Within the discipline of economics the concept of value has a fundamental, yet also highly ambivalent, position. On the one hand, it is clearly one of the central and defining concepts which holds economics together, and has done so since its inception and formation as a gradually emerging discipline in the eighteenth century. From the classical economists and onwards, one might even characterize the discipline of economics as being that which revolves around and seeks to give an account of the complexities of and mutual relations between the production, circulation, and consumption of value (Mirowski 1989). Owing to this, it is not surprising that the central figures of political economy, Adam Smith ([1776] 1999), David Ricardo ([1817] 2010), and Karl Marx ([1867] 1990), all accorded passages on value a central place in the very opening of their works. On the other hand, this stands in sharp contrast to the situation within which economics finds itself today. Here the concept of value has totally fallen out of use (Mirowski 1989: 2, 141), or at least been marginalized to the extent of being an unimportant, and even metaphysical (Robinson 1962), problem. In the textbooks with which first-year students today are introduced to the discipline of economics, it is therefore not uncommon to totally neglect elaborations and considerations hereof (Frank 1997; Krugman and Wells 2009). Here, economics is not defined as a science preoccupied with the creation, distribution, and consumption of value, but as the study of “how people choose under conditions of scarcity” (Frank 1997: 3). This

lack of attention to what used to be *the* economic concept par excellence is not merely visible from the relative lack of mention in the opening paragraphs of most contemporary works on economics, but also becomes painfully apparent when one turns to the index of the textbook just cited. Here one finds entries on ‘anabolic steroids,’ ‘Allen, Woody,’ ‘safe harbor in a storm,’ and ‘elite universities,’ but not a single separate entry on ‘value.’

Interestingly enough, this historical decline and current disregard of considerations pertaining to value within mainstream economics has been accompanied by an intensification of the way in which references are made to the concept of value within several of the neighboring and more practically oriented approaches – not least within the broad and highly diversified field of management thought. Thus, when one looks for instance across the area of strategic management (see for example Bowman and Ambrosini 2000; Porter 2004; Lepak et al. 2007; Foss and Stieglitz 2010), or to the theoretical frameworks of financial decision-making (see for example Koller et al. 2005; Wooley 2009), one detects a prevalent and recurring preoccupation with value that manifests itself in fine-masked and highly specialized approaches that take into account what value is, how it is measured and created and how it should be organized and calculated, as well as how one ought to protect it in relation to actual or potential competitors. This is all the more interesting since several of these approaches – implicitly or explicitly – see themselves as being in continuation of and building upon the insights of economic theory (Pitelis 2009: xxxi). This of course creates some expositional difficulties, since a reference to economic-managerial conceptualizations of value and value creation as such becomes highly speculative and unpersuasive given the abovementioned differing tendencies with which the discipline of mainstream economics and the more practically oriented disciplines within management thought relate to (or, in the case of the former, abstains from) a direct confrontation with the problem of value and value creation.

This chapter will map some important conceptual shifts within the history of political economy and economics. Attending to this history is intended to achieve two things. First and foremost, it provides a short overview of the historical emergence of the concept of value creation that figures prominently in the next couple of chapters. By way of situating the concept of value creation within the

wider historical trajectories through which value as such has been discussed, the chapter excavates conceptual layers that still resurface within contemporary discussions on value creation that is taken up in chapters two and three. While several contemporary conceptualizations present themselves as if they have left former approaches behind, their value creation concepts nevertheless reactivate and remain indebted to former conceptualizations. Hence, only by attending to the wider history of value and its creation, does it become possible to take stock of the complex continuity-discontinuity problem between former and contemporary conceptualizations of value creation. Second, besides providing an indispensable background for chapters two and three, furthermore this chapter provides an important and wide stretching thread that is weaved together with the genealogy of co-creation undertaken in Part Two of the dissertation. As becomes evident in chapters five and six, the history of value and its creation ties in with the history of managementality, which is also addressed in these later chapters.

Following these clarifications, it is now possible to turn to some of the central conceptual shifts within the history of value and value creation, as these have been articulated within political economy and, later, economics.<sup>1</sup> More precisely, firstly we follow the concept of value and see how it gradually crystallizes in a relatively stable substance conception of value. This conception largely remains unchallenged from François Quesnay to Adam Smith and David Ricardo and on to Karl Marx's critique of political economy. In spite of disagreeing about what actually constitutes the substance and source of value, all of these authors conceptualize value in accordance with a framework according to which value is *created in production*,

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<sup>1</sup> Since the historical transformations of the concept of value and value creation have already been covered within the history of economic thought, it is worth noting that this chapter draws on already existing accounts. In addition to Karl Pribram's (1983) classic, posthumously published book as well as the work of Jürg Niehans (1990), Henry W. Spiegel (1991), and Margaret Schabas (2005), this chapter in particular draws on Philip Mirowski's (1989) *More Heat than Light*. While an indispensable part of Mirowski's story is tied up with the development of the energy concept within physics and the way this set the stage for theoretical groundwork within economics, this chapter predominantly employs Mirowski's work because it covers the changing historical conceptions of value and value creation in a highly comprehensive manner, and with reference to a vast amount of literature.

preserved in exchange, and diminished or destroyed in consumption (Mirowski 1989: 143). After attending to the continuities and discontinuities within eighteenth and nineteenth century political economy, we see how this shared understanding of value and value creation enters into a crisis with the emergence of the marginalist revolution in the 1870's. From here on, value, to the extent that it remains in use, is viewed as being *created in exchange*, and production is henceforth stripped of all its former prerogatives. This transformation crucially hinges upon the way in which the discipline of economics begins to model itself by appropriating the terminology of mid-nineteenth century physics.

### **Value and value creation within political economy**

Though economists usually refer to the year of 1776 as the year in which economics was born as a separate and autonomous discipline, it is important to note that Adam Smith did not himself regard *The Wealth of Nations* as such a founding text. Rather, the political economy to which Smith made his contribution was considered “as a branch of the science of the statesman or legislator” which consisted of “two distinct objects: first to provide a plentiful revenue or subsistence for the people (...); and secondly, to supply the state or commonwealth with a revenue sufficient for the public services” (Smith 1999, book IV: 5; Pribram 1983: 126). Owing to this, Smith’s contribution can be seen as a continuation of several works preceding his own (Quesnay [1758] 1973), just as much as it can be seen as pointing out new directions which were eventually to lead to the formation of economics as an increasingly autonomous field of study. However, in order to assess Smith’s contribution and especially the way in which he contributed to the conceptualization of value, it might be useful firstly to sketch some of the notions of value preceding his work.

Up until the middle of the eighteenth century, several works had already been published which had treated the problem of the nature and sources of value. Aristotle had touched upon the issue already by way of the separation he drew between the self-sufficiency of the oikos on the one hand, and trade on the other. While the former had its distinct mode of ordering and hierarchy, the latter led to the problem of equalizing the unequal in the process of exchange (Dooley 2005: 7),

just as it raised the issue of which kinds of exchange were justifiable and in accordance with the natural needs of the household (Aristotle [fourth century BC] 1981: 84-87). While the question of the justifiability of market transactions, especially those undertaken with the aim of acquiring money, became a huge problematic throughout Antiquity and the Middle Ages, the problem of finding some measure which would permit an equalization of qualitatively heterogeneous objects, was one of the early forerunners of later discussions regarding how value should be conceptualized and measured. According to Aristotle, money not merely performs the role of measuring the unequal, but also acts as a store of value (Dooley 2005: 6). Though being central in this regard, money, however, is viewed as a purely conventional, and hence unnatural, medium according to which trade can be facilitated (Aristotle 1981: 82-83) and since it is of a conventional nature, the value represented by money cannot exhibit a law-like nature. For Aristotle, just as for later heirs of his thought, value is thus not a strict quantitative - but rather a *qualitative* - concept, reflecting the fact that it is inseparable from the wider and more primary concerns of the appropriateness of social and political relations within and in accordance with which its proper function is determined. Thus, as “long as the market was a subsidiary support for the organization of livelihood, it was the more qualitative connotation of value that predominated in Western thought” (Mirowski 1989: 146).

The concept of value underwent important changes in the transition from Aristotle and the medieval philosophers to the mercantilist writers. This latter group first and foremost became recognizable as a coherent collective of authors due to the way in which they were presented and criticized by Adam Smith (for an overview of the various usages of the term ‘mercantilist,’ see Pribram 1983: 36). This heterogeneous group was a scattered collection of merchants, hired propagandists, pamphleteers, and administrators writing from the middle of the sixteenth century to, approximately, the middle of the eighteenth century. In their writings, they pursued a range of different and only partly overlapping agendas. In spite of the debatable legitimacy of grouping them together under the term mercantilism, important changes regarding the conceptualization of value nevertheless occurred in this “proto-economic literature,” as Mirowski (1989: 147) calls it. For one thing, the qualitative understanding of value became ever more

quantitative and substantial in nature due to those writers favoring a balance-of-trade perspective on how the state was to enrich itself in competition with foreign states. In conjunction with this a new agenda emerged which centered on accumulating as many precious metals as possible, since these were viewed as the only way in which states could enrich themselves, i.e. as the only possible way in which value could be augmented for the nation. Due to this, foreign trade “was regarded as a kind of hidden warfare waged over the possession of monetary metals, and the connection between the acquisition of these metals and political considerations was reflected in various, often repeated phrases to the effect that money was the ‘nerves of the state,’ the ‘sinews of war,’ and the like” (Pribram 1983: 46). By way of this transformation money went from being a purely conventionally established store and measure of value, to being an objective yardstick according to which the strength and political maneuverability of the respective countries could be determined in relation to one another. The more precious metals the country could accumulate, the richer and stronger it was. This way of viewing value entailed a rigorous competition between the European states, since it implied a zero-sum game, where the gain of some by necessity entailed the loss of others. According to Spiegel (1991: 171), the underlying principle guiding mercantilist policies was therefore most prominently expressed by one of Montaigne’s essays entitled: “the advantage of one is the damage of the other.”

By way of promoting the balance-of-trade agenda and the associated understanding of value as a substance incarnated in precious metals, the mercantilist writers paved the way for later developments in the conceptualization of value, as these were to develop throughout the latter course of the eighteenth century. However, while this tendency to favor a balance-of-trade perspective remained strong among the mercantilist writers, it was developing in parallel to the works of Nicholas Barbon, John Houghton, and William Petty who held largely opposing views, especially regarding the restrictions which should regulate trade. This “free-trade school”, as Mirowski (1989: 150) calls it, was highly critical of views in favor of tying value to money and the balance-of-trade agenda. While on the one hand aspiring to natural philosophy and stressing rigorous quantification, the grounding of the free-trade school was on the other hand undermining its scientific aspirations, since the principle they refuted was not replaced by a



functionally equivalent principle according to which this school would be able to measure or prove that free trade would lead to improvements in national wealth. In other words, “when the free-trade mercantilists denied that money was a central value substance, they went so far as to deny the need for any value principle at all” (Mirowski 1989: 151).

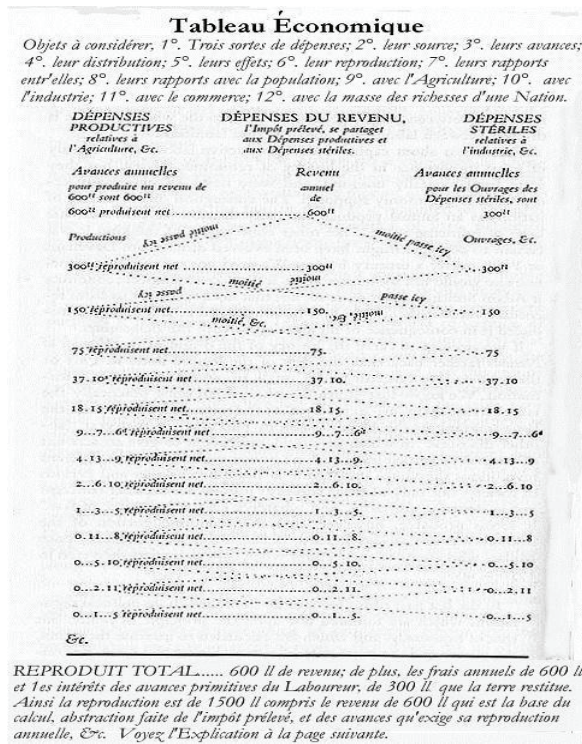
### *The Physiocrats*

Though various attempts were made at combining the different doctrines of the mercantilist writers, it was not until the middle of the eighteenth century that a free-trade perspective was successfully merged with the principle of a stable value substance. This happened within the thought of the Physiocrats, and especially in the writings of their most central figure, François Quesnay.

Quesnay denounced the mercantilist writers who had equated value with money. Money, according to Quesnay, was “the idol of nations unacquainted with the genuine principles of political economy” (Quesnay 1973: 61). Accordingly, he wanted to “strip money of all the properties attributed to it by prejudice; for they are altogether imaginary” (Quesnay 1973: 145-6). This, however, was not because money was not useful in several different ways. Rather, it was merely to stress that money be given a less prominent and more derivative place than had hitherto been the case. Thus, from having been conceived central, money was now viewed as something that under specific circumstances played a supportive role in enhancing the wealth of the nation. But at the same time it merely reflected and stood in a subordinate relation to another value substance which made it possible for Quesnay to combine free trade with a substance conception of value. This latter, and far more important thing, was according to Quesnay “*blé*, best translated as ‘corn’ or ‘wheat’” (Mirowski 1989: 154).

This *blé* was essentially the product of the earth. As a result of this, the prominence previously accorded to the merchant, now shifted towards “the husbandman” who, as part of the productive class, constituted the true source of wealth (Quesnay 1973: 5). All the riches of the nation could therefore essentially be located back to this source and the way in which this wealth was circulated and augmented was dependent upon the production undertaken in the agricultural sector, and the way in which the outcome of this subsequently circulated between

the three classes making up society, i.e. *the productive class* consisting of farmers, *the proprietary class* consisting of landlords, and *the sterile class* consisting of merchants and manufactures. In what Niehans (1990: 39) describes as “the most celebrated single page in the history of economics” Quesnay set forth his *Tableau Économique* which graphically and quantitatively depicts the annual circulation and consumption of the value substance and the way its unhindered flow is a precondition for establishing the wealth of the nation.



Quesnay's (1773: vi) *Tableau Économique*

Though later ridiculed by Adam Smith and other economists for stressing agriculture as the only productive sector of the economy, Quesnay's *Tableau* is

important, because it can be seen as “the purest instance of the classical substance theory of value” (Mirowski 1989: 155), that is, the theory of value which makes up the underlying and recurring epistemological structure of all classical political economy. While the underlying substance did change, as we will come to see below, the analytical framework, based on *the creation of a value substance in production*, its conservation in the process of circulation, and its destruction or diminishment in consumption, remained intact for a little more than a century (Mirowski 1989: 143).

Since the *Tableau* can be seen as one of the foremost and most clearly spelled out instances of the substance theory of value, it is worth noting that an important source of inspiration for its construction came from principles Quesnay had previously set forth within his medical theories (Mirowski 1989: 155). Though a latecomer to political economy – Quesnay was over sixty when he first began writing on the subject – he was already an experienced surgeon who had previously written on medical subjects like bleeding and fevers (Niehans 1990: 39). Pertaining to the subject of bleeding, he had acquired considerable fame due to his involvement in and victorious exit from a controversy in 1730, where he had proved Jean Baptista Silva’s theory wrong. The latter had set forward the claim that “blood would rush away from a wound faster than it would flow toward it when a vein was opened”. The implication being “that the surgeon should locate the incisions conditional upon the specific malady being treated”. By way of setting up experiments with tubes and pumps, however, Quesnay proved this theory wrong and instead suggested that “incisions could be administered anywhere that was convenient for the surgeon and the patient” (Mirowski 1989: 155). Drawing on the research of Vernard Foley (1976), Mirowski (1989: 155-6) states that Quesnay’s view of the body as a machine and the “coronary system” as reducible to a “pump and some tubes” not only shows the Cartesian influence at work in relation to Quesnay’s experimental setup. More importantly, we see here the formation of the model which Quesnay would put to use in depicting the circulation of the value substance within the *Tableau*.

Overall, Quesnay’s contribution was significant. Informed by his earlier writings on medical subjects, he substituted for “that trivial science, which has no other object but the cash and finances of a kingdom” (Quesnay 1973: 94) what he

himself regarded as a true economical science consisting in “the science of economical government of a kingdom” (*Ibid*: 5, 94). By way of identifying *blé* as the value that circulated and gave nourishment to the body of the state, Quesnay had not merely combined the notion of a clearly defined value substance with the principle of free trade, but also paved the way for viewing the economy as a sphere exhibiting the regularities of nature. Indeed, through this re-conceptualization of value “all the major themes of the classical theory of value fell into place. The natural law of society was reduced to physical law in form and content” (Mirowski 1989: 158). Seen within a larger picture, Quesnay’s thought regarding this can be viewed as being in line with the prevailing assumption of the later part of the eighteenth century where it became commonplace to view political economy as pertaining to the same reality as that dealt with within natural philosophy (Schabas 2005: 2). In conjunction with this, political economy was portrayed as intimately connected with nature. This is also the reason why Quesnay (1973: 5) spoke about political economy as “that great physical science of this earthly globe”, just as it is the reason why he criticized former attempts at laying out the principles of political economy as not taking cognizance of “the great advantages we might expect from a more regular conduct which nature never refuses to those, who allow things to follow her direction” (Quesnay 1973: 2). We return to Quesnay and the problem of government in accordance with nature in chapter five. For now, however, it is enough to take stock of Quesnay’s problematizations of value and its creation.

#### *Adam Smith*

Quesnay’s understanding of value and the wider conceptual network within which this was formulated was extended and elaborated by Adam Smith, who, however, also denounced important aspects of Quesnay’s work. On the one hand, Smith gave credit to Quesnay for having written “perhaps the nearest approximation to the truth that has yet been written upon the subject of political economy” (Smith 1999, Book IV: 264), and Smith had furthermore planned to dedicate *The Wealth of Nations* to Quesnay (Heilbroner 2000: 49). On the other hand, he also criticized Quesnay’s system for serious shortcomings – not least the “capital error” by way of which it represented “the class of artificers, manufacturers, and merchants as altogether barren and unproductive” (Smith 1999, Book IV: 260).

While controversy reigns regarding the extent of Quesnay's and the Physiocrats' influence on Smith's writings (cf. Dobb 1973: 41-2, 56; Heilbroner 2000: 51; Schumpeter 1986: 183-4; Winch 1996: 35), what is important for the purpose of this chapter is not so much the originality of Smith's ideas and the way these measure up with, add to, or totally overcome the problems encountered by earlier writers, but rather the conceptual continuity and development the concept of value underwent. In relation to this there are two problems that are focused upon. First, the discussions on value in the opening chapters of Book I of *The Wealth of Nations* that have roamed largely in the secondary literature and on behalf of which a clear discontinuity can be detected in relation to earlier writers. Second, the less noted continuity by way of which Smith's notion of 'stock' performs an equivalent function to that of 'blé' in Quesnay's *Tableau* (Mirowski 1989: 166-9).

Regarding the first, that is, the explicit discussions on value, Smith (1999, Book I: 131-2) formulated the water-diamond paradox at the end of chapter four of Book I: according to this, objects that are highly useful often have little or no monetary value, just as objects that are really expensive often have no use value. Water is an example of the former, while diamonds are an example of the latter. In order to excavate this problem further, Smith pointed to the fact that the notion of value "has two different meanings": one is called "value in use", and relates to the usefulness of the item for the one who uses it, while the other is called "value in exchange" and refers to "the power of purchasing other goods which the possession of that object conveys." On behalf of this double meaning of value, Smith hereafter set out (in chapters five, six and seven) to investigate the measure of value in exchange, and the parts that enter into the composition of this.

According to Smith (1999, Book I: 133), labor is "the real measure of all exchangeable value". As such, labor is not merely a historically determined yardstick through which the ratio of exchange between different commodities can be established, it is also a measure of the value of commodities across centuries (*ibid.*: 139-40). In stating this, Smith not only distanced himself from the mercantilist writers, who held precious metals as the source of value, but also from the physiocratic conception of corn as being the only source of value. "[I]n describing the industrial sector as performing only a sterile manipulation," Quesnay's system "failed to see that labor could produce wealth wherever it

performed, not just on land. To see that labor, not nature, was the source of 'value,' was one of smith's greatest insights" (Heilbroner 2000: 49).

As long as human beings lived in a primitive state, labor was the only factor which could be a source of value. With the advent of civilization, however, stock is accumulated just as private property is introduced. This gives rise to a new situation in which exchange value is no longer determined by the amount of labor that has gone into the production of a given commodity, but by the rent and profit which a landlord, on the one hand, and an undertaker, on the other, can now claim. Smith (1999, Book I: 155) was therefore able to claim that "wages, profit, and rent, are the three original sources of (...) all exchangeable value."

While these outlines and specifications of value left a huge imprint, attracted criticism and gave rise to many discussions later on (cf. Dobb 1973: 49), a shift occurring later in Smith's work marks a continuation on another level, than that signaled in the early chapters of *The Wealth of Nations*. On the one hand, then, we are given an explicit account and refutation of the mercantilist and physiocratic conception of value. But if we stop the investigation of value here, then we would on the other hand fail to notice an underlying and important tendency at work in Smith's book which on a deeper level exhibits a continuity of the principles that inform the doctrines of the writers whom he criticizes. In delving into this issue, Mirowski (1989: 166-7) states that the opening chapters of *The Wealth of Nations* are characterized by the fact that Smith "stared the problem [of value] briefly in the face and then waited a few hundred pages for the reader to get distracted, only to press onward without further ado." Upon this rather cruel yet also humorous remark, Mirowski writes that while Smith did begin to elaborate "a number of potential value principles early on in Book 1", the issue as to what constitutes the essence of value is not settled until Book 2 where it is stated that "value is stock (...) suitable for either consumption or investment."

Stock, however, as already stated, was not accumulated in that "rude state of society", where all of the products of human labor were consumed within a relatively short time-span from the moment they were produced (Smith 1999, Book II: 371). Only with the expansion of the market and with the associated refinement of the division of labor do we see a rise in the accumulation of stock. This stock, according to Smith (1999, Book II: 373-4), falls within two categories: it

can either take the form of *capital* from which the holder expects to extract a revenue, or it can be *consumed* in various ways. The former of these - capital - can then again be subdivided into either *circulating* capital (capital which is “continually going from” its owner “in one shape, and returning to him in another”) or *fixed* capital (capital “employed in the improvement of land, in the purchase of useful machines and instruments of trade, or in such-like things as yield a revenue or profit without changing masters, or circulating any further”). On setting out these distinctions, Smith then, without further explanation, equated the “general stock of any country or society” with “that of all its inhabitants or members” (*ibid.*: 375).

This aggregated stock is what constitutes the wealth of the nation, and in spite of initially having comprised such heterogeneous components as talents, abilities, goods, and education (Mirowski 1989: 166), this stock gradually takes on more substantial, and hence less immaterial, characteristics throughout the course of Smith’s work. Gradually everything which does not exhibit or leave a material imprint (such as, for instance, ballet dancing, or the services performed by a waiter) is weeded out in favor of substantial matters. Owing to this, Smith was thus able to characterize such insubstantial forms of labor as *unproductive*. Utilizing such a term underscored the fact that “no economic progress could be expected from activities which did not contribute to the accumulation of ‘capital goods’” (Pribram 1983: 148).

According to Mirowski (1989: 167), shifting the perspective from the explicit statements on value in the opening chapters of the book to the notion of stock as the value substance not only makes “the latter two-thirds *The Wealth of Nations*” intelligible, but also provides Smith’s account of value with a more coherent and clear expression that bears a striking resemblance to Quesnay’s *Tableau*. However, while such a reading does provide for a way to see and follow the trajectory from the mercantilists via Quesnay to Smith, the latter’s “theory of value” remains “a weakened version of physiocracy because it retains a substance theory of value, but without the straightforward accounting system and quantitative pretensions of Quesnay” (Mirowski 1989: 165).

With this overview of Smith’s value theories, we now turn to the way in which both of these streams of thought - that is, the explicit reflections on value made at the start of Book I of *The Wealth of Nations*, as well as the gradual sliding of

the argument leading to stock as the primary value substance in Book II - were revised, critiqued and prolonged by David Ricardo and Karl Marx. From here, attention is directed to the break which the emergence of neoclassical economics marked in relation to the conceptualization of value. Special focus is given to the way in which the emergence of neoclassical economics was dependent upon the utilization of a new underlying epistemological structure, whereby value as a substance created in the act of production, circulated through exchange, and destroyed in consumption, was replaced by a new conceptual constellation that emulated mid-nineteenth century physics. But before this latter subject is investigated let us turn to Ricardo and Marx.

### *David Ricardo*

David Ricardo and Karl Marx took up the challenges of Smith's work and tried to correct and critique it by looking at the shortcomings they respectively found in it – and, in the case of Marx, by examining the shortcomings and inadequacies he perceived in Ricardo's theories. Smith's work had definitively set political economy on the intellectual map, and the thoughts he had developed in *The Wealth of Nations* made a huge impact which manifested itself in various lines of reception. Indeed, his work made such an impact that it was not until Ricardo entered the scene that Smith's work was challenged on its central premises.

One of the most significant transformations of political economy exhibited in Ricardo's work is the attempt at recasting political economy's practical-theoretical problems in a more scientific approach by way of abstracting from what was regarded as mere empirical inessentials (Mirowski 1989: 171; Heilbroner 2000: 103). In this sense, Ricardo's work played an essential role in recasting the science of political economy within a more streamlined and rigorous prose, which foreshadowed later developments within economics. By way of increasing abstraction and formalization, Ricardo's work set out "the substantive and methodological parameters of the discipline that we know today as economics" (Shcabas 2005: 102). This development crucially hinged on the accentuated role given to the laws which Ricardo (2010: 1) pointed to as the real determining factors characterizing economic phenomena, and on behalf of which all surface phenomena could legitimately be disregarded. While Smith already had begun to



take some minor steps in this direction, Ricardo's theory marked a tremendous change of focus away from statesman-craft, historical reflection, and morally grounded problems, substituting for these a law-seeking scientific inquiry performing its analytical operations in accordance with deductive reasoning (Dobb 1973:66-7; Pribram 1983: 143-6).

However, while this tendency to abstraction and rhetorical gesture in the direction of the natural sciences helped political economy become established throughout the 1830s as a discipline which now began to appear side by side with articles on the hard sciences, the groundings on which this law-like behavior allegedly rested remained unproven and hence highly speculative (Schabas 2005: 103). While Ricardo himself, along with a host of preceding economists, "possessed little or no familiarity with either the contemporary practices of scientists or the history of the sciences", his writings nevertheless were marked by the promulgation of the already prevalent substance theory of value that also underpinned Quesnay's and Smith's political economy (Mirowski 1989: 171). Thus, the lack of familiarity with the history of science in no way barred specific scientific impulses. However, before taking up this latter subject, a few changes in the conceptualization of value occurring in the transition from Smith to Ricardo are dealt with.

In the first chapter of his *Principles of Political Economy and Taxation*, Ricardo (2010: 3-4) not only gave due acknowledgement to Adam Smith and his comments on value, but also positioned himself in relation to him. *Firstly*, use value was now made a necessary precondition for exchange value. While Smith had separated these entirely from each other, Ricardo connected them. He did this by arguing that if a good possesses no use value at all, it cannot have an exchange value. In this sense, use value becomes a necessary qualitative precondition, which, however, does not determine the quantitative exchange value of the good in question. *Secondly*, when this condition is met, goods, according to Ricardo, received their value from two sources: from their rarity and from the amount of labor required for their production. However, while this seems to be the general rule, Ricardo remarked that a number of very limited goods received their value only through their rarity, and hence without any relation to the amount of labor necessary for their production. Examples of these are very exceptional and unique statues,

paintings, books and wines. Nevertheless, since this latter group of objects is insignificant in relation to the totality of goods as such, they can be ignored. *Thirdly*, and on behalf of this clarification, Ricardo (2010: 3) was now able to make his object of investigation clear: “In speaking then of commodities, of their exchangeable value, and of the laws which regulate their relative prices, we mean always such commodities only as can be increased in quantity by the exertion of human industry, and on the production of which competition operates without restraint.”

By and large, Ricardo agreed with the labor theory of value Smith had stated for primitive societies. Ricardo’s only addition here was that capital in the form of weapons and other hunting devices indeed was a prerequisite which equally had to be taken into account when specifying the ratios with which different goods would exchange for one another even in this primitive state. However, when it came to the ‘command-theory’, that is, Smith’s determination of exchange value as hinging upon the amount of labor a good could command in the marketplace of civilized societies, Ricardo disagreed. Thus, in opposition to Smith, he claimed that what determines the value of a good is not how much it could command in the market. Instead, this value “*depends on the relative quantity of labour which is necessary for its production*” (Ricardo quoted in Landreth and Colander 1994: 117). Instead of a monetary measure Ricardo therefore substituted a quantitative principle relying on the hours of work necessary. Accordingly, value is determined by the relative amount of time necessary for the production of commodities. Because of this, Ricardo did not have separate value theories for the primitive and civilized-capitalist states respectively, as Adam Smith had had. Instead, he proposed a universal theory of value where the quantity of labor (including the labor spent on the making of tools necessary for production) was what regulated value (Dobb 1973: 115).

Critics and commentators have later disagreed as to whether Ricardo actually held on to a labor theory of value, watered it down, or gradually abandoned it. George Stiegler, for instance, “has labeled Ricardo’s theory a 93-percent labor theory of value” (quoted in Landreth and Colander 1994: 122). He has done this on behalf of Ricardo’s own estimates, according to which “93 percent of variations in relative prices can be explained by changes in the quantity of labor required to

produce commodities” (*ibid.*: 122). Although Sraffa’s edition of Ricardo’s collected works seems to have settled the issue in favor of the fact that Ricardo did hold on to a labor theory of value (Dobb 1973: 80; Landreth & Colander 1994: 122), the important point to note here is not so much whether this was or was not the case, but rather to notice that in spite of problematizing earlier conceptions of value and value creation, Ricardo’s own account remained in accordance with the substance based approach that also had informed his predecessors’ writings.

### *Karl Marx*

Within the conceptual history of value and value creation undertaken here, Marx has a special place. He not only undertook the tremendous task of analyzing and criticizing political economy, but also carried out important work which even today continually makes its presence and impact felt within debates about how value is created (see for example Jacques 2000; Hardt and Negri 2000, 2004; Lazzarato 2004; Böhm and Land 2009; Arvidsson 2009). In this sense, his work also occupies a central transitional position, since it is both recognizable as belonging to the discussions already surveyed here, but also points beyond these in several respects. Though there are several multifaceted reasons for this, it is important to note that Marx’s mature economic work is written simultaneously with the transformation by way of which the discipline of physics in the middle of the nineteenth century was beginning to be organized around the notion of the field (Mirowski 1989: 177). This is all the more interesting since this development was a crucial precondition for the later flourishing of neoclassical economics, which was leaving substance conceptions of value behind, and instead replacing them with contributions organized around the field metaphor. While Marx was highly skeptical of the reduction, naturalization, and rhetorical redescription of social relations as if these had a thing-like character, there is nevertheless at the same time a proliferation of “organic and physical analogies” detectable within his work (*ibid.*: 176).

Just as with Quesnay, Smith and Ricardo, there are several points of entry into the work of Marx. However, in line with the conceptual survey carried out here, the points to be elaborated on are limited to the notion of value, and the way in which Marx made a sharp break with the preceding political economists, while also continuing their work, in the sense that he can be seen as one of the last

defenders of the substance theory of value that had marked out the shared epistemological space for all political economy. This ambiguous position is played out by the way in which Marx both pushed forward with a reformulated substance theory of value that continued from where Ricardo had left political economy and, at the same time, set forth a ‘real cost approach’ which on the one hand was compatible with the emerging field theory then beginning to be articulated within mid-nineteen century physics, and on the other hand stood in a somewhat conflictual relation to his substance conception of value (Mirowski 1989: 180).

Just as with Smith’s and Ricardo’s works, the very opening pages of Marx’s *Capital* go to the heart of the problem of value. By way of starting out with an analysis of the individual commodity, Marx (1990: 125) charted the use- and exchange-value inherent in this. The first of these, use-value, is “conditioned by the physical properties of the commodity, and has no existence apart from the latter”. In order to be recognized as a use-value, however, the object in question obviously has to be put to some kind of use. Thus, whatever the conditions under which an object has been produced, its use-value is “only realized [*verwirklicht*] in use or in consumption” (Marx 1990: 126). By way of relating to the use-value of particular objects we attend to their *qualitative* characteristics – to all that is immediately apparent to our sensuous experiences. This, however, tells us nothing about the way in which the object in question might be exchanged for other goods. In order to understand this, it is necessary to focus on the exchange value of the commodity that relates it to other commodities in a completely different way than does use value. Regarding this, Marx stated that considered as use values, “commodities differ above all in quality, while as exchange-values they can only differ in quantity, and therefore do not contain an atom of use-value” (Marx 1990: 128). This of course brings to the fore the question of what then determines this exchange value.

In order to explain this, Marx stated that one has to look beyond the concrete labor which is the source of use values. By way of making this abstraction we see what is common in all commodities, namely “human labour in the abstract” (*ibid*: 128). The exchange value of any given commodity is thus explained by the value inherent in this commodity, which again is nothing other than a precisely, yet historically varying, expression of “the labour-time socially necessary for its production” (*ibid*: 129).

In terms of this key point, Marx differentiated himself from earlier political economists. Whereas they merely pointed to labor as a source of value, Marx made the important distinction between *concrete* labor and *abstract* labor. Where Ricardo had insisted that it was labor time that was the principle according to which value could be measured, Marx introduced the notion of *socially necessary* labor time, which is a concept much better equipped at grasping the historically varying and socially determined circumstances of production that impinges on the amount of labor necessary for the production of commodities. In this sense, Marx's notion of value becomes both more abstract, yet at the same time more receptive to the actual and historically changeable conditions of production which Ricardo had done more than his share to weed out of political economy.

Though Marx provided important critiques which distinguish him from his predecessors within political economy, the overall framework within which these qualifications and differentiations are carried out remains compatible with the underlying substance conception of value underpinning the works of Quesnay, Smith, and Ricardo. Thus, even what Marx himself regarded as his most important contribution - the discovery of the notion of surplus value, revolutionary as it may have been, is by and large still compatible with the basic epistemological framework of all of political economy. This is not to say that Marx's theory did not make any difference to political economy; it is rather to say that the intense critique aimed at the economists before him spelled out and attacked all the vulnerable areas within political economy, but did this by way of sticking to the exact same underlying epistemological substance-based framework, which had also informed his predecessors' different attempts at giving an adequate description of what regulated the principles according to which value was produced, circulated and diminished/destroyed.

However, as Mirowski (1989: 181) claims, this approach to the labor theory of value stands in a somewhat problematic relation to another conception of value, also surfacing in Marx's work, which disregards viewing value as a substance in favor of the real-cost approach according to which "value is viewed as a contingent state. In this view, a commodity can only be said to possess a labor value in relation to the contemporary configuration of production." Thus, in opposition to the crystallized or substance-based approach where the amount of socially necessary

labor time becomes embedded in and subsists in the commodity, determining its value, the real-cost approach opposes this by way of insisting that the value of commodities already produced may change, if the conditions of production for subsequently produced items change. As an example of this, Mirowski points to Marx's (1990: 318) illustration of the way in which a failed harvest one year alters the value of previously harvested cotton. Whereas Marx here claimed that this resulted in a rise in the value of the already harvested cotton (owing to the change that has taken place in the socially necessary labor time for its production), the value of the commodity cotton should remain unaltered when seen from the crystallized or substance-based approach. This has the consequence that "*all history is defined away as irrelevant*", and in this, the real cost approach "parallels the fledgling developments of the field concept in physics in the same period" (Mirowski 1989: 181), which was to play such an enormous role for the development of political economy into economics as this transition unfolded throughout the 1870s.

### **The subjective theory of value and the emergence of neoclassical economics**

As already hinted at several times above, one of the important changes taking place with the emergence of neoclassical economics is the simultaneous transformation of the epistemological and conceptual space within which the neoclassical revolution took place. In order to proceed from the concept of value within classical political economy to the one in neoclassical economics, it is therefore beneficial firstly to take a look at some of the preconditions which made it possible to recast economics on another plane than the one on which its preceding conceptualizations had been fashioned. Following from this, it is possible then to assess the actual changes taking place in the formalization of value and its creation.

We have already witnessed how all of classical political economy disagreed on central matters regarding the true source and measure of value. Though essentially agreeing on displacing the mercantile writers' attribution of money as being the ultimate value substance, the question as to what exactly constituted the true source and measure of value remained an issue of struggle and analytical dispute that preoccupied the thinkers surveyed until now. Yet, these concrete disagreements were all preconditioned on a widely shared agreement as to how value ought to be

conceptualized. Thus, from Quesnay to Smith and Ricardo and then further on to Marx, one finds mutual agreement on the fact that value is *created* or augmented in the act of production, preserved in distribution and exchange, and destroyed or diminished in consumption. Thus, from the perspective of the political economists it would be outright incomprehensible to state that value could be created in exchange (although Adam Smith took some serious steps in this direction with the central place he accorded to the market). Furthermore, the concept of value within political economy was essentially tied to material entities in the sense that the individualistic evaluation of any one economic actor was unrelated to and irrelevant for the exact specifications of the objectively determinable magnitude of the value of any particular good. With the emergence of neoclassical economics, however, this was presented as one of the most objectionable characteristics of political economy, since it completely neglected specifying the extent to which demand was constitutive (or at least co-constitutive) of value and its creation.

Thus, with the neoclassical economists, value was no longer determinable as being located within, and inherently tied to, the commodities traded. Instead, it sprang from the subjective assessment of the economic actors' own valuations. Stated in other words, value was no longer localizable in the world 'out there', but became founded upon the world 'in here'. While being one of the uniting themes for these economists, the reversal of the principles according to which value could be specified nevertheless was played out in several different ways. W.S. Jevons (Jevons [1871] 2003) and Carl Menger ([1871] 1981), for instance, claimed that they had overthrown the labor theory of value by way of insisting that value was reducible to the subjective assessment of the economic agent. In the rather pointed words of Jevons, "*value depends entirely upon utility*" and it is only "prevailing opinions [which] make labour [*sic*] rather than utility the origin of value" (Jevons 2003: 415). Others, like Alfred Marshall ([1890] 1920) and Leon Walras ([1874] 1954), stated that although utility and demand were indispensable as the principles according to which value was determined, one also had to take the supply side into account.

Though these differences are important, two key characteristics should be brought forth for our understanding of the changing conceptualizations of value and its creation. First and foremost, as already hinted at, all of the neoclassical economists abandoned the labor theory of value and replaced it with a new

conception which accorded utility or demand a central place in their models. *With this problematization, the concept of value was significantly transformed, since the locus of its creation shifted from the sphere of production to the sphere of exchange.* Furthermore, central to this problematization process was the fact that all of the neoclassical economists embraced this new reliance on utility or demand within a vocabulary which accorded a central place to *marginal* utility, satisfaction or want. Secondly, the expressions of this were to a large extent determined by the fact that almost all of the neoclassical economists were trained in the physical sciences. Thus, all of them (with the exception of Carl Menger and his followers) began to formalize economics through highly abstract mathematical symbols which copied the vocabulary of mid-nineteenth century physics, thereby replacing the until then prevailing substance conception of value with a new conception grounded on the field metaphor (Mirowski 1989). These developments are surveyed below, after which the status of the concept of value and the way in which it began to seem problematic are assessed in order to conclude the chapter.

The turn towards marginal analysis, and the way in which this reconfigured the notion of value was, contrary to what the word neoclassical ‘revolution’ might suggest, not a radical discontinuity in late nineteenth-century thought (Niehans 1990: 162-63). Rather, several of its important principles had already been prefigured in works that had come out before the 1870s (Pribram 1983: 278-9; Spiegel 1991: 507-12; Landreth and Colander 1994: 215). Not least all, among these was a work by a former Prussian public official, Hermann H. Gossen, who in his *Die Entwicklung der Gesetze des menschlichen Verkehrs* from 1854 had made important inquiries into the satisfaction of wants in conjunction with his attempt to lay “down the principles of rational human behavior” (Pribram 1983: 280). While Gossen was neither an economist nor successful in his attempt at promoting the views of his work among his contemporaries, he was recognized approximately twenty years later by W.S. Jevons and Leon Walras as having done important groundwork on the principles upon which a reformed economics relying upon marginal utility could be elaborated (Spiegel 1991: 513).

Important as this might be, however, it was not until the more or less simultaneous application of the principle of marginalism by Jevons in 1871 in England, Menger in 1871 in Austria, and the Frenchman Walras in 1874 in



Switzerland, that this mode of analysis gained momentum, and gradually began to make its impact felt in a wider way within the economics profession (Pribram 1983: 280; Spiegel 1991: 507). While essentially coming out of different traditions and attacking the problem of value from different angles, these three economists all agreed that there was nothing inherent in commodities through which their value could be derived. Thus, as a substitute for explaining exchange value from a principle of value which either referred to a specific quantity of labor or to the socially necessary labor time that had gone into the production of any particular commodity, Jevons and Menger reversed the line of causation. Instead of starting from the past (the sphere of production), they started from the future (the utility or satisfaction the consumer would *expect* to derive from the consumption/possession of the good). In this way, the value of any particular input, such as labor for instance, could only be known *ex post* by way of working backwards from the price that the final product could be sold for in the market. This completely turned the problem around from the way in which the creation of value had formerly been determined. In conjunction with this, Jevons (2004: 101) expressed the unreliability of labor as a measure and source of value when he stated that the

fact is, that *labour once spent has no influence on the future value of any article*: it is gone and lost forever. In commerce by-gones are forever by-gones; and we are always starting clear at each moment, judging the values of things with a view to future utility. Industry is essentially prospective, not retrospective; and seldom does the result of any undertaking exactly coincide with the first intentions of its founders.

Thus, what constituted the value of any particular good was entirely unrelated to the amount of labor that had gone into its production. Instead, the value of any particular item was expressed as derivable from its *marginal utility*, understood as “the difference between the total utility of a stock of goods readily available and the utility achieved by adding another unit” (Pribram 1983: 278). Hence, instead of being derived from the sphere of production, value was now determined by the market and the various respective subjective evaluations made by a dispersed group of individuals exchanging within this market. Pribram (1983: 599) states that this completely recast the value problem, since it “definitively deprived the productive

process of its alleged power to create exchange values and attributed that function exclusively to processes connected with the exchange of goods.”

As a result of the increasing preoccupation with the marginal unit, the economists turned their attention towards infinitesimal changes, instead of total quantities as had previously been the case (Spiegel 1991: 506). Furthermore, this resulted in a reorientation away from questions and concerns regarding how overall economic growth could be secured and maintained. With the diffusion of marginalism as the central concept, the question shifted from how the total amount of resources available could be augmented to how they could be *optimally allocated*. This search for optimum positions and the preoccupation with small changes thus made it possible to translate and express human decisions and wants into the mathematical language of equations, graphs and curves (*ibid*: 506).

As Mirowski (1989) extensively documents, this gradual mathematization of the domain of economics was not reducible to a couple of inspirational impulses from which the new economists drew fresh angles of approach from mathematically minded scientists. Besides the fact that all of these economists (with the exception of Menger) were trained in the physical sciences and “recognized each other as *mathematical theorists* first and foremost” (*ibid*: 195), the conceptualizations and formalizations by way of which the transition from classical to neoclassical economics was made was a clear-cut case of “daylight robbery” where the new economists copied the models of mid-nineteenth century physics “term for term and symbol for symbol, and said so” (*ibid*: 9, 3). Whereas the primary concept within the physical models was called energy, the one within the new economists’ models was called utility. In this way, the notion of utility might have had its most central prehistory in English utilitarian philosophy and various strands of psychology (for example Gossen ([1854] 1889)), but only came to the fore to determine the concept of value and its creation by way of being recast and modeled in accordance with the physical theories of energy formulated around the middle of the nineteenth century (*ibid*: 213).

Without going too deeply into the specificities of the physical theories, the important point to recognize when considering the change in the conceptualization of value is how a substance-based notion of value was replaced by one relying upon a field-based approach. The most widely used pedagogical exemplification of

a field is the conventional classroom experiment, where small metal pieces are sprinkled over a piece of paper which is held over a magnet. This reveals the lines of force which were already there, but which nevertheless were undetectable until the metal pieces were sprinkled over the paper (*ibid*: 29). With the advent of the field metaphor in physics, the energy formerly inherent in objects were now de-substantialized and made composites of the space in which these objects were located. Thus, with the advent of the notion of the field, energy was gradually liberated “from all dependence upon matter” (*ibid*: 66).

According to Mirowski (*ibid*: 63), the neoclassical economists made their transition from a substance-based approach to one based on the field by relying upon what he calls proto-energetics, i.e. “a type of physical theory that includes the law of the conservation of energy and the bulk of rational mechanics, but excludes the entropy concept and most post-1860 developments in physics.” One of the key difference between proto-energetics and thermodynamics is that the former allows for perfect reversibility in a given systems operation whereas the latter does not if heat has been dissipated during the course in which the system has gone from one state to another. Thus, if a transition from one state to another involved the dissipation of heat, the system in question would not be capable of returning to its original state according to the second law of thermodynamics. Although later developments within physics replaced the impossibility of such a return with the claim that it would rather be highly unlikely (*ibid*: 63), the concept of energy was, with the development of relativity theory, quantum mechanics, and particle physics, gradually torn in several different directions throughout the course of the twentieth century with the consequence that it, little by little, developed from being the ontological rock on which the discipline of physics rested to “an entity to a relation to, finally, a gestalt” (*ibid*: 93).

Though differing to some degree in their exact formalizations, this copying and application of physics by the neoclassical economists is one of *the* defining tendencies within modern mainstream economics. To take just one example, Irving Fisher made the following critical translations between physics and economics in his doctoral thesis from 1892: a particle became an individual, space became a commodity, force became marginal utility or disutility, work became disutility, energy became utility, and so forth (*ibid*: 224). As Mirowski, points out, there is a

certain irony in the fact that the way in which Irving Fisher and the rest of the neoclassical economists turned the concept of value and its creation around was dependent upon the manner in which they took a model of the physical, external world and brought it to bear on the internal, subjective workings of the mind (*ibid.*: 222). Thus, at the same time as these economists refused to admit that the concept of value had any external, objective existence, they imported a model of the external world on which they grounded and elaborated the notion of subjective, marginal utility.

In spite of this, what is relevant for the purpose of this chapter is not so much the specificities and highly complex technicalities of the physical theories, nor particularly the question as to whether the appropriations of these by the neoclassical economists were made in a proper and scientifically defensible manner (regarding this issue see *ibid.*: 197, 279). What is important, however, is the new shape the concept of value took as a result of this transition. While still remaining in use, the concept was seriously challenged on its former undeniable and objective character. Whereas the classical economists had identified something *behind* market prices that served as an *objective*, explanatory principle for determining the value of the exchanged goods, that objective principle was lost with the onslaught of the marginalist revolution. Pribram (1983: 282) expresses this by stating that:

[The] construction of economic systems of the Ricardian type was predicated on the assumption that all exchange values could be expressed in terms of a common standard unit of values. That standard was lost, however, when values were derived from individual estimates [and] changing tastes.

This conclusion was not just one drawn by an economic historian, who with the benefit of hindsight might be predisposed to read such an event in light of the developments taking place afterwards; in 1891, the English economist William Smart had already coined the prevailing sentiment of several of his contemporaries when he stated that “it is almost impossible to use the term *value* without suggesting an inherent property” (quoted in Pribram 1983: 277). Indeed, there seemed to be inescapable metaphysical connotations clinging to the concept of value that in spite of all attempts at casting it in the language of science continually

returned to haunt this notion. This was perhaps most forcefully expressed by Jevons:

I must, in the first place, point out the thoroughly ambiguous and unscientific character of the term *value*. Adam Smith noticed the extreme difference of meaning between *value in use* and *value in exchange*; and it is usual for writers on Economics to caution their reader against the confusion of thought to which they are liable. But I do not believe that either writers or readers can avoid the confusion so long as they use the word. In spite of the most acute feeling of the danger, I often detect myself using the word improperly; nor do I think that the best authors escape the danger (Jevons 2003: 424).

Whereas price and value had formerly been differentiated from each other, the grounds on which this differentiation had been made were now eroded with the impossibility of pointing to an objective measure and source of value behind the myriad of dispersed, atomistic, subjective valuations. While some of the marginalists kept using the concept of value (though this now sprang from subjective evaluations), others had much less use for it. Thus, those more mathematically inclined from Walras and onwards, had much less need for any Archimedean point to which the concept could be linked, and therefore also no need of a concept impregnated with such connotations and burdened by such a long and theoretically loaded history. These economists “rejected the search for causal relationships between economic phenomena, and developed a conception of the economy as a system of interdependent prices, assumed to be entirely free from any connection with social relationships” (Pribram 1983: 630). This, together with twentieth century developments in macroeconomics and econometrics, accentuated the process by way of which value and value creation were stripped of their former prerogatives (*ibid*: 630).

These developments are also good indicators as to why a former preeminent concept, central to the formation of political economy and appearing on the introductory pages of all the great works of Smith, Ricardo and Marx, gradually came to play a less prominent role and eventually disappeared from even the indexes of modern microeconomic textbooks, as illustrated at the beginning of this chapter. However, while value and value creation have certainly lost ground as *the*

central concepts holding the discipline of economics together, and while the labor theory of value (in all of its various shapes) has certainly been relegated to the dustbin of history by mainstream economics, this has not prevented either the concept of value or the production-based approach to value creation from springing forth and haunting the discipline of economics in various ways. In relation to modern attempts at formulating production theories, for instance (see Mirowski 1989: 276-353), mainstream economics has come across considerable problems, since its new theoretical groundings prohibited it from operating with any sort of value being created in production. With the appropriation of the vocabulary of mid-nineteenth century physics, and the premises this entailed for the formulation of the market as being *the* locus of value creation (what is now called price formation), production had been stripped of its former central place, that is, as an activity through which value was created. This has not only entailed that modern microeconomic theories of production have had difficulty with completely dispensing with production as a source of value creation (*ibid*: 276-353), it has also had consequences for more contemporary conceptualizations that in various ways, acknowledged or unacknowledged, have drawn intellectual nourishment from the otherwise displaced value creation framework of the classical economists’.

## Chapter 2

### From value chain to co-creation: Contemporary conceptualizations of value creation within Strategic Management Thought

As we saw in the previous chapter, the concept of value creation has long and deep-seated roots in the historical development of political economy and economics. Although the concept has been declining and has gradually fallen out of use as a central concept within contemporary mainstream economics, this should not be taken as a sign that its economic importance has totally vanished. Rather, as we see in this chapter and the next, value creation is a central concept within contemporary discussions that ranges from Strategic Management Thought to social theory, Autonomist Marxism and Critical Management Studies.

While inspired by some of the earlier conceptualizations dealt with in the previous chapter, it is at the same time important to recognize that several of the conceptualizations of value creation investigated in this and the following chapter depart from the historically established traditions of political economy and economics due to the fact that their frame of reference also includes traditions from the humanities, as well as the social sciences at large. While at first sight this could be viewed as an example of traditions picking up on one of the most central concepts within the discipline of economics and, in so doing, transforming it beyond recognition in order to serve other purposes, it could also, and perhaps more interestingly, be viewed as an example of reopening the question regarding what actually falls within the sphere of 'the economic'. Thus, the strategic management theorists considered in this chapter, as well as the philosophers, social theorists, and critical management scholars considered in the next chapter, can be seen as dealing with an important economic issue. In doing so, they once again bring the problem of value creation to the forefront by delving into the conditions under which it emanates from some kind of *productive activity*. In this sense, several

of them can – in their respective ways – be seen as reopening and retrieving the classical economists’ value creation framework and, once again, resurfacing questions such as ‘how is value created?’, ‘what constitutes its sources?’, ‘how can it be augmented?’, and ‘how can it be conceptualized?’ – that is, all those questions that mainstream economic theory today has delegated to the dustbin of history.

While this chapter takes up how value creation has been problematized within Strategic Management Thought, chapter three explores how parallel processes of problematization have been undertaken within fields of study that are highly critical towards management thought. In spite of all their differences, however, these diverse traditions have begun problematizing value creation in highly similar ways. More precisely, they have begun to converge in their respective mobilizations of a concept of co-creation, and an associated co-creation vocabulary, through which value creation begins to be expressed. These problematization processes, as stated in the introduction, give rise to the formation of a particular experience, an experience of the outside as a source of value creation, which is expressed through the four components making up the co-creation vocabulary. As we come to see, this experience is formed through problematizations of (a) the locus of value creation, (b) the attributes of the processes leading to value creation, (c) the primary action through which value is created, and (d) the substrate through which value is created. With these problematizations, the locus of value creation moves from inside the firm to its *outside*; the attributes of the processes leading to value creation shift from being passive and manipulable to exhibiting a *spontaneous*, self-forming character; the primary action through which value is created shifts from optimized, managerially planned activities or labor to *innovation* and *events*; and the substrate through which value is created shifts from the physical and material to the *immaterialities* of knowledge, language and sociality.

In terms of accounting for the formation of the experience of the outside as a source of value creation at the end of the next chapter, Part One concludes by considering the complex continuity-discontinuity issue between former value creation concepts and those set forth within contemporary streams of thought pertaining to Strategic Management, Autonomist Marxism, and Critical Management Studies.



Having attended to this overall framing, the outline of this chapter can now be specified as follows. *First*, we will attend to some preconditions for the coming into being of contemporary Strategic Management Thought. After a brief overview of some early historical trajectories important to the constitution of this field, we take up the work of Michael Porter, and especially his value chain framework which explicitly brings the notion of value creation to the center stage of Strategic Management Thought. *Second*, it will be shown how the resource-based view gradually, from the middle of the 1980s, becomes a dominant perspective within Strategic Management Thought. We give attention here to a couple of key texts that are recognized as central within the field, and in so doing focus upon how they on the one hand continue the trajectory set out by Porter, and yet on the other hand simultaneously shift the perspective on what constitutes the most central preconditions for the creation of value. Emphasis is placed here upon how the components inherent in co-creation gradually begin to show up as problems towards which certain kinds of responses are made. *Third*, we take up the dynamic capabilities perspective that accentuates specific tendencies already present within the resource-based view. Central in this regard is not least the increased innovation-emphasis and the fact that value creation begins to become preconditioned on something outside of the firm. *Fourth*, we see how value creation is explicitly recast and rearticulated in conjunction with the four components identified above. Through this, value creation is turned into value *co*-creation; that is, value creation becomes dependent upon that which comes from the outside and below, that which has a spontaneous and somewhat self-regulating capacity, that which increasingly comes to rely upon innovation and the transgression of the already existing, and that which has an immateriality to it.

Finally, a word of caution: in spite of moving through central texts within Strategic Management Thought, the trajectory analyzed here is *not* a survey of the different problems and concepts central to the field or to its history as such. Rather, the history set forward here is an attempt to *read* central texts within this field *seen through the contemporary problem of co-creation*. This does not imply that co-creation ‘was already there’, in embryonic form, just waiting to unfold, in the resource-based view, for instance. But it does imply that its central components

had already begun to make themselves felt, *before* value creation explicitly began to be expressed as value co-creation.

### **From early Strategic Management Thought to Michael Porter's value chain**

Within Strategic Management Thought there has been for a long time an ongoing discussion about whether and to what extent inputs from economics were a proper source of conceptual inspiration (Foss 1996). In spite of such discussions, however, there is little controversy regarding the fact that the economic concept of value creation is central to the discipline. Indeed, as Foss and Stieglitz point out (2010: 3), the concept of value creation, together with “value appropriation and sustained competitive advantage”, are not just central to the area of Strategic Management Thought as such. Rather, these concepts and problems could more appropriately be considered “*the* central” constructs to such an extent that “all of strategic management ultimately boils down to creating and appropriating more value than the competition.”

One significant source through which these problems explicitly came into view as particularly urgent was Michael Porter's work. In 1980 and 1985 he published *Competitive Strategy: Techniques for Analyzing Industries and Competitors* and *Competitive Advantage: Creating and Sustaining Superior Performance*. Almost overnight, these books became bestsellers that had an overwhelming impact on the theoretical as well as the practical engagements with the notion of strategy. While these books pointed out new lines of research within the area of strategy, and fleshed out new tools that in a big way impacted on how managers began to think about recalibrating their strategic planning, it is also important to recognize that the books landed in an intellectual and business environment where ‘strategy’ had already gained ground as a concept of major importance (Kiechel 2010). In this sense, Porter's work could be seen as a body of work that inscribed itself within a larger historical trajectory, while simultaneously also catapulting the notion of strategy into a new avenue of reflection infused with a yet unseen theoretical rigor that drew quite extensively on economic thought.

While Porter's two books altered the directions of the field of strategic management in significant ways, they nevertheless did so in relation to an already

existing and established tradition with roots stretching back to before the Second World War. As a teaching subject, business policy (as the antecedent of strategic management was called) dates back to the first half of the twentieth century (McKiernan 1996, Vol 1: xv). For several decades, business policy remained restricted in content and nothing more than a “capstone general management course in the business school curriculum” (Hoskisson et al. 1999: 418). As such, it “was designed to integrate the knowledge gained in functional areas like accounting, operations, and finance, thereby giving students a broader perspective on the strategic problems faced by corporate executives” (Ghemawat 2002: 40). In this sense, from its very beginning, Strategic Management Thought was conceived as a *meta-perspective* overlaying and integrating the already existing disciplines of business administration. While its theoretical bases initially were rather weak, a series of factors contributed to change this in the sixties. Accentuated by the academic reorganization effects that the arrival of the Ford Foundation Report (Gordon and Howel 1959) gave important impulses to, the area of strategy began to flourish as a research subject (Hoskisson et al. 1999: 418, 448 note 1), most notably with the publications of Alfred Chandler’s *Strategy and Structure* in 1962 and Igor Ansoff’s *Corporate Strategy* in 1965. Furthermore, this development was intensified by the way in which the big consulting companies in America, such as Boston Consulting Group, Bain & Company, and McKinsey & Company, began pushing the strategy agenda. On the one hand, these companies began developing tools designed to facilitate strategic analysis, and on the other hand they started selling their services and newly developed tools in a big way to a range of U.S. companies (Kiechel 2010). Thus, when Porter’s first book came out in 1980, it landed in an intellectual environment that had already been paved by theoretical work, but also in a corporate climate that was quite familiar with the notion of strategy from various engagements with the big consulting firms and it was these, more than anyone else, who promoted the strategy-agenda. Although Porter is probably the most well-known figure within Strategic Management Thought, in addition to being the man “whose work has had more effect on how companies chart their future than any other living scholar” (Kiechel 2010: 254), the reception of his analytical endeavors was in large part dependent upon and shaped by the

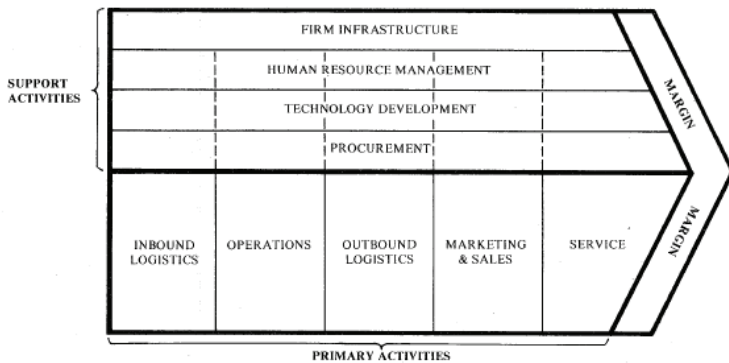
pioneering practical and theoretical work already undertaken by the strategy consultants. As Kiechel (2010: 133) pointedly states:

[Porter] might dismiss their work, but (...) it was the consultants' shoulders Porter stood on to catch the lightning he bottled in *Competitive Strategy*. It was they, particularly at BCG [Boston Consulting Group], who over the course of the prior fifteen years had pushed both the concept and the word *strategy* into the corporate consciousness. (If Porter's book had been titled *Competitive Industry Analysis*, would it be in its sixtieth printing today?).

Porter's first book shifted the perspective of the discipline away from the individual firm, and away from the case-study approaches that previously had set the norm for strategy scholars (Hoskisson et al. 1999). By drawing on concepts and explanations from the subfield of economics called industrial organization, Porter developed new tools that could be utilized to map a specific firm's possibilities of doing business as a function of the industry within which it was competing, or at least planned to be competing. Whereas the first book introduced the famous *five forces* (Porter 1980) as a framework through which the firm's fundament for competing could be established, the second book, *Competitive Advantage*, took this framework as its point of departure and turned more directly towards the inner workings of firms by way of breaking down their mode of functioning into discrete activities that could be analyzed with a new tool introduced by Porter called the *value chain*. While the former book essentially depicted a firm's strategy as something that could be derived from extensive analysis of the five forces of an industry's structure (consisting of "competitive rivalry, bargaining power of suppliers, bargaining power of buyers, threat of new entrants, and threat of substitutes" (Porter et al. 2002: 44)), *Competitive Advantage* expands on and fine-tunes this approach by way of adding *value chain analysis* to the mix in order to look more closely at how "a firm can actually create and sustain competitive advantage in its industry" (Porter 2004: 3). In investigating this problem, Porter states (*ibid.*: 3) that competitive advantage "grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it." Value, Porter explains (*ibid.*: 38), "is the amount buyers are willing to pay for what a firm provides them". This value is measured "by total revenue", that is, "the price a firm's

product commands and the units it can sell.” In this sense, value becomes that which the whole book revolves around. Furthermore, this is underscored when Porter states (*ibid*: 38) that creating “value for buyers that exceeds the cost of doing so is the goal of any generic strategy.”

Besides the obvious conceptual problem we encountered in the last chapter, that is, of blending a market oriented view of value creation with a production-based one (something which will come back to at the end of Part One), how does Porter actually explain the value creation process going on within the firm? As already hinted at, it is here that the value chain comes into the picture. It is an analytical tool fashioned to keep track of and assess what happens within the firm, and how this impacts the overall value creation process. In order to proceed with such an analysis, however, the firm needs to be split up into analytically manageable entities. This is done through zooming in on *activities*, because they are “narrower than traditional functions such as marketing or R&D” and because they are “what generate cost and create value for buyers” (*ibid*: xv). Furthermore, due to the fact that activities simply are “what firms do”, and because they “are observable, tangible, and can be managed” (*ibid*: xviii), they are ideally suited to serve as the basic building blocks of that which can provide an overall and clear-cut picture of the firm’s value creating process. This is exactly what the value chain does.



Porter's Generic Value Chain (*ibid*: 37)

Porter states (*ibid*: 34) that every “firm’s value chain is composed of nine generic categories of activities which are linked together in characteristic ways.” The value chain is thus presented as a universally applicative conceptual framework which on the one hand breaks down the firm as a total entity, and on the other hand reconnects it as a specific organization of distinct *value activities*. More precisely, the value chain does this by way of depicting a firm as a specific interrelationship between what Porter refers to as primary and support activities, which together are considered as “the discrete building blocks of competitive advantage” (*ibid*: 38). The first of these - primary activities - consists of inbound logistics, operations, outbound logistics, marketing & sales, and service, while the second category - support activities - is made up of firm infrastructure, human resource management, technology development, and procurement.

In order to apply Porter’s conceptual framework in the analysis of any particular firm’s value chain, it is necessary to break down the generic categories represented in the figure. The criterion which sets the standard according to which degree a disaggregation of the generic categories should be continued is regarded as a practical question that can only be specified by taking into account the degree to which various sub-activities impact on competitive advantage (*ibid*: 45). While some room for flexible adaption and judgment is required, it is important that “[e]verything a firm does should be captured in a primary or supplementary activity” (*ibid*: 48). Furthermore, it is necessary to relate the analysis of this to competitors’ value chains, as well as to upstream suppliers’ value chains and downstream customers’ value chains (*ibid*: 52-3). In this sense, we are presented with a particular modular conception of the creation of value that multiplies beyond the boundaries of the firm in question, rendering these other entities essentially identical with the firm.

With Porter’s value chain we are presented with something that is at first sight somewhat analogous to Quesnay’s *Tableau Économique*, in the sense that what is provided is a graphical representation of how value is generated within, and circulating through, a specific entity. However, whereas Quesnay’s *Tableau* was a representation of the annual flow of a value substance within a country, warning against the destructive potential of untimely political intervention, conversely Porter’s value chain is a total representation of a firm’s value creation and a tool

that enables and explicitly encourages all kinds of managerial intervention that can decrease costs and serve the augmentation of the value that the firm creates. Furthermore, whereas value in Quesnay's *Tableau* derived from a single source (the agricultural sector), value in Porter's chain can come from all of the activities depicted in the model to the extent that the contribution which they deliver is recognized as being valuable by the buyers of the final products.

If one looks beyond these similarities and differences it also becomes noticeable that there is a certain mechanistic assumption at work in Porter's understanding of value creation as it is depicted in the value chain approach. Not only does the notion of a *chain* imply a unitary direction whereby value is sequentially added in an assembly line approach as the product-to-be flows through the firm (Normann and Ramirez 1993a: 65) – something which is furthermore underscored by the pointed arrow that graphically constitutes the model's visual appearance to the right, but the value activities responsible for this gradual augmentation of value are also conceptualized as if they were independent components that in principle could be modified without altering the other activities constituting the chain. This not only has implicit consequences for the ways in which an organization can be conceived and changed, but also directly crosses over into the conception of the way in which such possible changes should be undertaken. Indeed, Porter himself presents the option that the value chain analysis should be guiding the principles according to which organizational changes could be made (Porter 2004: 59), thereby continuing and adding to the long tradition of conceiving of strategic management as a meta-discipline within business administration. In this sense, Porter's value chain could be seen as an analytical framework that not only reinforces the manner in which Strategic Management Thought can claim and maintain this position in relation to all the other areas of business administration, but also as a particular framework that accounts for the specific and directly measurable value-creating capacities of all the other areas within business administration, as these make themselves manifest in the way in which their respective contributions become visible in the value chain's various activities.

As a consequence of Porter's approach we are essentially faced with a conception of value where all of the activities producing this value can be derived

from their separate sources in a way that makes any emergent characteristics between the constituent parts impossible, while also leaving out of consideration the way in which external factors might directly contribute to the creation of value, e.g. in the form of customers knowledge or more generally in the form of positive externalities. In this sense, the whole is nothing more - and nothing less - than its constituent parts, though Porter at the same time claims that the way in which one activity is performed might have consequences for the way in which one or several others are performed (Porter 1995: 435). Following from this, the creation of value is not only restricted to the firm, but all of the firm's processes and characteristics are essentially open to managerial intervention, the appropriability of which is determined by mapping and analyzing the firm's value chain. In this sense, there is nothing uncontrollable, no delicate spontaneity, which has to be taken into account. Furthermore, following from the very definition of activities quoted above, knowledge - wherever it might come from - is probably barred from entering the conceptual framework in a significant way, since its characteristics are hardly 'tangible' or 'observable'. As we see below, this also ties in with the critique that Porter's approach does not specify what resources or competencies are actually needed to build, develop and sustain the activities that constitute the sources of value within his framework.

While Porter certainly laid new ground for scholars, as well as practitioners, with the value chain approach, at the same time his perspective fitted into a conceptual structure that essentially posited the firm's maneuverability and value-creating potential as a function that to an overwhelming extent was determined by industry structure. Although he distanced his approach from one strictly adhering to mainstream economics, there were nevertheless remnants of this in his framework that allowed certain forms of conceptual modeling and disallowed others. Furthermore, this was consistent with his academic background, where as a Harvard doctoral student in the early 1970s he had studied in the economics department as well as the business school. As a consequence of the fact that the research going on within both of these places gave a prominent role to industries, yet at the same time did so in a non-compatible manner, Porter set himself the task of connecting the fields of industrial organization and strategy (Porter et al. 2002: 43). On the one hand, this reflected an ambition to bring a more systematic,



theoretical approach to the then prevailing case-studies that severely hindered generalizations and the building of frameworks within the strategy area, and on the other hand, it reflected the ambition to make the more rigid economic models more applicable to real-life management problems where “*ceteris paribus* assumptions don’t work” due to the fact that managers “must consider everything” (*ibid.*). However, in spite of his ambition to dispense with some of the more rigid assumptions at work in economics, Porter’s resulting framework nevertheless remains modeled according to a rationality which leaves important managerial questions and problems regarding how to attend to and secure value creation unresolved. Even though he did fashion conceptual tools and frameworks that provided guidance for managers, as well as opening up new avenues of reflection for strategy scholars, there were still remnants of an almost mechanic optimizing framework at work in this new theoretical architecture.

### **The resource-based view**

Owing to this, a group of management theorists began to develop new conceptualizations of value creation that could address the inadequacies inherent in Porter’s framework. While definitely breaking new ground on the one hand, their attempts at reconsidering the conditions for the creation of value should on the other hand not be seen as a total dismissal of Porter, but rather as an attempt at intensifying the change of direction Porter himself had initiated with the move from analyzing industries in the 1980 book to looking more carefully at the firm’s value chain in *Competitive Advantage* (Barney 1991: 105). Furthermore, this transition , to use Hoskisson et al.’s (1999) phrase, should be seen as part of a greater historical trajectory by way of which ‘the swing of the pendulum’ of Strategic Management Thought revisited its earlier roots, and shifted its focus back to once again look more closely at the individual firm and the specificities that characterized it.

With the development from Porter onwards, the concept of value creation remained intact as one of the most central concepts within the area of Strategic Management Thought, while at the same time being reconfigured and marked out with new characteristics. Central to this development was the revival of the

otherwise forgotten thought of Edith Penrose on the theory of the growth of the firm ([1959] 2009), as well as a number of articles by Wernerfelt (1984), Barney (1991), Prahalad and Bettis (1986) and Prahalad and Hamel (1990), to name just a few of the most prominent and influential. However, while the resource-based view is the most widespread within the area of Strategic Management Thought, and has been so throughout the last couple of decades (Foss 2007: 30; Foss and Stieglitz 2010: 5), the sheer number of contributions makes it an almost impossible task to sum up in a couple of pages the directions of this rich research area (for overviews see Foss 1997a; 1997b; Barney and Arkan 2001). Nevertheless, in sticking to the notion of value creation, we will use this as a prism through which to pick up on a couple of important points within some of the most central texts in order to cast light on how the development from Porter onwards impacted the way in which the sources of value creation were conceptualized. But before considering this, it is necessary to inquire into what actually constitutes a resource in the first place, since it is only through attending to this that the problem of the value creating potential of these resources becomes urgent.

In his seminal article “A Resource-based View of the Firm” (1984), Wernerfelt states that a resource is “anything which could be thought of as a strength or weakness of a given firm. More formally, a firm’s resources at a given time could be defined as those tangible and intangible assets which are tied semipermanently to the firm” (1984: 172). As examples, Wernerfelt (*ibid.*) mentions “brand-names, in-house knowledge of technology, employment of skilled personnel, machinery, efficient procedures, capital, etc.” In developing this conception of resources, two important points have to be attended to. On the one hand, this new concept of a resource is developed as a complementary analytical approach that could be placed side by side with Porter’s frameworks (Barney and Arkan 2001: 131). This is underlined by the fact that Wernerfelt in his article relies on Porter’s five forces and shows how they can be utilized to analyze resources, even though the five forces “were originally intended as tools for analysis of products only” (Wernerfelt 1984: 172). Thus, while Wernerfelt shifts the perspective from Porter’s, there is nevertheless clearly also a strong continuity between his work and Porter’s, just as both of them maintain strong connections with the discipline of economics – a fact which in Wernerfelt’s case becomes

directly visible through his rather strong reliance on abstract symbols and equations that, throughout the latter part of the nineteenth and all of the twentieth century, have been the reigning language within the discipline of economics.

However, Wernerfelt's notion of resources seems at the same time to be not only at odds with conventional economics, but also with the basic notion at work within Porter's value chain, that of activities. Regarding this latter issue, we can note that whereas activities were tangible and observable within Porter's framework, we are now considering something which does not necessarily have the same kind of materiality and visibility to it. This seems to be related to the theoretical roots that inspire and provide the underlying structure for Wernerfelt's conceptualization of resources. More precisely, it stems from the fact that his conceptualization draws heavily upon the until then almost neglected work of Edith Penrose, whose lack of impact within wider economic circles, according to Wernerfelt, probably stems from the fact that "looking at firms as a broader set of resources" has "received relatively little formal attention" due to the fact that it has "unpleasant properties (for modeling purposes)" (*ibid*: 171).

In Penrose's work great care is taken to distinguish a resource from a factor of production. Indeed, Penrose makes clear that she avoids the latter, because it does not allow for a distinction "between resources and services" (Penrose 2009: 22). In line with this, she states that strictly speaking:

it is never resources themselves that are 'inputs' in the production process, but only the services that the resources can render. The services yielded by resources are a function of the way they are used – exactly the same resource when used for different purposes or in different ways and in combination with different types or amounts of other resources provides a different set of services. (*ibid*)

Whereas the notion of a resource has a "bundle of potential services" associated with it, a service implies "a function, an activity" (*ibid*). This marks a slight but nevertheless significant conceptual change from Porter's framework, where activities were preferred as the basic units making up the generic value chain. This slight change of orientation is additionally underlined by the fact that whereas Penrose takes great care to distinguish her perspective from the factor of

production approach of conventional economics (Penrose 2009: 22), Porter comes much closer to such a terminology when he states that the value chain indeed could be conceived as “a collection of production functions, if production functions are defined as activities” (2004: 39, note 3).

Furthermore, this problematic ties in with Penrose’s approach by way of which she seeks to give an account of the growth of firms, and in particular how she relies on innovation as an important issue in explaining this. Of special importance here is the way in which she stresses “entrepreneurial versatility” in a way that parallels Schumpeter. However, whereas Schumpeter’s explanations essentially consisted in viewing the entrepreneur or “innovator from the point of view of the economy as a whole”, Penrose is much more “interested in the growth of firms, and here the entrepreneur is an innovator from the point of view of the firm” (Penrose 2009: 33, note 35). Though there is a difference here in the entity considered on the one hand, there is a structural similarity on the other, which not only places Schumpeter’s problematic as central to the theory of the growth of the firm, but also takes us back to the growth- and value-creating problematic that we previously encountered as the central tenet of political economy. What we encounter, therefore, in Penrose’s approach is a resurfacing and revitalization not only of Schumpeterian discussions of ‘creative destruction’, but also of a long lineage that takes us right back to the epistemological framework of classical political economy.

Whereas Porter, as we have seen, strove to cross over and unite Strategic Management Thought with economics, the resulting synthesis nevertheless retained aspects of the conventional economics framework. Contrary to this, Penrose’s view is much closer to, and could indeed be seen as resurfacing and revitalizing, the foundational growth- and production-based outlook of political economy (Pitelis 2009: xxxiii-xxxiv). In picking up on Wernerfelt’s sentence regarding the relatively moderate or, to be more precise, almost non-existing reception of Penrose’s work within the economics profession, it was perhaps not merely due to the problems this posed for modeling purposes. While this was certainly the case, we can in addition to this add that it was probably also because her conception of firms as consisting of heterogeneous resources could be seen as partaking in and renewing a

perspective and approach to economics which the discipline thought it had left behind for good.

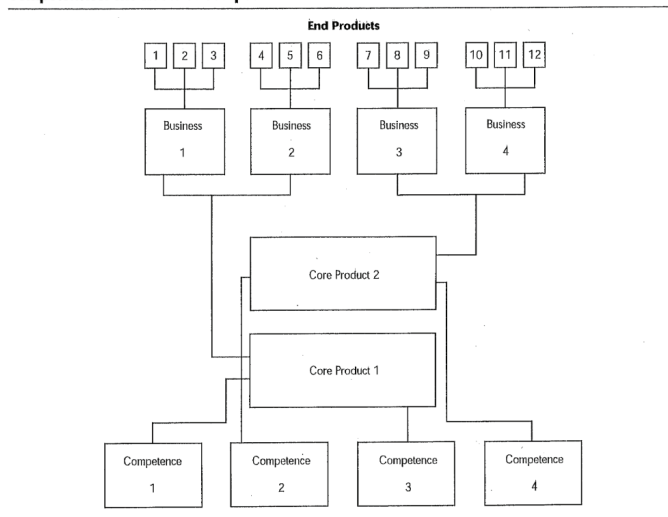
Thus, with this relatively simple change in the vocabulary from activities to resources that emerges with Wernerfelt's appropriation of Penrose's conception, the basic building blocks of the firm's value-creating capacities not merely became more immaterial, but also began to take on the appearance of something which in constituted a potentiality that could be applied in various ways, something which provided a substratum or foundation for the appearance of more concrete, material, and visible activities and/or services. This, in conjunction with Penrose's insistence on the importance of entrepreneurial versatility as an important source of the growth of firms, essentially implied that the firm's value-creating capacities were beginning to be infused with a certain potentiality. The uptake of the concept of resources within Strategic Management Thought therefore both widened the perimeters on which managerial action could be initiated, but somehow also blurred the tools and theoretical foundations that had previously reigned as guiding the formulations of the practical identification of and solution to problems of strategic management. In this sense, a new problem emerges that cannot be handled within Porter's framework. The reason for this is that while it was necessary to depict everything a firm did within the value chain framework, whereas the crucial thing now becomes not so much what the firm actually does, but rather what it *might* be able to do given its idiosyncratic resources.

### **Core competencies**

While Wernerfelt's contribution on the one hand placed itself squarely within discussions that applied economic insights to the area of strategy, his revival of Penrose's notion of resources on the other hand could also be viewed as a somehow destabilizing, or at least not unproblematic, addition as we have just seen. Nevertheless, this did not hinder the process through which the resource-based view gradually began to gain popularity. While being seen as a complementary approach to other theories within strategic management, the flourishing of this perspective, however, was perhaps first and foremost due to the fact that paying attention to and developing frameworks that investigated firms' heterogeneous

resources was conceived as being a more thorough attempt to dig “*deeper* into the ‘deep structure’ of competitive advantage” (Foss 2007: 3). One of the important catalysts for this development, which not only spread the gospel but also catapulted the approach far into the corporate world, was Prahalad and Hamel’s (1990) highly popular Harvard Business Review-article “The Core Competencies of the Corporation”. While Prahalad and Hamel prefer to talk about competencies instead of resources, the terminology associated with this essentially works along the same lines as those already developed under the resource-based view (cf. McKiernan 1996, Vol 2: xviii; Eisenhardt & Martin 2000: 1105; Ghemawat 2002: 68). Indeed, Wernerfelt - whose article from 1984 picked up on Penrose’s work and set the scene within the area of strategy for reconsidering how the firm’s value creation could be considered as dependent upon the resources of the firm - “admitted that the resource-based view did not gain credence until some years later in the work of Prahalad and Hamel and their paper on the ‘core competencies’ of the firm” (Wren 2005: 421, see also Kiechel 2010: 237).

**Competencies: The Roots of Competitiveness**



Prahalad and Hamel’s (1990: 15) model of “The Roots of Competitiveness”

In their work, Prahalad and Hamel (1990) stressed the need to go beyond previously established notions of strategy and to dig deeper into the sources of competitive advantage. As such, they could be seen as reinforcing the tendency to look beyond the immediately visible and measurable. As a substitute for this, they proposed that what really drove competitive success, and what top-management consequently had to focus on, was the core competencies of the corporation. In order to depict the deep-seated, highly important, and yet easily overlooked nature of these core competencies, Prahalad and Hamel (*ibid*: 4) explain that these core competencies are like the roots of a tree (see model above), that is, they exist on a subterranean plane, where they provide the nourishment and preconditions necessary for the core products (the trunk), the individual businesses of the corporation (the smaller branches) and the end products (the flowers and the leaves).

Whereas Porter's value chain had all the mechanical connotations of a conveyor belt where the product-to-be had value added to it as it moved horizontally from left to right through the various activities constituting the firm, Prahalad and Hamel's competence tree works on a vertical axis, where the direction is constituted by a bottom-up movement, where the underlying competencies provide the nourishment for the firm's visible characteristics and the forms they take. According to Prahalad and Hamel (*ibid*: 1), these core competencies are essentially made up of "the company's collective knowledge about how to coordinate diverse production skills and technologies." Owing to this, core competencies are not like normal physical assets which can be worn out or used up in the production process. Rather, due to their immaterial nature, "they do not diminish with use. Unlike physical assets, which do deteriorate over time, competencies are enhanced as they are applied and shared" (*ibid*: 5). This provides an immense challenge to managers who in their value-creating endeavors have to take this new asset into consideration in order to come to terms with not only mapping the dispersed nature of their company's core competencies across a range of otherwise separated strategic business units, but also with what kinds of usages these competencies might be put to in the future. Shifting the perspective from previous notions of strategy to a resource-based or core competencies perspective

therefore implies that former well-established principles of management need to be reformed (*ibid*: 3), just as the image of the corporation needs to be rethought (*ibid*: 2).

More precisely, the problem with earlier modes of reasoning that, for instance, took Porter's approach as the point of departure, was that they tended to become caught up in analyzing their own and their competitors' businesses by merely taking into account "the price/performance of end products" which essentially implied that they were "courting the erosion of core competencies – or making to little effort to enhance them" (*ibid*: 7). In the preoccupation with minimizing costs and adding value, the question therefore arises as to whether the tools shaped to promote these goals actually are capable of delivering adequate results? In Hamel and Prahalad's view they are not, since they tend to focus on the immediately visible and measureable, thereby leaving the true source of competitive advantage and value creation unattended to. Thus, they suggest a new approach which first and foremost requires that top-management becomes not merely preoccupied but 'obsessed' with building the core competencies of the corporation (*ibid*: 14). In doing so, they will widen the corporation's "domain of innovation", which will make it capable to "spawn unanticipated products" and furthermore make it possible to "adapt quickly to changing opportunities" (*ibid*: 11, 4).

Just as Porter's framework revolved around the creation of value and the way in which the firm could be analyzed as a particular organization of interrelated activities, the core competencies perspective mirrors this, since it is also about "the organization of work and the delivery of value" (*ibid*: 5). However, whereas Porter's framework to a certain extent allowed (at least in principle) for quite specific assessments of the exact costs and value creating capacities of the various activities represented in the value chain, the core competencies perspective has a less thorough representational power due to the fact that its subject has something more immaterial to it, something that is highly difficult to calculate and predict with any relative certainty (*ibid*: 8). Whereas Porter had relatively clear definitions of 'value' and 'activities', the equivalents of these within Prahalad and Hamel's framework lacked the same definitional rigor (Kiechel 2010: 240). Thus, besides stressing the essential immaterial and hitherto overlooked core competencies of the corporation, the way in which people mattered to a larger extent than what had



previously been recognized, and the increasing centrality of “the commitment to work across boundaries” (Prahalad and Hamel 1990: 5), the core competencies perspective had severe difficulties in turning these insights into clear-cut conceptualizations. What the core competencies perspective therefore won in popularity on the one hand, it lacked in specificity on the other. What remains beyond doubt, however, is that the core competencies perspective seriously reconfigured the conception of the corporation. It not merely pointed to deeper and hitherto undetectable causes of the firm’s value-creating capacities, but its conceptual architecture also began *blurring* or *erasing* the clear-cut analytical distinctions depicted in Porter’s value chain. Thus, by stressing the importance of knowledge, innovation, and the commitment to work across boundaries, the representation of the sources of value creation became altered in significant ways.

### **Accelerating the trajectory towards the outside: dynamic capabilities**

While Prahalad and Hamel’s article certainly made a huge impact both in the academic as well as the corporate world, it is necessary to appreciate the way in which it participated in prolonging and accelerating a trajectory already set in motion by other important contributions within Strategic Management Thought. To do so, it is imperative to recognize that even though it was perhaps *the* most identifiable single article that catapulted the resource- or competence-based perspective onto the scene of strategic management, the intellectual climate from which it sprang had already begun to pick up on the importance of invisible assets as central to firms’ value-creating capacities. Thus, when Prahalad and Hamel’s article came out, work had already been undertaken in order to come to terms with formulating the principles and concepts according to which competitive advantage could be seen as derivable from sources not particularly suitable for entering the more rigorous, economically-inspired frameworks. An early precursor to this was not least Prahalad and Bettis’s (1986) “The Dominant Logic: a New Linkage Between Diversity and Performance”, which set out to investigate top management’s representational maps and the way these impacted on firm performance. According to the authors, their attempt at developing a more thorough analysis of these mental models - what they call ‘the dominant logic’ -

was in large part motivated by the fact that “research in strategic management often ignored managerial explanations in favor of explanations based on purely economic forces” (Bettis and Prahalad 1995: 6). The result of this was that “the balance between economic and managerial explanations were becoming dramatically skewed. Managers, if they appeared at all in research, were largely seen as a faceless abstraction” (*ibid*: 6).

This surge of interest in the immaterial sources of competitive advantage that could not be theorized within an economics framework was also one of the key areas of investigation in Itami and Roehl’s (1987) *Mobilizing Invisible Assets*. Here attention was also extended to those resources that had so far escaped more formalistic approaches. According to Itami and Roehl (1987: 1), analysts have defined “assets too narrowly” and as a result have been preoccupied with what could easily “be measured, such as plant and equipment.” This has had the unfortunate effect that “intangible assets such as particular technology, accumulated consumer information, brand name, reputation, and corporate culture” have been seriously underestimated, resulting in the fact that these assets “invaluable” contribution to the firm’s “competitive power” has been discarded.

It is here possible to detect a rather long and lasting trajectory within the area of Strategic Management Thought that gradually gave more weight to an innovation-agenda in combination with a much more prevalent preoccupation with non-tangible, invisible and knowledge-based assets, neither of which were fit for ‘modeling purposes’, nor could easily be integrated within narrow economically-inspired strategic management frameworks. This trajectory gradually took off in the middle of the 1980’s, picked up momentum and gained considerable popularity with the publication of Prahalad and Hamel’s paper on core competencies in 1990, and from here on accelerated further into the 1990’s and the first decade of the new millennium, where extensions of the resource-based view were developed under new subheadings such as “the knowledge-based view” (see for example Nonaka and Takeuchi 1995; Grant 1996, 2003; Boisot 1999) and “dynamic capabilities” (see for example Teece et al. 1997; Eisenhard and Martin 2000). However, since these latter perspectives overlap (Foss 2005), they will not be accounted for separately. Instead, and in keeping with the overall goals of this chapter, we restrict ourselves again to looking at one of the important

contributions in order to see how it on the one hand advanced the discussions already mapped, and on the other how this advancement intensifies the direction by way of which the central resources of the firm became ever more immaterial, innovation-oriented, difficult to control, and moving closer towards the organization's periphery, if not downright to its outside.

One central and highly influential article where one can detect this development is "Dynamic Capabilities and Strategic Management", coauthored by Teece, Pisano and Shuen (1997). While already circulating as a working paper and generating lots of citations in the beginning of the 1990's, it was not published until 1997 (Augier 2004). Besides being the "single most cited paper in business and economics from 1995 to 2005" (Teece 2011), the paper also received the Strategic Management Journal's Best Paper Award in 2003 (Augier 2004: 30, note 9), just as it gave rise to an immense amount of new articles, the number of which has exceeded one hundred a year in management and strategy journals since 2006 (Teece 2011).

On the very first page in the introduction of their article, Teece et al. (1997: 509) make it clear that what they develop under the heading "the dynamic capabilities approach" is specifically constructed to address the fundamental theoretical and practical question in strategic management of "how firms achieve and sustain competitive advantage." The authors explain that the dynamic capabilities approach "is especially relevant in a Schumpeterian world of innovation-based competition" that is characterized by "the 'creative destruction' of existing competencies." What is striking at the very outset of the article is the explicit coupling of the innovation-based problematic with the already surveyed conceptualization of competencies. However, whereas Schumpeter's notion of creative destruction was used to conceptualize the fact that capitalism's central and most defining trait was its continual destruction of its own economic structure from within (Schumpeter [1942] 2000: 83), Teece et al. rearticulate and utilize the concept of creative destruction along firm-level Penrosian lines and bring it to bear on the competence-vocabulary central to Prahalad and Hamel's framework. If the perspective of core competencies therefore pointed to something below or more foundational than what could be represented within Porter's diagram of value creation as depicted in the value chain, the dynamic capabilities approach seems to

repeat the exact same movement, only now in regards to the core competencies perspective.

In positioning their contribution to the area of strategic management, the authors both distance their approach from Porter's framework (*ibid*: 513), and at the same time make it clear that the dynamic capabilities framework should be seen as an extension and further development of a particular problematic already present within the resource-based view. Thus, whereas the resource-based view on the one hand sought to investigate the deep roots of competitive advantage by way of looking at the heterogeneous resources and competencies within the firm, on the other hand it also invited "considerations regarding the development of new capabilities" (*ibid*: 514). It is exactly this latter "dimension encompassing skill acquisition, learning, and accumulation of organizational and intangible or 'invisible' assets" that the dynamic capabilities framework seeks to theorize. In defining their central construct and contribution to the existing strategic management literature (dynamic capabilities), Teece et al. (*ibid*: 515) explain that the "term 'dynamic' refers to the capacity to renew existing competences", while

the term 'capabilities' emphasizes the key role of strategic management in appropriately adapting, integrating, and reconfiguring internal and external organizational skills, resources, and competencies to match the requirements of a changing environment.

Besides adding more weight to the already above mentioned tendency in which these dynamic capabilities were seen to be situated at a more foundational level than resources and competences, what is interesting to note about this definition is that there is a gradual sliding towards the outside, in the sense that resources and competencies are no longer merely situated at the firm level, but tend to be located *externally* as well. Reference to "external competencies" is thus made three times within approximately ¼ of a page in conjunction with the authors' first relatively elaborated definition of their central construct (*ibid*: 515). A bit more light is cast on this problematic on the following pages, where the terminology is specified for several of the central concepts. Here, it is claimed that competencies "may extend outside the firm to embrace alliance partners" (*ibid*: 516), just as it is claimed that a firm's "reputational assets", "external linkages" and "institutional assets" must also

be taken into account. The latter of these comprises, among other things, “the system of higher education and national culture” (*ibid.*: 521-2).

What is important here is not so much the exact specification or validity of operating with the notion of ‘institutional assets’ or ‘external competences’. Rather, what is significant is that an analysis of firm-level conditions of creating and securing competitive advantage begins to reflect upon and conceptualize something that does not lie within, but rather on the border of (such as ‘reputational assets’ and ‘external linkages’) or completely *outside* the firm (such as is the case with ‘institutional assets’). In the development of the dynamic capabilities framework, one can therefore detect a simultaneous *double movement* that gradually shifts and broadens the scope of what can actually play a role within the analytical frameworks of strategic management, and consequently enter as relevant sources of the firm’s value-creating conditions. On the one hand, the dynamic capabilities approach prolongs the *vertical* movement already set out with Prahalad and Hamel’s (1990) attempt at looking below the surface-phenomena of the immediately visible and measurable. What is at stake here is therefore an attempt to dig deeper into the sources of competitive advantage – from Porter’s activities, to core competencies and further on down to dynamic capabilities. On the other hand, this vertical movement is supplemented by a *centrifugal* one, where the assets deemed necessary for achieving competitive success begin to be difficult to conceptualize as something the firm controls in any ordinary sense of the term, since these assets begin to move from the center to the periphery, and even further on out into the firm’s external environment, as is the case with the externalities of national cultures and educational systems.

In keeping with the tree analogy or diagram proposed by Prahalad and Hamel (1990), the double movement exhibited with the dynamic capabilities approach might be depicted as intensifying the aspiration of Prahalad and Hamel, but also seriously widening the scope of the analytical perspective in the process of doing so. Viewed through this prism, it is not merely sufficient to shift the point of attention from the visible to what lies beneath the surface. Rather, what is entailed with this shift is widening the scope of analysis in order to construct a much more encompassing framework that takes into account not merely the roots below the surface, but also the quality of the soil, the wider environmental conditions, and the

way in which these might be taken into consideration, intervened with, acted on, and utilized in order to augment the tree's potential for flourishing.

This double movement, however, and especially the centrifugal one, also entails that what formerly could be viewed as relatively clear-cut firm resources or competencies begins to take on a more problematic and uncontrollable nature that tends to make direct managerial intervention less impactful, perhaps even bordering on the futile or downright destructive in some instances. With the introduction of notions such as 'institutional assets' it is on the one hand becoming clear that *the outside* impacts on firm performance in a hitherto unprecedented way, but on the other hand, this broadening of the perspective also challenges the very preconditions of the analytical outset on behalf of which the resource-based perspective and its core-competencies-, knowledge-based view-, and dynamic capabilities offspring were developed.

This extension and acceleration of the analytical trajectory furthermore seems to be tied together with various hints throughout the text that somehow destabilize or tend to diverge from the point of origin in the resource-based view. Thus, while taking their point of departure within this perspective, Teece et al. also seem to have certain reservations regarding some of the central concepts that make up the cornerstones of the resource-based view. First of all, the authors (Teece et al.: 516, note 23) "do not like the term 'resources'" which is central to the resource-based view, as the name indicates. In fact, they find it downright "misleading", and only stick to it because they want to "maintain links to the literature" where this concept is the dominating one. Instead of resources, they prefer "firm-specific assets".

Secondly, these resources or assets, as we have already seen, are not entirely like the resources controlled by the firm as this is usually depicted within the resource-based view, since these assets might extend outside the firm's perimeters, and as a consequence of this be completely beyond managerial control. Thus, in dealing with 'institutional assets' for example, Teece et al. (*ibid*: 522) acknowledge that it might not be completely appropriate to characterize these "as being entirely firm specific". As a consequence, the dynamic capabilities approach is potentially at odds with central tenets of the resource-based view as it is defined by major names within the field. Barney, who authored pioneering work within the resource-based view in the 1980's and the early 1990's (see for example 1991), thus presents a view

that is hardly in synch with the dynamic capabilities approach. According to him and Peteraf, what characterizes the resource-based view “is that it provides a *resource-level* and *enterprise-level* explanation of sustained competitive performance differences among firms” (Peteraf and Barney 2003: 312). By this they mean that theory within this perspective “focuses on the resources and capabilities controlled by an enterprise”, which they contrast with explanations that “attribute performance outcomes more directly to external factors”. Indeed, according to Peteraf and Barney (*ibid*: 313), the resource-based view considers “external environmental forces” and “the nature of interactions among multiple actors” as irrelevant to its level of explanation. It “holds constant all of these other factors, assuming frictionless competition outside its own narrow realm. In essence, it operates under a set of *ceteris paribus* assumptions.” However, as we have just seen, the clear-cut demarcation on which this assumption rests is exactly what is beginning to appear problematic, when notions such as ‘external competencies’ and ‘institutional assets’ begin to figure prominently as sources of value creation.

Thirdly, the gradual emergence of the outside in the form of ‘external competencies’, ‘institutional assets’, etc. is mirrored by the fact that the analytical tools necessary for building the framework of the dynamic capabilities approach are themselves drawn from disciplines that are viewed as being “outside the traditional boundaries of strategy” (*ibid*: 510). In this sense, the way in which value creation is conceptualized as being more clearly related to and dependent upon what lies at the limit of or beyond the boundaries of the firm is paralleled by the way in which the analytical constructions equally begin to relate to what lies beyond the boundaries of the discipline of strategic management as this had previously been conceived. Owing to this, insights from “the management of R&D, product and process development, technology transfer, intellectual property, manufacturing, human resources, and organizational learning” equally have to be mobilized to account for the strategic maneuverability of firms in a ‘Schumpeterian world’ (Teece et al.: 510).

### **Convergent or divergent directions?**

These developments within and extensions of the resource-based view have given rise to heated debates within the literature on strategic management. On the one hand, some scholars stress that the extension of the perspective beyond its point of departure in the early contributions is nothing more than a mere rhetorical re-description, essentially leaving central assumptions untouched and intact (Barney and Arikan 2001: 138-40). Thus, the development of approaches that stress the importance of ‘core competences’, ‘dynamic capabilities’, and ‘knowledge-based’ views should be seen as operating within the same perimeters as former conceptualizations. Indeed, the only problem here is recognized as one of superficial rhetorical re-descriptions of what essentially constitutes a consistent underlying set of assumptions. Owing to this, these re-descriptions represent nothing but “an extreme example of a classic academic ‘tempest in a tea pot’ – ‘full of sound and fury but signifying nothing’” (*ibid.*: 140). On the other hand, and in contrast to this, other scholars insist that the divergence represented by these new modes of conceptualizing the sources of competitive advantage represent a severe challenge that potentially has the capacity to split the field of Strategic Management Thought into two separate and unrelated theoretical camps (Foss 1997b, 2007). Thus, if contributions such as Prahalad and Hamel’s notion of core competencies are not

approached in a more precise and analytical way (...) there is a real danger that the RBP [Resource-Based Perspective] may split even more visibly into, first, a formal, stark, abstract branch strongly inspired by economics and gradually losing contact with the managerial reality, and, second, an increasingly loose and free-wheeling branch where almost anything goes on the analytical level (Foss 1997b: 359).

The remedy to this problem is then either seen to be one which decomposes these collectively oriented approaches into more clear-cut analytical categories (*ibid.*), or it is seen as one where integration and convergence between the two opposing camps might be found in a mutual paradigmatic mode of theorizing that draws heavily on evolutionary economics, and particularly on the foundational contribution from



Nelson and Winter's (1982) *An Evolutionary Theory of Economic Change* (Gavetti and Levinthal 2004; Foss and Stieglitz 2010).

However, while these discussions are surely central to the field as such, the point of relevance for the purposes of this chapter is not so much to assess whether and to what extent the developments within the resource-based view merit the label 'science', nor to what extent some of its contributions are more worthy of being considered as resting on well-established, legitimate, and empirically testable propositions. Rather, what is highly relevant is the fact that *across the otherwise opposing camps there seems to be a wide-spread agreement that the sources of value creation have been considerably expanded*. The problem is therefore not whether this development has actually taken place, nor whether these sources should be considered as essential for understanding the creation of value and competitive advantage. Instead, what is debated is the question as to how the diverse theories and frameworks should account for the way in which dynamic capabilities, core competencies, and knowledge-based assets might be formally modeled, carved up, and analytically handled in order to account for the contributions they unquestionably make to the creation of value.

The above investigated central texts of Strategic Management Thought therefore attest to a long and gradually evolving tendency by way of which the key components of value creation have moved from visible and clearly manageable activities, and from here further on to firm-specific resources and competencies, and then again on to dynamic capabilities. In this process, the value-creating components have become increasingly immaterialized, just as they seem to have moved ever closer to the periphery of the firm. However, while gradually moving further away from what could be considered easily identifiable and exclusively firm-controlled assets, the value-creating components have nevertheless continually been conceived as falling within the borders of the firm. Thus, in spite of the fact that the foundations on which these assets rest have become ever more porous, *knowledge-dependent*, drifting towards *the outside* and inscribed within an *innovation* problematic, they are still represented as 'firm-specific assets' that can be dealt with and manipulated in accordance with the conventional tools of managerial control. In essence, and in spite of the above analyzed trajectory, what therefore remained unchallenged and taken for granted – from value chain analysis through the core

competences framework and on to the dynamic capabilities perspective – was that value creation was fundamentally conceived as a firm-level activity. Although substantial calls for revision were set forth in relation to the way in which the corporation ought to be conceptualized (for example Prahalad and Hamel 1990), and in relation to the nature of the assets that should be taken into account (Itami and Roehl 1987; Teece et al. 1997), a clear conceptual distinction between the firm on the one hand, and its outside on the other was nevertheless kept in place. The firm was identified as the sole creator of value, and the customer was conceived as a passive and non-intervening consumer requesting or demanding a product, the production of which he or she had no part in.

### **Co-Creation**

This central premise, however, has begun to be seriously questioned within recent years, where value has begun to be conceptualized as something that could no longer be conceived as created exclusively within the firm. Instead, it has increasingly been depicted as a relational process that is going on either on the outside of the firm, or at the interface between the firm and its environment. While initially developed by Normann and Ramírez (1993a, 1993b, 1994) and Ramírez (1999) under the concept of *co-production*, this perspective gained considerable momentum at the beginning of the new millennium with the publication of a number of articles by Prahalad and Ramaswamy (2000, 2003, 2004a, 2004c) where this new approach was coined under the term *co-creation*. It is also under this latter name that it has been theorized within the book-length treatments of Prahalad and Ramaswamy (2004b) and Ramaswamy and Gouillart (2010a). While central in the development of a new perspective on the challenges and possible solutions to organizing and conducting businesses, these texts are merely nodal points in a far wider net of contributions that also encompass more popular accounts with catchy titles such as *Wikinomics* (Tapscott and Williams 2006), *We-Think* (Leadbeater 2009), *Revolutionary Wealth* (Toffler and Toffler 2006), and *Here Comes Everybody: The Power of Organizing without Organizations* (Shirky: 2008), just as they also should be seen as having close ties with developments within the innovation literature where the question of mobilizing outside capacities in firms' innovative endeavors has

also been a recurring and central subject (see for example Chesbrough 2005, 2006; von Hippel 2006). In addition to this, the co-creation approach also has strong roots in the tradition of marketing (Vargo and Lusch 2004), where theoretical reflections on customer participation stretch even further back (Lovelock and Young 1979; Mills and Moberg 1982). The problem was already raised within these studies as to how customers could be a source of productivity gain that could be managed in the same way as employees (Bendapudi and Leone 2003: 14-18; Arvidsson 2006: 41-65).

However, in sticking to the trajectory set out in this chapter, we primarily take stock of the subject of co-creation and the way this alters conceptualizations of value creation within Strategic Management Thought. The above mentioned texts by Prahalad, Ramaswamy, Normann, Ramírez, and Gouillart are not only central in this regard because they can be seen as early conceptualizations on which later theoretical work has been developed (both within and outside of Strategic Management Thought), but also because they are developed on behalf of and stick to the continuing *problem of value creation* so central to Strategic Management Thought. Nevertheless, while doing so, these texts at the same time begin to question several of the most important concepts within Strategic Management Thought, including markets, customers, firms, strategy and, not least, value and value creation. As we see, the new problematizations that spring from questioning hitherto established notions not merely prolongs and adds to the trajectory already surveyed from Porter onwards, but also brings this trajectory up against some of the most fundamental assumptions within Strategic Management Thought.

In their 1993 article “From Value Chain to Value Constellation: Designing Interactive Strategy”, Normann and Ramírez argue for the necessity of moving beyond Strategic Management Thought as previously conceptualized. While starting out in the article’s very first sentence with the relatively uncontroversial claim that strategy “is the art of creating value”, they quickly move on to problematize and argue for the insufficiency of hitherto reigning conceptualizations of what this implies in a contemporary setting. More precisely, it is the highly turbulent conditions characteristic of this contemporary setting that necessitates a re-conceptualization of how value is created. After a somewhat high-charged introduction that stresses the inadequacy of planning and how the rules of business

can change overnight, Normann and Ramírez (1993a: 65) set forth their central proposition:

successful companies do not just *add* value, they *reinvent* it. Their focus of strategic analysis is not the company or even the industry but the *value-creating system* itself, within which different economic actors – suppliers, business partners, allies, customers – work together to *co-produce* value. (...) To put it another way, successful companies conceive of strategy as systematic social innovation: the continuous design and redesign of complex business systems.

With this sweeping formulation, the center of strategic thinking is at once placed both beyond Porter's framework, but also beyond those of the resource-based view and its various extensions and successors. Neither industry-analysis (Porter 1980), nor the value chain (Porter 2004), nor the firm in its different representations (Wernerfelt 1984; Prahalad and Hamel 1990; Teece et al. 1997) are viewed here as the relevant foci for analyzing the sources of value creation. However, what is perhaps more significant is that the propositions on value creation set forth here not only go beyond the already surveyed respective streams of thought within strategic management. Rather, these propositions displace the common ground on which the previously surveyed strategic management-perspectives converged, namely in the fact that the sources of value creation were restricted to and localizable within the firm. This fundamental assumption is now being swept away in favor of an alternative view according to which value creation is conceptualized as something that comes from multiple sources within a complex system, where all kinds of economic actors have varying, potentially even multiple, tasks to perform (Ramírez 1999: 54).

The first consequence of this problematization is that the metric according to which value is measured is multiplied in accordance with the number of contributors. Thus, whereas value within Porter's (2004: 38) framework could be relatively unproblematically defined in monetary terms as "the amount buyers are willing to pay", the co-production framework sets forth the proposal that value has to be measured according to multiple metrics (Ramírez 1999) that take a range of inherently non-quantifiable dimensions into account. Furthermore, this entails abandoning the way in which we usually think of products or services as "frozen

activities” in favor of looking at them as “offerings” that have a much more fluid nature. Normann and Ramírez (Normann and Ramírez 1993a: 68-69) principally demonstrate this through the examples of how IKEA and Automated Teller Machines (ATMs) have revolutionized the business systems of which they are a part. IKEA “has systematically redefined the roles, relationships, and organizational practices” within its industry (*ibid.*). As a result of this, it has created “an integrated business system that invents value by matching the various capabilities of participants more efficiently and effectively than was ever the case in the past” (*ibid.*). Similarly, with the introduction of ATMs, work that was previously done by the firm has now been handed over to the consumer. This not only implies cost savings for the banks, it also taps into and reconfigures the consumer’s way of being, since he or her is no longer forced to withdraw cash within opening hours. While these examples might seem a bit dated, Normann and Ramírez nevertheless use them to argue the case that the value inherent in such offerings lie in their “*density*” understood as the tightly packed information, knowledge and resources that they provide for the customer, and the way in which this density augments and mobilizes the consumer’s capacities and thereby heightens his or her own value-creating endeavors (*ibid.*). Furthermore, this implies that a clear-cut distinction between products and services is becoming impossible to uphold, just as it implies that value is no longer conserved in or residing in the product. Rather, value is beginning to take on the appearance of a multi-dimensional potentiality that keeps reappearing in new shapes dependent upon highly contextual settings.

The implications of this for companies are, according to Normann and Ramírez, threefold (*ibid.*: 69). First of all, when it is no longer a question of adding value in a chain-like manner within the firm and delivering it to a passive consumer, the company has to focus on how it can “mobilize customers to take advantage of proffered density and create value *for themselves*.” Secondly, it is not just individual offerings that are becoming more complex. It is also the entire system within which they are produced. As a consequence, “a company’s principal strategic task is the reconfiguration of its relationships and business systems.” Thirdly, and finally, with the new criterion of success according to which the mobilization of co-producing individuals becomes paramount, companies have to broaden their perspective to be able to “conceive the entire value-creating system”.

To succeed, and to keep on being successful, a company “must create a dialogue with its customers”.

While these propositions were only early attempts at reconsidering the question of the gradual externalization of the value-creating process within Strategic Management Thought, they nevertheless caused considerable debate regarding the appropriateness of their central claims on the one hand, but also, on the other hand, helped to establish central concerns and thoughts regarding the externalization of the value creation process as these would later develop. Thus, in the Harvard Business Review issue following that where Normann and Ramírez’s article had been published, several scholars commented on and criticized their central assumptions, arguing especially that their new value constellation framework was essentially reducible to a set of interconnected value chains. To this allegation, the authors responded that as “the ‘round earth’ view of our planet is not the sum of ‘flat earth’ views, so our proposed value constellation cannot be reduced to the sum of interconnected value chains” (Normann and Ramírez 1993b: 50).

Without entering into debates about the appropriateness of the ‘flat earth-round earth’ analogy, it is nevertheless significant how groundbreaking or revolutionary claims made in conjunction with the changing conditions of value creation seem to be a consistently recurring rhetorical strategy with which new contributions try to force their way into the spotlight (hence also the fact that any practitioner-oriented book that aspires to sell lots of copies must have ‘future’ somewhere in its title (see for example Prahalad and Hamel 1996; Prahalad and Ramaswamy 2004b; Hamel and Breen 2007)). While such strong phrasing could certainly be seen in conjunction with the “faddishness” more generally inherent in management theory (Micklethwait and Wooldridge: 1996: 14), at the same time it ties in with and adds to the already surveyed trajectory whereby the deepening and widening of the value-creating problematic now finally seemed to have spilled over and become explicitly externalized and partly ‘de-organizationalized’ in a way that former conceptualizations kept hinting at but, for various reasons, still abstained from explicitly embracing. In the formulation of Prahalad and Ramaswamy (2004c: 8), this shift implies nothing less than a severe challenge to the “firm-centric view of the world, refined over the last 75 years”, and its gradual replacement with a new

networked reality where the consumer's role is shifting "from isolated to connected, from unaware to informed, from passive to active" (Prahalad and Ramaswamy 2004a: 4). Reiterating Normann and Ramírez's thesis, Prahalad and Ramaswamy (2003: 12) claim that these developments "have called into question our basic conception of value and the processes that lead to its creation".

In order to take stock of how these developments have more precisely impacted on the conceptualization of value creation, it is necessary to present them in relation to the four aspects identified in the beginning of this chapter: First of all, the move towards a view of value creation as dependent upon what comes from *outside* the organization is beginning to take center stage. This is the most central aspect of the co-creation vocabulary. It not only reconfigures the boundary formerly separating producer from consumer, but also gives rise to a whole new ecology of value creation. Secondly, the coming into being of a new *spontaneous* or self-regulating reality which on the one hand has to be respected, but on the other hand also needs to be attended to, and acted on. This presents managers within firms with a new range of problems such as the degree to which managerial intervention is fruitful, but also raises the issue of what actually constitutes appropriate managerial intervention in such a context. Thirdly, value creation increasingly comes to be inscribed within an *innovation*-vocabulary that is dependent upon the constant proliferation of events and the new. Thus, all points of interaction within the new value-creating ecology become potential sites for innovation as well. Fourthly, and finally, value is increasingly conceptualized as having an *immaterial* source and outcome. These are the four components of the co-creation vocabulary, and it is through them that value creation today increasingly becomes expressed. We now look at each of these in turn.

1) *From firm to ecology: value creation from outside and below*

Shifting the perspective beyond the perimeters of the firm necessarily raises the question of what exactly replaces the firm as the proper place of value creation. In other words, if value creation is no longer merely a firm-level activity, where is this value then produced? We have here already seen how Normann and Ramírez (1993a: 65) took some preliminary steps in pointing to what they called "complex business systems". This view is supplemented and extended by Prahalad and

Ramaswamy (2000, 2003, 2004a, 2004b, 2004c) and Ramaswamy and Gouillart (2010a, 2010b). With reference to Prahalad and Hamel's (1990) earlier work on core competencies, Prahalad and Ramaswamy (2000: 81-82, 2004b: 196-7) claim that what has to be considered is no longer merely the firm's core competencies, nor those of its trusted partners, but what they call here the 'enhanced network' – that is the competences of the firm, its partners and collaborators *and* those of its customers'. This new reality looks nothing like something that can be depicted within a regular value chain approach. Rather, it looks much more like a "social ecosystem" (Ramaswamy and Gouillart 2010a: 112-127, 250) or a "web of life" (Hearn and Pace 2006: 59). As the connotations of ecosystem and web of life implies, the firm's survival is dependent upon a wide and complex reality that it has to respect in several ways. Accordingly, the question as to how the company can create value is severely altered. Whereas previously it could rely on delivering the utmost value to the customer at the lowest possible cost as this could be measured through a single metric (e.g. through using the value chain framework), this agenda is now being replaced by a much wider concern that attends to maximizing the value of the whole ecosystem and all those implicated herein (Ramaswamy and Gouillart 2010a: 250).

This, however, is no easy task, since value can no longer be measured according to a one-dimensional metric, but might take a range of different forms that includes psychological, social and economic variables (Ramaswamy and Gouillart 2010b: 104). As a consequence, the only way to create value is by maintaining and building close connections between all members of the ecosystem. This entails that the firm should be attentive to the heterogeneous goals and metrics the respective participants bring to the collaboration and it should strive to help participants achieve these various goals, while simultaneously trying to advance the well-being and vitality of the whole ecosystem. In essence, it therefore becomes a question of "growing the pie and maintaining the vibrancy of the ecosystem; maximizing the firm's slice of the pie is secondary" (Ramaswamy and Gouillart 2010b: 106). Such a statement, however, is not merely made out of charitable concerns. Rather, it has to do with the fact that the maximization of profit is becoming dependent upon the whole complex system within which value is being created; a system the thriving of which is the most important criterion for



the extraction of profits on the one hand, but also a system that, on the other hand, consists of multiple agents and relations that the firm might be able to give direction to, act on, and relate to, but in no way control in any ordinary sense. Hence, whereas value previously were created by the firm (Prahalad and Ramaswamy 2004b: 12-14), the locus of value creation has now shifted towards the outside, that is, to the all the interactions between the individuals making up the ecosystem (*ibid*: 15; Ramaswamy and Gouillart 2010a: 250).

## 2) *The spontaneity and self-organization pertaining to value creation processes*

This impossibility of direct managerial control of outside forces and capacities brings us right into the second component associated with value co-creation. For whereas the firm was previously in control of value creation processes, these processes now begin to exhibit a self-organizing, *spontaneous* mode of ordering that the firm has to take into consideration and to respect. With all the former approaches – from the value chain to the resource- or competence-based view, and further on to the dynamic capabilities approach – there was no internal absolute criterion according to which managerial control or intervention might be limited, since there were no self-organizing or spontaneous processes that the managers of the firm had to respect. Or at least, if there were, they were beyond the scope of cognitive representation, positively located deep down in some unrecognized resources. With the new value-creating reality, however, the firm has to take into account all kinds of considerations, because the wider ecology of which the firm is a part has its own self-negating and self-reinforcing feedbacks (Hearn and Pace 2006: 63). This is first and foremost recognizable in relation to the outside of the firm, where the former passive customers now begin to take on a much more active role that severely alters the conditions on which managerial intervention can be carried out. Thus, whereas managers previously could rely on a firm-centric view, whereby the only input from customers came from focus groups and other carefully executed firm-staged events, managers now have to listen to and learn from their customers, just as they have to come to terms with the fact that it is not only acceptable or tolerable, but indeed downright beneficial and desirable, for interactions between the firm and its new co-producers or co-creators to happen on the customers' initiative (Prahalad and Ramaswamy 2004b; Ramaswamy and

Gouillart 2010a). Even so, this in no way entails a hands-off approach to these spontaneously arising, customer-initiated interactions. Rather, it shifts the weight of the tasks and responsibilities of management from ordering and controlling, to listening and responding; from planning and unilaterally following through with the planned, to facilitating and making room for uninvited, vital contributions. As a consequence, managers now have to

engage their customers in an active, explicit, and ongoing dialogue; they have to mobilize communities of customers; they have to manage customer diversity; and they have to cocreate personalized experiences with the customers (Prahalad and Ramaswamy 2000:81).

This new logic, however, is not merely visible and detectable in the relations which the firm has with its outside. Rather, it is beginning to take on the character of a much more encompassing logic that traverses the outside as well as the inside, thereby potentially making this distinction superfluous or, at the very least, inadequate in several respects. This is due to the fact that the co-creation of value not only relies upon and seeks to utilize the spontaneously arising, self-organizing processes of user-communities and co-producers, but also re-conceives of the organization itself as being shot through with a not-yet-realized potential (Ramaswamy and Gouillart 2010a: 149-167). More precisely, the insufficiencies associated with a firm-centric view, as this becomes manifest in relation to people outside the organization, are paralleled by a critique of the way in which a top-down, hierarchical chain of command obstructs or destroys the potential productivity associated with letting the spontaneity of employees reign. In this way, the co-creative organization needs to do away with its hierarchical and bureaucratic structures because they are a hindrance to establishing a dialogue, the vitality of which is a precondition for the creation of value (Ramaswamy and Gouillart 2010b: 105). Gary Hamel, who co-authored the core competence-article with Prahalad in 1990, perhaps expresses this tendentially all-encompassing, self-organizing, and spontaneous mode of ordering within the firm most pointedly when he states, with reference to open-source as a paradigmatic management system, that we are on

*the verge of a post-managerial society*, even a post-organizational society—a future in which the work of managing will be less performed by

managers. The most bruising contests in the new millennium will be fought along the lines that separate those who wish to preserve the privileges and power of bureaucrats from those who hope to build less structured and tightly managed organizations. (Gary Hamel 2009: 5, emphasis in the original)

Value creation therefore is not only dependent upon what comes from the outside or from below, the processes leading to its creation also have a spontaneity that severely challenges previous reigning modes of organization, forcing us to look for new principles according to which its potentials can be harnessed. Thus, Ramaswamy and Gouillart (2010a: 7) can claim that co-creation “involves both a profound democratization and decentralization of value creation, moving it from concentration inside the firm to interactions with its customers, customer communities, suppliers, partners, and employees”.

### *3) Innovation and events as the primary action through which value is created*

Within the co-creation framework, harnessing the spontaneity of the social ecosystem’s widely distributed and decentralized capacities entails a new orientation to innovation. Indeed, one of the most acclaimed benefits of co-creation is the way in which it is said to drastically enhance the potential for innovation. Where firms were formerly limited in their innovation-range, this is now considerably widened as they begin to build and utilize closer connections with their customers on the one hand, and redesigning their organizational frameworks on the other. In this sense, value co-creation is closely tied in with an innovation problematic. This can even be formulated so sharply as to state that in this “new world, value creation (...) can come only from innovation” (Prahalad and Ramaswamy 2003: 12). While such innovations can come about through close collaborations between the firm and one or more of its customers, they can also come about with almost no direct involvement from the firm. In the latter instance, such innovations may emerge on platforms set up by the firm, or they may spring from sources neither planned nor anticipated by the firm. We take a look here at each of these decentralized innovation models.

As an example of the former, the T-shirt producer Threadless has built an online platform where users can upload and vote on each other’s designs (Bollier 2008: 149-150; Brabham 2010; Ramaswamy and Gouillart 2010a: 74). The

company has created a platform for interaction between its users which not only allows for uploading and voting on designs, but also includes encouragement to become part of the community, tips and tricks on how to make a design, online video workshops, web-based design tools, interviews with some of the artists whose designs have received sufficiently high scores to go into production, etc. With their web-based business model, Threadless has created an environment where design-innovations can flourish, while simultaneously making it a community decision as to which designs are to be printed. This reduces the costs of design and marketing, just as it delegates decisions regarding the product-portfolio from top-management to the users and customers. In this way, Threadless has built a community-based innovation-machine reliant on thousands of co-creators whose design-contributions add up to a continuous flow of possible innovations that passes through the platform, while at the same time ensuring that only the highest scoring designs transfer on to the T-shirts.

As an example of the latter, the Danish toy manufacturer Lego launched a new line of products called Mindstorms which integrated the company's classic brick with microcomputers, gears, wheels, sensors and software that "allowed users to create intelligent robots" (Prahalad and Ramaswamy 2004b: 52; see also Ramaswamy and Gouillart 2010a: 51-54). Mindstorms, however, not only became a huge commercial success. With their release followed the emergence of several independent, user-initiated websites, where "enthusiasts shared ideas and instructions for building countless Lego robots such as sorting machines, intruder alarms and land rovers" (*ibid.*). With the proliferation of more or less obscure user-innovations, came even more foundational transformations that not only rearranged the separate components into new combinations, but also made more significant alterations to the product. Not least among these was the building of a new open source operating system that clearly violated Lego's intellectual property rights. While at first contemplating legal action, Lego decided that "limiting creativity was contrary to its mission of encouraging exploration and ingenuity"; after considering how best to respond to this immediate violation, the company decided to write "a 'right to hack' into the Mindstorms software license, giving hobbyists explicit permission to let their imaginations run wild" (Koerner 2006). Lego Senior Vice President Mads Nipper states that the company discovered that

this uninvited creativity was not merely “a great way to make the product more exciting,” it was also “a totally different business paradigm” that allowed the company to jump onto and benefit from all kinds of innovations that the company would never have been able to conceive on its own (Nipper quoted in Koerner 2006).

In both of the above mentioned examples, we not only see the coming together of a wider system of value creation where an overwhelming part of the value creation process is actually spawned and conducted by people outside the firm, we also see that there is a spontaneity inherent in this mode of value creation that might materialize in downright illegal activities, that nevertheless at the same time gives rise to hitherto undreamed of business potentials. Thus, there is a high degree of uncertainty and a complex interpretative task to be undertaken by the firm in order to come to terms with whether a particular ‘innovation’ might be an attack on a company’s business or a fantastic contribution. This is furthermore tied in with the fact that the consumer communities that play such a foundational role in fostering new innovations constantly evolve and, as a consequence, “cannot be predicted a priori” (Prahalad and Ramaswamy 2004b: 54). Due to this, companies that want to build or maintain competitive advantage need to attend to the value-creating potentials of a wide range of decentralized and spontaneously evolving milieus the future state of which cannot be predicted with any significant degree of certainty.

While the core competences perspective sought to utilize and bring forth the innovative potential *within* the firm, the co-creation framework scales up the proportions of this approach, and begins to conceive of the entire ecosystem as a giant field generating both actual and possible future innovations which the firm might either appropriate, support, and/or set itself in a beneficial relation to. In this way, the co-creation framework also goes beyond the early examples described by Normann and Ramírez (1993a). Whereas the co-production framework sought to expand the value creation process to encompass the way in which already conceived and developed products entered into and made a difference in the lives of the customers, the co-creation framework takes this even further, since the customers now also conceive of, develop, add to, and become the sources of the very ideas that give rise to the products or services of the firm. Essentially, the

innovations that flow from multiple sources within the ecosystem are a result of interactions and engagements between participants within the system (Ramaswamy and Gouillart 2010a: 5). In this sense, it is less important whether the participants are located outside or inside the firm; what is important is that the encounter generates something new that is assessed as valuable by those involved in or affected by the encounter. Since such encounters are seen as the hotbed of potential future innovations, it becomes a crucial strategic agenda for the firm to facilitate, nurture, and enhance the quality and quantity of such event- and innovation-generating encounters.

#### 4) *The immaterial substrate of value creation*

This finally brings us to the fourth transition associated with the changing circumstances and conditions of value creation. In addition to springing from relatively unpredictable innovations that emerge from the spontaneity of that which comes from below or outside the structured organization, the substrate from which value creation spring increasingly take on an immaterial appearance and with this, the outcomes of value creation are increasingly immaterialized too.

As we have already seen, the trajectory from activities in the value chain to resources and competencies and, later, to dynamic capabilities, has continually shifted the accent of the most important assets from the visible to the invisible, from the rock-solid and representational to the ever lighter, more dispersed, and highly ephemeral nature of the conditions for the creation of value. Besides seeking to shape, adapt to, support and utilize the knowledge of a potentially global competence network (Prahalad and Ramaswamy 2004b: 196-7), the firm has to come to terms with the fact that value ultimately resides not in the products produced, but in the *experience* the customers have when using a particular product (Prahalad and Ramawamy 2004a, 2004b, 2004c; Ramaswamy and Gouillart 2010a, 2010b). Here, however, one has to tread carefully, because a lot of conventional distinctions are rendered problematic within the co-creation framework, since there is a continuing blurring and erasing of boundaries between firm and environment, between producer and consumer, between products and services (Prahalad and Ramaswamy 2003: 13). Nevertheless, in order to navigate analytically within this constantly blurring conceptual architecture, the co-creation approach relies on and

introduces other distinctions in order to account for the way in which it can point a way forward and still differentiate itself from earlier approaches. Among the central distinctions utilized is that between products and experiences. Thus, whereas value previously might have had immaterial sources, it was nevertheless unambiguously dependent upon, if not directly tied to, the product. Prahalad and Ramaswamy explain (2004b: 10) that in “the conventional value creation process, companies and consumers had distinct roles of production and consumption. Products and services contained value, and markets exchanged this value, from the producer to the consumer.” However, with the emergence of co-creation, “this distinction disappears. Increasingly, consumers engage in the processes of both defining and creating value. The co-creation experience of the consumer becomes the very basis of value” (*ibid.*). This implies that value now comes to reside in individual human experiences as these are co-created within ‘experience environments’ (*ibid.*: 54-55).

From this there follows a number of consequences. Firstly, value becomes highly personalized, inscribed in time, and dependent upon context, and yet at the same time should be seen as the outcome of a complex web of interconnected parts. Prahalad and Ramaswamy (2004b: 7-10) illustrate this with the example of a patient with a pacemaker. While the pacemaker surely augments the possibility of living longer, the experience the patient might have in conjunction with using the pacemaker is substantially augmented if his or her heart rhythm can be monitored remotely, thereby making it possible to alert the patient and his or her physician if the heart rhythm departs from its proper range. Prahalad and Ramaswamy (*ibid.*) explain how the company Medtronic has built a secure website where doctors and other caregivers can access all relevant information, thereby making it less troublesome and anxiety-producing for the patient to travel and, if necessary, visit a foreign physician who can access all the relevant and personal data of the patient. However, while a huge network is in place involving a range of actors and services, value is not inherent within this network. This is because value

does not stem from the physical product, the pacemaker, or from the communication and IT network that supports the system, and not even from the social network that includes doctors, hospitals, the family, and the broader consumer community. *Value lies in the co-creation experience of a specific patient, at a specific point in time, in a specific location, in the context of a specific event* (*ibid.*: 10).

Whereas companies have tended to focus on making their products “*feature rich*”, they ought to focus on making them “*experience rich*” (*ibid.*: 40), while at the same time acknowledging that such experiences are highly diverse. This implies that value becomes severely destabilized since it fluctuates in accordance with experiences, the nature and intensity of which alters depending on time, place, social milieu, events, etc. “as well as the eagerness and level of involvement of the individual” (*ibid.*: 11).

Secondly, with this shift it is nothing less than human experience that comes to the fore as the real locus of value creation. As a consequence, this experience and its specific circumstances – that is, the way in which an experience is formed, shared, altered, increased, affected by others, etc. – comes to occupy the central strategic focus of the co-creative enterprise (Ramaswamy and Guillard 2010b: 109). More precisely, the central task of the co-creative enterprise becomes one of “providing rewarding experiences for customers, employees, suppliers, and other stakeholders” (*ibid.*: 104). Thus, essentially what has to be produced is experiences. However, as we have already seen, such experiences, as well as the products that help bring them about, cannot be produced unilaterally, but need to be shaped and developed with all participants while taking into consideration their respective metrics of value. Prahalad and Ramaswamy (2004b: 54, 2003) therefore identify the challenge that co-creating companies face as “experience innovation”. Moving the innovation focus from products to experiences furthermore entails a shift from the firm to what Prahalad and Ramaswamy call “experience environments” – that is, environments that the firm either sets up, as seen in the Threadless example above, or supports and encourages, as in the case of the sudden emergence of user-communities organized around Lego Mindstorms.

Finally, products themselves change characteristics. Since products are now merely vehicles through which experiences might be had, they have to take on a less substantial and final form if they are to provide adequate and continual support for such experiences. Thus, products not only have to be co-created with users, they also have to be designed in a way that allows for “*evolubility*, thus enabling future modifications and extensions based on consumers’ changing needs and firm’s changing capabilities” (Prahalad and Ramaswamy 2004b: 211).



Having attended to these problematizations of value and its creation, it is now possible to ask whether, and to what extent, a new and coherent notion of value creation can be seen to emerge from the reflections and theories set forth within Strategic Management Thought. This question becomes all the more pertinent given the fact that the discipline of Strategic Management Thought clearly understands the concept of value creation as one of its foundational concepts. We have seen how value creation has been increasingly removed from the firm, as the sole creator of value, and displaced into the world or ecosystem within which the firm exists. While in several ways the firm seems to have lost direct authority and control over what is created and by whom, this accompanying loss of control has at the same time also enabled a much more detailed attention to processes beyond the perimeters of the firm. The innovative capacity existing on the *outside*, or at the border of the firm, has thus generated an awareness as to the importance of facilitating, directing, and guiding what can no longer be directly controlled, but which nevertheless, exactly as a consequence of its unruliness, is described as an almost unimaginable source of innovation. With this transformation value creation has been cast along completely new lines.

Still, the concept of value creation is indeed a slippery one. The abandonment of a common yardstick, according to which it would be possible to assess how much value has been created, indeed raises the question as to whether and to what extent it is even possible or meaningful to keep on insisting on the fabulous new world of value creation. Indeed, one could speculate that the continually increasing intensity with which the creation of value is revolutionized and invested with ever-more dramatic characteristics covers over the hollowness or emptiness that is simultaneously produced at the analytical level by this rhetorical dramatization. More precisely, the way in which the co-creation vocabulary stretches the concept of value creation beyond its historically loaded connotations at the same time seems to generate problems of logical consistency. For instance, when it is maintained that value is co-created within a value creating system (Normann and Ramírez 1993a) or within a value creating ecology (Ramaswamy and Gouillart 2010a), and yet at the same time bound to the experience of a particular person, at a particular place, in a particular point in time (Prahalad and Ramaswamy 2004b), this generates a certain tension, according to which it is perfectly legitimate to ask

whether the insistence on the relational, the social ecosystem, and the joint creation of value is not hereby undercut by the re-installment of the individual's experience as a central nexus of value creation?

Though this vocabulary indeed presents problems that can be criticized not only from the perspective of other theories of value, but also from the tensions it generates within itself, the path followed in this chapter here has insisted on following a trajectory present within the development of Strategic Management Thought that presently seems to culminate in the co-creation vocabulary. This, of course, is not the same as stating that the whole area of Strategic Management Thought is caught up in this trajectory. As we have seen, authors within the field have raised warning flags regarding what they perceive to be analytically indefensible developments pertaining to much of the literature surveyed in this chapter (Foss 1997b: 359). Nevertheless, when even Michael Porter, whom one can reasonably count among the hardliners of the field, has recently begun to argue that companies have to begin to focus on 'creating shared value' (Porter and Kramer 2011), a more encompassing normative redirection of the field of strategic management indeed seems to be taking place.

For now, however, it is enough to take stock of the fact that central texts within Strategic Management Thought have started problematizing value creation through a co-creation vocabulary, and that in doing so, they have transformed the concept of value creation into value *co*-creation. As promised at the beginning of this chapter, we return to the complex continuity-discontinuity issue between hitherto reigning concepts of value creation and contemporary co-creation accounts, but attending to this issue must wait until the end of the next chapter.

## Chapter 3

### From labor to co-creation: Contemporary conceptualizations of value creation within Autonomist Marxism and Critical Management Studies

In the previous chapter we saw how the trajectory of Strategic Management Thought from the 1980s through to the 1990s implied a transformation in the conceptualization of value creation. From Michael Porter's early work on the value chain, and further on to the resource-based view and its core-competences and dynamic capabilities offspring, a trajectory was located that increasingly shifted the sources of value creation from the visible to the invisible, and from the center of the firm towards the periphery. At the same time, value creation was furthermore conceptualized as being ever more dependent upon innovation, just as its most important sources became increasingly immaterial and knowledge-dependent. With the introduction of the co-production and co-creation frameworks, this trajectory accelerated to the point of coming up against and problematizing deep-seated, foundational principles within the literature on strategic management. Thus, with the co-creation approach, the firm was displaced from its position as the sole creator of value, just as the consumer, inversely, was conceptualized as becoming more active and productive. With this foundational conceptual rearticulation, the notion of value creation itself became increasingly dependent on something outside the firm, something beyond the sphere of direct control.

In this chapter a parallel development is tracked, only now with a focus on lines of thought and theorizing on value creation that on the one hand can be seen to be at odds with, if not downright hostile towards, Strategic Management Thought, while on the other also sharing assumptions with Strategic Management Thought regarding the contemporary sources and conditions of value creation. Thus, as already foreshadowed in the beginning of the previous chapter, an outline of the contemporary phenomenon of value co-creation is set forth here as this can

be seen to emerge from conceptualizations of value creation within certain strands of Autonomist Marxism (Hardt and Negri 2000, 2004, 2009; Lazzarato 1996, 2004, 2005, 2006; Arvidsson 2008, 2009, 2010; Arvidson et al. 2008) and Critical Management Studies (Zwick et al. 2008; Willmott 2010; Le Ber and Branzei 2010; Böhm and Land 2009). In attending to this, we not only try to assess the various tensions and overlaps between the writers analyzed here and those of the previous chapter, we also take stock of some of the contemporary lines of thought that are utilized in trying to set forth new reflections on how value creation has transgressed the perimeters of the firm. Of special interest here are a wide and varied collection of social theorists, hackers, and legal scholars that have primarily been concerned with mapping the implications of how forms of online collaboration, enabled by new web-based technologies, have altered the conditions for the creation of value (Raymond 2001; Himanen 2001; Stallman 2002; Weber 2004; Benkler 2006, 2011; Boyle 2008; Bollier 2008; Bruns 2009).

While they are surely a rather heterogeneous group, the philosophers and social theorists presented here have all begun problematizing value creation. However, before explicitly attending to this, we firstly take a look at a recent special issue that has picked up on the delicate issue of critically engaging with the problem of value and its creation and, not least, wresting it out of the hands of Strategic Management Thought.

### **What happened to the problem of value creation within Critical Management Studies?**

In the editorial of an *Organization*-special issue on “Value”, Prichard and Mir (2010: 507-515) reflect upon what happened to considerations of value within Critical Management Studies. In the midst of the financial crisis, looming ecological disaster, and increasing public outrage aimed at large financial institutions, they ask the question as to why there has not been any scholarly concern with value within critically informed studies of organization and management. To illustrate this, Prichard and Mir mention (*ibid.*: 509) that a 2008 conference for organization scholars on ‘Contemporary Critical Theories’ (covering a rather broad spectra of diverse theoretical approaches such as “Deconstruction and Politics,

Poststructuralist Political Theory, Perspectives in Discourse Analysis, Philosophy of Social Science, Hermeneutics, Phenomenology, Critical Theory”, etc.) did not include any papers which gave consideration to the “swirling economic crisis”. While this might at first sight be seen as excusable due to the huge number of areas investigated within critically informed studies on organization and management, Prichard and Mir use this as a prism to point to a more substantial neglect:

This was not an isolated incident. A review of articles presented at the following year’s Critical Management Studies Conference, EGOS Conference, or the Critical Management Division at the Academy of Management shows a similar pattern. The major economic events of the day and the changing character of organized economic relations were *almost absent* from the key gatherings of the critically-inclined management and organization studies community. (*ibid.*)

This absence of engagement with the economic crisis, in particular, and with foundational economic categories more generally, according to Prichard and Mir (*ibid.*: 510), stems from a deep-seated and problematic situation by way of which the field of Critical Management Studies has thrown considerations of basic economic problems overboard, and instead concentrated on problems pertaining to identity, discourse, and power. Thus, instead of attending to fundamental economic questions, these studies have become hung up with other concerns, thereby more or less leaving explicit considerations of value and value creation to Strategic Management Thought in general, and the resource-based view in particular (*ibid.*: 510). This unfortunate situation, together with the social, political, and economic turmoil that has arisen in the midst of the financial crisis, thus calls for the field of Critical Management Studies to engage with “regimes of value creation, appropriation and distribution in society and in corporations” (*ibid.*: 511). Taking this overall diagnosis as a worthwhile framing of the problems pertaining to value and its creation, we can use this special issue of *Organization* as a point of departure in order to further investigate how value creation has been problematized within lines of theorizing that are critical towards economics and management thought.

Beginning from here, an important issue to attend to is how critically informed organization and management scholars question how value is created,

attributed, and shared within economic practices, as well as how this is reflected within and nourished by theories that give explicit attention to value. In the special issue referred to above, we find two direct attacks on some of the conceptualizations of value creation already attended to in the previous chapters. The first of these (Reinecke 2010) takes critical aim at the historically conceived subjective theory of value, and the way in which it operates in conjunction with the globally reigning process of market-determined price formation. By way of combining an ethnographic case study on fair-trade price setting with a theoretical lens developed in conversation with the French pragmatist sociological tradition elaborated by Boltanski and Thevenot (2006), Reinecke argues for the merits of confronting the reigning market-based pricing model with a new theory of value that brings the otherwise hidden inequalities of the anonymous power game of the market out into the open. While acknowledging that fair-trade price setting clearly remains within the boundaries of capitalism (Reinecke 2010: 577), and indeed may even extend the capitalist process to the point of translating “‘fairness’ into a standardized commodity”, Reinecke nevertheless maintains that fair-trade price setting constitutes a viable model for value creation and distribution that challenges conventional models, since it is capable of addressing and making visible all the messy political and social problems that are rendered imperceptible by the market process. By way of giving voice to multiple stakeholders in the organization of what actually constitutes a fair price, Reinecke points to how the fair-trade minimum price setting approach is capable of integrating concerns with justice by relying on multiple metrics of value referring to different regimes of worth.

The other of these attacks (Le Ber and Branzei 2010) challenges the resource-based view, which we came across in the previous chapter. More precisely, Le Ber and Branzei (2010: 599) seek to build a critical theory of value creation that picks up on essential insights from three critical streams of thought in order to develop “a counterpoint to” what the authors designate as “the unapologetically under-socialized RBV.” The three streams of thought mobilized in this endeavor are: firstly, Marxism, feminism, and environmentalism; secondly, what the authors refer to as pragmatism, consisting especially of the thought of Mary Parker Follet; and thirdly, the critical theory of the Frankfurt School. In bringing these diverse streams of thought together, Le Ber and Branzei build a theoretical model that

challenges the dominant resource-based and company-centric view and the way in which it disregards what they refer to as the beneficiary (that is, “the intended ‘target’ of value creation” (*ibid*: 601)) in cross-sector value-creating partnerships. Besides adding to the already existing literature on cross-sector value creation, the authors (*ibid*: 621) intend to add “to the theoretical toolkit of RBV theorists by enabling them to anticipate and incorporate the multi-vocal beneficiary as a key (if still neglected) contributor to value creation.” This is crucial, the authors argue, since not “only has RBV so far remained largely silent on the social processes of value creation (...), but it also lacks the theoretical tool-kit to explore value creation from alternative standpoints” (*ibid*).

While both of these articles deliver much needed and highly interesting critiques of their respective points of attack – that is, the market as a fair price setting mechanism and the subjective theory of value on the one hand (Reinecke 2010), and value creation in cross-sector partnerships and the resource-based view on the other (Le Ber and Branzei 2010) - the relevance of their criticisms for the purposes of this chapter, however, are limited. The reason for this is that both of them identify a problem that, in spite of its timeliness, is somehow displaced from the problem attended to here. More precisely, both of them find it highly problematic that the voices of central actors in the overall value creation process are suppressed within practical settings, and that this suppression is legitimized by the theories of contemporary economics in one instance and the resource-based view in the other. However, while the problem identification developed by Reinecke (2010) and Le Ber and Branzei (2010) is somehow besides the problem of value co-creation, their respective attempts at countering the analyzed instances of unfairness interestingly could be seen to run along and embrace some of the normative aspects associated with the co-creation vocabulary, as this has conceptually been surveyed in the last chapter. This is so because both of them argue for the necessity of exploding the narrow conception of value creation and, in its place, providing a more adequate and fair conceptual framework that gives a say to the silenced voices of those that are not taken into account within the reigning contemporary understandings of value creation. Thus, no matter whether social, political, and ecological concerns should be brought to a negotiation process of how fair-trade prices should be set, or whether the voice of the beneficiary in

cross-sector partnerships should be taken into account, there is mutual agreement that a range of otherwise neglected metrics should be brought forward and should play a much more important role – either to displace and provide an alternative to how value is conceived in accordance with the subjective theory of value, or to critique and add to the framework of the resource-based view.

As a starting point of surveying how value co-creation is conceptualized within critically inclined organization and management studies, it is therefore worthwhile to take stock of how alternative proposals to a subjective theory of value on the one hand, and the resource-based view on the other, can be said to develop alternatives that both embrace important components of the co-creation vocabulary. This is not to state that the two articles are merely promoting an agenda already advanced and incorporated within the co-creation vocabulary of Strategic Management Thought. Clearly this is not the case, since the way in which the components associated with the co-creation vocabulary are utilized within Reinecke's (2010) and Le Ber and Branzei's (2010) respective contributions aims at highly divergent goals from those sought out within the Strategic Management Thought approach to co-creation. To take just one, albeit rather noteworthy, example: fair-trade price setting directly regulates the price of the commodity, whereas this is not the case with the Strategic Management Thought approach to co-creation. Hence, the important point being set forth here is not that of identity between these different texts, but rather that value creation is being problematized along parallel lines within Strategic Management Thought on the one hand, and critically inclined organization and management studies on the other; and that the conventional understandings of value creation that have previously dominated economics and Strategic Management Thought are viewed as being in need of replacement by new approaches that seek to embrace more voices, generate an ongoing dialogue between participants, and begin to explicitly concern themselves with conditions that reach beyond narrow economic calculations. In this sense, co-creation begins to take on the characteristics of a new and potentially overarching solution that can be mobilized to further a range of different goals. As shown here, it can be used to further and nourish the competitiveness of corporations, enhance their innovation-potential, and utilize productive capacities outside their boundaries; and it can also be mobilized as a vocabulary with which one can



challenge conventional and previously reigning economic practices and understandings of value, and substitute for these alternative models that integrate and acknowledge actors that are otherwise overheard or squeezed out of the field of visibility. That Le Ber and Branzei (2010: 610) actually use the concept of co-creation in their development of an alternative value creation model to that of the resource-based view, therefore merely gives nourishment to the hypothesis that the vocabulary of co-creation, and its associated normative guidelines, tends to become, to paraphrase Michel Callon (1986), an obligatory conceptual passage point that otherwise antagonistic or adversary lines of thought have to pass through in order to reach their heterogeneous goals. To substantiate this hypothesis more thoroughly, let us take a look at some critically informed studies of value and value creation as these have been developed within social theory, the Autonomist Marxism of Hardt and Negri, Lazzarato, and Arvidsson, and Critical Management Studies.

More precisely, the outline of this chapter is as follows: firstly, we attend to how ‘the common’ has made a recent re-appearance as a rich social, political, economic, and cultural phenomenon that a heterogeneous group – ranging from social theorists, and legal scholars to Autonomist Marxists – ascribe a considerable weight to. We give special attention here to the way in which this notion of the common has been developed in accordance with new articulations of value creation in general, and co-creation in particular within the writings of the Autonomist Marxists. Secondly, this will pave the way for assessing how the thoughts relating to this have been taken up, built upon and criticized within Critical Management Studies. Finally, the chapter concludes by stating that the problematizations followed in this chapter and the previous one come together and give rise to the formation of an experience of the outside as a source of value creation; an experience which is expressed through the components making up the co-creation vocabulary. After accounting for this experience, Part One ends by mapping the implications that this has when seen against the backdrop of the history of value and value creation set forth in chapter one.

### **The common: from tragedy to innovation**

Within the last couple of decades a renewed interest in the notion of the common has come to occupy a central position in a wide range of discussions and theoretical debates (Lessig 2004; Benkler 2006, 2011; Bollier 2008; Boyle 2008). This renewed interest marks a wider transition, whereby scholars have rethought, reconceptualized and moved beyond the problem associated with the suboptimal allocation of scarce common resources that arose in the aftermath of the ecologist Garrett Hardin's highly influential article "The Tragedy of the Commons" (1968). In this article, Hardin explains the tragedy of the commons by way of pointing to the necessary tragic outcome of a situation where a group of herdsmen share a common pasture open to all. "As a rational being", Hardin states, "each herdsman seeks to maximize his gain. Explicitly or implicitly, more or less consciously, he asks, 'What is the utility *to me* of adding one more animal to my herd?'" (1968:1244). By way of making this calculation, each herdsman recognizes that the utility to be gained from adding another animal to his herd far exceeds the costs of doing so for him as an individual. This, however, results in a situation where each herdsman adds yet more animals to his herd, and continues to do so, with the result that the common pasture is eventually destroyed due to overgrazing. As a function of rational actions on the part of each herdsman, the tragedy is inevitable:

Each man is locked into a system that compels him to increase his herd without limit – in a world that is limited. Ruin is the destination toward which all men rush, each pursuing his own best interest in a society that believes in the freedom of the commons. Freedom in a commons brings ruin to all (*ibid*: 1244).

While Hardin's problem was motivated originally by a Malthusian-inspired concern with global overpopulation, economists were quick to zoom in on these remarks and to generalize them in a way that went far beyond what the evidence assembled in Hardin's article could bear (Harvey 2011: 101). Thus, in order to prevent suboptimal resource allocation and, more generally, the doom of humanity, one would either have to impose strict government regulation, or enclose the still remaining commons, that is, to make them into private property (cf. Frank 1997: 595-8). As already hinted at, however, this view has been seriously challenged

within recent years. In order to point to merely one important instance that attests to the impact of the widespread questioning of such narrow understandings of the commons, it is worthwhile mentioning that even within the economics profession this challenge has been felt. While perhaps merely coincidental, it is nevertheless significant that in tandem with the financial crisis and with Allan Greenspan admitting that an economic system relying on self-interest perhaps was not working that well (Benkler 2011: 3-4), the political scientist Elinor Ostrom received the 2009 Nobel Memorial Prize in economics for her long-lasting work on the commons. Her contribution was identified by the prize committee as challenging “the conventional wisdom” of economics “by demonstrating how local property can be successfully managed by local commons without any regulation by central authorities or privatization” ([www.nobelprize.org](http://www.nobelprize.org)). What was perhaps most significant in Ostrom’s work was that she pointed to several concrete instances where scarce, material, common-held resources were not necessarily destined to the tragic outcome described by Hardin. According to Ostrom (1990), a system relying on common-pool resources not only constitute a viable option to state regulation or the imposition of a market system, but might indeed make up a superior alternative in several instances.

While Ostrom’s empirical cases often revolved around the sharing and mutual governance of geographically limited, material common resources to which outsiders could not easily gain access, many contemporary approaches, influenced by her writings (cf. Bollier 2008; Boyle 2008; Benkler 2011), have focused more explicitly on freely accessible, global commons, the production, sharing, and consumption of which have been made possible with the extension of the internet. It is indeed also in conjunction with the theoretical reflections on what characterizes this emerging web-based commons that we find recurring conceptualizations that stress how we are confronted here by a distinctly different mode of value creation that is not subject to a logic of scarcity, as was still the case with the commons described by Ostrom. Whether this new mode of value creation is called “The Great Value Shift” by way of which market-based value creation increasingly is supplemented with or replaced by a process of “*socially created value*” (Bollier 2008: 6, 122-144), whether it is depicted as the transformation of “the production value chain (...) to the point of [it] being entirely unrecognizable”

(Bruns 2009: 21), or whether it is simply referred to as a new “political economy” understood as “a system of sustainable value creation and a new set of governance mechanisms” (Weber 2004: 1), all of these diagnostic attempts agree upon the fact that this new mode of value creation works according to principles that are clearly discernible from those of the market on the one hand, and those of the hierarchy on the other.

Thus, no matter whether we are dealing with open-source software development (Weber 2004; Raymond 2001), non-commercial, blog-based citizen journalism (Bruns 2009: 69-96), or some other form of decentralized ‘commons-based peer production’, to use Yochai Benkler’s (2006: 60) preferred term, there is a growing recognition that in spite of its many heterogeneous instantiations, this commons constitutes “a new paradigm for creating value and organizing a community of shared interest” (Bollier 2008: 4). The “commoners”, as Bollier calls them, make up “new sorts of self-organized publics” that “share an enthusiasm for innovation and change that burbles up from the bottom” (*ibid.*). While initially detectable in relation to the development of free and open source software (*ibid.*: 23-41), this new mode of value creation has, since its early first appearances in the late 1970’s, gradually spread to other contexts and inspired them in their development of cultural and technical artifacts. In this sense, the creation of free and open source software has not only helped establish a new viable model of value creation that in several instances can be said to outperform proprietary software developed within huge corporations (Raymond 2001: 19-63), it has also revitalized and shifted the mode of evaluating the potential performance of commons-based production more generally. As we have seen in the previous chapter, this success has even been extended so far as to be embraced by one of the world’s most influential management theorists, Gary Hamel, according to whom the management system of the successful business enterprise of tomorrow will resemble that of an open source community (Hamel 2009: 5).

Due to the almost overwhelming impact of the new web-based commons, attention has also been focused on how best to secure the legal and institutional preconditions for the flourishing of the innovative potential associated with the bottom-up creativity flowing from these (Lessig 2004; Boyle 2008), just as scholars have made a more general case by showing “how cooperation” in a wide variety of

instances, including many off-line ones, “triumphs over self-interest”, to cite the subtitle of Yochai Benkler’s (2011) latest book. Thus, from Ostrom’s early work, to free and open source software, to Wikipedia and beyond, the notion of cooperation, relying on some kind of commons, has today shown its merits in so many concrete instances that scholars have begun to depict it as a viable mode of value creation that perhaps more generally can be used to replace systems organized around self-interest (Siefkes 2007; Benkler 2011).

### **Conceptualizing value creation within Autonomist Marxism**

It is with abundant reference to these issues that a range of contemporary Autonomist Marxists (Hardt and Negri 2004: 339-40; Lazzarato 2004: 197-99; Arvidsson: 2008, 2009, 2010; Arvidsson et al. 2008) have begun to re-conceptualize how value is created today. However, whereas some of the social theorists considered above have plenty of empirical examples of commons-based value creation, some of them admit that there still are not “well-accepted theoretical models for understanding this new ‘socioeconomic space’” (Bollier 2008: 127). Thus, in spite of quite extensive descriptions of the way in which the commons operate, and in spite of explicitly linking this functioning with the concept of value creation, a more thorough attempt at confronting this through sustained elaborations utilizing a vocabulary where value creation is depicted as more than a headline is somewhat sought after. However, if this is the case within some of the above mentioned theories, one certainly comes across an almost overwhelming attempt at redescribing a new paradigm of value creation anchored in the commons within the works of Hardt and Negri (2000, 2004, 2009), Lazzarato (1996, 2004, 2006), and Arvidsson (2008, 2009, 2010; Arvidsson et al. 2008). While surely drawing upon and referencing the open source movement and other forms of concrete commons-based production mentioned above, the conceptualization of value creation within these more philosophically inclined lines of thought also moves considerably beyond such concrete instantiations of commons-based production. More precisely, whereas Benkler (2006, 2011), Bruns (2009), Weber (2004), Bollier (2008), and the other scholars referenced above, connected their lines of thought with quite concrete examples of particular commons, the

philosophers considered here inscribe this social force within a much more widely-encompassing framework, the description of which is explicitly formulated in a value creation vocabulary that draws on and remains in dialogue with the classical value creation framework surveyed in chapter one. Since it is these attempts by contemporary philosophers and sociologists to re-conceptualize value creation that have provided important impulses to recent considerations within Critical Management Studies, an outline of their thoughts needs to be attended to before we move on to Critical Management Studies. In doing so, we firstly take a closer look at the writings of Lazzarato and Hardt and Negri, after which Arvidsson's work is taken up.

Throughout their trilogy – jointly authored over a period of ten years and consisting of *Empire* (2000), *Multitude* (2004), and *Commonwealth* (2009) – Hardt and Negri have sought to provide a new political-philosophical theorizing capable of addressing and combating the nature of postmodern capitalism. Through the mobilization of an eclecticism which utilizes thought ranging from Spinoza over to Marx and then on to Foucault, Deleuze, and Guattari (not to mention Negri's own early writings from the 1970's and onwards as well as their first jointly authored book, *Labor of Dionysos* (1994)), Hardt and Negri have continually sought to revitalize our philosophical, political and economic concepts in order to account for a range of contemporary problems associated with what they in *Empire*, following Gilles Deleuze (1995a: 177-82), call the transition from a disciplinary society to a control society (Hardt and Negri 2000: 22-30, 328-332, see also 1994: 259-260; Hardt 1995). In conjunction with this epochal passage, as it has gradually come to pass after the Second World War (Deleuze 1995a: 178), we have witnessed a reorganization of the way in which power operates. More precisely, the power characteristic of disciplinary society's confines – schools, armies, factories, etc. – has increasingly become crisis ridden and as a consequence of this, has been gradually replaced by new forms of flexible power capable of functioning *outside* of such enclosures (Hardt and Negri 2000: 24; Deleuze 1995a; 177-182). While this shift from discipline to control rests upon a somewhat problematic reading of Foucault – a reading that we will come back to at length in the next chapter – what is important for now is that Hardt and Negri tie this shift together with a change in the way in which value is created.

Hence, whereas in disciplinary societies the factory was the place of value creation, as well as exploitation, the new social configuration entails that value is created and extracted throughout the entire social field (Hardt and Negri 2000: 27-30). Through a rather encompassing reconceptualization of some concepts initially developed by Foucault (cf. 2003b: 239-263) – a reconceptualization allegedly necessitated by the fact that Foucault was not capable of grasping the “real dynamics of production” (Hardt and Negri 2000: 28) – Hardt and Negri claim that power has become a *biopower* traversing and regulating all of life from within (*ibid*: 24), just as production simultaneously has become *biopolitical*, reflecting the fact that it not only produces objects (such as cars or TVs) within specific and spatially restricted organizations, but also social life itself conceived in the broadest sense, including knowledge, language, and affects (*ibid*: 2000: 27-30, 290-294).

Hardt and Negri join forces here with Lazzarato, who coined the concept *immaterial labor* (Lazzarato 1996: 132), and who also bases several of his analyses on Deleuze’s account of a transition from the disciplinary society to the control society (Lazzarato 2004, 2006). More precisely, Hardt and Negri argue that whereas industrial production and industrial labor were the basis of value creation within disciplinary society, *immaterial* or *biopolitical* production has become central to the creation of value today (2000: 290-294; Hardt and Negri 2004: 108-15, 2009: 132). Following Marx, they state that whereas industrial production was becoming dominant in a qualitative sense in the middle of the nineteenth century, today immaterial or biopolitical production is becoming dominant – not because there are no longer people working in factories, but because immaterial or biopolitical production is beginning to impose its mode of operating on more traditional forms of industrial labor (Hardt and Negri 2004: 109). With this new concept of production we not only begin to see a blurring of the boundaries between what is inside and outside the sphere of production as traditionally conceived, we also see a more severe critique of political economy’s foundational concepts, since the very notion of biopolitical production “indicates that the traditional distinctions between the economic, the political, the social, and the cultural become increasingly blurred” (*ibid*: 109; Lazzarato 2004: 187). How, then, does this immaterial or biopolitical production relate to the common, and how does it tie in with the problem of value creation more specifically?

What is characteristic of immaterial or biopolitical production is that its outcome is immaterial. On the one hand its products are knowledge, codes, information, language, and culture as can be seen in “labor that is primarily intellectual or linguistic, such as problem solving, symbolic and analytical tasks, and linguistic expressions” (Hardt and Negri 2004: 108). On the other hand, its products are affective, that is, smiling, caring, nurturing, and other sorts of affective qualities involved in the work of, for example, “legal assistants, flight attendants, and fast food workers (service with a smile)” (*ibid.*, see also 2000: 292-4, 2009: 131-137 as well as Lazzarato 1996: 132). These two major forms taken by biopolitical production are common in the sense that although they might be immediately describable as products of individual labor, the real basis for and outcomes of the production process depends upon and exceeds the individual, since he or she only becomes a producer from having recourse to something more foundational:

Our common knowledge is the foundation of all new production of knowledge; linguistic community is the basis of all linguistic innovation; our existing affective relationships ground all production of affect; and our common social image bank makes possible the creation of new images. All of these productions accrue to the common and in turn serve as foundation for new ones. The common, in fact, appears not only at the beginning and the end of production but also in the middle, since the production processes themselves are common, collaborative, and communicative. (Hardt and Negri 2004: 148)

Thus, Hardt and Negri claim that value creation is becoming so intimately interwoven with social life itself that the latter “becomes a productive machine” (*ibid.*). While labor remains *the* source of value, the labor theory of value in all of its diverse forms is completely incapable of describing the creation of value today, since measuring value through time expended cannot account for the common nature of the biopolitical production of value (Hardt and Negri 2004: 145; Lazzarato 2004: 187). Rather, the value produced through biopolitical production is *immeasurable*, since there is no longer any common yardstick from which such a measure can be derived (Hardt and Negri 2000: 356-9; 2004: 146; 2009: 317; for a critique see Toms 2008).



Thus, in order to explain how value is created today we are in need of nothing less than a completely new understanding of economics that goes beyond any of its previously reigning forms. Hardt and Negri capture this by stating that economics “must become a *biopolitical science*” (ibid: 157), where value “must refer to life activity as a whole” (Hardt and Negri 2009: 317, see also Lazzarato 1996: 146-147). In order to illustrate this, they claim that the contemporary regime of value creation ought to be depicted in analogy to Quesnay’s famous portrayal of the flow of the value substance in eighteenth century France. Thus, in order to depict value creation today we are in need of a new and revised *Tableau Économique* that is capable of taking into account the inherently common nature of biopolitical production. Such an updated *Tableau* should be “able to describe where value is created and where it goes in the national and global economy” (Hardt and Negri: 2004: 149, see also 2009: 285-290).

Whereas labor in the nineteenth century was in need of capital to ensure the organization of co-operation (Marx 1976: 447), biopolitical or immaterial labor is capable of organizing itself without capital’s intervention (Lazzarato 1996: 137-8; Hardt and Negri 2009: 140-141). Thus, whereas capital was a precondition, though not a source, for the creation of value previously, this is no longer the case today. The free and essentially commons-based production has an autonomy to its mode of creating and organizing value that Lazzarato calls “cooperation between minds” (2004: 187) and Hardt and Negri call “singularities acting in common” (2004: 204, 348-9). Looming in the background here is Deleuze’s notion of a qualitative multiplicity (Deleuze 2002a; Deleuze and Guattari 2002) that, in the hands of the Autonomists, is translated into a distinctly political-economic (and to some extent also quite a normative) concept that stands as the real and most important source of value creation today. This should be seen in conjunction with the fact that Hardt and Negri, as well as Lazzarato, more fundamentally can be said to translate central concepts from Deleuze’s ontology into their respective, yet overlapping, value creation vocabularies. Thus, besides relying on the epochal passage identified in Deleuze’s essay on the control societies, they simultaneously also qualify their descriptions of the foundations of value creation with concepts such as difference (Deleuze 1983, 1994), repetition (Deleuze 1994), and event (Deleuze 1990b), as these are developed within a range of Deleuze’s works (see also Deleuze and

Guattari 1996, 2002). While the uptake and utilization of Deleuze's philosophical concepts in Hardt and Negri's work surely plays an important role (see for example Hardt and Negri 2000: 25, 28; 2009: 59-63) (something which is furthermore underlined by the fact that Hardt and Negri claim that Deleuze and Guattari's *A Thousand Plateaus* together with Marx's *Capital* have "served as models" for them in their writing (2000: 415, note 4)), it is nevertheless Lazzarato who utilizes this Deleuzian inspired vocabulary most explicitly, when he for example refers to the new conditions for the creation of value as "the paradigm of difference" (2004: 201), or when he depicts labor as "a set of events", and the organization of labor as "literally 'difference and repetition'" (*ibid*: 192). However, the important thing here is not to begin a long exegesis of Deleuze's (and Deleuze and Guattari's) concepts. Rather, what is significant is the fact that value creation begins to take on several of the connotations already detected in the previous chapter. Even though Lazzarato, Hardt and Negri utilize a much more philosophical vocabulary, their conceptual specification of value creation tends to converge with those set out within Strategic Management Thought. This not only shows up in an overlap between what is identified as the sources of value, but it also shows up when the notion of co-creation is utilized to conceptualize the characteristics of the immaterial production constituting the cooperation between minds.

### *The power of co-creation*

What is characteristic of this cooperation between minds, these singularities acting in common, this productive multiplicity (and here Lazzarato uses the development of free software as an example to make a more general point) is that "it expresses a power of co-creation and co-realization" (Lazzarato 2004: 197). It relies on the creative collaboration between minds and commonly shared 'materials of production' consisting of language, science, web infrastructure, etc. This *co-creation*, also referred to as *co-production* (*ibid*: 207-8), is the inherently creative and inventive force constituting the real dynamics of commons-based value creation today. By way of collaborating, by way of 'co-adapting', the forces inherent in co-creation generate "a *new plane of immanence*" and "discover 'a way not yet paved'" (*ibid*: 207). These singularities acting in common thus co-create and invent something that goes beyond their immediate capacities. In joining forces they remain singular, yet

at the same time come together in an event from which “series of possible worlds” flow (*ibid.*: 197, 207).

For the purposes of this chapter, it is quite significant that Lazzarato gives a prominent place to the notion of co-creation. To be more precise, in the text “From Capital-Labour [*sic*] to Capital-Life” (originally a chapter in his book *Les Révolutions du Capitalisme*), the concept of *co-creation* is used five times (2004: 197-199), while the associated, if not equivalent, concept of *co-production* is used six times (*ibid.*: 206-207). Just as the strategic management scholars began to conceptualize co-production (Normann and Ramírez 1993a, 1993b, 1994; Ramírez 1999) and co-creation (Pralhalad and Ramaswamy 2000, 2003, 2004a, 2004b, 2004c; Ramaswamy and Guillart 2010a, 2010b) as the overarching new paradigm of value creation that goes beyond that of the firm-centric value chain approach, Lazzarato equally utilizes these concepts in his portrayal of the workings of the cooperation between minds. In this sense, there is a fundamental agreement on the concepts utilized to express the new nature of value creation within these otherwise diverging regimes of thought. As should be clear from the presentation above this is not merely a superficial agreement. Thus, whereas Prahalad, Ramaswamy, and Guillard claim that value creation can no longer be confined within the boundaries of the firm, that it moves *outside* into the social ecosystem within which the firm operates, this argument runs along the same lines as those framing it through the explosion of the disciplinary organization, and the emergence of decentralized, immaterial or biopolitical production.<sup>1</sup> Similarly, when a growing recognition is established by the

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<sup>1</sup> Here, it is worth noting that *the outside* is a complex concept which Hardt and Negri utilize in several, rather different, ways. It is possible to detect, at least, three different usages. First of all, value creation, as well as power, has moved *outside* disciplinary enclosures, as has been described above. Secondly, the transition to a society of control also entails that power, on a macro scale, has become all pervasive, such that there *is no longer a place outside* of what Hardt and Negri (2000: xiv-xv) call *Empire*. Nevertheless, and this is the third way in which the concept is used, the modern creative proletariat, ‘the multitude’, is to rise up from within, to liberate itself from the rule established by Empire and, in so doing, to constitute “new bodies *outside* of exploitation” (*ibid.*: 410, *emphasis added*). Across and within these different usages of ‘the outside’, looms a deep-seated philosophical problematic (see for example Deleuze 1988: 94-123) that Hardt and Negri utilize in their own way.

Strategic Management theorists that the new value creating social ecology is permeated by spontaneously self-forming processes (outside as well as within the firm), this can be seen in close conjunction with the fact that immaterial or biopolitical labor has a capacity to organize itself. Indeed, this capacity for self-organization is so encompassing that it “seems to provide the potential for a kind of spontaneous and elementary communism”, as Hardt and Negri state (2000: 294).

Furthermore, whereas the focus on innovation and the transgression of the already established is identified as the most important precondition of and path to value creation within Strategic Management Thought, this is to a large extent also stressed within the Autonomists’ texts, where the innovation-emphasis runs along the same lines (see for example Hardt and Negri 2000: 411, 2004: 338). In the perspective developed by Hardt, Negri, and Lazzarato, however, this innovation-emphasis is additionally developed in conjunction with more philosophically inclined concepts such as event, difference, new plane of immanence, series of possible worlds, etc. Finally, stressing the immaterial sources, means, and outcomes of value creation is also a trait shared on both sides (cf. Terranova 2000: 46). While the Strategic Management scholars talk here about ‘external competences’ and ‘immaterial assets’ as things that must be mobilized in order to create deeply valuable experiences for all implicated in the value co-creation process, Lazzarato, Hardt and Negri stresses the immateriality of knowledge, language, codes, etc. that serve as the substrate, means, and products of the creation of value.

Such parallelisms, or points of convergence, however, are not stated in order to claim that the vocabularies of Strategic Management scholars on the one hand, and contemporary Autonomist Marxists on the other, are completely identical. Indeed, there is one highly significant point which so far has been neglected in this chapter, namely the notion of who *captures* the value produced. Thus, if we shift the perspective from the sources of value and its creation to that of the appropriation of what is produced, a highly conflictual situation comes to the fore. On the one hand, this conflictual situation is actually recognized by Prahalad, Ramaswamy, and Gouillart as the challenge brought about by the fact that the firm is collaborating with people outside the firm, in order to ‘augment the size of the pie’, while simultaneously competing with them for the fruits of this collaborative relationship

(Prahalad and Ramaswamy 2004b: 122). Co-creation, in this line of thought, therefore both entails a collaborative mode of value creation *and* a significant, though rhetorically downplayed, struggle over who can reap the monetary rewards of the jointly created value. This particular fusion of collaboration and competition is thus a form of ‘co-opetition’ (Brandenburger and Nalebuff 1996; Hearn and Pace 2006: 61).

On the other hand, this conflictual situation is reflected by Lazzarato, Hardt and Negri as a new and far reaching exploitation not only of the labor performed within the organization, but as an exploitation that capitalizes on the common process of co-creation. In essence, this new exploitation works by “putting life to work” (Lazzarato: 2004: 205) and by doing so, it actually obstructs and *decreases* the value-creating capacities of the cooperation between minds. Thus, the firm, instead of being a partner in co-creation, is viewed here as an illegitimate parasite or adversary that obstructs co-creation by imposing private property in the form of intellectual property rights on what is commonly created (*ibid*: 204-5). From this perspective, co-creation - or co-production - is viewed as the unpolluted cooperation and creation of value that is exploited by corporations. In this sense, the common, the process of co-creation, is taking the place labor had previously held within political economy. It is becoming *the* source of value creation and it is becoming that which is exploited in contemporary capitalism.

However, whereas the value created by labor as analyzed by Smith, Ricardo, and Marx was clearly restricted to production, this is not the case with commons-based co-created value, since value is created throughout the circuit of production, circulation, and consumption, to the extent that these notions can be maintained as proper designators of the circuits within which value is created today (Lazzarato 2004: 199; cf. Bruns 2009: 21). Furthermore, just as value co-creation cannot be understood through a labor theory of value, neither can it be understood through the paradigm of a subjective theory of value.

Now, with the emergence of co-creation as a new paradigm of value creation, proponents of Strategic Management Thought, as well as the Autonomist Marxists, find both of these historically competing conceptions inadequate. Thus, the longstanding struggle between proponents of a labor theory of value and a market-based understanding of value creation is with the emergence of co-creation swept

away in favor of a completely new understanding of value creation. In spite of their differences as to whether the firm is to be seen as a central and legitimate contributor to the co-creation process or whether it is rather to be seen as an illegitimate parasite and obstruction to the development of singularities acting in common, the value created through co-creation is conceptualized within both of these otherwise adversary traditions as being dependent upon: that which comes from *the outside*, that which comes from below and has a *spontaneous* self-organizing capacity to it; and that which brings about the transgression of what already exists through its *innovative*, and *immaterial* production.

Though essentially agreeing upon these specifications of value creation, there still seems, however, to be an insurmountable difference between their respective understandings of how the co-creation of value is best organized. While the strategy theorists find it unproblematic that the firm profits from the co-creation of value, the Autonomists view this private appropriation of what is co-created not only as illegitimate, but also as obstructing and destroying the true common sources of value creation. The question therefore becomes whether and to what extent co-creation as conceptualized within Strategic Management Thought on the one hand, and the Autonomist tradition on the other, can be brought together within a more systematic account? Or more specifically, is it possible, for example, to conceptualize customer co-creation and the development of free and open source software as belonging to the same economy, to the same mode of value creation?

### **Co-creation as part of an ethical economy**

One important place where questions such as these has been taken up is within the writings of Adam Arvidsson. Throughout a number of articles he has proposed the concept of an *ethical economy* (Arvidsson 2008, 2009, 2010; Arvidsson et al. 2008). With this he designates the emergence of a new economy that is not only irreducible to capitalism, but might indeed be seen as a *post-capitalistic form of value creation* (Arvidsson 2009). While it is still uncertain how much of an impact this new ethical economy will have on contemporary societies (Arvidsson et al. 2008: 16-18), it is nevertheless proposed that this new form of value creation “might become

hegemonic” within the “economic ecology of the information society”, and if it does, that “would amount to nothing less than a mutation in the dominant value form” (Arvidsson 2010: 638). However, while it remains irreducible to capitalism, has its own distinct mode of value creation, and in important ways remain opposed to capitalist value-creating practices, this ethical economy is nevertheless also detectable and plays an increasingly important role within more conventional valorization processes. But before turning to this, the characteristics of this ethical economy are outlined below.

Arvidsson sets forth the notion of an ethical economy in order to depict how ethically significant relationships have come to occupy the center of value creation processes in such a profound way that it has now become appropriate to provide this economy with a name of its own. Ethics is here understood as being related to the problem of how free men and women can find ways of constructing a community (Arvidsson et al. 2008: 11). The ethics in the ethical economy are therefore

less about the elaboration of universal moral laws (such as the Kantian imperative) and more about creating the values and norms that keep a particular web of social relations together. Ethics is about producing however transitory forms of communion (Arvidsson 2010: 638).

At the center of the value creation processes of the ethical economy is the production of what Arvidsson (2008: 33), with reference to Lazzarato, designates as an “ethical surplus.” The production of this ethical surplus is what drives the ethical economy, as this can be seen not only in social production processes outside the firm, such as for example open-source programming, organizing underground parties, or customer coproduction (Arvidsson 2008), but also within firms, as this can be seen with the increasing importance of employees’ “ability to network, share knowledge and (...) to co-create a good working environment” (Arvidsson et al. 2008: 10). The ethical economy is therefore not to be viewed as something that is outside of capitalism, but rather as a distinct new form of value creation that is discernible both within and outside private, as well as public, organizations.

What is significant in this account is that it brings several of the above presented positions and problems pertaining to value creation together. According

to Arvidsson (2008), what motivates customers, or outsiders in general, to participate in processes of co-creation (as in the examples of Threadless or Lego presented in chapter two) is identical to what motivates programmers to spend their “evening hours coding away at the Linux kernel” (Arvidsson 2009: 22). In this sense, we see the problems pertaining to co-creation as explored within Strategic Management Thought being brought together with those of the above-described contributions on commons-based production (Benkler 2006; Boyle 2008; Weber 2004) and immaterial labor (Lazzarato 1996, 2004; Hardt and Negri 2000, 2004).

To illustrate the difference between value creation within the ethical economy and its capitalist counterpart, Arvidsson (2008: 331-333) uses the examples of the development of software, as this is organized within Microsoft on the one hand, and Linux on the other. People who develop software for Microsoft have to be paid, just as they have to be controlled by managers who, on their part, are also paid for their supervision of the employees. Following this, Microsoft sells its products

at a price that is roughly related to the investments of such salaried labor (research, development, programming, debugging, etc.). And the company struggles mightily to uphold the juridical status of the artificial property rights that allow it to charge such a price (Arvidsson 2008: 332; cf. also Lazzarato 2004: 197-198).

In contrast to this, Linux does not rely on salaried labor. Indeed, labor is abundant (Arvidsson 2009: 19), and the problem is therefore not attracting sufficient amounts of labor to ensure the development of the software, but to keep labor out and only to accept the contributions of those who are highly capable programmers. Accordingly,

the (...) management model of Linux is extremely wasteful in relation to labor time. People are allowed to do what they want and to initiate projects of their own. Management has neither the interest nor the mandate to intervene. The result is a number of half-finished projects, most of which amount to nothing. Such a management style would be completely inconceivable if labor power had a value (Arvidsson 2008: 332).



As we saw above, what is conceived of as being valuable within this alternative economy is not money, since money does not enter the picture, but the production of an ethical surplus. What motivates people instead of money is the social recognition we get from those considered to be our significant peers on the one hand, as well as a sense of purposefulness, enjoyment, playfulness and self-realization on the other (Arvidsson 2008: 332, 2009: 20; Stallman 2002). In the case of free and open-source software, this is “the ineffably geeky joys of writing the slickest code you can” and at the same time having your contribution recognized by other programmers within the community as a “code that represents an elegant solution to a complex problem” (Dibbel quoted in Arvidsson 2008: 332). Richard Stallman comes close to making the same claim, when he states that “what most ‘hacks’ have in common is playfulness, cleverness, and exploration. Thus, hacking means exploring the limits of what is possible, in a spirit of playful cleverness. Activities that display playful cleverness have ‘hack value’” (Stallman 2002: 17, note 1; see also Raymond 2001: 61).

Owing to this, the value of such contributions cannot be said to merely reside in the ‘product’. First of all, there is never a finished product, but rather a processual and always ongoing production process (Arvidsson 2008: 332; cf. Bruns 2009: 21). Secondly, the value produced is as much a function of the community creating process itself, i.e. the work done in collaboration whereby the community organizes itself as a community (Arvidsson 2008: 333). For this latter reason, people who are capable of contributing to community-building processes in significant ways are highly valued within the community. Thus, being able to organize and to attract community contribution and being able to manage self-management, generate peer respect and are ascribed significant value (Raymond 2001: 52-53). The ability to build strong, affective ties between the members of the community amounts to the creation of value in this ethical economy. Hence, what creates value is “an ability to organize (...) and give direction, purpose and coherence to” a productive flow coming from the bottom-up. In the case of Linux, it is “the managerial genius of Linus Torvalds and his colleagues, who have built a social organization able to channel these diffuse energies into the completion of such a task”, that is the most valuable contribution (Arvidsson 2009: 19). Thus, Arvidsson (2008: 333) states that the ethical economy has its own *currencies* in the

form of *networks* and *respect/reputation*: Whereas networks are a quantitative measure according to which it can be assessed “how many people” one has an impact on and matters to, reputation

is a measure of the quality of that impact: essentially, it reflects a person’s ability to contribute to a particular scene, both by creating actual products (...) and, more important, by strengthening the scene itself by (...) contributing to its productive organization.

While being distinct, these two currencies nevertheless “tend to converge in a mutually reinforcing process,” just as they begin to function as “a kind of capital – *ethical capital* – that makes it possible to initiate and organize productive processes.” It is exactly due to the fact that the ethical economy has its own value form and its own currencies that its production and operations are irreducible to capitalism (Arvidsson 2008, 2009). However, this does not mean that the ethical economy is not entering into close circuits with capitalism. Thus, on the one hand, the powers of social production can be utilized to enhance the profits of a corporation, as for example within processes of customer co-creation. But on the other hand, capital can also be utilized to enhance our ethical standing within a community, as when DJs or promoters organize parties, where the aim is not to make a profit, but to create a great event where costs and revenues, ideally, break-even (Arvidsson 2009: 21). However, no matter which concrete and multiple connections these two different economies may entertain with one another, for Arvidsson it is clear that the ethical economy has begun to play an increasingly central role that is not only detectable when it functions relatively autonomously (as, for instance, in relation to the development of free and open-source software), but also as can be seen from the way in which the pressure from the ethical economy forces capitalism to begin to adjust itself to a range of social demands such as, for instance, corporate social responsibility, fair-trade, sustainable production, etc.

Now, having attended to how co-creation has made its forceful appearance as a prevalent contemporary vocabulary through which value creation is expressed within these streams of Autonomist Marxism, we now finally turn to how these discussions have been taken up by scholars within Critical Management Studies.

## Co-creation within Critical Management Studies

While discussions within Critical Management Studies have picked up on these themes in rather significant ways that we explore below, it is necessary first to point to debates on the creation of value preceding and informing the uptake of the above-investigated thoughts. This is so because debates about the appropriateness of viewing knowledge as a contributor to the creation of value (Kenney 1997; Jacques 2000), and how such a view is to be seen as compatible with the labor theory of value, had already been an important point of investigation within Critical Management Studies at the time of the publication of Hardt and Negri's *Empire*. This issue was not least developed by Jacques (2000), who argued for the necessity of a *knowledge theory of value* that was capable of accounting for the way in which knowledge could be seen to be a source of value. While the labor theory of value, according to Jacques, was quite apt at describing the value creation processes of industrial capitalism, the contemporary landscape of production has changed to such an extent that significant value creation processes are neglected if viewed through a Marxian-inspired lens. Thus, Jacques proposes that while “the labour [*sic*] theory was an appropriate metaphor for the epoch of a machine production which produced it, perhaps a knowledge theory is needed for understanding the emergent epoch” (*ibid*: 213). In order to illustrate the shortcomings of a traditional labor theory of value, Jacques not merely points to the fact that it would not be able to give a satisfactory account of how to measure “the value to a fishing trawler of a radar system that senses fish that unaided humans would not know were there” (*ibid*: 212), he also states that knowledge-workers, such as managers, accountants, product developers and marketers, usually considered to be central cogs in the machine expropriating value created by laborers, also have to be taken into account as contributing to the process of value creation (*ibid*: 211-212). Accordingly, Jacques calls for a new theory of value that gives knowledge, and especially the creation of new knowledge in the form of learning, a significant place.

While the proposal to replace the labor theory of value with a knowledge theory of value was surely objectionable from a Marxian inspired perspective, it was also criticized from other sources (see Willmott 2000; Hull 2000; Chumer 2000; and Prichard 2000 for objections to Jacques' proposal). Thus, Willmott (2000), for example, questioned whether the basic foundations of capitalism had

changed to such an extent that a knowledge theory of value was to be set forth as an adequate response. In raising this issue, Willmott pointed to the fact that what had changed the most was perhaps not the underlying economic reality, but rather the “regime of truth” made up by the widespread managerial discourses on what constituted the nature and sources of value creation (*ibid*: 222, note 4). From these disputes also came proposals that recognized insights from Jacques’ proposal of a knowledge theory of value, and yet at the same time withdrew from a full embrace of this position. Jaros (2007), for instance, has argued for a balanced position that both seeks to take important insights from a knowledge theory of value on board, while at the same time restricting a complete embracement of such a theory. Even if the labor theory of value has its shortcomings, and a knowledge theory of value in some instances would be better equipped at explaining contemporary value creation, processes of labor exploitation nevertheless still takes place on a major scale, not least outside North America and the EU. Thus, low-paid Mexican auto-workers and “teenage girls” working in sweatshops “in Bangladesh or Vietnam (...) can hardly be called ‘knowledge-workers’ and it is likely that labor, not knowledge, is what is being leveraged to produce value-added in these production processes” (Jaros 2007: 412-3).

Discussions such as these had therefore already prefigured the way in which knowledge, immaterial labor, and biopolitical production could eventually be taken up within Critical Management Studies. However, in spite of the fact that these early discussions clearly should be seen as important forerunners for the reception of Autonomist Marxism, their focus of attention still remained relatively confined to the context of the workplace, thereby essentially bypassing the ever more prevalent externalized and common nature of immaterial production, cooperation between minds, and the ethical economy stressed by Hardt and Negri, Lazzarato, and Arvidsson. This is perhaps no surprise, since these early debates within Critical Management Studies were largely carried out within, or in close dialogue with, the tradition of labor process theory that since Braverman’s (1974) foundational contribution had taken up and further elaborated Marx’s early study of the labor process, organized within the factory as the locus of value creation and exploitation.

It is exactly at the intersection of these two traditions – labor process theory and Autonomist Marxism – that Böhm and Land (2009) claim we have to understand the process of the co-creation of value. More precisely, Böhm and Land argue that labor process theory and the Autonomist Marxism of Lazzarato, Arvidsson, and Hardt and Negri can mutually complement and enrich one another in the analysis of how value is created today. Since both of these traditions are identified as having their respective strengths and shortcomings, the combination is proposed to be one where the fusion of the respective strengths has a potential to remedy the otherwise separate shortcomings. While Labor Process Theory throughout the last thirty years has revolved around investigating “the struggles between capital and labour [*sic*] in the capitalist workplace”, and the way in which these struggles are inseparably tied to the formation of surplus value (Böhm and Land 2009: 4), the thoughts of Lazzarato, Arvidsson, Hardt and Negri have brought much needed attention to how contemporary value creation exceeds the spatial and temporal boundaries of the workplace. From this Böhm and Land suggest that an adequate contemporary understanding of value creation would have to be conceived as one where the attention to managerial control, exploitation, and organization, as this is analyzed within Labor Process Theory, should be brought to bear on the tendency by way of which the creation of value is no longer restricted to the workplace, but also encompasses a diverse range of cultural-economic practices such as the consumption of brands, for example. Böhm and Land claim (2009: 12-13) that the combination of these two respective streams of thought can be successfully carried out by attending to something both of them have thrown overboard, namely Marx’s labor theory of value and what they term ‘the new hidden abode of production’, that is, the new, largely invisible value-creating sphere that exists outside the organization. Through this analytical operation it becomes possible to maintain the problematic of exploitation of the new consumer-producers, while at the same time extending this problematic beyond the confines of the organization. This analytical operation also helps establish a starting point for future research, including much needed empirical studies of “the new control mechanisms and regimes of measurement that render labour in the social factory determinate” (*ibid.*: 14).

This analysis ties in with other equally critical approaches that have also pointed to the inherently exploitative nature of co-creation. Also drawing on Autonomist Marxism, Zwick et al. (2008) have provided an account of how the emergence of co-creation represents a new governmental logic by way of which marketers have cleverly transformed consumers into producers. According to Zwick et al. (2008: 168), co-creation therefore “represents an effort to re-operationalize the key drivers of economic growth, innovation and new product development, by bringing within the confines of the company walls an autonomous, unpaid and creative consumer workforce.” However, just as in Böhm and Land’s (2009) article, the examples drawn on here are also primarily centered around how consumers are mobilized within a marketing setting developed by corporations, thereby essentially bypassing discussions about what Lazzarato has called the power of co-creation, or co-production, inherent in the production, distribution and consumption of free and open source software.

Reflecting on this issue, Humphreys and Grayson (2008) claim that there has been a tendency in the literature to conflate the two meanings of co-creation or co-production. In order to counter this, they propose the separate concepts of “collective production” and “company-consumer production”. “Collective production”, they state, “can and often does take place without company involvement, whereas company-consumer production is a collaboration between an organization and its consumers” (*ibid*: 15). By way of utilizing Marx’s distinction between use value and exchange value, Humphreys and Grayson (*ibid*: 15-16) argue that what is significant is not so much the wide-spread and generalized claim that producers and consumers are becoming indistinguishable. Rather, the significant difference is to be established by the demarcation provided by those who create use value on the one hand, and those who create exchange value on the other: if users collaborate to create use values, no significant change has occurred in relation to a value creating problematic; however, if consumers are leveraged to create exchange value, we do begin to see a blurring that “raises novel normative and ethical issues” (*ibid*: 16).

Within conceptualizations such as these (Böhm and Land 2009; Zwick et al. 2008; Humphreys and Grayson 2008), value co-creation therefore really does not alter the foundational notion of value and the way it is created. By way of utilizing

Autonomist Marxism, value creation, while no longer restricted to the workplace, has merely been spatially relocated so that it now takes place throughout the ‘social factory’. However, while utilizing the thought of Lazzarato, Arvidsson, and Hardt and Negri, the potential subversiveness of the cooperation between brains, singularities acting in common, and the ethical economy is considerably downplayed, if not labeled outright as “entirely fantastic” and “hopelessly utopian” (Böhm and Land 2009: 7, 14). From the outset, co-creation is therefore viewed as a range of practices that cleverly extracts the value created by consumer-producers, turns it into capital, and rhetorically presents it as a fair, empowering and win-win process. This latter element is significantly nourished by the fact that not only popular strategic management texts, such as those analyzed in the last chapter, but also cultural and media studies more generally, are fusing the groundbreaking claims of paradigm shifts, enhanced creativity, communality, and decentralized decision-making with the promotion of business interests and capitalization on the value co-created (Van Dijck and Nieborg 2009). Thus, instead of embracing co-creation, what we are in need of is “a more critical awareness of the socioeconomic implications” of co-creation (*ibid*: 870-871), just as we need to attend to the way in which new techniques and modes of managing and controlling this new decentralized and creative source of value creation actually turns customer co-creation into capital.

This is exactly what Willmott (2010) has provided in his article “Creating ‘value’ beyond the point of production: branding, financialization and market capitalization”. Here he gives an account of how “value creation extends to the sphere of circulation where the labour [*sic*] of unwaged user-consumers is seen to participate in providing the content” that companies translate into privately appropriable wealth (2010: 518). In doing so, Willmott gives an account of how the full economic circuit from customer co-creation and the building of brand equity translates into brand value – something which constitutes a significant percentage of the stock value of contemporary corporations. Contrary to Böhm and Land (2009), Willmott does not seek to defend a Marxian perspective. Instead, his ambition is to give an account of how co-creation is being leveraged to create value through what he designates as a post-Marxist perspective that relies on the notion of “ethico-political complexes” (Willmott 2010: 518). With this notion Willmott,

on the one hand, abstains from conceptualizing value as something that has an essence that can be accounted for outside specific, historically varying complexes (*ibid.*: 520-521), while on the other hand, he utilizes this notion to give an account of how co-creation can be analyzed as a process contributing to value creation within a contemporary setting where user-consumers contribute to the creation of brand equity. Willmott therefore makes a rather detailed and noteworthy description of a process that in several of the above mentioned texts had merely been postulated or implied, but not unfolded. At the same time he does this without scientific presumptions whereby a notion of value would have to be grounded in some particular theory of value.

While Willmott's (2010) attempt at investigating value creation without grounding it in a specific theory of value represents an interesting move, whereby it distinguishes itself from most of the other texts investigated above; at the same time, it nevertheless still confirms that co-creation has become a significant source of value creation within our contemporary setting. In this sense, the notion of 'ethico-political complexes' does indeed make it possible to bypass questions of false consciousness and their associated problems, but this does not change the fact that even this "post-structuralist, post-foundationalist approach" (Willmott 2010: 520) explicitly attends to the way in which co-creation – within a particular ethico-political complex – begins to be depicted as a prism through which contemporary discussions of value creation increasingly must pass.

### **Formation of an experience: The outside as a source of value creation**

Whether co-creation can or cannot be grounded in a specific theory of value, whether it holds the potential to overthrow capitalism, or whether it is simply reducible to an extension of the exploitative mechanism now also encompassing the value-creating capacities of creative consumer-producers, what is significant is that *all the* conceptualizations investigated so far – from the strategy scholars to the social theorists, the Autonomist Marxists, and the critical management scholars – begin to problematize value creation through a co-creation vocabulary. In all of the surveyed problematizations, the outside has risen as a key contributor to value creation. Several questions therefore arise: How come this is so? How can it be that



theorists and scholars holding directly opposing views on core political and economic issues all begin to discuss value creation through the concept of co-creation? Why is it that, in spite of their differences, these theorists are united in an attempt at coming to terms with contemporary conditions of value creation by describing these within a co-creation vocabulary? Before we leave Part One behind, it is necessary to take stock of these questions, and to map the implications of the analysis undertaken throughout the preceding chapters.

In so doing, it is first of all obvious that the concept of co-creation has become a site of fierce intellectual disputes. Thus, the fact that the concept, and the connotations attached to the concept, has surfaced within such heterogeneous settings seems to imply that co-creation is conceived as being tied to something of utmost importance within present-day discussions. Co-creation has become a conceptual prism through which contemporary debates on value creation increasingly must flow, no matter whether its respective proponents seek to extend the competitiveness of enterprises or to challenge capitalism's most basic premises. In this sense, the concept not only reflects a particular organization of value creation, it is also to be viewed as a tool or weapon through which the charting of a future horizon is at stake. Co-creation not only becomes a conceptual registration of what is already taking place, but also something that points to competing and irreconcilable futures over which theoretical battles are fought. More precisely, what is significant is that the same concept can be mobilized to further such heterogeneous and conflicting goals. Hence the fact that the concept, on the one hand, seems to be torn in so many different directions that a logical implosion seems inevitable, and yet, on the other hand, it is exactly this lack of a coherent and unquestionable meaning that allows various theorists to deploy the concept in their own, sometimes rather idiosyncratic, ways. Nevertheless, in spite of all their differences, in spite of their respective agendas, the fact that co-creation continually comes into view as a concept through which value creation has to pass, points to something of utmost importance. This, the dissertation claims, is the formation of a particular *experience*, an experience of *the outside as a source of value creation*.

The formation of this experience becomes detectable through the respective problematizations surveyed so far. These problematizations can now be systematized as transformations taking place along *four dimensions* that together

make up this experience. That is, they are problematizations of: (1) the *locus* of value creation; (2) the *attributes* of the processes that lead to value creation; (3) the primary *action* through which value is created; and (4) the *substrate* through which value is created. The culmination points of the transformations along these four dimensions correspond exactly with the four components already identified as those that make up the co-creation vocabulary. By accounting for the analyzed problematizations along these four dimensions it becomes possible to map the formation of the experience of the outside as a source of value creation, while it also becomes possible to reflect on the consequences of this transformation seen against the backdrop of earlier conceptualizations of value creation that we came across in chapter one. Firstly, we consider this experience, before then taking stock of the implications of this for the conceptualization of value creation.

As has been shown in this chapter and the previous one, the last couple of decades have been marked by recurring problematizations of the organization as a stable point of reference. Within Strategic Management Thought, the assumptions inherent in Michel Porter's value chain-approach have been exposed to considerable critique. In Porter's approach, the *locus* of value creation was the firm as a self-enclosed entity, as this was made visible by the graphical representation of the value chain. The value chain made it possible to get a grip on the totality of the firm as a value creating unit. This representational tool furthermore depicted the *attributes* of the processes leading to value creation as something that was visible, calculable, decomposable and directly manipulable. In this sense, they were passive, awaiting the optimal orchestration as laid out by managers informed by the value chain approach. More precisely, such processes were in Porter's terminology named activities, and these, Porter claimed, were the primary *action* through which value was created. Finally, the *substrate* of these activities was their very tangibility and physicality. It was this that rendered them visible and manipulable.

All of these characteristics, however, became targets of critique. While the Autonomist Marxists and Critical Management Scholars did not refer to Porter's framework, the organizational form they claimed we were leaving behind - the disciplinary organization - displayed many of the same characteristics as those depicted within Porter's value chain. As we have seen, the problematizations of the

organization as a stable point of value creation exhibited a remarkable parallelism among these otherwise highly different traditions. Charting this in relation to the four dimensions described above, we see the formation of the experience of the outside as a source of value creation, an experience which is expressed through the components making up the co-creation vocabulary.

More precisely, the *locus* of value creation was radically transformed. From something created within the organization, value creation became decentralized, and its locus shifted towards the outside. Whether expressed as the emergence of a value creating system (Normann and Ramírez 1993a), a new value creating ecology (Ramaswamy and Gouillart 2010a, 2010b), “cooperation between minds” (Lazzarato 2004: 197), singularities acting in common (Hardt and Negri 2004), the ‘new hidden abode’ (Böhm and Land 2009), or something similar, the locus of value creation was becoming dependent upon something uncontainable, something which could not be enclosed within either the value chain approach or the disciplinary organization, something which problematized the very space of the organization as an autonomous value creating unit, something which pointed to the outside. In this sense, as Ramaswamy and Gouillart (2010a: 7) state, value creation became “democratized and decentralized”, that is, given an outside reference that rendered a “firm-centric view” obsolete (Prahalad and Ramaswamy 2004a: 4).

Simultaneously with this, the *attributes* of the processes of value creation also underwent significant changes. Whereas the disciplinary model, as well as Porter’s value chain–approach, rendered such processes visible, decomposable, calculable, and manipulable, the move towards the outside was accompanied by new attributions whereby these processes now came to exhibit a much more active, self-forming, and spontaneous character. These processes were no longer something that could easily be manipulated, but now came to exhibit a distinct self-organizing capacity that had to be respected and allowed to unfold. Within Strategic Management Thought, user-producers and user-communities with their own agendas now emerged as active, self-organizing, and networked entities that had to be taken into account. Within the Autonomist Marxists’ accounts, whether conceived as the multitude’s “biopolitical self-organization” (Hardt and Negri 2000: 411), the immaterial labor of the cooperation between minds (Lazzarato 2004), or as a community-based ethical economy (Arvidsson 2008, 2009, 2010),

such processes also emerged as highly complex, decentralized processes that were attributed with similar characteristics.

Furthermore, the move towards the outside and the new attributions of the processes leading to value creation were also accompanied by problematizations of the primary *action* through which value was said to be created. From the middle of the 1980's, over to the 1990's and further on into the first decade of the twenty first century, it was shown how the innovation-emphasis was accentuated within Strategic Management Thought, firstly with the resource-based view, then with the dynamic capabilities perspective and, finally, culminating in the co-creation approach, where Prahalad and Ramaswamy (2003: 12) claimed that value creation could now "come only from innovation". Swept away was the tedious option of competing on cost-reduction and optimization of the firm's value chain and this trajectory, too, found its parallel in the problematizations carried out within the critical literature. Whether formulated as the multitude's capability of collective entrepreneurship (Hardt and Negri 2000: 411), the common basis of innovation (Hardt and Negri 2004: 338), the *event* through which a "series of possible worlds" flow (Lazzarato 2004: 207), or as the clever exploitation of innovative, creative consumers (Zwick et al. 2008), the primary action through which value was created was also recast here in an innovation vocabulary, although in these traditions it was often expressed through more philosophically inclined concepts.

Finally, the transformations along these three dimensions were also supplemented by problematizations of the *substrate* of value creation. Here, the physical substrate of value creation, whether in the form of Porter's activities or, more generally, the materiality of industrial production, was being discarded in favor of core competences (Prahalad and Hamel 1990), dynamic capabilities (Teece et al. 1997), knowledge (Itami and Roehl 1987; Jacques 2000; Jaros 2007), immaterial labor (Hardt and Negri 2000, 2004; Lazzarato 1996, 2004), sociality and ethics (Arvidsson 2009, 2010), intangibles (Willmott 2010) and so on, which all pointed to a much more fluid, invisible, and immaterial substrate on which the creation of value now increasingly depended. Whereas the strategic management scholars here claimed that the individual's unique experience, as this could be shaped in 'experience environments', was a key-feature (Prahalad and Ramaswamy 2004a, 2004b), the critical literature embraced a more commons-based substrate.

Through the problematizations of the *locus* of value creation, through the problematizations of the *attributes* of the processes leading to value creation, through the problematizations of the *action* and *substrate* through which value is created, a new experience has formed, an experience of the outside as a source of value creation. This experience is articulated through the concept of co-creation, and through the components making up the co-creation vocabulary. This experience is at one and the same time what unites and what allows for, at first sight, the radically different accounts of contemporary conceptualizations of value creation. On the one hand, it is constituted and formed through the problematizations accounted for here, and on the other hand, it also appears as that which they somehow presupposed, as that which allowed these various formulations to become accepted statements that took up the problem of value creation, as that which rendered them possible. In this way, the experience accounted for could be seen to nourish and to provide a field of support for all of the different problematizations tracked in this and the previous chapter, as something which provides the integrative background that holds the respective problematizations together in all their diversity. Yet, at the same time, its formation only emerges through the trajectories made up by these problematizations.

The formation of this experience, however, should also be seen in light of the larger historical trajectory through which the concept of value creation has passed. The final section of this chapter considers the implications of the formation of this experience for contemporary conceptualizations of value creation. These considerations also conclude Part One of the dissertation.

### **Implications for the concept of value creation**

In order to assess the implications for the contemporary conceptualizations of value creation, however, it is necessary to set the history charted in chapters two and three in relation to the history of value and its creation sketched in chapter one. In the latter, it was shown how a substance conception of value emerged within political economy in the middle of the eighteenth century. From Quesnay, over to Smith, Ricardo, and Marx, the concept of value was shown to be *the* central one around which political economy constituted itself as a discipline. In spite of

disagreeing about the exact sources and measure of value, all of these thinkers agreed that value was *created* in some kind of productive activity, preserved in exchange, and destroyed or diminished in consumption. With the coming of the marginal revolution in the 1870's, however, the hitherto privileging of production as the locus of value creation was swept away, and the sphere of exchange – the market - was put in its place.

This transformation was made possible by a range of problematizations. First of all, the creation of value was becoming dependent upon *utility*, satisfaction, or want. From having been shot through with nature and material processes, value creation, and the wider economy within which it was formulated, was dematerialized and de-naturalized (Schabas 2005). It was no longer dependent upon and embedded within an objective world 'out there', but now became dependent upon the subjective world 'in here'. Secondly, with this, the past in the form of the foregoing labor process through which the commodity in question was produced, was no longer relevant to the explanation of how value was created. From now on, the relevant horizon for value creation became the future, that is, the utility expected to be derived from the consumption of the commodity as this was expressed in the market. Though the past could no longer provide an explanatory reference for value creation, the future, in the form of expected utility, essentially was a timeless, static future. This was due to the fact that the transformations of the epistemological space through which value creation was expressed crucially hinged on the appropriation of a physical theory that allowed perfect reversibility in a given systems operations. In conjunction with this, political economy - its historical reflection, its explicit political connotations - now gave way to the rigorous discipline of economics, which was modeled on mid-nineteenth century physics, and which had mathematics as its principle language. Central in this regard was the introduction of *marginal* analysis which shifted the primary concern of the discipline from growth, augmentation, and the wealth of nations, to questions concerning attainment of equilibrium and optimal allocation that now could be calculated, because time had been displaced from the newly invented economic models.

With all of these transformations, an erosion of the distinction between value and price gradually began to appear. Though value and its creation had been one of

the central problems within political economy, the way in which this was taken up by the new economists essentially rendered the problem futile. Since there was no longer a stable, objective principle (be it labor, socially necessary labor time, or something else) behind value creation, but only the fluctuating prices in the market, as these were generated by the subjective, irreducible evaluations of dispersed, economic agents, why, then, still cling to a concept burdened with such a history and so many metaphysical connotations? Hence, from being *the* central concept, value was gradually transformed to a relic and, eventually, left on the dustbin of history by mainstream economics.

While this early history of value creation has only surfaced sporadically as an explicit point of discussion throughout chapters two and three, it has nevertheless continually hovered in the background. In spite of attempts at formulating new concepts of value creation, the problematizations surveyed in the preceding chapters have remained in a continuing, acknowledged or unacknowledged, inspirational line of descent from these earlier conceptualizations. Hence, the conceptualizations of value creation within Strategic Management Thought, within Autonomist Marxism, and within Critical Management Studies, have readily borrowed from these earlier conceptualizations in order to present their own new value creation concepts. Even though none of these contemporary traditions should be held accountable to one unitary value creation-index, it is nevertheless possible to assess how they - explicitly or implicitly - utilize terminologies from former value creation concepts in order to advance their own conceptual endeavors. Therefore, this raises the issue of the extent to which one can borrow and utilize terminologies from former value creation concepts without accepting the limits within which these were formulated? More precisely, two problems preoccupy our center of attention here.

The *first* concerns the way in which Michael Porter has blended irreconcilable theoretical conceptualizations of value creation within his value chain approach. On the one hand, this clearly points to an analytical inconsistency within Porter's framework, but on the other hand, the way in which Porter does this nevertheless remains in accordance with central tenets running through the value creation concepts of political economy, as well as economics. That is, Porter still maintains

clear-cut distinctions between production, circulation, and consumption, just as he also maintains a yardstick according to which value creation can be measured. These central premises, however, are exactly what is being undermined with the formation of the experience of the outside as a source of value creation. Hence, the *second problem* to be taken up is the way in which several of the thinkers associated with the formation of this experience have re-actualized and drawn nourishment from the classical economists' value creation framework, yet have simultaneously problematized the very preconditions on which this framework was established to begin with. This has considerable consequences. More precisely, it is claimed that the historical trajectories through which the formation of the experience of the outside as a source of value creation has become possible, have simultaneously eroded central preconditions for conceptualizing value creation. That is, these trajectories have eroded the possibility of the establishment of a *yardstick* according to which it is possible to assess how much value has been created. Each of these problems will be considered in turn after which Part One will be rounded off.

*Blending irreconcilable conceptions of value creation: Michael Porter's value chain*

One particular way in which contemporary conceptualizations of value creation have inherited earlier ones is the way in which Michael Porter's value chain blends what used to be irreconcilable frameworks of value creation. More precisely, as we have already seen in chapter two, Porter (2004: xv) on the one hand claims that value is created through the activities constituting the value chain, and on the other hand it is claimed (*ibid.*: 38) that value is measured by total revenue, that is, the total amount buyers pay for the products sold by the firm. This, however, is only possible by way of simultaneously insisting on the fact that value is created in production (in the firm) *and* in the market. The operation essentially entails that of taking the sphere of production (as conceptualized within political economy), enclosing it within the firm, renaming its constituent processes as activities (instead of labor), and then simultaneously claiming that the value created by these activities can be measured with a yardstick made possible by developments pertaining to post-1870's economics. Whereas the classical economists explained the creation of value by referring to the sphere of production and to an associated objective yardstick (be it labor, labor time, or socially necessary labor time), the neo-classical



economists explained the creation of value by dispensing with an objective yardstick and in its place put the subjective, atomistic evaluations that nevertheless came together in the market where they gave rise to the formation of prices.

Within Porter's framework, previously irreconcilable value creation conceptions therefore blend. Several of the characteristics of the classical political economists' conceptions of value creation reappear. We see *production* being drawn forward as the locus of value creation. We see an underlining of the fact that the substrate on which value creation depends is the very materiality and *physicality* of, not labor, but activities. Furthermore, we see a graphical representation of these physical processes – no longer in the form of a Tableau Économique, but now in the form of the value chain. However, Porter's close intellectual affinity with economics at the same time implies that the value created is measured by total revenue.

This blending is at one and the same time a consequence of how Porter has constructed his value creation framework *and* a consequence of the fact that parts of post-1870s mainstream economics had difficulty with totally displacing production as a creator of value. More precisely, as was hinted at in the end of chapter one, given the fact that microeconomic production theories have smuggled illegitimate premises in through the backdoor (from political economy's substance-based conception of value creation) and given the fact that Porter (2004: 39, note 3) states that the activities making up the value chain could indeed be seen as production functions, it is perhaps not that surprising that a blending between the different value conceptions occurs. Nevertheless, and in spite of such analytical inconsistencies, Porter's conception of value creation was fashioned in accordance with premises that were central to political economy, as well as economics.

In spite of the fact that theoretically irreconcilable notions of value creation are presented and in spite of disagreements about whether value was created in production or in exchange, the classical and the neo-classical economists maintained clear-cut distinctions between production, exchange, and consumption, just as they all maintained that a conception of value creation was inseparably tied to some kind of *yardstick* according to which the amount of value created could be determined. Yet while the neo-classical revolution undermined the objective character of this yardstick, it nevertheless kept a unitary, quantitative measure in the

form of *prices* generated on behalf of subjective utility calculations made by dispersed economic agents.

By way of combining these premises, Porter was able to give definitions and, not least, practical managerial advice on how value could be created. Hence, in spite of blending otherwise irreconcilable value creation conceptions, measuring value creation through total revenue indeed provides a rather clear and managerially applicable criterion according to which value creation can be defined and measured for practical purposes.

*Have the problematizations making up the formation of the experience of the outside as a source of value creation undermined the possibility of a consistent conceptualization of value creation?*

With the formation of the outside as a source of value creation, however, the foundations on which this specificity was established seems to have been eroded. In spite of the fact that several of those utilizing the co-creation vocabulary see themselves, once again, as taking up and building upon the value creation perspective developed within the classical economists' approach, the way in which they do so nevertheless entails that central premises, on which this perspective rested, are swept away.

Throughout chapters two and three, we have seen how the otherwise displaced framework of the classical economists' substance conception of value had a revival. Within Strategic Management Thought, Edith Penrose's work (2009), which re-actualized the classical economists growth- and production-based outlook (Pitelis 2009: xxxiii-xxxiv), was from the 1980's recovered as a hitherto lost foundation upon which the resource-based view began to build (Wernerfelt 1984). And while disagreement subsisted within the research-based view regarding how value creation ought to be conceptualized and analytically handled, and regarding whether and to what extent economics-based frameworks ought to be utilized (Bettis and Prahalad 1986; Barney 1991; Foss 1996, 1997b, 2007), the insistence on the centrality of value creation as something inseparably tied to some kind of productive capacity or activity nevertheless subsisted throughout later works (Prahalad and Hamel 1990) and all the way up to the Strategic Management Thought approach to co-creation. In spite of the fact that a number of co-creation

scholars have sought to break free of previously reigning value creation concepts, their attempts at doing so have remained within a limbo where a production based approach to value creation have been central, but where parts of post-1870s conceptions have nevertheless also resurfaced. Due to this, the way in which the co-creation vocabulary stretches the concept of value creation beyond its historically loaded connotations seems to generate problems of logical consistency. For instance, when it is maintained that value on the one hand is co-created within a value creating system (Normann and Ramírez 1993a), and that “value creation (...) can come only from innovation” (Prahalad and Ramaswamy 2003: 12), that is, from some kind of productive activity, this seems to be at odds with at the same time stating that value creation is bound to the subjective *experience* of a particular person, at a particular place, in a particular point in time (Prahalad and Ramaswamy 2004b). This generates a certain tension according to which it is perfectly legitimate to ask whether the insistence on the relational, the social ecosystem, and the creation of value through innovation is not hereby undercut by the re-installment of the individual’s experience as a central nexus of value creation? And in conjunction with this it furthermore becomes necessary to ask what is actually gained by positing the individuals experience as central for the creation of value, if the notion of utility, which was central to the neo-classicals’ value creation concept, is simultaneously thrown overboard?

Within Autonomist Marxism and Critical Management Studies, we also saw recurring attempts at conceptualizing value creation in accordance with the classical economists’ framework. Here, however, the explicit dialogue partner was first and foremost Marx and the reception which had built upon his work. And while there was disagreement about the extent to which Marx’s theory was still valid (see for example Jacques 2000; Hardt and Negri 2004: 140-153; Jaros 2007; Arvidsson 2009; Böhm and Land 2009), widespread agreement nevertheless also prevailed here concerning the fact that value creation had to be grasped as emanating from some kind of productive activity which now, however, increasingly took place beyond the borders of the organization, was conditioned upon spontaneous and self-forming processes, was endowed with an innovative potentiality, and was increasingly immaterialized.

As was shown in chapter one, however, the classical economists' conceptualization of value creation was dependent upon a model which had highly material connotations. That is, value creation was dependent upon some kind of substance which was embedded within a material product. Whether in the form of Quesnay's *blé*, Smith's material stock, or the crystallization of socially necessary labor time within the commodity as described by Marx, all of these approaches referred back to a specific framework according to which value was created in production, preserved in circulation, and diminished or destroyed in consumption. With this model, a strict quantitative *yardstick* also followed according to which it became possible to determine how much value had been created. While the specific contents of this yardstick varied, it nevertheless remained an inseparable and constituent factor, not only for the classical economists' conceptualization of value creation, but equally for their critical followers who, from the 1870's onwards, dispensed with the objectivity of hitherto reigning yardsticks and in their place simply provided the quantitative measure of prices that fluctuated in accordance with dispersed, utility-calculating economic agents.

Hence, with the formation of the experience of the outside as a source of value creation the classical economists' framework was re-actualized. Once again, value creation was not to be explained as deriving from the sphere of exchange, but had to be located within some kind of productive activity. Nevertheless, simultaneously, this model was also completely undermined as a consequence of several of the problematizations making up this experience.

*First* of all, it has become entirely unclear as to where exactly value is created. With the move towards the outside, the traditional distinctions between production, circulation and consumption have been completely overturned (Lazzarato 2004: 199; Bruns 2009: 21). Now, value is no longer created in production, preserved in exchange, and destroyed or diminished in consumption. Rather, value is created throughout a generalized and wide-stretching productive process which also pervades the sphere of exchange and the sphere of consumption (Prahalad and Ramaswamy 2004b:122; Böhm and Land 2009; Willmott 2010).

*Secondly*, it has become entirely unclear whether value has been created and, if so, how much. With social, psychological, and community- based values now

entering the value creation frameworks (Arvidsson 2008, 2009, 2010; Ramaswamy and Gouillart 2010b: 104), we not only see a multiplication of values, but also the undermining of what previously reigning conceptions of value creation were inseparable from - a yardstick or scale which made it possible to specify the extent to which, if at all, value had been created. With the explosion of such a scale, value creation in the singular, is replaced by heterogeneous value creation prisms that are each measured according to local and irreducible scales. Within Strategic Management Thought, this problem undermines the pie-analogy presented by Ramaswamy and Gouillart. On the one hand they claim that social and psychological values of consumers, users and communities now also have to be taken into account. Yet on the other hand they claim that value creation becomes a question of “growing the pie and maintaining the vibrancy of the ecosystem; maximizing the firm’s slice of the pie is secondary” (Ramaswamy and Gouillart 2010b: 106). However, when various social and psychological values enter the picture, value creation is pluralized. To the extent that value creation is pluralized and to the extent that it is measured according to different, local and irreducible scales, *there is no one pie* that can be grown. If there was, the recipe to this pie would make up a new formula that could mediate and integrate the heterogeneous scales and translate their unique values into a new, unitary scale.

This problem of a loss of a unitary scale also becomes manifest with Arvidsson’s description of the rise of an ethical economy. Instead of speaking of value creation in the singular, Arvidsson claims that value is measured in completely different ways within the capitalist economy and its ethical counterpart. While Arvidsson, by and large, accepts Marx’s labor theory of value when it comes to capitalism, according to Arvidsson Marx’s theory is completely incapable of accounting for the value created within the ethical economy. Here, labor is abundant (Arvidsson 2009: 19), and labor power therefore has no value (Arvidsson 2008: 332). While there is no unitary scale (such as socially necessary labor time) according to which the amount of value created can be measured, there are nevertheless substitutes such as *ability to mobilize community effort* which in turn can be approximated as a function of the number of people we have in our networks and the intensity or quality of these connections. Separating the scales from each other, however, not only entails the loss of a common measure: as pointed out by

Willmott (2010: 527), it also risks presenting an “uneconomized” conception that “marginalizes consideration of how” the value created within the ethical economy “is embedded in capitalist economies”. Nevertheless, as was also pointed out at the beginning of chapter two, the new conceptualizations of value creation could, against Willmott’s claim, just the same be viewed as pertaining to a trajectory that questions the very nature of what ‘the economic’ consists of today. No matter which way we turn this problem, however, the fact remains that a unitary yardstick, according to which the amount of value created can be measured, has been lost. This marks an enormous break from earlier conceptualizations, not only from how value creation was conceptualized within the classical and the neo-classical economists’ approach, but also from the way in which value creation was conceptualized within Michael Porter’s approach. Across all of these different conceptualizations of value creation, a *unitary quantitative* scale was present as an indispensable part, although the principles behind its establishment varied considerably. Now, however, with the formation of the experience of the outside as a source of value creation, the establishment of such a scale is no longer possible. There is no one objective principle according to which the amount of value created can be measured, and there is no one unitary, monetary scale through which dispersed, atomistic utility-calculations can meet up and be expressed.

*Thirdly*, the loss of a unitary yardstick or scale is furthermore accentuated by the innovation-emphasis that marks the formation of the experience of the outside as a source of value creation. With this innovation-emphasis, value creation has become endowed with a hitherto unprecedented potentiality and futurity, something that cannot be reconciled with a quantitative measure. It is in conjunction with this that Hardt and Negri claim (2000: 356) that contemporary value creation is *beyond measure*: “Beyond measure refers to *the new place in the non-place*, (...) to a *virtuality* that invests the entire biopolitical fabric” (*ibid*: 357). The virtual is “the set of powers to act (being, loving, transforming, creating) that reside in the multitude” (*ibid*: 357). It is a capacity to do something that doesn’t correspond with something already existing; it is a pure capacity to create that cannot be measured, that cannot be reconciled with a quantitative scale. The centrality that this virtuality comes to play for the creation of value not merely overthrows the quantitative scales of political economy and economics, but also the

“great Western metaphysical tradition that has always abhorred the immeasurable” (*ibid.*: 355).

In spite of the fact that Hardt and Negri have now completely undermined an essential component of the classical economists’ framework, they readily utilize Quesnay’s *Tableau Économique* to invoke an image of how the creation, circulation and consumption of value ought to be depicted today (Hardt and Negri: 2004: 149, 2009: 285-290). However, Quesnay’s tableau which, according to Mirowski (1989: 155), represented the purest instance of the classical economists’ substance conception of value, is only conceivable if one does not dispense with the fact that value here is created in production, preserved in exchange, and diminished/destroyed in consumption. Yet when all of life and all social relations become a giant productive machine, such distinctions are increasingly difficult to uphold. Furthermore, Quesnay’s tableau is only conceivable if one does not dispense with the quantitative measures according to which it becomes possible to follow the flow of the value substance (*blé*) throughout and across the three classes making up the tableau. If one dispenses with these central characteristics, it is highly questionable as to what explanatory or analogical function invoking the image of the tableau might serve. If it does show something, however, it is probably that in spite of dispensing with former value creation concepts and their central characteristics, Hardt and Negri’s own attempt at re-conceptualizing value creation simultaneously remains indebted to a tradition they think they have left behind.

Thus, it can be stated more generally that while several of the problematizations accounted for in the preceding chapters have sought to reinstall and redeploy an outlook that utilized a production-based approach to value creation, these very same problematizations have simultaneously eroded the ground upon which such an understanding of value creation was conceptualized to begin with.

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*Consequences of the erosion of the ground upon which a consistent concept of value creation can be formulated*

Seen in light of the history of value creation followed in Part One, the formation of the experience of the outside as a source of value creation has a number of important consequences. These consequences, however, manifest themselves in different ways for the respective traditions that we have come across. For Strategic Management Thought, which throughout its entire history has aspired to formulate knowledge and models that could be utilized by managers for practical purposes, the formation of the experience of the outside as a source of value creation tends to undermine the authority with which such practical advice can be given. In light of the fact that value creation is stated to be one of *the* most central concepts within Strategic Management Thought and in light of the fact that the foundation of a consistent concept of value creation has been eroded with the formation of the experience accounted for here, the authority with which the co-creation scholars within Strategic Management Thought can inform practitioners on matters of value creation can necessarily be questioned. Through the trajectory from Porter's value chain approach to contemporary co-creation, the concept of value creation has been problematized to such an extent that it has become rather unclear exactly what value is and how it, specifically, can be created. Dispensing with the distinctions between production, circulation and consumption, and dispensing with a unitary yardstick, both of which had remained integral parts of former conceptualizations of value creation (from the classical economists' substance-based framework, over to the neoclassical economists' approach, and on to Porter's value chain), necessarily raises the question about whether the concept of value creation has been stretched beyond its limits? On the one hand, the concept of value creation and the way in which it has been utilized within Strategic Management Thought, has bestowed the discipline with an economic aura which stems from the fact that, throughout the last couple of decades, it has installed what used to be *the* economic concept par excellence as one of its foundational concepts. On the other hand, however, the way in which the problematizations through which the experience of the outside as a source of value creation has formed has simultaneously implied that important preconditions upon which this aura of the economic rested have been evacuated.



For several of the critical accounts investigated here, the consequences of the erosion of the ground upon which a consistent concept of value creation can be fashioned present themselves in a slightly different manner. Here, the formation of the experience of the outside as a source of value creation and the complex continuity-discontinuity problem this implies in relation to former conceptualizations of value creation, raises other questions. One important question that keeps surfacing here is whether the formation of this experience marks the arrival of a new and irreducible logic of value creation - for example, the “power of co-creation” (Lazzarato 2004), “biopolitical value creation” (Hardt and Negri 2004), or an ethical economy (Arvidsson 2008, 2009, 2010) - or whether the formation of this experience should be seen in conjunction with an extension of modes of management that now, additionally, leverage the value created by user-producers? While noteworthy attempts at arguing for the latter position have been set forth within Critical Management Studies (see for example Humphreys and Grayson 2008; Van Dijck and Nieborg 2009; Böhm and Land 2009; Willmott 2010), the grounds upon which such accounts have been set forth have lacked a historical perspective according to which it would be possible to describe *how the experience of the outside as a source of value creation has been born*.

Instead of doing so, Böhm and Land (2009), for instance, propose that we have to hold on to Marx’s labor theory of value, and with this give an account of how value creation has moved outside of existing organizations, so that it now traverses “the full circuit of production, consumption and social reproduction” (*ibid*: 13), while Willmott (2010), on his part, dispenses with *any* such theory, and in its place puts a detailed empirical study of how value is being created and leveraged within historically varying “ethico-political complexes”.

Neither of these proposals, however, seem completely satisfactory. In order to rescue Marx’s theory from the loss implied by the undermining of a yardstick according to which the amount of value created can be measured, Böhm and Land claim (2009: 13) that “the actual measurability of exchange value was never the key driving force of Marx’s (1976) ‘labour theory of value’”. Such an attempt at restoration seems highly problematic in light of the way in which the formation of the experience of the outside as a source of value creation has undermined the classical economists’ framework and, with this, also Marx’s labor theory of value.

While Willmott's (2010) account tries to bypass the problem of formulating a consistent concept of value creation by insisting that any such notion would have to be situated within historically varying ethico-political complexes, the empirical description he makes of a concrete case does not have much to say about the historical trajectories that have made this specific ethico-political complex possible.

Attending to such historical trajectories, however, is exactly what Part Two of this dissertation will do. By way of tracing the history of the components that have come together in the formation of the experience of the outside as a source of value creation, it is possible to give a more adequate reply as to whether co-creation marks the arrival of a new, irreducible logic of value creation, or whether it is to be seen as inseparably tied to new modes of management. Hence, instead of grounding such a reply in an attempt at restoring the labor theory of value and defending a specific value creation theory (Böhm and Land 2009) or, for that matter, in a contemporary case study of how value is co-produced and leveraged (Willmott 2010), the dissertation proposes to establish the basis for answering such a question in a genealogical investigation of the components that make up the co-creation vocabulary, that is, the components through which the experience of the outside as a source of value creation is expressed. Through such a genealogical investigation Part Two attends to how this currently reigning experience has been born.

## **Part Two**

## Chapter 4

Control or government?

Critical interrogations of the ground upon which  
a history of co-creation should be launched

### **Toward a history of co-creation**

In Part One of the dissertation, it was described how value and its creation went from being *the* foundational and most important subject of political economy to becoming a largely marginalized concept within twentieth century economics. In addition to this, it was also established how the concept of value creation rose to prominence within the discipline of Strategic Management Thought, just as it was tracked how descriptions of what were depicted as the sources of value gradually changed towards a view whereby value was seen as being co-created by groups and individuals outside established organizations. This line of investigation was then set in relation to developments within social theorists' conceptualizations of commons-based peer production as well as thought coming out of the Autonomist Marxist tradition and recent contributions within Critical Management Studies. It was proposed that discussions on what actually constitutes the contemporary sources of value creation within these otherwise diverging streams of thought tended to converge in descriptions that relied heavily on the co-creation concept and, in particular, on the components this concept was articulated in accordance with. More precisely, the central components within the co-creation vocabulary were identified as the following: value creation was increasingly being viewed as dependent upon that which comes from the *outside*; the processes through which value was created were depicted as having a somewhat *spontaneous*, self-organizing capacity that to a large extent rendered long-term planning and conventional managerial control obsolete; this new mode of value creation was furthermore characterized as being fueled by an inherent cooperative inventiveness that manifested itself in a decentralized and ongoing process of *innovation*; and finally, the substrate on which this value creation took place were increasingly

*immaterialized*. While scholars within Strategic Management Thought, as well as those coming out of the Autonomist tradition, embraced these conditions – either because firms could profit from them or, adversely, because they were identified as having an irreducibility to them that challenged capitalism – the critical management scholars accepted that value creation to a large extent had become dependent on something outside of the organization, while simultaneously raising concerns about the extent to which – if at all – this transformation posed any significant challenge to capitalism. Following this the dissertation claimed that the different traditions, in spite of their conflicting agendas, could be viewed as carrying out parallel problematization processes that gave rise to the formation of an experience of the outside as a source of value creation.

However, while charting the formation of this experience, the primary concerns in Part One did not allow for a treatment of the issue regarding how the components making up the co-creation vocabulary could begin to take on the importance they have come to have for conceptualizing the creation of value. In other words, while Part One made it clear how value creation was problematized and rearticulated through the utilization of a co-creation vocabulary, it did not account for the historical emergence of the components making up this vocabulary. This is exactly what Part Two investigates.

More precisely, as stated in the introduction of the dissertation, this investigation will be organized as a genealogy that traces the historical roots of the components that have come together in the experience of the outside as a source of value creation. As was also stated, this history will draw significantly on Foucault's (2007a, 2008) history of governmentality. However, before attending to this genealogy, which will be launched in chapters five and six, the grounds upon which such a historical investigation should be cast will first have to be attended to. Establishing this ground is the prime purpose of the present chapter and this purpose is to be achieved by carrying out two tasks. Firstly, by criticizing the foundations upon which scholars within Autonomist Marxism and Critical Management Studies have launched histories pertaining to the coming into being of co-creation. As will become evident, Deleuze's (1995a) small text on the passage from disciplinary societies to the societies of control plays a key role here. Secondly, by way of criticizing three central postulates within this text, a trajectory

will be opened up to Foucault's thought, and to the proposition that not only have Foucault's (2007a, 2008) lectures from 1978 and 1979 not been appreciated sufficiently within Critical Management Studies, but that also, and more importantly, these lectures contain material that is significant for a genealogy of co-creation. However, before undertaking these tasks, it is necessary to show how Deleuze's (1995a) text has played a major role for the way in which critical accounts have sought to come to terms with co-creation.

*On the influence of Deleuze's "Postscript on the Control Societies"*

We have in the last couple of chapters seen how the different components associated with co-creation have been continually expressed in accordance with changing conceptions of management. Indeed, co-creation continually comes into view as a specific kind of management problem whereby the organization of co-creation processes is inseparably tied to the question of how such processes are, or ought to be, managed. Thus, from Prahalad, Ramaswamy, and Gouillart's engaging, dialoguing, and facilitative management of the co-creative enterprise (Pralhad and Ramaswamy 2004b; Ramaswamy and Gouillart 2010a, 2010b), over to Hardt and Negri's (2009: viii) multitude "learning the art of self-rule", and on to Arvidsson's (2009) account of how Linus Thorvalds's managerial genius is of major importance to the organization of the social production processes inherent in the ethical economy of Linux, the question of how one should manage or govern co-creation continually surfaces.

The problem of co-creation, when viewed from the perspective of Critical Management Studies, unsurprisingly also turns up as a problem inseparably tied to the notion of management. Here, however, the question of management does not run along the lines of which management or government system would be appropriate and legitimate as a facilitator of co-creation. Instead, co-creation is depicted as something that is entirely, and inescapably, tied to capitalist valorization processes – only now with the addition that the value created through co-creation is subject to *new forms of management* that act on consumer-producers outside of the organization (Zwick et al. 2008; Böhm and Land 2009; Willmott 2010). Thus, the way in which the co-creation problematic is viewed within Critical Management Studies ties in with and extends the long-lasting trajectory within this field whereby

management as such, no matter which practical, beneficial or idealistic goals it is set to promote, is viewed as *illegitimate*, or at the very least as something that must be critically scrutinized (see for example Grey 1996, 1999; Parker 2002).

Still, what is interesting to note is that this new view of management as something that reaches beyond the boundaries of the organization and taps into the productive capacities of co-creation processes also raises the question as to whether, and to what extent, such interventions are even capable of being described within a vocabulary which is critical of management and management thought? How is it possible to exercise control over and to exploit people who are not even employed by the organizations they contribute to, but merely do what they do because they find it rewarding, interesting or fun? In other words, how is it possible to manage something that is considered to be 'free' (both in the sense of being unpaid and not being subjected to a direct managerial authority)?

This problem has received considerable attention within Critical Management Studies. Besides some of the contributions explicitly dealing with the co-creation problematic that we came across in the last chapter (Zwick et al. 2008; Banks and Humphreys 2008; Böhm and Land 2009; Willmott 2010), this problem has also been taken up by scholars keen on exploring how former clear-cut demarcations between organizations/institutions and their outsides have become increasingly difficult to uphold. This blurring of boundaries has happened in conjunction with the rise of post-disciplinary modes of management that have been able to utilize differences both within and outside established organizations (see for example Munro 2000; Fleming and Spicer 2004; Weiskopf and Loacker 2006; Spicer 2010; Martinez 2010).

André Spicer (2010) has proposed here that what we are witnessing is the rise of a new mode of relating to what he calls *extitutions*. Extitutions are, according to Spicer (2010: 26), "a formless life", that is, something that "exceeds, disturbs and does not fit with an institution." As such, extitutions have always been a challenge for the functioning of institutions. Still, the way in which institutions have sought to manage extitutions has been recast recently. Whereas "disciplinary institutions" sought to "confine and normalize extitutions (...), post-modern controlling institutions are more permissive and seek to harness extitutions" (*ibid*: 27). Spicer points here to how this change both implies that the borders of the institution

become increasingly blurred, and that the new mode of managing these extitutional capacities is characterized by toleration, if not downright celebration, exactly because extitutions begin to be seen as sources of innovation and as something that can be capitalized upon. Utilizing extitutional capacities, however, necessitates establishing new principles of management and organization: “Instead of being designed around principles of closure and capture, the new institutional archetype seems to be one of facilitation, boundary crossing and dialogue. The total institution is out. The open institution is in” (*ibid*: 37).

This description clearly picks up on the themes we came across in the previous chapters. Thus, the co-creative enterprise (Ramaswamy and Gouillart 2010a, 2010b) is clearly describable as something that utilizes and controls the productive capacities of extitutions and whereas Prahalad, Ramaswamy and Gouillart depicted how the principles of co-creation entailed shifting the perspective from a ‘company-centric view’ to a ‘social ecosystem approach’, Spicer (2010: 35) adds – albeit from a less celebratory perspective – how even state bureaucracies have begun to “encourage citizens to get involved.”

What is significant in this respect is not just the fact that Spicer’s article is quite interesting, and that the conceptual specification of the changing nature of the management of extitutions - from discipline to control - has a richness to it that adds to the understanding of co-creation. Equally significant is also the fact that the conceptual resources with which this change is described tie in with a greater theoretical transformation whereby Gilles Deleuze’s ([1990a] 1995a) small and yet highly influential essay, “Postscript on Control Societies,” has been mobilized to an almost overwhelming extent as a prism through which the changing nature of power in general, and the management of co-creation in particular, has been described. In this regard, Spicer’s article – in spite of its merits – is symptomatic of a much wider tendency whereby Deleuze’s “Postscript on Control Societies” has been guiding contemporary studies pertaining to the changing nature of management and power in a post-disciplinary setting. It is therefore worthwhile taking a closer look at Deleuze’s text. But before we do so, it is necessary to expand a bit upon why it is necessary to take this apparent detour, how this ties in with what we came across in the previous chapter, and how this detour will serve us in



relation to mapping the history of the central components inherent in the co-creation vocabulary.

First and foremost, the reason why it is significant to spend some time on this essay on control societies is, as already hinted at, that it has played such an enormous role within the way in which co-creation has been conceptualized in conjunction with changing modes of management. The shift from a disciplinary society to a society of control plays a significant role within the works of Hardt, Negri, and Lazzarato. They have not only taken Deleuze's description on board, as we have seen, but also acted as accelerators, or points of diffusion, for the way in which the essay on control society has been taken up within other lines of inquiry, not least within Critical Management Studies. Furthermore, as we have seen in the previous chapter, Hardt and Negri's *Empire* kicks off by investigating what this passage to a control society implies for the changing nature of power (2000: 22-30; see also Hardt and Negri 2000: 328-332, 1994: 259-260; Hardt 1995), just as Lazzarato (2004, 2005, 2006) gives it a prominent place within several of his articles. Owing to this, Deleuze's small essay plays an important role for the way in which the problem of co-creation appears and is articulated within these strands of Autonomist Marxism.

Secondly, since the emergence of the co-creation problematic within Arvidsson's work (2006, 2008, 2009; Arvidsson et al. 2008), as well as within Critical Management Studies (Zwick et al. 2008; Banks and Humphreys 2008; Böhm and Land 2009), has to a large extent been built upon the contributions made by Hardt, Negri and Lazzarato (and especially on the way in which they have continually stressed how the creation of value exceeds the sphere of the workplace), the transition to a control society also roams in the background here, when not referenced directly (see for example Zwick et al. 2008: 182, 185, 186). To the extent that these contributions take up the history of how co-creation emerged as a management problem, they predominantly do so from a perspective according to which it shows up as a marketing phenomenon (Zwick et al. 2008; Arvidsson 2006, 2008) that should be seen in light of historical transformations that have occurred throughout the latter half of the twentieth century (Arvidsson 2006, 2008; Zwick et al. 2008). In so doing, these latter contributions can be characterized by the assumption that pre-1960 management and management thought is reducible

to “Taylorist management” and “discipline” that had not yet “discovered the productivity of the social” (Arvidsson 2006: 41).

Furthermore, such accounts are in line with the historical drama set up within *Empire*. Here, management thought is depicted as being completely reactionary, and all creative capacity is bestowed upon a creative multitude. As Hardt and Negri claim, the shift from discipline to control societies, and the associated shift in value creation practices, only came about as a result of experiments with new forms of “cooperation and communication” emanating from the whole panoply of lifestyle experiments within the counterculture movement. The fruits of these experiments not only “anticipated the capitalist awareness of a need for a paradigm shift in production”, they also, more fundamentally, implied that capital “did not need to invent a new paradigm (...) because *the truly creative moment had already taken place*” (Hardt and Negri 2000: 275-276; see also Arvidsson 2008: 327). Hence, according to this account, we see a shift in the conditions of value creation on the one hand, and management thought on the other. The lifestyle experiments of the counterculture gave birth to the new conditions of value creation, and management thought, then, allegedly responded to this by appropriating the resulting modes of organization and, in the process, turned them into new means of capital accumulation. As we will see, however, this is a much too superficial and reductive historical account. It not only brushes over fundamental transformations before WWII that are central to the coming into being of co-creation, it also considerably underestimates how *management thought played a much more active role* in forming the historical trajectories through which the experience of the outside as a source of value creation could emerge. To the extent that some of these accounts (see for example Arvidsson 2006; Zwick et al. 2008) do give management thought a more active role than Hardt and Negri do, the coming into being of co-creation is merely conceived as a management phenomenon that was born in relation to transformations within the discipline of marketing. As will be shown, however, the coming into being of co-creation has to be grasped through trajectories that reach considerably beyond transformations within the discipline of marketing. Whether made with reference to Deleuze’s essay or not, these tendencies are in agreement with postulates set forward within the “Postscript on Control Societies”.

Additionally, as already pointed to above, contributions within Critical Management Studies have taken up Deleuze's diagnosis and utilized it to characterize how new forms of post-disciplinary management begin to regulate, make up, and control productive subjects without having recourse to disciplinary enclosures (Munro 2000; Fleming and Spicer 2004; Weiskopf and Loacker 2006; Spicer 2010; Martinez 2010). Though these contributions do not revolve explicitly around the concepts of co-creation or co-production, their analytical concerns, as exemplified above with Spicer's (2010) notion of the extitution, clearly tie in with the way in which the management of co-creation has been conceptualized.

Finally, this detour through Deleuze's little essay serves as a trajectory through which it will be possible to resituate and gain a more adequate foothold in relation to launching a genealogy of the components of the co-creation vocabulary. More precisely, it is argued that the notion of control should be given a less prominent role, since the previous privileging of the notion of control relies on the somewhat problematic way in which Deleuze has read Foucault. This reading has not only had questionable consequences for the conceptualizations of the changing nature of power, but also, and more importantly, it relies upon a periodization that makes it difficult to conceive of co-creation as a phenomenon with historical roots that reaches beyond the middle of the twentieth century.

With these specifications in place, the outline of the chapter can be presented as follows. Firstly, Deleuze's essay on the control society is taken up. Special attention is given to his proposition that Foucault allegedly proposed that we were about to enter a control society. It is argued that Deleuze's reading of Foucault is built upon a triple misattribution.<sup>1</sup> Secondly, this paves the way for shifting the

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<sup>1</sup> The problem identified with Deleuze's reading of Foucault is primarily attributable to "Postscript on Control Societies" viewed as a relatively self-standing text. Hence, if one, for instance, reads Deleuze's little text in conjunction with and informed by the themes taken up in *Anti-Oedipus* (Deleuze and Guattari 1983) and *A Thousand Plateaus* (Deleuze and Guattari 2002), several of the problems identified below will – if not dissolve – then at least seem less clear-cut and more ambiguous. However, since the detour through Deleuze's essay only becomes relevant in the thesis because it (a) is often read out of the context of Deleuze's oeuvre as such, and (b) has had such an overwhelming impact on the conceptualization of a form of power that operates beyond the sphere of the organization as a separate entity, countering several of the claims made

conceptual prism marked out in Deleuze's essay, and the literature following him, with that of governmentality elaborated by Michel Foucault (2007a, 2008) in his lectures from 1978 and 1979. Thirdly, while Foucault has already been taken up in a major way within studies pertaining to organization and management, it is argued that the problems dealt with in his lectures from 1978 and 1979 have not yet been fully appreciated, and that a history of co-creation can gain important insights by picking up on some of the themes elaborated within these lectures. These remarks then pave the way for charting the history of the components of the co-creation vocabulary that is attended to in the following two chapters. But first thing is first, let us start with Deleuze's little essay.

### **From discipline to control?**

Towards the end of his life, Gilles Deleuze wrote the small text "Postscript on Control Societies" (1995a). In it he proposed that a major societal transition was taking place and that a new form of power - control - had "made rapid advances after the Second World War" (Deleuze 1995a: 178, see also Deleuze 1992, 1995b). More specifically, Deleuze states that this major change becomes apparent in Michel Foucault's work (*ibid.*: 177). According to Deleuze, Foucault analyzed the transition from a society of sovereignty to a disciplinary society that took place gradually throughout the latter part of the eighteenth century and the beginning of the nineteenth century. Whereas the power characteristic of sovereign societies largely operated by appropriating that which had been produced, the power characteristic of disciplinary societies operates by intervening in production, by splitting up a multiplicity, rearranging and correcting it, and thereby augmenting the powers of production beyond the sum of its component parts (*ibid.*: 177; Foucault 1991a). The spread of discipline was simultaneously dependent upon the setting up of enclosures within which this augmentation of forces could be managed and organized. These spaces – schools, armies, factories, prisons – however, have

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within the "Postscript on Control Societies" can be legitimized. In this sense, the intended target of critique is indeed Deleuze's essay, but first and foremost Deleuze's essay *viewed in light of the reception it has had* in relation to conceptualizing themes pertaining to the problem of co-creation.

become crisis ridden and, according to Deleuze, we are now “in the middle of a general breakdown of all sites of confinement” (Deleuze 1995a: 178). Thus, he sketches loosely how a new form of power is beginning to replace discipline, just as he points to the theoretical sources within which the analysis of this new form of power has been taken up. We look at each of these in turn now.

Regarding the first - what characterizes this new form of power in contrast to discipline - Deleuze states that whereas disciplinary society's confines “are *molds*”, controls are “*modulations*”, that is, “a self-transmuting molding continually changing from one moment to the next” (*ibid.*: 178-179). Whereas production in disciplinary societies was emblematically organized within factories characterized by a high degree of standardization, regimentation, and predictability, the dominant mode of organizing within control societies is what Deleuze calls businesses, and “a business is a soul, a gas” [“l'entreprise est une âme, un gaz”] (*ibid.*: 179/1990a: 242). Here it is worth noting not only the immateriality signaled by the characterization of the business as being a soul or gas, something also echoed in Spicer's text on extitutions (2010: 37), but equally that in the original French text, Deleuze persistently uses the notion *l'entreprise*, which perhaps more appropriately could have been translated as ‘an enterprise’ instead of ‘a business’. This is quite a noteworthy point that we come back to below. For now, however, it is sufficient to take stock of the fact that this business, this soul, this gas, according to Deleuze, is to be seen as something that increasingly replaces the factory. With the transformation from disciplinary societies to control societies, the “sales department becomes a business’ center or ‘soul.” That businesses have souls, however, is “surely the most terrifying news in the world” and it is in relation to this that marketing now becomes “the instrument of social control” (Deleuze 1995a: 181).

Regarding the second of the theoretical sources Deleuze draws upon when he describes the coming into being of the control society, the following sentence is significant:

‘Control’ is the name proposed by Burroughs to characterize the new monster, and Foucault sees it fast approaching. Paul Virilio too is constantly analyzing the ultrarapid forms of apparently free-floating control that are

taking over from the old disciplines at work within the time scales of closed systems (Deleuze 1995a: 178).

In bringing Burroughs, Foucault, and Virilio together (as one author who, named the control society, one who sees it fast approaching, and another who constantly analyzes it), it is important first of all to appreciate the way in which Deleuze ‘reads’ other thinkers. It has often been stated that his works on other philosophers contain as much of his own thought as they do of others’ (see Massumi 1992: 2; Colebrook 2002: 73). Such comments have not least been made with reference to Deleuze’s own infamous description of how his reading of major philosophers could be characterized as a kind of ‘buggery’: “I saw myself as taking an author from behind and giving him a child that would be his own offspring, yet monstrous” (Deleuze 1995c: 6). While such a statement certainly ties in with and colorfully depicts Deleuze’s highly original books on major philosophers such as, for instance, Nietzsche and Bergson (Deleuze 1983, 2002), it at the same time should not be overstated. Or at least, it would be a bad starting point for assessing a claim like the one made with reference to control society.

Thus, if we take Deleuze’s remark on Burroughs, Foucault and Virilio seriously, the question arises as to what, more specifically, merits a reference to exactly these three authors? Answering such a question, however, is complicated by the fact that there are no explicit references in Deleuze’s text that point to the specific works and pages where these authors allegedly have mentioned or analyzed the rise of a control society. While this is not the place to begin a major textual exegesis of the respective works of Burroughs, Foucault and Virilio, we merely point here to the fact that Virilio is utilized quite extensively within Deleuze and Guattari’s *A Thousand Plateaus* ([1980] 2002, see for instance: 212, 231, 386-387, 395-396, 462, 467) and while Burroughs (1985) did indeed write an essay where the notion of control figures prominently, for the purposes of the present chapter it is worthwhile restricting the attention to Deleuze’s point that Foucault sees the control society as “fast approaching”. Concentrating explicitly on Foucault is not only merited by the fact that Foucault plays a more significant role within the writings of Deleuze, not least in the book-length study entitled *Foucault* (Deleuze 1988), but more prominently because the place in the essay on the control societies where the unspecified reference (to Burroughs, Foucault and Virilio) is made is

within the second paragraph that follows immediately after the introductory one where Deleuze points to Foucault's analysis of the historical transition from a sovereign society to a disciplinary society. In this sense, Deleuze's remark is situated within a textual context that is already set up as pertaining to Foucault's work.

However, since the essay on control society does not explicitly state where Foucault allegedly should have pointed towards the rise of control as an overarching new mode of power, it is necessary to look for other clues of evidence as to where Deleuze could be said to qualify his rather loose remark. One place to attend to is his final public lecture "What is a *Dispositif*?", which was held in 1988 and published in 1992. Here Deleuze (1992: 350-352) elaborates a bit more on this problem, just as he, more importantly, points us in a direction that perhaps provides a bit of guidance as to where Foucault has taken up this notion of control.

In his lecture, Deleuze identifies the notion of the *dispositif* as a central analytical device with which Foucault conducts his analysis. According to Deleuze, we have to recognize that what is remarkable about Foucault's investigations is that they are, on the one hand, orchestrated around a historical analysis of what "we already no longer are", that is, what we are leaving behind, and on the other hand, though often only implicitly, they contain another part that is attentive to what we are in the process of becoming, "to the unknown knocking at the door" (*ibid*: 350, a phrasing that is repeated in his essay on control society 1995a: 178). This latter part the diagnostic that pertains to "our actuality", and though it is of central importance, it is often almost entirely absent from Foucault's major books. While Foucault's books contain important investigations into the historical dimensions of the dispositive, Deleuze claims that we have to look to Foucault's interviews in order to get a grasp of the problem pertaining to our actuality. Following from this, the various interviews Foucault gave throughout his life are, according to Deleuze (1992: 352), to be considered as being just as important as Foucault's books. The reason for this is that in these interviews Foucault "traced lines of actualization that required another mode of expression" than the one utilized in his books. In order to describe this relation, Deleuze likens the relation of Foucault's books and interviews to Nietzsche, "whose works are difficult to read without the *Nachlass* that is contemporary to each" (*ibid*: 352). It is in conjunction with these

specifications of the double nature of dispositives (usually translated as apparatuses) that Deleuze stipulates how this relates to the notion of control:

Some have thought that Foucault was painting the portrait of modern societies as disciplinary apparatuses in opposition to the old apparatuses of sovereignty. This is not the case: the disciplines Foucault described are the history of what we are slowly ceasing to be and our current apparatus is taking shape in attitudes of open and constant *control* that are very different from the recent closed disciplines. Foucault agrees with Burroughs who announced that our future would be more controlled than disciplined (*ibid.*: 350).

The fast-approaching society of control is thus allegedly detectable within the numerous interviews given by Foucault. Here Deleuze is probably first of all alluding to a discussion between himself, Foucault and Guattari that took place in 1973 (Foucault et al. 1996, see especially p. 106-108), where the notion of control certainly surfaces and ties in with several of the issues touched upon in “Postscript on the Control Societies.” Foucault, for instance, mentions marketing here, new pharmaceutical products and a new type of “control of the normal” (*ibid.*: 108), all issues reflected upon in Deleuze’s later essay. Still, in spite of the fact that it is possible to supply such a reading with additional direct qualifications (see for example Foucault’s 1973-lectures from Rio 2002a: 76, 81), it is nevertheless pushing the point too far to state that Foucault sees the control society as fast approaching.

One of the strongest reasons for not accepting Deleuze’s characterization of a passage from sovereignty to discipline, and then on to control, is perhaps that Foucault’s own elaborations on this never revolve around a control society, or a new dispositive of control taking over from a disciplinary society or a disciplinary dispositive. More precisely, it can be argued, that there is a *triple misattribution* at stake here. What is of significant interest here, and this is where *the first* part of the triple misattribution becomes manifest, is that whereas Deleuze, and a lot of the secondary literature following him, speaks of sovereignty being replaced by discipline, which again is replaced by *control*, Foucault speaks of “sovereignty, discipline and *governmental management* [*gestion gouvernementale*]” (Foucault 2007a:



107/2004: 111, emphasis added). Whereas Deleuze privileges the concept of control, Foucault (2007a, 2008) persistently foregrounds the notions of government and governmental rationality. This ties in with a rather encompassing rearticulation in Foucault's conceptualization of power. Whereas in *Discipline and Punish* he had been preoccupied with putting Nietzsche's (2009) genealogical approach to bear upon the genealogy of the modern soul (Foucault 1991a: 29), Foucault's explorations increasingly begin to add another register to these investigations. One can follow a trajectory here whereby he picks up on a problem he had already come across in conjunction with his investigations into social medicine presented at a seminar in Rio de Janeiro in 1974 (Foucault 2002b). Whereas discipline breaks down a multiplicity into its component parts, augments them, and reassembles them again, the investigations into social medicine gradually expand into a problematic where the irreducibility of a group of living beings, making up a *population*, comes into view as a separate, and yet at the same time parallel, development. Thus, Foucault loosely sketches what he calls *biopower*, that is, a new form of power that both encompass the anatomo-politics of discipline and a biopolitics pertaining to a population (Foucault 1998a: 140; 2003b: 253).

It is with these rather sketchy conceptualizations that Foucault (2007a: 1) initiates his lectures in 1978: "This year I would like to begin studying something that I have called, somewhat vaguely, bio-power." This vagueness is underlined by the fact that in *The Will to Knowledge* (1998a: 139-140), as well as in the final lecture of his 1976 Collège de France lecture-series, "*Society Must be Defended*" (2003b: 253), biopower denoted an overarching concept encompassing the discipline of the body as well as the biopolitics of the population, it gradually evolves into a problematic of government and governmental rationality. This is not because biopower or biopolitics become equated with government and governmental rationality, but because the biopolitical problematic, according to Foucault (2008: 22), needs to be grasped within and on behalf of an investigation of liberalism as a distinct, and yet historically varying, art of government!<sup>1</sup> Furthermore, while Foucault throughout

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<sup>1</sup> See Gudmand-Hoyer and Lopdrup-Hjorth (2009) for a description of how the notion of biopolitics is unfolded in relation to the problematic of government; see also Lemke (2011b) for a

this searching and slowly evolving investigation of a new form of power, repeatedly stresses that biopolitics, biopower, apparatuses of security and/or the political art of government are tied together with the notion of control (see for example 1998a: 139; 2007a: 65; 2008: 64, 67), the connotations of control are at the same time continually stressed as pertaining to the operations of discipline (see for example Foucault 1991a: 211; 2007a: 4, 16, 32, 39, 95, 351, 353) with which Foucault contrasts the art of government. Thus, while there may be several instances we can point to where Foucault uses the notion of control in relation to his newly developed research subject, we can equally point to just as many instances where the connotations of control are utilized to separate the workings of discipline from those of government. This latter point, for example, comes through when Foucault in the final lecture from 1978 characterizes the art of government pertaining to liberalism in the following way:

It will be necessary to arouse, to facilitate, and to *laisser faire*, in other words to manage and no longer control through rules and regulations. The essential objective of this management will be not so much to prevent things as to ensure that the necessary and natural regulations work, or even create regulations that enable natural regulations to work (Foucault 2007a: 353).

The important point to draw forward here, however, is not so much whether Foucault does or does not attend to control, or whether it is something he is concerned with. The important point is that the notion of control is used in highly different and rather unsystematic ways, and that it never takes center stage. Due to this the grounds upon which it becomes possible to state that Foucault “sees the control society fast approaching” seems somewhat frail. If one wanted to force Foucault’s descriptions on to a prefix attached to society, the notions of ‘security’ (*ibid.*: 10) or ‘government’ (*ibid.*: 107) would indeed be more appropriate.

The *second* part of Deleuze’s triple misattribution can be stated in the following manner: whereas Deleuze (1995a: 177) depicts sovereignty, discipline and *control* as replacing one another in a sequential fashion, Foucault speaks of a co-

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general survey of the concept of biopolitics that charts the radically different conceptions advanced by Foucault on the one hand, and Hardt and Negri (2000, 2004) on the other.

existence between sovereignty, discipline and *government*: “we should not see things as the replacement of a society of sovereignty by a society of discipline, and then of a society of discipline by a society, say, of government. In fact we have a triangle” (Foucault 2007a: 107). Foucault continually stresses that, in spite of the fact that a new mode of power gradually comes into being and begins to reorganize the way in which social interactions are handled, this does not imply the making obsolete of other forms of power (Foucault 2007a: 6-10). In conjunction with the coming into being of the art of government, Foucault, for example, makes the observation that “sovereignty is not eliminated; on the contrary, it is made more acute than ever.” The same can be said of discipline, which “was never more important or valued than when the attempt was made to manage the population” (Foucault 2007a: 107). Thus, there is no simple replacement between one form of power and another. Instead, it would be more appropriate to state that there is a continuous reorganization at stake, whereby the coming into being of a new mode of power can be seen as developing alongside a gradual transformation taking place in other dispositional modalities. Thus, the coming into being of discipline, or government for that matter, clearly does not make the exercise of sovereignty redundant. Rather, the exercise of sovereignty is redeployed by the giving of new laws that support or enter into close relationships with disciplining workers, pupils, and inmates on the one hand, and the management of populations on the other.

*Thirdly*, whereas Deleuze (1995a: 178) marks the shift from discipline to control as, approximately, taking place after the Second World War, Foucault’s reflections on government are unfolded in relation to material that stretches from early Antiquity to the end of the 1970s. While Foucault (2003a: 177-180) already touches upon the notion of government in his lecture-series from 1975, it is nevertheless not until his fourth lecture in 1978 that it begins to come into view as a separate problematic. In fact, from this moment and until his death in 1984, the notion of government remains a recurring problematic for Foucault, though the way in which this notion is applied is considerably expanded. Thus, whereas the accent in the 1978- and the 1979-lectures is on “the government of men as (...) it appears as the exercise of political sovereignty” (2008: 2), the center of gravity increasingly shifts towards the government of the self on the one hand (Foucault 1997c: 81, 1997d: 87), and to the meeting place where the political government of

men links up with the government of the self on the other (Foucault 2002c: 300). In this sense, the notions of government and governmentality are continually modified in conjunction with the material under investigation. In spite of such changes, however, government and governmentality remain continually recurring notions that surface in relation to material that spans a period of approximately 2500 years.

Still, at this point it is important to briefly touch upon the remark made above about the translation of the French word '*entreprise*' in Deleuze's essay. It is important because, in spite of the just-unfolded triple misattribution, the notion of *entreprise* provides a point of convergence between Deleuze's reflections in the text on the control society on the one hand, and a theme unfolded by Foucault, within his governmental framework, on the other. However, whereas Deleuze targets the enterprise as a gaseous 'thing' spreading throughout the social fabric, Foucault investigates the rise of a new 'enterprising' way of being as this emerges within the texts of two twentieth century strands of neoliberalism. More precisely, Foucault locates how the German Ordoliberals seek to make enterprise into "the formative power of society" on the one hand (Foucault: 2008: 148), and how the American neoliberals begin to depict each human being as an entrepreneur of him or herself on the other (*ibid.*: 225). While it is difficult to assess whether Deleuze was knowledgeable about this, or whether he attended Foucault's lectures at the Collège de France in 1979, or became aware through other channels of Foucault's preoccupation with German and American strands of neoliberalism, it is nevertheless significant that the notion of enterprise begins to preoccupy both of them, and that their respective, yet highly different, ways of approaching the problematic clearly belong to a period that stretches from just before the Second World War to the time in which they respectively take up this notion.

Moreover, in spite of Deleuze's triple misattribution, his observation about Foucault being attentive to what is 'knocking at the door', could probably be extended here to not only encompass the numerous interviews Foucault gave, but also his lectures in general, and *The Birth of Biopolitics* in particular. Indeed, the most obvious reason for doing so would be that the 1979-lectures contain *the* most extended explorations of what we are in the process of becoming within all of Foucault's work as such. It is *the* one and only time Foucault takes up problems

pertaining to the latter half of the twentieth century in such an explicit and direct way and one of the reasons for him doing so is probably due to the fact that he detected something knocking at the door, something important, something pertaining to our actuality (Foucault 2007a: 6, 9-11; 2008: 22, 192; see also Gordon 1991: 6; Senellart 2007: 371-377; Villadsen and Dean 2012: 402-406).

Following from this little detour through Deleuze's essay it is therefore possible to flesh out a longer and more complex historically grounded problematic pertaining to the emergence of a new form of power. On the one hand, as we have already seen, the attractiveness of Deleuze's essay and the reason for its almost overwhelming reception is to a large extent due to the fact that it is explicitly concerned with a form of power that reaches beyond the organization or institution as a self-standing entity. On the other hand, the genealogy of what Deleuze labels "control" can now be rearticulated within Foucault's vocabulary of "government and governmentality", whereby a much longer historical trajectory is opened up. The perspective opened up by this displacement, however, is not merely a question of textual exegesis, and of whom conceptualized the operations of power in the most adequate way. Indeed, one may argue, that such elaborations easily slide into irrelevance if they remain at the level of abstract discussions of how power should be conceptualized. What is significant for the purposes of the present dissertation is that both Deleuze and Foucault have begun to elaborate upon a form of management and organization that functions within the open, and is not bound up by closed spaces. For now, we will merely take stock of the fact that the passage through Deleuze's essay to Foucault's problematic of government necessarily recasts the historical time span to be considered for an enquiry into a history of co-creation. The question of what we can gain from Foucault's lectures in relation to a history of co-creation, however, necessarily raises the query: to what extent might it be possible to draw insights from Foucault pertaining to a history of co-creation that are not already developed within studies of management and organization? Here, special attention is given to Critical Management Studies, since it is primarily within this field that Foucault's impact on the study of management and organization has been felt.

## **The reception of Foucault within studies of organization and management**

While the reception of Foucault within studies of organization and management has been almost overwhelming, there is nevertheless an important line pertaining to his work that has not been reflected and taken up in the way it deserves – especially for the purposes of a history of co-creation. Hence, in spite of the fact that Foucault has been drawn forward as one of the foremost thinkers by way of which Critical Management Studies became established as a separate line of enquiry (Parker 2002: 116), important parts of his work have still not been sufficiently appreciated.

While Foucault has surely been taken up together with other French postwar thinkers within Critical Management Studies (Adler et al. 2008: 129), the prominence given to Foucault is so special that he has been called “the pin-up boy of poststructuralism” due to his lasting and significant impact on Critical Management Studies (Jones 2009: 77). Thus, at first sight it seems somewhat surprising that an important part of his work has been neglected within this line of research. However, before specifying the exact contours of this neglect, we have to take a short look at the reception of Foucault within Critical Management Studies. In conjunction with this, it is imperative to stress that this review will not in any way amount to a comprehensive examination of the reception of Foucault within this line of thinking. Rather, it will merely point to a couple of important ways in which Foucault’s work has been taken up (for more comprehensive reviews see Jones 2002; Barratt 2008; Munro 2011).

From around the mid-1980s Foucault’s work was beginning to appear within articles that primarily attended to organization and management studies. This development was spawned not least by a group of organization and management scholars who began exploring and utilizing Foucault’s work to critically scrutinize accounting (Hoskin and Macve 1986; Miller and O’Leary 1987). From these early developments, further studies were added throughout the late 1980s and the 1990s. While additional work on accounting continued (Grey 1994; Armstrong 1994; Miller and O’Leary 1994; Hopwood and Miller 1994), the pallet of areas to which Foucault’s work was applied significantly increased. Thus, in addition to accounting, Foucault’s thought was applied historical inquiries into the

'manufacturing of the employee' (Jacques 1996), over to studies of strategy (Knights and Morgan 1991; Knights 1992), subjectivity (Knights and Willmott 1989) and Human Resource Management (HRM) (Townley 1993, 1994), to the articles collected in the anthology edited by Mckinley and Stark (1998), *Foucault, Management and Organization Theory*.

In relation to this wide reception, two things should be noted. First of all, while Foucault was given rather early on a prominent place within what gradually came to be known as Critical Management Studies, the center of gravity for this reception was predominantly located around studies that drew on work published up until the middle of the 1970s, first and foremost *Discipline and Punish* (Foucault 1991a). Here, special emphasis was given to the complex interplay of power-knowledge, just as the notions of surveillance, discipline and the Panopticon were extensively utilized (for an overview of this, see Munro 2011). One of the reasons for this was probably that the rather detailed outlines with which Foucault (1991a) describes the functioning of discipline, within the enclosures of factories, schools, and armies, had a certain familiarity to them that perhaps even bore a perceived resemblance to contemporary organizations. This resemblance between 'organizations' back then and our modern organizations today was probably assessed as being so close that Foucault's analysis was easily transferable to contemporary arenas of work. Thus, scholars inclined towards critical descriptions of management and organizations could show how discipline played an important role in management technologies stretching from Just-in-Time manufacturing (Sewell and Wilkinson 1992), over to performance appraisals (Findlay and Newton 1998) and further on to HRM more generally (Townley 1993). Moreover, the fact that the British tradition of Critical Management Studies could be described as being significantly influenced by a certain tension between Marx and Foucault (Parker 2002: 116) probably also made *Discipline and Punish* highly interesting to scholars of a Marxist or post-Marxist persuasion. This was due not least to the fact that many of Foucault's descriptions of the regimentation, surveillance, and optimization of the human body could easily be seen as complementary to the exploitation of workers described by Marx (1976), as well as to later studies developed within labor process theory (Braverman 1974).

In addition to this tradition, a partly overlapping trajectory was initiated that was not as centered on *Discipline and Punish*, but instead attended to notions of government and governmentality. Beginning in the late 1980s and early 1990s, and not least spurred by the publication of *The Foucault Effect* in 1991 (Burchell et al. 1991), the notions of government and governmentality were extensively utilized within what would later come to be known as governmentality studies, primarily associated with scholars coming out of English and Australian Universities (Rose, 1996, 1999a, 1999b; Miller and Rose 1990; Rose and Miller 1992; Dean 1994: 174-193, 1999). These analyses were not only intertwined with the initial reception of Foucault's work within organization and management studies (see for example Miller and O'Leary 1987; Miller and Rose 1990), but also provided a highly fertile breeding ground for lines of reflection that critically scrutinized management and the culture of enterprise (du Gay and Salam 1992; du Gay 1994, 2000).

#### *Lacunae and problems within the reception of Foucault*

While this tradition flourished and provided rich and interesting analyses of the genealogy of the modern soul (Rose 1999a), the psy-sciences (Rose 1996), liberalism and neoliberalism (Barry et al. 1996; Rose 1999b, Dean 1999), and the enterprise culture (du Gay 1991, 1994; Rose 1996: 150-168), its reception of Foucault's work was significantly shaped by the fact that the sources on which this reception was built, that is, Foucault's lectures from 1978 and 1979, were neither published nor easily accessible. Besides the published course summaries (Foucault 1997a, 1997b), an early translation from 1979 of Foucault's fourth 1978-lecture in the journal *Ideology & Consciousness* (the lecture that was later re-published in *The Foucault Effect*, edited by Burchell et al. 1991), and a couple of small texts and lectures picking up on the same issues in a less comprehensive manner (see for example Foucault 2002e, 2002f), the only possibility for accessing the material dealt with in these lectures was to go to the Foucault Archive at the Bibliothèque du Saulchoir in Paris and to listen to the original recordings. This, however, in no way detracts from the often original utilizations Foucault's concept of governmentality was put to within governmentality studies. But it certainly implied that only those who attended the 1978 and 1979 lectures or listened to the recordings were able to



fully appreciate the wider setting within which Foucault developed his notion of governmentality (Gordon 1991; Burchell 1991).

As a consequence, it is possible to detect a range of lacunas not yet attended to within Foucault's lectures from 1978 and 1979. The existence of such lacunas has furthermore implied that several of the investigations cast not only within governmentality studies, but also within studies of organization and management working along similar lines (for example Brewis 1996; Clegg et al. 2002; Triantafillou 2003; Skälen et al. 2006; Dixon 2007) have only been able to draw on a negligible part of the material which these studies were launched on to begin with. While this is not the place to begin a major exegesis of these lacunas, we restrict ourselves here by merely pointing to a couple of recent articles by Munro (2011) and Weiskopf and Munro (2011) that have picked up on exactly this issue. In both of these articles it is argued that the content of Foucault's lectures has not been appreciated sufficiently – first and foremost due to the fact that they have only recently been published in English. Whereas Munro (2011) makes a survey of the way in which Foucault's work has and has not been used within management studies and the social sciences more generally, Weiskopf and Munro (2011) apply Foucault's (2007a) descriptions of the 'apparatuses of security' to contemporary HRM. While we return more thoroughly to the apparatuses of security in the next chapter, for now it is important to point merely to the fact that Weiskopf and Munro utilize the description of these apparatuses to make an important and highly interesting addition to the otherwise disciplinary-focused stream of HRM-studies. More precisely, they show how contemporary management is not restricted to confining, disciplining and training the modern employee, but increasingly also benefits from allowing things to unfold and circulate in a much more open-ended manner, which is exactly one of the characteristics pertaining to the apparatuses of security (Foucault 2007a: 20). Furthermore, by paying explicit attention to the notion of human capital analyzed by Foucault (2008: 215-238) in *The Birth of Biopolitics*, Weiskopf and Munro's (2011: 15) analysis shows "how the neoliberal discourse of enterprise is operationalized and inscribed in the reality of organizations through the specific mechanism of HCM [Human Capital Management]." Through undertaking this analysis they state how their investigation

more generally “contributes to an understanding of a fundamental shift of the role of management and organizing in post-disciplinary regimes.”

While definitely advancing the reception of Foucault within studies of management and organization by bringing a hitherto neglected and highly important part of Foucault’s work to bear on contemporary problems, Weiskopf and Munro’s (2011) utilization of Foucault nevertheless also raises a couple of questions. First of all, the fact that human capital analysis was advanced by people associated with American neoliberalism (Mincer 1958; Schultz 1961; Becker 1962), does not necessarily imply that the way in which human capital management has been emerging as a major concern within contemporary organizations entails that neoliberal discourse “is inscribed into the reality of organizations” (Weiskopf and Munro 2011: 2). This is not least due to the fact that a genealogy of the linkage between humans and capital can be traced back to problems that to a considerable extent predate the conceptualization of human capital attended to by Foucault, and governmentality studies more generally (see Bröckling 2011 for an extended genealogy of the connection between humans and capital), but also because such descriptions tend to come exceedingly close to making neoliberalism an overarching single mover and cause of concrete organizational appearances of managerial techniques that have their own complex genealogies. While not denying a clear connection between neoliberalism and contemporary forms of human capital management, it is nevertheless significant to regard neoliberalism (Mirowski and Plehwe 2009) on the one hand, and contemporary management techniques on the other, as clearly associated yet separate phenomena.

Secondly, and more importantly for the present dissertation, the way in which the anti-disciplinary centrifugal forces of the apparatuses of security is described as pertaining to the management of human capital within organizations raises a couple of questions. One of these is whether the description of the facilitative, open-ended management of the eighteenth century operations of the apparatuses of security is directly applicable to contemporary human capital management? While perhaps merely a minor issue, the way in which Weiskopf and Munro characterize the contemporary management of human capital by quoting Foucault on something he describes as belonging to the eighteenth century, again, raises the problem we encountered with discipline above. Thus, whereas earlier attempts

within Critical Management Studies brought the notion of discipline to bear on contemporary organizational problems, Weiskopf and Munro repeat this, though now only through applying a description of the functioning of the apparatuses of security to twenty first century human capital management. More precisely, they write:

In the post-disciplinary context organizations of all types are increasingly constructed as dynamic and flexible enterprises in a competitive environment. Management's role here is one 'of allowing circulations to take place, of controlling them, sifting the good and the bad, ensuring that things are always in movement, constantly moving around, continually going from one point to another, but in such a way that the inherent dangers of this circulation are canceled out' (Foucault, 2007: 65) (Weiskopf and Munro 2011: 15).

This raises the question as to the way in which Foucault's historical analysis speaks to contemporary concerns and problems. Indeed, the resemblance between historical descriptions of the operations of discipline and government with that of contemporary operations of power seems so close that the historical distance between then and now almost inevitably collapses.

Another question surfacing in conjunction with this is whether the application of the description of the apparatuses of security to a contemporary organizational setting constitutes the most adequate use of Foucault's analysis of this specific mode of power? While on the one hand appreciating the analysis undertaken in Weiskopf and Munro's article, it is nevertheless at the same time possible to speculate as to whether it would not be more appropriate to apply Foucault's descriptions to something that *transgresses* the boundaries of organizations in a more radical way than what is at stake within Weiskopf and Munro's analysis? Indeed, Weiskopf and Munro already seem to be on their way to making this extension when they end their paper by pointing to how their work might tie in with future research on the genealogy of the concept of the network (*ibid.*: 15).

Still, in spite of the fact that a couple of questions can be raised regarding Weiskopf and Munro's (2011) application of Foucault's descriptions to twenty first century human capital management problems, this dissertation nevertheless agrees with their insight that an understanding of management today somehow stands in a

relationship to, and can benefit from, the issues touched upon within Foucault's lectures. However, whereas Weiskopf and Munro (2011) apply Foucault's analysis to contemporary HRM, the utilization of Foucault's investigations within the following chapters picks up on some of his themes due to the fact that they are viewed as being central to a history of co-creation. Nevertheless, in establishing this relationship to Foucault's lectures, it is imperative not to confuse what he set out to do with a history of co-creation. While some of the problems attended to by Foucault (such as, for instance, the workings of the apparatuses of security) might tie in with and add to a history of co-creation, his problems, nevertheless, are different from those dealt with here. Accordingly, we should not think that Foucault's analysis can provide answers to, or adequate descriptions of, problems that are not his, and we should be careful with applying notions originally developed to describe specific historical phenomena as easily transferable to contemporary concerns. In this sense, there is no point in 'finding' discipline or neoliberal governmentality at work within this or that organizational context.

Following from this, the question to be attended to in the next chapter is, therefore, in what way Foucault's lectures can be seen as pertaining to a history of co-creation, and also how the material dealt with in *Security, Territory, Population* and *The Birth of Biopolitics* can be utilized to cast light on a genealogy of the components of the co-creation vocabulary. The delicate issue here is maintaining the balance of showing how the material dealt with in Foucault's lectures brings important themes to the surface pertaining to a history of co-creation, while at the same time abstaining from collapsing the historical and thematic distance between the concerns and problems Foucault attends to and those of co-creation as it has come to pass within the last couple of decades. By moving along this path, it will become clear how material dealt with in Foucault's lectures is significant for the history of co-creation, and yet at the same time needs to be dealt with cautiously in order not to collapse the historical and thematic distance between his work and the description of the coming into being of co-creation. As we will see, one key notion that makes it possible to utilize Foucault's lectures as resources while simultaneously integrating them into a history of co-creation is that of *managementality*.

## Chapter 5

### Managing freedom: a deep-seated, recurring historical problematic

The last chapter identified Deleuze's essay on the control societies as an important text that had been utilized by scholars enquiring into co-creation and post-disciplinary modes of management more generally. Through attending to one of Deleuze's central claims – that Foucault allegedly should have seen the control society fast approaching – a triple misattribution was identified. First of all, whereas Deleuze highlights control, Foucault speaks of government and governmental rationality. Secondly, whereas Deleuze's essay underlined a successive replacement between the different apparatuses, Foucault argued for a co-existence. Thirdly, whereas Deleuze saw the society of control as coming into being after the Second World War, Foucault opens up a much longer timeframe whereby a crisis of governmentality in the twentieth century needs to be grasped in terms of a series of mutations in, and developments of, the art of government that spans from early Antiquity to the present. Thus, it was suggested that the notion of government could more appropriately be attributed to Foucault, that the lectures within which he primarily developed this notion have been underappreciated within studies of management and organization, and that a history of co-creation, though distinct from Foucault's genealogy of the art of government, could benefit significantly from attending to some of the themes taken up in *Security, Territory, Population* (Foucault 2007a) and *The Birth of Biopolitics* (Foucault 2008).

Following from this, however, the issue of how to utilize the problems and historical material attended to by Foucault becomes manifest. Thus, if we aim at taking some steps towards a history of co-creation, then how is it possible to draw inspiration from Foucault without applying his concepts directly to material that is foreign to its original and historically specific points of anchorage? In conjunction with this, we have already seen here how Weiskopf and Munro (2011) made a

highly original contribution to the otherwise disciplinary power-oriented focus of Foucault-inspired HRM-studies by applying Foucault's descriptions of the apparatuses of security to human capital management. Still, in spite of casting light on a hitherto overlooked and highly important part of Foucault's work and bringing it into dialogue with contemporary problems of management and organization, Weiskopf and Munro's contribution nevertheless tended towards collapsing the historical and thematic distance between Foucault's descriptions of the apparatuses of security and neoliberalism into their own matters of concern.

Another danger faced here is bringing Foucault's concept of governmentality directly to bear on a history of co-creation, while at the same time relying upon an underlying philosophy or theory adapted from the tradition of Autonomist Marxism. While Hardt and Negri (2000, 2004) were shown to draw extensively on Deleuze's essay on the control society, and while a point of convergence between Deleuze's essay and Foucault's analysis of governmentality was indeed identified as revolving around the notion of enterprise, attempts at bringing together governmentality with Autonomist Marxism nevertheless inevitably run into major obstacles. Such an unholy marriage is exactly what is arranged within Zwick et al.'s (2008) otherwise highly interesting and insightful description of co-creation as a new marketing governmentality. As Mitchell Dean (2003) has shown, such accounts remain incompatible due to the fact that Foucault's genealogical approach abstains from totalizing narratives and remains obliged to the meticulous labor of unfolding the complex historical trajectories of a range of problems pertaining to our actuality, while Hardt and Negri's account more readily identifies an overarching drama whereby the development towards a society of control sets up the tension between Empire and capital on the one hand and the multitude on the other. The consequence of this for Zwick et al. (2008) is that Foucault's concept of governmentality is being deployed in order to sketch a history of the emergence of co-creation that runs much more along the lines of Autonomist Marxist accounts – albeit without the utopianism that often accompanies these – than it does of Foucault's. Still, this does not detract from some of the important tendencies pointed to by Zwick et al. Indeed, their description of marketing's historically changing conception of the customer is highly interesting (Zwick et al. 2008: 169-172). Together with other historical accounts of co-creation (Arvidsson 2006, 2008,

2009, 2010; Cova and Dalli 2009; Cova et al. 2011) they attend to the ways in which consumers, throughout the latter part of the twentieth century, have come to be central to the creation of value. Nevertheless, as was also spelled out in the last chapter, the descriptions of the coming into being of co-creation set forward within these works significantly underplays developments from the beginning of the twentieth century, just as they predominantly view co-creation as a phenomenon that comes out of developments within the discipline of marketing. While in the next chapter we see how the components of co-creation begin to already show up as problems within management thought from the 1920s and 1930s, for now it is enough to take cognizance of the fact that although Arvidsson (2006, 2008, 2009, 2010), Zwick et al. (2008), and Cova and Dalli (2009) indeed provide relevant inputs to the post-WWII history of co-creation, their analytical framework takes its point of departure from within Autonomist Marxism, thereby privileging a particular perspective that is at odds with a genealogical investigation of the coming into being of co-creation.

In attending to a history of co-creation, it is therefore worthwhile to take Foucault's investigations into the art of government as a point of departure. This investigation opens up a historical trajectory that on the one hand takes up the problem of post-disciplinary management, and on the other hand attends to this as a far reaching and more deep-seated historical problematic that, to a considerable extent, prefigures contemporary accounts of post-disciplinary management in general, and co-creation in particular. However, in taking this point of departure, it is imperative to try to steer free of the double pitfall of taking Foucault's analysis as being directly applicable to a contemporary phenomenon, and of trying to lodge his genealogical analysis within an already developed theoretical approach that would either view co-creation as reducible to a new form of exploitation (Zwick et al. 2008; Böhm and Land 2009), or as holding out the opportunity of a non-capitalist value logic in the form of "the power of co-creation" (Lazzarato 2004) or an "ethical economy" (Arvidsson 2009). Indeed, it is only by refusing to subscribe to either of these theoretically loaded accounts that it becomes possible to chart a genealogy of the components of the co-creation vocabulary and, by extension, to give an account of how the experience of the outside as a source of value creation has come into being.

Following from this, the outline of the chapter is as follows. Firstly, the chapter relocates the problem of co-creation from its late-twentieth century appearance to the middle of the eighteenth century. By taking up Foucault's lectures from 1978, it is argued that several of the themes identified as originating in the late twentieth century have more far-stretching historical roots than scholars of post-disciplinary management and co-creation currently recognize. Attention is predominantly given here to how managing outside of disciplinary enclosures and the management of events already surface as problems in the eighteenth century. Secondly, the hypothesis is established that while Foucault does not depict anything like an eighteenth century proto-co-creation problematic, his lectures nevertheless attend to a complex crisis of management that resurfaces in the twentieth century in relation to the management of something outside the organization, the management of something traversed by processes that have an inherent spontaneous character, and the management of events. Following from this, it is argued that the crisis and transformation of the art of government in the eighteenth century, described by Foucault, should indeed be seen as an important part of a genealogy of co-creation. Finally, this paves the way for attending to the contours of the shift from a disciplinary form of management, as described in the literature on reason of state, to a liberal art of government that utilizes and functions through the management of freedom. Through this history, we begin to see the coming together of the components central within the co-creation vocabulary. Thus, in the next chapter we see how these components begin to take on the character of problems towards which specific kinds of responses were made within management thought and economics in the first half of the twentieth century.

As we have seen, one of the continually recurring themes associated with the co-creation vocabulary is that of being able to not merely accept and tolerate the unexpected, but of actually making room for it and utilizing it for productive purposes. From the strategic management scholars, to theorists keen on exploring the character of open-source software development, and further on to the Autonomist Marxists, the disruptive creativeness associated with the unexpected has given rise to a range of considerations. Whether viewed as a source of profit or



as constituting something irreducible to business interests, this unexpectedness was viewed as having a potential that could be utilized to further otherwise diverging political goals. In relation to Critical Management Studies, we have seen how André Spicer (2010) conceptualized this as a change from a disciplinary mode of relating to institutions, to one based on control. Instead of trying to prescribe, and make everything fit into pre-existing categories, such controlling institutions increasingly accepted and made room for the unexpected, just as they began to be organized around the welcoming of a certain form of unruliness, unpredictability and transgression. As Lazzarato points to, such an organization departs sharply from a disciplinary organization of labor which he characterizes as “anti-event”, because “it has to subordinate event and invention to reproduction” (Lazzarato 2004: 192). Following from this, the notion of the event begins to take center stage in the contemporary organization of production (*ibid.*). It joins up here with the problem of how to manage and relate to external, innovative capacities without subjecting these to disciplinary techniques. Thus, what we are dealing with here is essentially the management of what in Part One was described as the first and the third components of the co-creation vocabulary.

However, whereas all of the theorists and scholars attended to until now have depicted this as a relatively recent transformation gradually taking place throughout the latter part of the twentieth century, Foucault’s (2007a) investigations into the art of government allow us to relocate this problem within a longer historical timeframe. It is therefore necessary to take a closer look at Foucault’s descriptions of a form of management that, on the one hand, organizes within an open space, that is, that manages something *outside* of disciplinary enclosures, and on the other hand, does so in a manner that seeks to work with the future, the unforeseen, and thereby allows for the unfolding and the harnessing of *events*. Such a mode of management is exactly what Foucault begins to investigate in his 1978-lectures through the notion “apparatuses of security” (Foucault 2007a: lecture 1, 2 and 3).

### **Managing outside of disciplinary enclosures**

In order to characterize their specific mode of functioning, Foucault contrasts the apparatuses of security with the apparatuses of sovereignty and discipline.

However, the way in which he does so is through three concrete examples that juxtapose the distinct ways in which these different apparatuses relate to concrete problems. More precisely, these problems consist in the problem of the town, the problem of the scarcity of corn, and the problem of smallpox. We predominantly focus here on the first two of these, and the way in which the apparatuses of discipline and security relate to them, since Foucault's unfolding of these issues opens up highly relevant lines pertaining to a history of co-creation. Specifically, whereas the problem of the town raises concerns that later resurface in conjunction with problems relevant for managing an open space without relying on disciplinary techniques, the scarcity of corn example opens up a new way of relating to the event.

In relation to the problem of the town, Foucault contrasts the building of the small French town Richelieu, initiated in 1631, with the development and gradual reorganization of Nantes in the eighteenth century (Foucault 2007a: 15-17). Whereas the process of building Richelieu was initiated from scratch, from the destruction and clearing of what had previously been there, the reorganization of Nantes was conceived according to a plan of attack that took into account the already existing town. More precisely, the planning involved in the construction of Richelieu took its cue from the form of the Roman camp – a disciplinary model that had been rediscovered in Europe in the sixteenth century (*ibid.*). Here, the town is thought of and planned on the basis of a “geometrical figure, which is a kind of architectural module, namely the square or rectangle, which is in turn subdivided into other squares and rectangles” (Foucault 2007a: 16). While this implies a specific kind of symmetry, Foucault nevertheless explains that it is not a perfect symmetry in the sense of such squares or rectangles being broken down in a uniform manner across the whole town area. Thus, in order to facilitate trade, for example, the squares, rectangles and streets at one end of the town where the shops are located, might be smaller than at the other end of the town, thereby making a larger area of facades possible. Conversely, at the other end of the town comprising places for living, the rectangles or squares might be bigger, with the wealthiest and those of a higher social status living in the bigger houses placed along the largest streets, while those of a lesser social standing might live “in the streets perpendicular to the main street” (*ibid.*: 17). In this way, one could conceive

of and construct from scratch ideal spaces for trade, and ideal spaces for housing, which were simultaneously conceived to entertain specific relations with one another – on the one hand segregating and subdividing the town according to carefully laid out patterns, and on the other hand synthesizing such patterns to accommodate adequate forms of couplings, and mutually enforcing interactions.

This description of the disciplinary city plan of the town of Richelieu, of the construction of an artificial space from scratch designed according to an overarching and ideal diagram specifying exact functional subdivisions, is now contrasted with that of Nantes. Foucault describes how immensely expanding trade put pressure on the already existing infrastructure of Nantes, and how several development plans from the eighteenth century sought to suggest proper ways of responding to this. The problem consisted in making room and allowing for circulations. This was not least made visible by one, albeit unrealized, suggestion that conceived of reconstructing certain parts of the inner city of Nantes along a heart-shaped boulevard (*ibid.*). Just as with Quesnay's early experiments with tubes and pumps, and the way in which these paved the way for him to conceive of the *Tableau Économique*, we see here city development proposals operating along the same lines of reasoning, that is, of taking the body and the flow of blood throughout the body, and applying this as a model according to which one can conceive of the organization of the economy or, in this instance, the associated and supportive architectural development of an already existing infrastructure.

While this proposal could be seen to be in accordance with other architectural development schemes of the eighteenth century, Foucault nevertheless fixes his attention to the city development plans for Nantes as these were described by a city planner named Vigné de Vigny (*ibid.*: 18). According to Vigny, it was important to ensure the proper wideness of the streets and to cut a couple of new routes through the city in order to accommodate the infrastructure to some important functions: first of all, to ensure proper hygiene and ventilation by way of “opening up all kinds of pockets where morbid miasmas accumulated in crowded quarters, where dwellings were to densely packed” (*ibid.*); secondly, to ensure trade within the town, and the proper means of circulation necessary for this; thirdly, to facilitate the flow of goods in and out of the city, thereby establishing adequate relations to the outside, to other cities – both within and outside of France; and

finally, to be able to devise new ways of regulating and inspecting a range of circulations that on the one hand flowed within the city, as well as in and out of the city, and on the other hand was made up of heterogeneous entities consisting not only of goods, sellers and buyers, but also of beggars, thieves, murderers, and vagrants. This latter issue had become an increasingly pertinent one with the generalized removal of city walls, and with the search for new ways of regulating flows in and out of the city that could no longer rely on older practices that depended on the inspections and controls made possible by the existence of city walls, clearly separating the town from its outside (*ibid.*). Vigny's development plan was therefore to a large extent a matter of "organizing circulation, eliminating its dangerous elements, making a division between good and bad circulation, and maximizing the good circulation by diminishing the bad" (*ibid.*).

In this scheme, the town is conceived as something that is under development, something that gradually changes in a more or less predictable manner, something that has a future that one has to take into consideration without being able to predict in any specific detail. For instance, in relation to expanding trade, the problem arises of how to enlarge the city and integrate the harbor area in a way that does not stretch this too far along one side of the river, creating a large distance that would be suboptimal in relation to some of the beneficial circulations described above. Vigny devised here a plan which utilized both sides of the river, the construction of bridges across the river and the utilization of a couple of formerly unused islands, just as he devised how this could be set in relation to the development of a new quarter of the town. (*ibid.*: 19).

Following from this, Foucault begins to outline some important characteristics pertaining to the apparatuses of security as these can be seen to emerge around the middle of the eighteenth century. First of all, whereas the town of Richelieu was established on a cleared and empty space, artificially constructed from one end to the other through the deployment of the disciplinary model, the development plan of Nantes relied and built upon the already given conditions – be they natural (e.g. rivers, islands, mountains, the air) or human made (the already existing town). Furthermore, "this given will not be reconstructed to arrive at a point of perfection, as in the disciplinary town. It is simply a matter of maximizing the positive elements (...) and of minimizing what is risky and inconvenient" (*ibid.*:

19). Hence, it is not a question of totally reducing, and at any cost preventing, the negative and unwanted, but of arranging for it to remain within an acceptable and tolerable range. This again ties in with the way in which the streets of the city are conceived. Foucault states that there is an increasing awareness of their “poly-functionality”, that is, the streets are designed as a material substratum supporting various kinds of circulation, good as well as bad, and with the augmentation of the former, and the minimization of the latter as the heuristic architectural ideal (*ibid.*). Finally, and perhaps most importantly, the space of security established through such measures, is attentive to the future in another way than discipline. It is not a matter of predicting and prescribing the exact functionality and operations of the town and of controlling it down to its most delicate details, but rather a matter of working with the future, of navigating the temporal and uncertain, of managing the unfolding of a range of open-ended and unpredictable series consisting of a range of elements that continually circulates: “ $\times$  number of carts,  $\times$  number of passers-by,  $\times$  number of thieves,  $\times$  number of miasmas, and so on. (...) [T]he management of these series”, Foucault concludes, “is pretty much the essential characteristics of the mechanism of security” (*ibid.*: 20).

### **Managing events**

These descriptions furthermore tie in with a new way of relating to the event that also begins to be detectable from around the middle of the eighteenth century. Foucault picks the example here of the scarcity of corn that constituted a major and recurring problematic throughout the seventeenth and eighteenth centuries, and which correspondingly stimulated the appearance of a burgeoning literature. Scarcity of corn was a major problem due to the way in which it signaled a potential catastrophe in the form of famine, a catastrophe that not merely resulted in the death of many inhabitants, but also in riots and political instability. What is significant here is that we can see a shift from the way in which disciplinary and sovereign apparatuses relate to the event on the one hand, and the way in which the apparatuses of security relate to the event on the other. The disciplinary apparatus is in this regard characterized by trying to ward off the potential catastrophe induced by a bad harvest and the resulting scarcity of corn. Since a

scarcity of corn will induce sellers to withdraw it from the market, in order to make an even larger profit, it is mandatory for governmental regulation to prohibit such a behavior. Furthermore, in order to make sure that even the poorest part of the population will be able to buy corn, it is necessary to reduce the price of corn to a level where it is affordable. Foucault describes this as being exactly what the mercantilist policies of the seventeenth and eighteenth century tried to do. In this sense, Mercantilism can be seen as a particular system aiming to ward off a potential event, taking the form of a crisis or catastrophe, which could seriously destabilize the state. As Foucault (2007a: 33) says: “This anti-scarcity system is basically focused on a possible event, an event that could take place, and which one tries to prevent before it becomes reality”.

In the eighteenth century, however, this minute and detailed regulation is exposed to considerable critique. First of all, the fixed low price on corn makes the profit of corn fall to a minimum – possibly even below the cost of production for the farmers. Secondly, when this profit falls to a minimum, the farmers will not be able to sow as much as they could, had they been given a higher price. Accordingly, there will be a shrinkage in the total amount of corn available, which will be exposed furthermore to changing climatic fluctuations: if the weather becomes a bit too cold in the winter, if it rains too much, or becomes a bit too dry, it will have disastrous consequences. Thus, what was supposed to be prevented has now occurred as a consequence of the modes of regulation which were to prevent this event from occurring in the first place (*ibid*: 33).

It is in contrast to this disciplinary and juridical regulation which aimed to prevent such an event from happening that Foucault analyses how a group of theorists began to devise a new way of relating to the event that the scarcity of corn signaled. Instead of arranging for this event not to happen or instead of making all sorts of interventions aimed at preventing this event from occurring, one should instead let things run their course, and permit the price of corn to rise. This surely entails certain people dying, but by allowing this, the population as such will in fact survive, the reason for this being that as a consequence of the initial price-raise, corn from neighboring states will begin to flow into the country, thereby offsetting further price-raises, and ultimately cancelling the final and potentially devastating event by simply allowing its processes to unfold. Thus, instead of regulating the

social corpus in its most minute detail, one should instead rely upon and utilize such price-fluctuations. Foucault (2007a: 47) states that with this new way of relating to the event one responds to “reality in such a way that this response cancels out the reality to which it responds – nullifies it, or limits, checks, or regulates it.”

This new way of managing the event found theoretical support in arguments developed around the middle of the eighteenth century, specifically within the writings of the Physiocrats in France. In chapter one, we have already seen how the science of political economy, as viewed by Quesnay, was seen as being permeated by nature and that nature, within his work, was depicted as a reliable source of assistance for the political ruler who was attentive to its subtle hints of guidance (Quesnay 1973: 2). In conjunction with this, the fluctuating conditions which control the price of corn begin to be viewed as inseparably associated with a naturalness beyond good and evil. Whereas the scarcity of corn had been conceived previously as an intolerable and entirely negative event one had to prevent by a range of prescriptive and prohibitive disciplinary and juridical devices, the event now began to be viewed as something natural, something one should not try to prevent, something one should merely take into account and accept as a natural and neutral occurrence. As Foucault (*ibid*: 37) states:

by working with the reality of fluctuations between abundance / scarcity, dearness / cheapness, and not by trying to prevent it in advance, an apparatus is installed, which is (...) precisely an apparatus of security and no longer a juridical-disciplinary system.

These two examples - the problem of the town and the problem of scarcity of corn - point to and are to be viewed in accordance with a wider transformation within the art of government and its supporting knowledge, political economy. Whereas it previously had been necessary to undertake a detailed regulation of the social corpus in its finest details, a new way of relating to the space of governmental regulation, and a new way of relating to the event, began to come into existence. It is not because the apparatuses of sovereignty or discipline are totally displaced from the way in which social regulation is practiced; it is rather a question of them becoming linked up with and being deployed within the apparatuses of security

(Foucault 2007a: 107). Though being linked up and joined together in their practical operations, however, their respective functionalities can nevertheless be analytically separated from each other.

One of the central differences between discipline and the apparatuses of security is that whereas the former is *centripetal*, the latter is *centrifugal*: “Discipline concentrates, focuses, and encloses. The first action of discipline is in fact to circumscribe a space in which its power and the mechanisms of its power will function fully and without limit” (*ibid*: 44-45). This clearly separates discipline from the apparatuses of security that instead of zooming in on a particular area, constantly subdividing and being attentive to the detailed regulation of spatial and behavioral circumstances, rather works in the other direction. It constantly expands, draws in new elements, opens up towards the outside, the future, and the unpredictable, and essentially brings the market of the local town into contact with the world and the world market (*ibid*). Furthermore, whereas discipline prescribes exactly what must be done, the apparatuses of security

‘let[s] things happen.’ Not that everything is left alone, but *laissez-faire* is indispensable at a certain level: allowing prices to rise, allowing scarcity to develop, and letting people go hungry so as to prevent something else happening, namely the introduction of the general scourge of scarcity (Foucault 2007a: 45).

By way of doing so, the apparatuses of security are clearly distinguishable not only from legal prohibitions but also from disciplinary prescriptions. Whereas the law fixes on the negative, on all those things that must not be done, thereby leaving a field of positive or allowed actions unspecified and unattended to, discipline supplements this by filling out this positive, unspecified space through stipulating exactly what has to be done, the way in which it is to be done, and the exact, detailed circumstances under which this is to be done. In contrast to this, the apparatuses of security stand back so as to grasp “the point at which things are taking place, whether or not they are desirable. This means trying to grasp them at the level of their (...) effective reality” (*ibid*: 46-47).

It is in conjunction with this intricate linkage of apparatuses of security, the new mode of reflection carried out within political economy, and the emergent and



irreducible object of the population (understood as a complex entity that stretches from the biological rootedness of the species all the way up to the public with its opinions, habits and customs (*ibid*: 75)), that Foucault fleshes out the notion of governmentality and conceives of his overall ambition as attending to the history of this governmentality (*ibid*: 108). Furthermore, it is as an outflow of the above mentioned examples that Foucault begins to reflect upon liberalism as a particular way of governing men that depends upon freedom. Freedom is not only taken into account as something that must be respected in terms of legalistically grounded rights or principles, but rather because liberalism is a particular governmental technology whose internal workings are dependent upon freedom, dependent upon taking into account what people do, as well as their desires and ways of acting, and of putting these to work, of allowing these to develop and unfold, through the deployment of apparatuses of security. In this sense, the liberal art of government is characterized by the tight bonds established between freedom on the one hand and security on the other (Foucault 2008: 65). Indeed, Foucault even describes liberalism's particular governmental characteristic as "the management of freedom" (*ibid*: 63).

### **From liberalism to co-creation: a recurring problem and response to a crisis of management?**

In relation to a history of co-creation, the problematic attended to by Foucault, and especially the way in which he marks out the particular forms of management of freedom pertaining to the apparatuses of security, is of significant interest. This is so because the range of themes surfacing with the development of this liberal art of government can equally be seen as early appearances of several of the components identified as significant for the co-creation vocabulary, as examined in chapters two and three. Again, and this is important, we are not seeing a proto-co-creation mode of organizing in the mid-eighteenth century. What we are seeing, however, within political economy and within city development plans, is the coming into being of a new range of objects, of a new set of principles and modes of reflection, according to which the problem of how to govern people begins to be laid out in such a way

that it bears a striking resemblance to what we came across in Part One of the dissertation.

More precisely, what is at stake here seems to imply at least three of the four components identified as significant for the co-creation vocabulary. First of all, that which comes from the outside or below can be linked up here with the way in which the centrifugal functionality of the apparatuses of security continuously expands and draws in new elements. Secondly, the spontaneous self-regulating capacity pertaining to the social ecosystem (Ramaswamy and Gouillart 2010a, 2010b) and to the cooperation between minds (Lazzarato 2004) equally stands in a particular relationship to the self-regulating and natural processes described within the writings of the political economists of the eighteenth century. Thirdly, the anti-disciplinary way of relating to the event as something that should not be eliminated at all costs, but instead ought to be viewed as something one could utilize and rely upon for the attainment of specific goals, clearly also bears a certain resemblance to what we previously came across. However, while recognizing such overlap and points of resemblance, it is at the same time clear that what we are dealing with here are nevertheless still different economies of power, different ways of organizing and managing freedom. Thus, to take just three, albeit highly important, differences. Firstly, the natural and self-regulating capacities detected within the functioning of the market, as depicted by eighteenth century political economists, is clearly not the same as the non-monetary cooperation between minds pertaining to the development of free and open source software. Equally, the shift with which one begins to relate to the event of scarcity, the way in which, from around the middle of the eighteenth century, it shifts from being viewed as something to be avoided and instead becomes something natural and neutral which has to unfold in order to cancel itself, clearly does not fit with the positive valorization of events, with the attempts at constantly producing events, characteristic of the co-creation vocabulary. Finally, whereas Foucault's descriptions essentially revolve around the government of men as this shows up in "the exercise of political sovereignty" (Foucault 2008: 2), the problem of co-creation, as depicted here, primarily shows up as a problem pertaining to a specific relationship established between organizations on the one hand and communities of users and consumers on the other. The question is therefore not whether and to what extent Foucault's

descriptions are directly applicable to co-creation; the question is, rather, why these descriptions bear such a strong resemblance to the components of co-creation when they, simultaneously, are clearly different from these?

One important hypothesis that might be followed in order to unravel this question is that, although different in several respects, the problem pertaining to the government of men in the eighteenth century involves a problem that also shows up in relation to managing co-creation. More precisely, what we see in both instances is that previous ways of governing or managing begin to be viewed as not merely poor and insufficient, but potentially destructive, and that an adequate response to this situation is conceived as one where government or management on the one hand has to rely on freedom, on the development and flourishing of something escaping direct, disciplinary regulation, and on the other hand, has to try to frame the conditions under which this freedom can unfold in ways beneficial to enriching and augmenting the powers of the state or the organization. The problem showing up is thus, in both instances, linked to the emergence of new, less all-encompassing modes of regulating collectives or communities that exist with their own self-sustaining or self-regulating dynamics beyond the threshold of direct governmental or managerial authority. In this sense, it is the simultaneous occurrence of the loss of direct control, the loss of authority, the loss of the ability to regulate in detail, but also the emergence of an expanded sphere of intervention, of a larger sphere of influence, and of attending to and benefitting from something that had previously been conceived as being outside the realm of government and management when viewed from the perspective of a disciplinary or juridical conception of power.

Following from this hypothesis of a shared problem pertaining to the conditions under which one can manage or govern, the problematic attended to by Foucault in *Security, Territory, Population* (2007a) and *The Birth of Biopolitics* (2008) can be taken up and unfolded as an important chapter in a history of co-creation. By relating to this complex problem of managing or governing outside of disciplinary enclosures as the most important within Foucault's lectures, it becomes possible to sidestep or at least pay less attention to other concerns usually brought forward as highly relevant, such as, for instance, the implications of a change from liberalism to neoliberalism. While certainly an important theme, and one that has received

noteworthy attention within governmentality studies (see for example Barry et al. 1996; Rose 1999b, Dean 1999), it is of a lesser significance for the present dissertation. While much of the literature following Foucault has explored this change from liberalism to neo-liberalism, how it impacts on the way in which the state and public institutions can be governed (Dean 1998; Rose 1999b), how it gives rise to a new conception of the market (Dean 1999: 155-159), and so on, the dissertation reorients Foucault's explorations and turn them more explicitly towards a history of co-creation while being especially attentive to how the principles of management associated with the apparatuses of security and the liberal art of government, in displaced form, gradually shows up within reflections pertaining to management as these unfold in the early twentieth century.

There are several good reasons for doing so. First of all, as we have already seen in the previous chapter, Foucault's lectures have not been given adequate attention within studies of management and organization. While other parts of his work, not least *Discipline and Punish* (1991a), have had a huge influence within studies of management and organization, several of the themes explored in his lectures from 1978 and 1979 have not been appreciated sufficiently.

Secondly, the notion of government is not only often used in conjunction with management (as when Foucault (2007a: 107) speaks of "governmental management"), but furthermore has a flexibility to it that readily ventures and stretches beyond the relatively narrow, and yet at the same time quite extensive, realm explored by Foucault in his lectures. The relatively open-ended nature of the concept of government perhaps comes out most clearly in the opening paragraph from the 1979-lectures where Foucault explains that the way in which he explores the theme of government within *Security, Territory, Population* (2007a) as well as *The Birth of Biopolitics* (2008) leaves "out the thousand and one different modalities and possible ways that exist for guiding men" (Foucault 2008: 1). Thus, while Foucault limits his study to exploring "the government of men as it appears as the exercise of political sovereignty" (*ibid.*: 2), he nevertheless at the same time points to the fact that the notion of government opens up a field of analysis that reaches far beyond his own investigations (*ibid.*: 1-2; see also Dean 1999: 10-16). Indeed, as briefly mentioned in the previous chapter, the further unfolding of this problem of government within Foucault's lectures in the 1980s (see for example 2010: 42, 261;

2011: 8-9) could be seen to take up an additional two or three of the thousand and one modalities that exist for the government of men.

Thirdly, the gap between the political government of men as analyzed by Foucault and the management of people within organizations is connected by practical as well as theoretical bonds. Besides the fact that it is possible to read twentieth century management thought as an extension and further development of political philosophy and theorizing (Waring 1991: 1), historians have also shown how the management and organization of state institutions provided important inputs to the formation of modern management principles. While Chandler (1996: 54) denies such relations and claims that management was invented “almost overnight” in the 1850s by the American railroad and telegraph companies, it is nevertheless possible to point to preceding instances where, to take just one example, US Army personnel and paper-forms had already begun to flow from the army into some of the early railroad companies by the end of the 1820s (O’Connell 1985). However, and more importantly, besides quarrels about whether such imports did or did not take place, what is perhaps most significant is that a clear preoccupation with national and political concerns permeates the arguments of several of the early great names within management thought. To take just two prominent examples that are usually contrasted with one another, and whom we will come back to at length in the next chapter, Fredrick W. Taylor and Elton Mayo both connected to the problems of politics and the political government of people in their respective contributions to management thought. While Taylor started and ended his inquiry into scientific management with considerations of how his system could help bring about national efficiency and prosperity, while simultaneously bringing an end to social strife (1967: 5-6, 141-144), Mayo on his part enters into explicit dialogue with Quesnay and several other political economists, not least concerning the questions of self-regulation and social order (Mayo 1975: 33-34; 2003: 145-147) that he himself views as problems that need to be reflected *within* management thought.

Finally, and in continuation of the previous point, while Foucault explores the problem of the political government of men, one could conceive of an investigation of the management of people that would run in parallel to his investigations. Besides the fact that a history of co-creation picks up on some of

the themes pertaining to the management of freedom and the apparatuses of security already attended to above, it is equally possible to see several themes associated with the management of people outside of disciplinary enclosures as running in parallel to some of the historical events that Foucault points to as significant for the formation of neoliberalism. More precisely, Foucault (2008: 68-70, 215-218) locates the emergence of neoliberalism as a particular response to the political and economic crisis of the 1920s and 1930s. The delicate interplay between freedom and security, so central to a liberal governmentality, is exactly what is becoming problematic with the development of a range of policies that seek to secure a variety of basic freedoms. Roosevelt's welfare policies, for instance, are described by Foucault as trying to produce "more freedom in a dangerous situation of unemployment: freedom to work, freedom of consumption, political freedom, and so on". However, the price of this was a range of interventions in the market that were themselves conceived as "threats of a new despotism" (*ibid.*: 68), and it is exactly on behalf of such attempts at securing a range of freedoms through interventions in the market to which the German and American neoliberals object and react (*ibid.*: 69). While Foucault is concerned with unfolding how this political and economic crisis manifests itself as a crisis of governmentality - to which neoliberalism emerges as a response - it is equally possible to show how a parallel trajectory, pertaining to a crisis of *managementality* (Fougère et al. 2008), is developed alongside and in response to some of the same political and economic problems. Thus, in addition to the above-mentioned close relationship between the political government of men on the one hand and management thought on the other, it is also possible to describe how, for instance, a range of new PR-practices, that will be explored in the next chapter, developed in close conjunction with reflections initially set forth by Walter Lippmann (Ewen 1996: 159, 163-164), who also played a central role in the formation of neoliberalism (Foucault 2008; Mirowski and Plehwe 2009). While Foucault underlines the interrelationship between crises of capitalism on the one hand and crises of liberalism on the other, he nevertheless at the same time insists that the latter cannot be deduced from the former (Foucault 2008: 70). Equally, it is possible to view changing conceptions of management as standing in a particular and yet irreducible relationship to crises of capitalism and crises of

governmentality. In this sense, the crisis of governmentality attended to by Foucault could be seen as developing alongside a somewhat interrelated *crisis of managementality*, reacting to some of the same problems, but nevertheless in need of being explored as a singular phenomenon that can neither be reduced to changes in capitalism or to changes in governmentality. Following from this, the history of co-creation crosses into some of the same themes attended to by Foucault and scholars of governmentality. Still, the way in which it does so is not by focusing on the change from classical liberalism to neoliberalism, but rather on the way in which the components of the co-creation vocabulary entered management thought as problems towards which certain kinds of responses were made. As we see in the next chapter, this entailed a mutation of the previous form of managementality, which had been articulated in conjunction with engineering-based management thought and post-1870s economics.

However, before turning towards the late nineteenth and early twentieth century, it is necessary to attend to trajectories within political thought that predate problematizations surfacing in relation to the coming into being of co-creation. More precisely, it is necessary to attend to the birth of a liberal art of government, as well as the conditions and problems that provided the immediate circumstances for its appearance in the late eighteenth century. Thus, in order to qualify the hypothesis of a shared and recurring problem of management – first encountered in relation to the reflective prism pertaining to the problem of government in the eighteenth century, and then in relation to management thought in the twentieth century – we need to unpack the background of the two examples drawn on in the beginning of this chapter (that is, the regulation of the town and the management of scarcity) and show how these are handled in accordance with different governmental regimes. Following from this, it is possible to leap from Foucault's lectures to the birth of co-creation in the twentieth century; that is, from a history of governmentality to an associated, but nevertheless irreducible, history of managementality.

### **From reason of state to liberalism**

While Foucault's reflections on government span a time distance comprising approximately 2500 years, his attention within the lectures from 1978 and 1979 nevertheless centers on the period from the sixteenth to the twentieth century.<sup>1</sup> One of the reasons for this is that from the sixteenth century onwards, the art of government begins to crystallize as a relatively separate and autonomous rationality. More precisely, Foucault (2007a: lecture 4 and 9-13, 2008: lecture 1) gives quite a considerable amount of attention to the literature on reason of state surfacing in France, Germany and Italy in the sixteenth and seventeenth centuries, because it is with this literature that one for the first time encounters a thoroughly rationalized and secular conception of the state and its forces. This literature is characterized by the fact that it takes as its *telos* the conservation and augmentation of the state and its forces. In this way, the literature on reason of state distinguishes itself by the fact that it does not take a particular ruler's preservation of his power as its point of departure. On the one hand, this literature breaks free from a conception of the political government of men dating from Antiquity and the Middle Ages where politics was inscribed within a cosmological-theological continuum (Foucault 2007a: 347-349), and on the other hand it equally departs from Machiavelli's thoughts according to which the prince's maintenance of his principality constituted the overall aim (*ibid*: lecture 4). In contrast to these traditions, reason of state can be characterized as a "perfect knowledge of the means through which states form, strengthen themselves, endure and grow" (Giovanni Botero quoted in Foucault 2002e: 314).

On an overall level, reason of state therefore marked a discontinuity in political thought, because it gradually displaced a conception of politics according to which the overall aim was ruling in accordance with justice, morals or religious imperatives. With the transition to the sixteenth and seventeenth centuries these former reigning conceptions of politics were replaced by the new calculating and practical-realist conception of reason of state:

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<sup>1</sup> This and the next paragraph draw upon previously unpublished material from my master's thesis (Lopdrup-Hjorth 2007: 33-35).



Instead of speaking the language of politics, the rulers and their counselors, as well as the scholars, began to speak openly the language of the art of the state. Originally regarded as an inferior practice, the art of the state had, by the end of the sixteenth century, assumed a respectable role. It was recognized as ‘the new politics’, later simply as ‘politics’ (Viroli 1992: 5).

Accordingly, politics, which had been conceived formerly as one of the noblest pursuits, was now recast as an entirely different undertaking that revolved wholly around the state and the augmentation of the state’s forces. Following from this, reason of state takes the state as it is into consideration, and at the same time attends to it as something that does not yet exist in a proper way. In this way, one can conceive of the state as “at once that which exists, but which does not yet exist enough.” Hence, to govern “according to the principle of *raison d’État* is to arrange things so that the state becomes sturdy and permanent, so that it becomes wealthy, and so that it becomes strong in the face of everything that may destroy it” (Foucault 2008: 4).

In conjunction with this new governmental rationality, we find both externally and internally oriented technologies with which the preservation and augmentation of the state’s forces can be secured. Externally, the interests of the state were handled through a gradually emerging diplomacy and, if necessary, through the deployment of military forces (Foucault 2007a: 300-306). Internally, preservation and augmentation were secured through what was known as *police*. Foucault describes here how the combination of these two technologies was not only the principal means of securing and building the state’s forces, but also made up “precisely what will later be called a mechanism of security” (Foucault 2007a: 296). In spite of the fact that both of them are important, we primarily attend here to the latter - police - since it ties in with the disciplinary planning and regulation of the town attended to above, but also because the formalization of the principles according to which police regulations are laid out gave rise to many of the administrative principles and techniques that later resurface as highly important organizational devices within the context of the management of people in the late nineteenth and early twentieth century. However, before attending to the concrete regulations of police, a couple of pointers as to its connotations are needed.

In attending to the specific form of internal regulation of police, it is important not to conflate this term with the limited sense in which it is used today, i.e. as a law enforcing entity. In the seventeenth century, the connotations attached to police were much more encompassing. Here police referred to “the set of means by which the state’s forces can be increased while preserving the state in good order” (Foucault 2007a: 313). It was thus not merely a negative institution to be deployed when laws were broken; police rather had a much more positive aim that essentially was oriented towards the perfection of the state. Foucault quotes a text by Turquet de Mayerne from 1611 according to which it is stated that police “must be concerned with ‘Everything that gives ornament, form and splendor to the city’” (*ibid.*).

While police regulations were common on the European continent, Foucault gives particular attention to the way in which the principles pertaining to the object of police was developed as a particular form of administrative knowledge within many of the German states from around the middle of the seventeenth century. Due to the way in which these states were born and reorganized after the treaty of Westphalia in 1648, Foucault views them as “small micro-state laboratories that could serve both as models and sites of experimentation” (*ibid.*: 317). What became known as “*Polizeiwissenschaft*, the science of police”, was developed accordingly and this not only proliferated within the German states, but equally came to influence the prism through which governmental regulation began to be conceived throughout Europe (*ibid.*: 318).

The science of police and its practical modalities attends to people’s activity, their occupation, and the way they live together. This is first and foremost due to the fact that these elements and their relations begin to be conceived as something that impacts on the forces of the state (*ibid.*: 322). More precisely, the specific objects attended to by police include a range of elements, and interrelationships between these elements, that can be characterized as ‘urban objects’, since the towns, and the markets of the towns, are the places where these urban objects circulate and have an impact on one another (*ibid.*: 335). While these things interact and come together in the city, it is nevertheless possible to single out their respective components. First of all, a concern for police is the number of people. While already a concern for political rulers in the Middle Ages, the way in which

the problem of the number of people arises as a problem pertaining to the forces of the state is from the seventeenth century onwards qualified in relation to a range of environmental circumstances (*ibid*: 323-324). Secondly, while the number of people constitutes a vital concern, the conditions for upholding the lives of the population also surfaces as something that must be regulated. As a consequence, it becomes necessary to develop agricultural policies, but also to be attentive to the production, circulation and selling of food, the regulation of prices, etc. (*ibid*: 324). Thirdly, and in conjunction with securing the necessities for upholding the life of the population, health becomes a major concern. If the population is to thrive, to be able to work, and to reproduce itself, it is crucial that the processes necessary for this are not obstructed through various kinds of diseases (*ibid*: 324-325). Fourthly, it is necessary to make sure that the population is a working population, and that all the trades and “professions needed by the state are in fact practiced” (*ibid*: 325). Finally, circulations will have to be attended to, and this is not only understood as the material substratum, i.e. roads, bridges, and canals, but also the regulations according to which people and products circulate (*ibid*).

As already stated, all of these objects can essentially be characterized as urban objects. They pertain to the way in which people live together, to the way in which they coexist within an urban sphere, to the way in which they communicate and entertain all sorts of relations with one another, that is, to what is simply later referred to as ‘sociality’ or society (*ibid*: 326). The biopolitical problematic that Foucault (2000a, 1998a, 2003b) had been sketching, continually returning to, and developing from 1974 onwards, comes explicitly into view here, since the regulations of police essentially revolve around not merely securing the survival of the inhabitants of the state, but also in securing their living, their living well, their well-being and their happiness, and connecting this thriving of the life of the population with the augmentation of the forces of the state (*ibid*: 327-328). In this sense, power and life begin to enter into new and close relations with one another. With the flourishing of all sorts of police regulations aimed at securing and augmenting the conditions of the life of the population, with the development of the knowledge laid out in all the tracts on the science of police throughout the seventeenth and eighteenth century, people living together and police begin to refer mutually to one another. Police attends to and seeks to secure the more-than-just-

living of people, but at the same time people are only able to live and coexist because all of these police regulations make this life, this urban existence, possible.

Besides connecting these police regulations and the science of police with the biopolitical problematic, Foucault also combines it with his studies from *Discipline and Punish* (1991a). For what is it exactly that all of these police regulations do? Basically, they attend to everything, to every little detail pertaining to the social existence of the population to the extent that such details are relevant to the augmentation of the forces of the state. In this sense, the “object of police is almost infinite” (Foucault 2008: 7). The power exercised through all of these police regulations can therefore be characterized as belonging to “the world of discipline”, that is, “a world of indefinite regulation, of permanent, continually renewed, and increasingly detailed regulation” (Foucault 2007a: 340).

This detailed regulation of the social corpus down to its most minute details should be seen in accordance with the emergence of a new reflective prism according to which governmental management began to be conceived and reinterpreted as a political economy in its pre-eighteenth century sense. More precisely, this can be seen as the governmental space opened up by the application of the ancient Greek conception of the *oikos* to the level of the management of the state. In this sense, what Aristotle ([fourth century BC] 1981) had reflected on as separate domains (characterized by the hierarchical, male-dominated, authority-structure pertaining to the management of the household on the one hand, and the sphere of politics on the other) now becomes fused:

To govern a state will thus mean the application of economy, the establishment of an economy, at the level of the state as a whole, that is to say, [exercising] supervision and control over its inhabitants, wealth, and the conduct of all and each, as attentive as that of a father’s over his household and goods (Foucault 2007a: 95).

Thus, in order to secure the forces of the state, in order to make the state prosper in competition with other states, a highly detailed regulation was necessary. All of these police regulations and all of these tracts on police science proliferating in the seventeenth and early eighteenth century could thus be seen as being conceived within a space marked out by the application of the ancient conception of the *oikos*

to the management of the state. If one did not attend to the management of the state in a sufficiently rigorous and extensive way, the state would simply lose its strength. This follows from a particular understanding according to which the political body is viewed as

an aggregate of persons who require, for the achievement of order, welfare and harmony, a constant work of regulation. Social morality does not arise spontaneously, but must needs be constructed by a deliberate work of regulation. In a society conceived in these terms, there are no laws of motion inhering in the regularities of autonomous economic activity; without regulation the social order would stagnate or collapse, consequent upon an insufficiency of good government (Tribe 1995: 24).

Following from this, one can conceive of a network of interrelated themes and objects comprising a new reflective prism through which the art of government is conceived, the emergence of a new set of governmental objects, and the coming into being of specific policies and strategies aiming at particular objectives. Reason of state, encompassing externally oriented relations to other states, in the form of diplomacy and warfare, are linked up with the highly detailed and rigorous internal regulation of police. Both of these are again connected to the whole ensemble of mercantilist policies that we came across in chapter one, and according to which the goals were minimizing imports, maximizing exports, and accumulating precious metals.

However, this whole ensemble is exactly what is beginning to break up and to be questioned throughout the eighteenth century. In chapter one we saw how precious metals, as the ultimate source of value, was replaced by the earth and agricultural production in the writings of the Physiocrats, and with labor in the writings of Smith, Ricardo and Marx. Furthermore, in conjunction with this, we have seen previously in this chapter how the planning of the town and the policing of grain was organized through the deployment of a disciplinary apparatus coupled with legal prohibitions, and how the modes of control and orchestration pertaining to these were replaced by new modes of managing that, instead of prohibiting and prescribing, accepted reality, took its fluctuations into account, worked with its circumstances, and allowed its unfolding. It is precisely because of this that

Foucault depicts how the birth of political economy in its modern sense entails the break-up of police as the internal technology of reason of state that aims at maximizing the strength of the state through detailed interventions and all-encompassing regulations. It is precisely in relation to the critique of the economists and the political thinkers coming out of France and Scotland that Foucault begins to chart the transformation by way of which the governmental rationality of reason of state is gradually replaced by a liberal art of government, a liberal governmentality.

Significant to this transformation is the appearance of a range of objects that are viewed as having a *naturalness* and *spontaneous, self-regulatory* capacity to them that one has to take into account and respect if one wants to govern well. Besides the economy, in its modern sense, this transformation also brings to the surface a new conception of the population and a new conception of civil society (Foucault 2007a: 344-354; 2008: 277-316). The emergence of these objects on the one hand paves the way for the later flourishing of the social sciences of economics, demography, and sociology, and on the other hand it opens up a new space in the art of government that is constituted through a simultaneous intensification, critique and alteration of reason of state. In conjunction with the above-described hypothesis according to which it is possible to view the problem of the government of men in the eighteenth century as foreshadowing a problem that will later resurface, albeit in a displaced and mutated form, in relation to co-creation, this chapter is rounded off by taking into consideration a couple of important aspects of this eighteenth century experience of a crisis, critique and reorganization of the art of government.

*Governmental self-limitation and objects exhibiting a spontaneous, self-forming order*

Although different in several respects to reason of state, the liberal art of government, which emerges from around the middle of the eighteenth century, is nevertheless also a continuation of reason of state, since it takes as its aim many of the same goals: the enrichment of the state, a thriving population, securing the conditions for the life of the population, and so on (Foucault 2008: 14). However, the way in which it does so and the principles and knowledge with which these goals are pursued, change considerably. Thus, the new governmental space opened

up in the eighteenth century is a space that, contrary to the rationality of reason of state, is moderated and organized by the constantly resurfacing question of the *internal* limits of governmental intervention. The question between ‘too much’ and ‘too little’ intervention surfaces as a new problem that replaces the ‘never enough intervention’ problem guiding police regulations (Foucault 2008: 22). Whereas reason of state and police regulations operated from the proposition that there were always details escaping regulation, thereby sapping the state of its potential strength, the new regulatory governmental guideline emerges as essentially one of self-limitation (*ibid*: 10, 16, 296). Yet why is this new liberal art of government preoccupied with self-limitation? Exactly because what it has to govern is no longer conceived as something that must be constructed from scratch and managed in all its details, but rather as something that has its own dynamics and its own capacity to generate a spontaneous order, that needs to be taken into account, respected and, indeed, even relied upon and secured if one is to govern appropriately (Foucault 2007a: 352). The question therefore becomes how one can manage something that already possesses an inherent logic and an internal order-generating capacity? In relation to answering this question, particular emphasis is given to the surfacing of the objects of the economy in its modern sense, and the emergence of a civil society that begins to be conceived as the already and always existing natural habitat of humankind.

Whereas economy formerly designated a particular mode of government, modeled on the Greek conception of the *oikos*, it gradually develops as a particular sphere of reality characterized by a naturalness that runs through human beings’ productive and commercial undertakings (Schabas 2005, Foucault 2008). With the French Physiocrats, and first and foremost in conjunction with Quesnay’s *Tableau Économique*, we not only see the first total representation of the annual flow of a value substance circulating through the three classes making up the social body, we also see a new form of knowledge emerging that provides guidance and full visibility of the flow of the economy to the (French) sovereign. This visibility, however, severely restricts the interventions the sovereign can make (Foucault 2008: 285), not because he is unauthorized to intervene, but because his interventions would destroy the delicate spontaneity that exists and with which the commercial ‘blood-flow’ generated by the free trade between individuals nourishes

the social body. This marks a clear discontinuity in relation to police science and the detailed police-regulations characterizing the governmental rationality of reason of state. The aspiration to gain as much knowledge as possible about everything impacting on the forces of the state was combined here with the maximization of interventions into the social corpus. Yet with Quesnay's *Tableau*, a full knowledge and a complete overview of the economy and its processes is now exactly what makes intervention if not impossible, than at least futile, inconsiderate, clumsy and destructive (2008: 31, 285). The knowledge generated by this political economy therefore makes a new reality visible to those who govern and the content of what is disclosed by this knowledge has prescriptive effects, since it essentially makes visible a naturalness running "under, through, and in the exercise of governmentality" (*ibid.*: 16). Following from this, the knowledge generated by the political economy of the Physiocrats, the knowledge of these natural processes that has a particular logic to them, opens up a whole space of inquiry that ties together the rivers, the soil, rain, and other natural elements necessary for the generation of wealth (Schabas 2005: 48), with the principle of *laissez-faire*. Instead of policing and instead of regulating everything in order to construct an *ordre artificiel*, as in the case of the mercantilist policies, one has to take into account and allow for the emergence of an *ordre naturel* arising from the free trade between individuals as depicted in the *Tableau Économique* (Pribram 1983: 103-104). Instead of fighting nature and instead of disciplining and seeking to arrange for things to happen contrary to their nature, as we saw with the example of the policing of grain, it becomes necessary to let things run their course and to let processes unfold, while simultaneously making sure that the conditions are in place for the unfolding of these natural processes (Foucault 2007a: 353).

Although the Physiocrats provided an important stimulus to the formation of a new art of government, the most important geographical center for the flourishing of new thoughts pertaining to the formation of a liberal art of government was Scotland. While Adam Smith, of course, is the most well-known figure, the intellectual milieu within which he wrote was also marked by contributions from writers such as Francis Hutcheson, David Hume, Adam Ferguson, and several others (Herman 2002). Whereas Hume's work receives some notice in Foucault's lectures, it is nevertheless Adam Smith's ([1776] 1999) *The*



*Wealth of Nations* and Adam Ferguson's ([1767] 1995) *An Essay on the History of Civil Society* that receives the lion's share of attention. Foucault is especially attentive to the way in which Smith's conception of the invisible hand (Smith 1999, Book IV: 32) prolongs and adds to the critique of economic interventions set forth by the Physiocratic school, and yet at the same time completely overthrows their most celebrated invention, the *Tableau Économique* (Foucault 2008: 286). This delicate combination of continuity and discontinuity stems from the fact that although the Physiocrats argued for free trade, they nevertheless at the same time insisted on the necessity of combining this with a 'legal despotism', as opposed to 'arbitrary despotism' (Hirschman 1997: 98). Following from this view is the installment of the sovereign as someone who oversees and formally 'allows' the unfolding of the economic process. With the aid of the *Tableau Économique*, the sovereign is able to allow the unfolding of these processes, while still keeping an eye on and supervising the way in which this unfolding takes place. In this way, the sovereign is not only able to see what takes place, what will happen, he is also able to predict how things will unfold if he acts in accordance with the knowledge generated by the *Tableau*.

As we have already seen in chapter one, Quesnay conceived the circulation in the economy as an upscaled version of the circulation of blood in the human body. Yet, in accordance with a long-lasting and wide spread fascination on the European continent, he also took inspiration from a particular technical device originally invented around the end of the thirteenth or beginning of the fourteenth century: the mechanical clock (Mayr 1989: 3; Schabas 2005: 47). Besides the important social and cultural changes the invention of the clock brought with it, such as, for instance, a new regulation of time, a new fascination that fused the magical with the mechanical, and a new representation of the universe (Mayr 1989: 26), the clock also held a sway over European thinkers and statesmen, especially on the continent.

The clock was utilized, not least in conjunction with the governmental rationality of reason of state, as a metaphor according to which the ideal functionality of the state could be described. One of the most important contributors to this view was King Frederick II of Prussia. In a work from 1736, he

set out this analogy in a way that is in perfect correspondence with the principles of police described above:

As an able mechanic is not satisfied with looking at the outside of a watch, but opens it, and examines its springs and wheels, so an able politician exerts himself to understand the permanent principles of courts, the engines of the politics of each prince, and the sources of future events. He leaves nothing to chance; his transcendent mind foresees the future, and from the chain of causes penetrates even the most distant ages (King Frederick II quoted in Mayr 1989: 108).

Equally in the writings of von Justi, one of the most important and influential scholars of Polizeiwissenschaft (Foucault 2007a: 314, 327), this analogy between clocks and machines on the one hand and the state on the other is also relied on extensively. According to Mayr (1989: 111), the two principle characteristics that von Justi focuses on with this analogy are order and centralized control. The “well-constituted state”, von Justi says, should

perfectly resemble a machine where all wheels and gears fit each other with the utmost precision; and the ruler must be the engineer (...) that sets everything in motion.” In conjunction with this, von Justi derives the obligation of the ruler as being “the governor of the machine of the body of the state (von Justi quoted in Mayr 1989: 111).

Such analogies, both contemporary with and preceding the writings of the Physiocrats, were widespread on the European continent where they had influenced the thinking on politics from approximately the beginning of the seventeenth century (*ibid.*: 102-121). Thus, it is perhaps possible to view Qusnay’s *Tableau* as a particular threshold experience that depicted and gave a full account of the economy of the state as a perfectly functioning flow of blood, and also as a perfectly functioning clock. However, this latter analogy of the state as a clock and the political ruler as an engineer that attends to it, adjusting and trimming the machine of the state was also becoming a problematic analogy, since the laws governing the economy, as laid out in the *Tableau Économique*, were clearly not something constructed or something artificially built from pieces, but had the character of something natural, capable of generating a spontaneous order, with

which one should not act against. This inbuilt tension in the writings of Quesnay, this singular conception that fuses economic freedom with a political or legal despotism, therefore pointed to the old conception of maximum and full visibility of the state as a perfectly functioning machine cast under a single authority and visual center of control, while simultaneously pointing to a new sphere that had the capacity to regulate itself and with which the ruler ought not to interfere.

It is exactly regarding this that we find the continuity/discontinuity-tension between Quesnay and Smith. As we saw in chapter one, Smith both maintained that Quesnay's writings were "perhaps the nearest approximation to the truth that has yet been written upon the subject of political economy" (Smith 1999, IV: 264), while at the same time criticizing several of the arguments and conclusions advanced by Quesnay. However, whereas the point of difference attended to in chapter one was the divergence in their respective conceptions of the sources of value, what Foucault calls attention to is the problem pertaining to whether or not the economy can be made visible to the sovereign ruler in the format of a *Tableau* and whether, more fundamentally, it is possible to govern economic subjects. Regarding the latter, Foucault maintains that there is a fundamental incompatibility between the legal subject of rights on the one hand, and the subject of interest, economic man, on the other. More precisely, the un-governability of economic subjects arises from the fact that in order to harvest the benefits of the deep-seated "propensity" of human beings "to truck, barter and exchange" (Smith 1999, Book I: 117), it is necessary to rely upon their self-interest. This reliance upon self-interest, however, is exactly what makes it impossible not only to govern the economy, but also to gain an adequate knowledge and overview of its processes as these were generated within the *Tableau*. Hence, the possibility of establishing a representational grid that would make a formal overview of the totality of the economy possible is swept away with Adam Smith's political economy. With Smith's (1999, Book IV: 32) conception of an *invisible* hand, the visibility and overview generated by the *Tableau* is exactly what is rendered impossible. From this moment on, the sovereign is barred from having access to the totality, as previously conceived. The knowledge concentrated in a single point is exploded into a multiplicity of views that renders impossible an overarching gaze (Foucault 2008: 292). In this sense, establishing and founding the possibility of an all-encompassing

view is lost, and political economy becomes “an atheistic discipline”, “a discipline without God”, a “discipline without totality” (*ibid.*: 282). This of course raises the question as to how it is possible to govern something which is essentially un-governable, or manage something unmanageable?

### *Managing the unmanageable*

In Foucault’s reading, *society* becomes established as something within which economic man can be managed and within which the otherwise incompatible notions of the subject of rights and an economic subject of interest can be reconciled (*ibid.*: 295). More precisely, civil society emerges as “something that cannot be thought of as simply the product and result of the state”. Although not a product of the state, nor an artificial entity built by the state, civil society is nevertheless at the same time conceived as a “necessary correlate of the state”; as something the state “must see to the management of” (Foucault 2007a: 350). Civil society is thus to be conceived of as something which is born more or less at the same time as the economy receives its particular modern connotations, that is, of a system that regulates itself and generates an order where economic agents are allowed to follow their self-interest. At the same time as the economy emerges as an object, the functioning of which is preconditioned on non-intervention, civil society thus emerges as a complex sphere within which economic man is placed, and within which he can be managed.

While civil society, or just society, as it will later be called, is from the end of the eighteenth century onwards continually referred to “as a reality which asserts itself, struggles, and rises up, which revolts against and is outside the state”, Foucault, however, maintains that this civil society “is not a primary and immediate reality”, but rather something that is born in conjunction with the emergence of a liberal art of government (Foucault 2008: 297). In this sense, civil society, just like madness (1988) and sexuality (1998a), is what Foucault calls a “transactional” reality; something which has not always existed, and yet at the same time is something which becomes real, *comes into existence*, at a particular historical point in time, where it has real effects, and where it comes to play the role of “an interface” between “governors and governed” (Foucault 2008: 297, see also *ibid.*: 3). It is precisely in attending to the birth of this notion of civil society in its modern form

that Foucault sets forward some remarks on how this notion begins to receive a new set of connotations in Ferguson's *An Essay on the History of Civil Society* (1995) that are completely different from how the concept was understood by John Locke. Foucault brings forward here the way in which civil society is depicted as a 'historical-natural constant' that is not entered into by agreement or contract, but which has always existed (Foucault 298-300), just as he also points to how civil society assures "the spontaneous synthesis of individuals" (*ibid.*: 300), and gives rise to "a spontaneous formation of power" (*ibid.*: 303). Through this brief overview, Foucault sketches the contours of our modern experience of society as something which is not the product of the state, but which nevertheless is still born in conjunction with the emergence of a liberal art of government. Society thus comes to constitute a particular sphere within which the un-governable subject of interest can both be reconciled with the subject of rights, and managed through various forms of regulations that later take on the name of 'social policies'. In this way, the emerging sphere of society becomes an object with its own laws, which it is possible to produce knowledge about, hence the rise of the 'social sciences', and it also becomes a sphere which governmental interventions and policies can target in order to pursue a range of heterogeneous goals.

After having attended to this long and complex history of governmentality, it is now time to turn to the dawn and historical problematizations of a modern managementality, as this takes place from the end of the nineteenth century up until the first half of the twentieth century. The introductory remarks in the next chapter tie the transition from Foucault's history of governmentality together with the way in which the components of the co-creation vocabulary begin to show up as problems to which management thought responds. Through this history it is shown how the experience of the outside as a source of value creation *and* an object of management eventually could be born.

## Chapter 6

### The birth of co-creation in the twentieth century

Foucault's genealogy of the art of government exhibited how liberalism as a particular form of governmentality was born in conjunction with the emergence of a range of new objects that, from around the middle of the eighteenth century, carved their way into reality. Among these were a new understanding of the population, a new conception of the economy, and the emergence of society as an all-encompassing sphere within which the population, as well as economic man, was located. In laying out this genealogy, emphasis was placed on how the transition from reason of state to a liberal art of government entailed a crisis and re-articulation of the reflective prism of government. More precisely, the all-encompassing government associated with police, and systematized within *Polizeiwissenschaft*, was becoming highly problematic, since the detailed disciplinary regulation pertaining to this began to be considered inadequate, if not downright destructive, in relation to achieving governmental aims.

In conjunction with laying out this transformation, it was proposed that the problematic attended to by Foucault could be seen as an important chapter in a history of co-creation. While several scholars reflecting on co-creation have claimed that contemporary organizations and institutions have shifted just recently from a disciplinary mode of management to one based on control (Deleuze 1995a; Hardt and Negri 2000, 2004; Lazzarato 2004; Zwick et al. 2008; Spicer 2010), it was with Foucault possible to recast several of the characteristics associated with this alleged recent transformation within a longer timeframe. In opening up this longer timeframe, we encountered a non-disciplinary mode of regulating and managing the town, as well as a non-disciplinary way of managing events. Hence, instead of prohibiting and policing, instead of regulating everything down to its most minute details, it was shown how the apparatuses of security began working with circulations, with the nature of human beings, with the spontaneity, self-regulation and naturalness inherent in the population and the economy, and with the

unfolding of events that had been conceived previously as something to be avoided through all kinds of disciplinary and legal measures. Hence, reliance upon the centripetal functionality of disciplinary regulation increasingly was replaced, or supplemented, by a *centrifugal form of management* that reached outside disciplinary enclosures, took reality into account and began working with its fluctuations, tendencies and circumstances.

In this chapter, we attend to the coming into being of co-creation in the twentieth century. Special consideration is given here to the way in which the components associated with co-creation gradually begin to take on the appearance of problems and responses that show up within management thought. More precisely, the chapter is concerned with registering and mapping the coming into being of the outside, the emergence of previously undetected spontaneous processes, the event as something which transgresses previously existing conditions, and the increased immaterialization of the conditions of production; all of these show up as problems to which management thought begins to respond. As already stated, this transformation can be viewed as a recurrence of the problem pertaining to the crisis and re-articulation of governmentality in the eighteenth century, only now played out in the register of managementality. Yet, in order to account for the way in which the components inherent in co-creation gradually begin to come together, it is necessary to attend to the way in which they respectively enter the sphere of management thought and begin to take on the character of problems towards which particular responses are made. A major ambition for the chapter is to show how the components of the co-creation vocabulary enter the sphere of management thought much earlier than any of the accounts previously surveyed are willing to admit, and that the historical trajectories eventually culminating in co-creation should be seen against the backdrop of the coming together of three different problematization processes of a managementality that had come into being in the late nineteenth and early twentieth century.

The outline of the chapter is therefore as follows: *first*, we attend to the birth of modern management. Special attention is given to how management began to be formalized in conjunction with engineering principles, and how this formalization process culminated in the most well-known management text ever published,

Fredrick W. Taylor's infamous little book from 1911, *The Principles of Scientific Management* (Taylor 1967). This, together with the discipline of economics as it had developed from the 1870s, gives rise to a particular *managementality*. In light of this, the chapter takes up three problematization processes that are central for the emergence of the components inherent in co-creation. These, in their respective ways, respond to and criticize the prism laid out by the engineers and the neoclassical economists. It is through these problematizations that we see the management of value creation becoming preconditioned on: something *outside* of the organization; something that has a *spontaneity* to it that has to be taken into account; something that has an *immateriality* to it; and, not least, something that breaks free of the repetition of the same, that is, something that is *innovative* and creates value through transgressing the already-existing.

*Second*, we attend therefore to how the management principles advanced by Taylor and his fellow engineers are criticized by Elton Mayo, Fritz J. Roethlisberger and William J. Dickson. Explicit attention is given here to how spontaneous social processes, communally formed social values, and something outside the organization begin to appear as new irreducible realities that impinge on production, and to which management thought therefore has to relate.

*Third*, this movement is paralleled by the way in which public relations professionals from the late 1920s begin to conceive of non-disciplinary ways of managing something outside the organization in order to attain business goals. Just as with Mayo, Roethlisberger and Dickson, we also see here how an irreducible social reality emerges, a social reality that cannot be grasped or managed through the knowledge of neoclassical economic theory and engineering-based management thought. In both instances, management becomes preconditioned on viewing humans as social beings whose modes of acting and thinking are dependent upon and entangled within a *social fabric* that has its own dynamisms and its own somewhat *spontaneous* mechanisms, that need to be taken into account in order to manage appropriately.

*Fourth*, more or less concurrently with these transformations, a new way of relating to the *event*, also comes to the fore. Within the works of Joseph A. Schumpeter, we see a highly important transformation that ties in with the one we came across in the previous chapter. However, whereas the event in the eighteenth



century went from being an evil to be avoided to being something natural and neutral which had to be left to unfold, the event now comes to be seen as the permanent transgression of the already existing, and as the most essential precondition for *the creation of value*. Thus, from ‘preventing’ events over ‘allowing and relying’ upon events, we now see a fundamental change according to which the ‘production’ of events becomes paramount. Furthermore, whereas Schumpeter in his early work conceives of the source of such events as being tied to the individual, to the entrepreneur, his later work gradually begins to depict this source as being more dispersed and social in nature, hence paving the way for what could be called the *socialization or democratization of innovation*.

*Fifth*, and finally, the chapter ends with the proposition that these three problematizations not only provide central preconditions for the coming into being of co-creation, but also, more fundamentally, they give rise to an experience of the outside as a source of value creation *and* an object of management, an experience that is born out of transformations immanent to a history of managementality. Considering the implications of this in light of the history followed in the dissertation also concludes this work.

### **The birth of a modern managementality**

The coming into being of management as a separate function has several, rather heterogeneous roots. First of all, it is necessary to acknowledge that the particular circumstances pertaining to the emergence of management have varied considerably and been marked out by different trajectories within different nations (Chandler 1996; Bendix 2001; Guillén 1994). Nonetheless, for the purposes of accounting for the coming into being of co-creation, the U.S. experience is the center of attention here, not only because the coming into being of the co-creation vocabulary was shaped to a large extent by management theorists coming out of or employed at business schools within the United States, as we saw in chapter two, but first and foremost because it “was in the United States that a new class of salaried management first emerged in significant numbers (...) and set the blueprint for American management theory” (Shenhav 2003: 184, note 1).

However, even by limiting the exploration in this way, a couple of further restrictions also have to be set up. Thus, in accounting for the coming into being of management in the United States, one would ideally have to take into consideration a range of transformations that can only be mentioned briefly here. Among these is not least the establishment of the first major railroad and telegraph companies. As Chandler (1996, 1999) has shown, these companies not only established the infrastructural preconditions for communication and transportation necessary for the growth of other companies, they were also pioneers of management techniques later utilized within other large industrial corporations. While Chandler's account has been rightly criticized, not least due to its overemphasis on efficiency as a factor of explanation, its total neglect of power (Roy 1997; Perrow 2002), and its denial of the military origins of the early management models taken up in the railroads (O'Connell 1985), it nevertheless still contains a range of details important to understanding the birth of modern management in America.

The establishment of railroads, the diffusion of management techniques from the railroads to other industrial firms, previously developed modes of organizing within the U.S. Military, and a range of other factors all constitute important preconditions that come together and flow into the complex birth of management in the United States. For the purposes of this chapter, however, it is first of all necessary to attend to management as a specific, and somewhat later-developed, corpus of knowledge, because it is in conjunction with this that the legitimacy, principles, and overall aims of management are beginning to be formalized in a broad way. It is in conjunction with this formalization that problems of management begin to be depicted as problems of a more general kind that make their impact felt beyond the context of any one particular organization. Thus, it is here that the reflective prism of management is established; it is here that we see the birth of a relatively autonomous managementality.

### *Engineers and systems*

One of the most important early sources from which formalized reflection on management began to flow was within the engineering community and its associated journals (Guillén 1994; Shenhav 1995, 1999, 2003). Throughout the final decades of the nineteenth century, industrial engineers embarked upon a journey to

systematize and seek out a new consistency to the management of organizations in order to flesh out principles and guidelines from what was then considered a relatively underdeveloped, diffuse and haphazard area. In a paper entitled “The Engineer as Economist”, presented at a gathering at the *The American Society of Mechanical Engineers* in 1886, Henry R. Towne argued for the necessity of formalizing management in accordance with engineering principles. If such principles could be combined with a practical knowledge of business and, ideally, could be combined in one person, it would qualify such a person to supervise “the operations of all departments of a business, and to subordinate each to the harmonious development of the whole” (Towne 2011: 61). The reasons for setting forward such a proposition were that management as a practical endeavor suffered from the fact that its knowledge, in contrast to engineering, was “unorganized”, “almost without literature” and had no “association or organization of any kind” (*ibid.*). The solution to remedy this neglect should not come from businessmen, but rather from those who had knowledge of business *as well as* mechanical engineering. Accordingly, Towne proposed to organize such an undertaking under the roof of *The American Society of Mechanical Engineers* (*ibid.*: 62).

Towne’s proposal, as well as his paper, was met with some ambiguity. On the one hand his “paper had been accepted only with misgivings by the society’s publications committee” (Kanigel 2000: 235), and several engineers viewed its preoccupation with management as an inappropriate subject for the developing profession. However, on the other hand, it certainly also struck a chord among several likeminded engineers, not least Fredrick W. Taylor who also attended the meeting (*ibid.*: 234). Thus, in spite of initial hesitation regarding the appropriateness of fusing engineering with business problems, towards the end of the nineteenth century such reservations became less prevalent. Symptomatic of the withering of such concerns, one writer, in an 1899-issue of *Engineering News*, could even define engineering as “the art of making a dollar earn the most interest” (quoted in Stabile 1986: 38).

Towne’s address was made at a time when the number of engineers was increasing at a rapid speed. As Shenhav (1999: 25) points to, there were no more than two dozen engineers in the United States around 1800. However, from 1880 to 1930 that figure increased from 7000 to 230000. In conjunction with this rapid

increase, the United States became the country in the world with the highest “number of engineers relative to industrial employment, and its advantage over the closest competitor, Germany, widened during the 1910’s and 1920’s” (Guillén 1994: 40). With this rise, the label ‘civil engineer’ became broken down into further subspecialties such as “mining, metallurgical, mechanical, electrical, and chemical engineers”, and from the years 1884-1924 approximately two-thirds of those graduating as engineers “became managers within fifteen years of leaving college” (Shenhav 1999: 25). Indicative of the increasing frequency with which engineers turned to problems of management was also the change in title of *Engineering Magazine* to *Industrial Management* in 1916 (Kaufman 2008: 67).

Simultaneously with this transformation, a wider ideological transition also occurred. Not least informed by theoretical impulses coming from such prominent sources as William James, Charles Sanders Peirce and Thorstein Veblen in particular (Stabile 1986), a new agenda of handling and solving social problems through the application of science became widespread (Jordan 1994: 13-16). In conjunction with this, the engineer rose to star status, and was depicted as an extraordinary being within various cultural products. As Jordan (*ibid.*: 21) notes, engineers “appeared as heroes in over one hundred silent movies and in novels that sold roughly 5 million copies between 1897 and 1920.” Furthermore, the public esteem bestowed upon the engineer was not entirely out of synch with the self-image promoted by some practitioners within the discipline. Indeed, according to some of its more grandiose formulations, engineering was depicted as nothing less than the creator of the modern world: “Take away engineering, and we are what our predecessors were. Add engineering, and the modern world is” (anonymous engineer quoted in Jordan 1994: 21). While such numbers and statements are indicative of the rapid increase of trained engineers, as well as the significant and widespread place engineers began to occupy within industry and American society at large, they do not tell us much about how the utilization of an engineering vocabulary gave birth to a whole “new epistemology (...) through which industrial reality was filtered” (Shenhav 1999: 4). However, in order to get a grasp of this, it is necessary to attend to what issues were taken up as urgent within the developing language of the industrially minded engineers.

One of the major problems which management thought in America sought to respond to was the prevalent and fierce conflicts between labor and employers. While surely also a problem throughout the rest of the industrialized world, the conflict in the United States, however, was “more savage and bloody” than anywhere else (Zieger quoted in Guillén 1994: 39), and the tensions between labor and employers remained a recurring problem until the middle of the twentieth century (*ibid.*: 80-81). Before the engineers entered the scene and sought to devise new ways of minimizing such tensions, various proponents of what was known as industrial betterment sought to promote community building and industrial partnership as a means of preventing social upheaval (Buder 1967; Brandes 1976; Barley and Kunda 1992). Such experiments were initiated in the railroad industry, and from here they spread to other industries in the 1880s and 1890s.

Reformers argued that if the firm could become the hub around which the employee’s life revolved, communal order and industrial peace could be achieved. Accordingly, the most celebrated experiments sought to create total institutions by furnishing the infrastructure of community: houses, schools, churches, libraries, stores and recreational facilities (Barley and Kunda 1992: 368).

Hence, before the engineers began devising conceptions as to how management ought to be practiced, a range of practical attempts had already been implemented and tried with various degrees of success. Such attempts were, contrary to the engineers’ later focus of attention, less concerned with efficiency within the workplace, and much more preoccupied with establishing adequate communal surroundings through which the danger of social upheaval could be minimized.

While the historiography of management and organizations has often followed the trajectory of explaining how organizations gradually changed from being closed to open systems (Scott 1981), it is nevertheless more precise to reverse this initial transformation. Thus, before the coming of the engineers, those preoccupied with business focused on a wide array of issues that went beyond the narrow confines of the workplace. In this sense, as Shenhav (1999: 200) argues, it would be more precise to state that what later came to be known as an ‘open system’ approach to organizing flourished *before* the engineering discourse became the prism through

which management was reflected, and that the initial transformation, although an anachronism, could therefore more appropriately be described as a movement from an 'open systems approach' to a 'closed systems approach'.

Nevertheless, the fierce conflict between labor and employers remained the center of attention with the advent of the engineers (Guillén 1994: 40), but while proponents of industrial betterment had sought to overcome this through co-operation and partnership-building between laborers and employers, the engineers located the problem not in the social surroundings, but *inside* the organization. More precisely, the problem consisted of a lack of control and haphazard management practices that led to inefficient production. On the one hand, such a lack of control and inefficient production stemmed from the fact that industrial corporations had grown much larger than they had previously been, and on the other hand, this stemmed from the fact that the conflict between labor and employers remained a recurring problem that manifested itself in strikes, the destruction of machinery and, not least, "soldiering" (Taylor 1967: 13-25) - the intentional decrease of output and the deliberate restriction of the speed with which operations of work were performed.

In order to remedy this, several engineers took up the vocabularies and frameworks used to describe technical systems and began applying them to management and the organization of work (Shenhav 1995: 559-562). The concepts of 'system' and 'systematization' figured here as "key ideological tropes" (Shenhav 1999: 4) with which the gradually developing vocabulary of management thought began to carve its way into reality. By way of applying and utilizing such terms, industrial reality emerged as an object to be scrutinized, analyzed, measured, calculated and synthesized in accordance with a scientific rationality that rested upon "clearly defined laws, rules, and principles", which were "applicable to all kinds of human activities, from our simplest acts to the work of our great corporations" (Taylor 1967: 7).

Although Taylor became the most famous and controversial spokesperson for this approach, the language of systems and systematization was more generally flourishing within engineering journals such as the *American Machinist* and the *Engineering Magazine* at the end of the nineteenth and the beginning of the twentieth century (Shenhav 1995, 1999, 2003). On the one hand, the language of systems and

systematization sought to take everything into account. Just as with the detailed police regulations described by Foucault, nothing should be beyond the sphere of attention and regulation. As Shenhav (2003: 189) quotes an engineer as saying from a 1902-issue of the *Engineering Magazine*: “the important details of factory work are cared for by systems which are homogenous, flexible and efficient; systems which leave nothing to chance, but which care for the smallest and the most important details of factory work alike”. This attention to details was at the same time coupled with an ambition to bring the separate and manifold details together in an integrative manner. Hence, “there is not a man, machine, operation or system in the shop that stands entirely alone. Each one, to be valued rightly, must be viewed as part of a whole” (a 1904-issue of the *American Machinist*, quoted in Shenhav 2003: 189).

Thus, by way of utilizing the vocabulary of systems and systematization it became possible to rearticulate the processes of work, the different responsibilities pertaining to production, and the ideal way in which production should be reorganized. In order to attain this, it was necessary to address the employee as an individual, and not as part of a group. More precisely, addressing the individual instead of the group was preferable due to the fact that personal “ambition always has been and will remain a more powerful incentive to exertion than a desire for the general welfare” (Taylor 1967: 95). In this sense, clearly defined *individual tasks* combined with clearly defined *individual rewards* were much more preferable than group-specified tasks and profit-sharing. The very fact of being in a group made the productivity of the individual spiral in a downward manner. When unmediated by proper principles of scientific management, working in a group, according to Taylor, made the individuals’ efficiency fall “almost invariably down to or below the level of the worst man in the gang” (*ibid*: 73). Hence, in order to secure increased productivity, management had to *enforce* “standardization”, “adoption of best implements”, and “cooperation” (*ibid*: 83). With this also came one of the most loathed components of Taylor’s system: the clear and unambiguous separation between planning and execution. Only through taking existing productive relations apart, optimizing the details of their operations in accordance with the laws of science, and reassembling them again, could a new, fine-tuned and well-calibrated whole emerge. On behalf of this analytic-synthetic operation,

specified in accordance with foundational principles of mechanical engineering, one could calculate and specify the “one best method” for any operation to be performed (*ibid*: 25). In this way, the organization and the work done within it emerged in the image of a machine, the optimal functioning of which could be formally articulated through the application of mathematical principles and equations (*ibid*: 107).

Much as proponents of Polizeiwissenschaft in the seventeenth and eighteenth century had depicted the state as a mechanical entity which had to be constructed, attended to and handled as a giant machine, the systematic engineering-based approach brought to the surface a vocabulary and approach to management and organization that utilized several of the same analogies. Whereas King Frederick II of Prussia and von Justi, among others, utilized the metaphor of the machine in order to attain predictability, order and control in relation to matters of the state (see the previous chapter), the systematization efforts developed by the engineers aimed at many of the same goals. Just as King Frederick II of Prussia dreamt about foreseeing “the future” and penetrating the chain of causes of “even the most distant ages” (quoted in Mayr 1989: 108), the engineers’ systematization efforts aimed at penetrating the deep causes of enhanced productivity, and in so doing aimed to “annihilate time” and “to look into the future” (quote from *Engineering Magazine* in Shenhav 1995: 579). Still, whereas the analogies made in the seventeenth and eighteenth centuries largely remained that - that is, *analogies* - the engineers’ transportation of mechanical descriptions and mathematical equations to the sphere of work was much more elaborate. Indeed, the metal cutting performed by a machinist, for instance, could not just be depicted by analogy as a technical system or a machine. Rather, it could be given a precise, and in principle solvable, equation consisting of twelve variables (Taylor 1967: 109).

Through this problematization process, the engineers not only legitimized the need for their rapidly growing profession, but they also claimed to be able to make production more efficient while simultaneously bringing an end to the conflicts between laborers and manufacturers. Scientific management thereby claimed to bypass political strife and access the deep truth of enhanced productivity. Through its systematic approach, through its reliance upon facts generated in accordance with science, through its optimization of the productive process, scientific



management opened up a new world of hitherto unimaginable levels of productivity. By so doing, everyone, allegedly, stood to gain. The previously existing fierce conflicts were seen, from the perspective of Taylor and his like-minded fellow engineers, as deriving from a misrepresentation of the actual interests of employees on the one hand and employers on the other. While depicted as antagonistic, Taylor claimed “that the true interests” of employers and employees are in reality “one and the same” (Taylor 1967: 10). By way of increasing the productive capacity of the employee, a win-win situation could be created which allowed simultaneously for higher wages *and* decreased labor costs (*ibid.*). Finally, to top things off, one could furthermore expect the implementation of such a system to bring with it new and morally improved men. They would not just be putting out more work and receiving a higher pay, they would also be “better men in every way”, i.e. they would “live better, begin to save money, become more sober, and work more steadily” (*ibid.*: 74).

It is difficult to overstate the importance of the engineering-based approach to management in general and Taylor’s system in particular. As Rabinbach (1992: 238) remarks: “Apart from the advent of machine-driven production, no other development in the history of industrial work had an impact equivalent to Frederick Winslow Taylor’s ideas of industrial organization.” Peter Drucker even goes so far as to state that Taylor’s scientific management “may well be the most powerful as well as the most lasting contribution America has made to Western thought since the Federalist Papers” (Drucker 2006: 274). This, however, was not because the principles of scientific management were implemented in their totality across all industrial organizations, nor because they were uncritically embraced. Indeed, the ideas promoted by the engineers were not only opposed by workers and their unions, but also by several manufacturers, who perceived the engineer-designed systems “as costly and superfluous” (Shenhav 1999: 105). Nevertheless, the engineering-based problematization of management had an overwhelming impact. It constructed *the* foundations of formalized management thought and constituted *the* way of thinking about management that one had to relate to whether one was in agreement with or critical towards its principles.

One of the primary reasons for the overwhelming success of systematic management was that it was promoted as delivering an impartial, technical solution

to a more general social, political and economic problem, a solution that was capable of reaching across an otherwise deep divide within American political culture (Shenhav 1995: 564). On the one hand, these systematizing rearticulations were compatible with an ideal of *progress* as promoted by engineers, scientists, economists, and managers at large. Here, progress was often bent around technological and commercial values, according to which it was identified with a rise in productivity, more efficient administration, raising profits and the like. On the other hand, the engineers' systematic approach to management and the organization of work was also compatible with an ideal of *equality* and fairness that was not expressed in technical but rather in moral terms, and often advanced by workers, progressive journalists, intellectuals, and unions. Indeed, by way of depoliticizing the otherwise highly sensitive issue of the wage-question, Taylor's notion of "a *fair day's work*" (Taylor 1967: 142, *emphasis added*) could be seen as not merely fixing a technical - but also a moral and political - question, through appeals to science and objectivity. "Systems", as Shenhav (1999: 186) writes, were therefore perceived as producing

harmony rather than conflict, cooperation rather than tension. They attempted to bind individuals in mutual relations of responsibility and accountability. The system was perceived as a blueprint for rationality, to produce consistency, predictability, and stability.

Furthermore, the birth of the principles upon which modern management became articulated should also be seen in conjunction with the principles according to which economics, from the 1870's and onwards, was recast. As shown in chapter one, the abandonment of the framework of classical political economy in favor of a new mathematically-based and static conception of the economy entailed a shift in perspective from questions of growth and production to questions of *optimal allocation* and the attainment of *equilibrium*. Whereas the economists stressed how these could be achieved through the market-process, Taylor and his fellow engineers raised and sought to tackle the problem of optimal allocation of resources within the organization. While it is certainly true that the emergence of the huge industrial corporation from the latter half of the nineteenth century increasingly implied a substitution of the invisible hand of the market with the

*visible hand* of management (Chandler 1996, 1999), it is also important to recognize that the principles upon which the functionality of the latter was formalized in the hands of the engineers could be seen to be in perfect correspondence with the principles around which economics was rearticulated. Thus, the economy, as well as the organization, was viewed as something the workings of which could be optimized by relying upon principles and modes of understanding derived from physics and their practical application within the emerging disciplines of economics and engineering. In conjunction with this, it is worth adding, as Hoskin and Macve (1993: 48) do, that Alfred Marshall, Leon Walras, and several of the other economists who figured prominently in recasting the discipline of economics

undertook their work specifically as a response to the new economic power unleashed by the invention of the modern business enterprise. (...) [I]t was their desire to understand the success of this new kind of economic activity that led to their new microeconomic focus.

Thus, in spite of the fact that the economists predominantly concentrated on explaining economic allocations and decisions as being coordinated by the invisible hand of the market, and the engineers, on their part, sought to explain how economic allocations and efficiency could be attained through the controlling, visible hand of management, their attempts were, to a large extent, complementary, not least because their respective frameworks were derived from the translation and practical utilization of mathematics and physics. Both within the economists' frameworks and within Taylor's scientific management, human beings were conceptualized as acting in accordance with the establishment of incentives that relied upon them being both rational and self-interested actors. Both of them relied upon an understanding of their subject matter as something that was to attain equilibrium and optimal functionality in a way that was, or ought to be describable as, an exact mathematical equation. Both of them placed human beings within a static, unchanging universe that rested upon scientific laws on behalf of which optimal allocations could be described. It is therefore not surprising that economics, spurred by the de-naturalization that its subject matter underwent in the latter half of the nineteenth century (Shcabas 2005), began to be conceived as an engineering project in the twentieth century. Henceforth it became possible to

speak of the economy as something which should be “managed” (Morgan 2003: 276).

Accordingly, a range of phenomena begin to come together in a mutually reinforcing manner. The establishment of the modern business enterprise, its mass-production of standardized commodities at ‘economies of scale’, the changing epistemological frameworks of economics, the coming into being of management as a discipline formalized in accordance with the systematic approach promoted by the mechanical engineers, the conviction that social and political problems could be solved objectively by application of the principles of science - all of these come together and lean on each other for support. Reflecting this in the register of managementality, one could state that a generalized rationality pertaining to the management of ‘the economic’ was beginning to emerge in a rather forceful manner. This rationality essentially split the world into *the actual* on the one hand, and *the potential* on the other and the task of management became that of setting up the preconditions by way of which individual productive subjects, organizations, and economies could be brought from their actual to their potential state, the latter being defined as their ideal or optimal functionality as calculated through principles derived from mathematics and physics. Here, the outside was barred from entering the equation, because the preconditions for attaining optimality or efficiency were premised on the fact that the system within which this was to be attained necessarily had to be viewed as a closed and timeless system. Here, there was no room for any spontaneous sociality bubbling up from below, nor for allowing and harnessing the power of unpredictable events.

In this way, a particular managerial rationality, a particular managementality, utilizing the tropes of efficiency and optimality, took hold as a feasible way of relating to problems pertaining to how production should be organized. However, as will be shown, this rationality, in spite of its initial success, was also beginning to be viewed as insufficient and as an increasingly problematic guideline according to which productive undertakings should be organized. By way of taking up three problematization processes that, in their respective ways, criticized and rearticulated the foundations on which this managementality rested, we begin to see the trajectories that flow into the co-creation vocabulary and give birth to the

experience of the outside as a source of value creation and an object of management.

### **Human Relations: Managing a spontaneous sociality and the outside**

Taylor's principles provoked a range of responses (Guillén 1994: 47-48; Barley and Kunda: 371-372). Among the most central and notorious of these were those generated on behalf of the Hawthorne Experiments (Perrow 1986: 67-68, 90-97; Gillespie 1993; Guillén 1994: 58-65; Wren 2005: 279-300; Khurana 2007: 221-222). These took place in a period ranging from 1924 to 1933, and were conducted at the Hawthorne Works of the Bell System's Western Electric Company. "Acting in collaboration with the National Research Council, the Western Electric Company had for three years been engaged upon an attempt to assess the effect of illumination upon the worker and his work" (Mayo 2003: 55). However, since the results derived from here were inconclusive, the researchers gradually pursued other leads, not least pertaining to the distinctively human and social.

If Taylor's *The Principles of Scientific Management* has become *the* most famous book ever published in the field of management and organization studies, the experiments conducted at the Hawthorne Works are probably *the* most famous and widely discussed experiments ever undertaken in order to inquire into the nature of work, management and organizing. As Gillespie (1993) in his authoritative and highly detailed account has shown, "a body of complex and uncertain data, tenuous hypothesis, and conflicting interpretations was transformed into a relative dependable body of social scientific knowledge that, while criticized, is accepted as an important contribution to several disciplines" (*ibid.*: 5). While Gillespie makes a detailed and critical description of how the experiments were shaped by social interests, institutions and, not least, Elton Mayo (*ibid.*: 96-126), here we merely seek to inquire into a couple of the dominant accounts of the experiments in order to take stock of how their interpretations allowed for the emergence of a new set of understandings that departed significantly from Taylor and the engineering approach to management, and yet also could be seen to prolong several of the assumptions advanced by the engineers. Special emphasis is given here, of course,

to the gradually surfacing themes and tendencies that later take on significance for the coming into being of co-creation.

Some of the most central accounts and interpretations of the experiments at Hawthorne were Elton Mayo's *The Human Problems of an Industrial Civilization* ([1933] 2003), and *The Social Problems of an Industrial Civilization* ([1949] 1975), as well as Roethlisberger and Dickson's ([1939] 2000) *Management and the Worker*. In these, a shift in the understanding of the human and the social as that which precondition effective management and enhanced productivity begins to emerge. Whereas the rationality prescribed by Taylor rested upon the ability to appeal to the individual worker's rational self-interest, and of calculating his or her performance on behalf of experimental tests that focused on the worker's physical abilities (such as amount of loads to be handled in a day, questions of ergonomics, time and motion studies), Mayo, Roethlisberger and Dickson shift their center of attention as a result of the problems they perceive to be inherent in the engineering approach to management. More precisely, the problem is that "plans which are intended to promote efficiency have consequences other than their logical ones, and these unforeseen consequences tend to defeat the logical purposes of the plan as conceived" (Roethlisberger and Dickson 2000: 546). The reason for this is that such plans do not take into account the wider context that determines whether attempts at promoting efficiency will be successful. This wider context is the industrial organization viewed as a *social system*, which consists of a *technical* organization and a *human* organization (*ibid*: 553).

While the technical organization was the object of investigation within Taylor's account, the human organization was left completely out of sight, since it simply could not show up within the engineering prism on management. This neglect had detrimental effects: on the one hand, it failed to take into account that attempts at optimizing the speed of production through an engineering rationality produced social disorganization and insecurity (Mayo 2003: 165-166); and on the other hand, it failed to take into account how the human organization, and especially the *sentiments* of the workers, had an impact on and conditioned the degree of success one could achieve through manipulating the technical organization. While the former gave rise to Mayo's Durkheimian-inspired view that an industrial civilization inevitably spawns an ever more prevailing *anomie* (*ibid*:

chapter VII), the latter shifted the attention to an investigation of the human organization as something to be mapped out and taken into consideration, and it is to this human organization that we now attend.

According to Roethlisberger and Dickson (2000: 553), the human organization shows up within the workplace as “a number of individuals working together (...). Each of these individuals, however, is bringing to the work situation a different background of personal and social experiences.” Following from this, two problems come into view: First of all, it becomes necessary to develop a distinct form of knowledge about how the immaterial social relations and sentiments established between the workers impact on production. Secondly, it becomes necessary to take into account how individuals are already socially predisposed, before entering the sphere of work, in a way that directly impacts on production. We look at each of these in turn and hereafter see how they give rise to a new reflexive mode of management that takes into account a perceived spontaneity already existing within the organization, and how this new mode of management furthermore begins to take into account something existing on the outside that influences workers’ productivity.

#### *Spontaneously arising sociality within the workplace*

One of the major findings of the Hawthorne experiments was that group behavior among the workers resulted in a spontaneously arising order within the workplace. Roethlisberger and Dickson (2000: 524) describe how the “men had elaborated, spontaneously and quite unconsciously, an intricate social organization around their collective beliefs and sentiments.” This spontaneous social organization could be seen to be conditioned on the whole setup of the experiments. Thus, Mayo describes how a “sympathetic chief observer” helped a “group to feel that its duty was to set its own conditions of work, he helped the workers to find the ‘freedom’ of which they so frequently spoke” (Mayo 2003: 71, cf. also Mayo 1975: 64). In this sense, the spontaneity described could be seen to be merely a synonym for “willing” (Bendix 2001: 318). However, this spontaneity also had a deeper, almost ontological, status, deriving from the fact that human beings always tend to generate such an order. In relation to the human organization, as described by Roethlisberger and Dickson, this shows up as an *informal organization*, which “exists

in every plant” (2000: 559), and without which “formal organizations could not survive for long” (*ibid*: 562). This spontaneously generated informal organization is of central importance, since it is intricately bound up with the formation of “modes of evaluation” that distribute “‘good’ and ‘bad,’ ‘inferior’ and ‘superior’” (*ibid*: 555). In this way, a *communally* established mode of evaluation was spontaneously generated within the workplace and the bases for this could not be grasped, nor handled, within the approach prescribed by Taylor.<sup>1</sup>

Accordingly, a new layer of reality enters into managerial reflection and this new reality has a certain naturalness to it, which it is necessary to take into account,

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<sup>1</sup> It is necessary here to specify that Mayo’s account differs from Roethlisberger and Dickson’s in a certain respect. Whereas Roethlisberger and Dickson – as we have just seen – identify how the workers spontaneously generate an order within the workplace, Mayo (1975, 2003) views the forces through which such a spontaneous social organization can arise as being undermined by urbanization and industrialization. This social diagnosis gives rise to the coupling of two tendencies in Mayo’s thought that have both been criticized. On the one hand, he made a call for the establishment of organizations as communities. These should ideally resemble “pre-industrial societies” where “the spontaneous corporation of skilled groups” prevailed (J.H. Smith 1998: 231). According to this view, Mayo has been described as a nostalgic and a reactionary (Guillén 1994: 61-62). On the other hand, Mayo thought that such communities could only “be restored through the creation of administrative elites trained in techniques of social organization and control”. In relation to this view, he has been described as “an authoritarian elitist” and “a crypto-Fascist” (J.H. Smith 1998: 237-238). Thus, whereas Roethlisberger and Dickson readily identify a spontaneous social organization arising from the way in which workers interact as something without which the formal organization could not survive for long, Mayo thinks that the conditions for the flourishing of such spontaneously generated forms of socialization are being undermined by industrialization in general, and the economists’ and engineers’ approach in particular. Since this threatened spontaneous sociality is of major importance for the functioning of the organization, it will have to be promoted, brought into being, nurtured, and secured by able and attentive leaders. It is probably also in light of Mayo’s position regarding these matters that we should understand his limited, or half-hearted, embrace of thinkers within the liberal tradition. More precisely, while Mayo embraces Quesnay and the Physiocrats, he denounces later proponents of *laissez-faire*. The reason for this is that while Quesnay and the Physiocrats made their call for *laissez-faire* in a situation characterized by relatively stable social relations, John Stuart Mill, and the economists following him, transformed this principle into an unquestionable maxim, without sufficiently taking into account how their one-sided view assisted in speeding up the process by which the social bonds of society were being undermined (Mayo 1975: 33-35; Mayo 2003: 146-148).



since it directly influences production. Whereas Taylor conceived of the best organization of production as hinging upon appeals to self-interest and mechanical optimization, production now comes into view as a process that hinges on workers who are driven by sentiment and enmeshed in complex social relations. Hence, what comes into being is a view of the organization as a place that is shot-through with relations of sentiment that are spontaneously organized within complex social processes. These complex processes on the one hand stand in a particular relation to the 'logical' or 'technical organization', which they influence and are influenced by, yet they are completely incapable of being grasped through the rationality with which this latter organization comes into view, that is, from the perspective of an engineering-based approach. As Roethlisberger and Dickson describe, "what the experimenters had been observing (...) was essentially neither logical nor irrational behavior. It was essentially *social behavior*" (*ibid*: 575, emphasis added).

That these societal connotations could begin to be seen as something which played a significant role within the sphere of production was probably furthermore based on the fact that the Hawthorne Works was described as a kind of mini-society that attended to the manifold needs of people. In this way, the organization was not just seen as permeated with spontaneously generated social relations, but also as being organized in a way that rendered the image of society an easily appropriable one. Roethlisberger and Dickson, for instance, express, how the employees within the company not only find "a source of income but also (...) a source of advice, friendship, and aid as well as a source of amusement and recreation" (*ibid*: 542). Following from the fact that the company sponsored a range of activities (including clubs, baseball, bowling, dances, and parties), as well as provided "sickness, accident, and death benefit funds, pension funds, hospital care, financial and legal services", the plant at Hawthorne could be seen as taking over "social functions not adequately performed by society" (*ibid*: 541). We thus see the coming into being of the organization as something which resembles a small-scale society, that is, an entity which sees to the employees' various social needs, and which is simultaneously saturated by spontaneously formed social relations that bubble up from below as a result of the workers ongoing, daily interactions.

*The outside as a precondition for production inside the organization*

The interpretations of the experiments conducted at the Hawthorne plant were significant furthermore, since they explicitly drew attention to how something *outside* the workplace influenced the production going on within the workplace. More precisely, as already hinted at above, the spontaneous social organization arising between the workers was already *preconditioned* on the sentiments with which the individual worker entered the plant. While there are other instances hereof (see for example *ibid*: 546-548), we merely pick up on one example here, where Mayo (2003: 101-106) explains how a group consisting of five female workers took part in three test periods spanning the years from 1928 to 1930. While three of the workers performed rather steadily within and throughout the three test periods, the performance of the remaining two fluctuated rather significantly. One of these two workers showed a performance pattern which Mayo describes in the following way: in the first period, the irregularity of her output was “at its highest with little or no improvement”; in the second period, production-measures showed “reduced irregularity and slight improvement”; and finally, in the third period, the results showed “no significant irregularity and much higher production” (*ibid*: 104). The problem that now arises is how to explain this pattern of irregularity within and between the respective test periods.

According to Mayo (*ibid*: 105), the researchers at Hawthorne would have missed what caused these fluctuations, had they not “arranged for the observation of other changes than those in the immediate experiment”. More precisely, the cause of the worker’s fluctuating levels of production should not be seen as emanating from something controlled within the experimental set-up, but rather from a complex set of causes that are located partly outside the organization, and are socially processed partly within it. The young worker, we are told, “is eighteen, unmarried, and lives at home, she is ‘restrained by severe parental discipline, especially from her mother’ (a native of Southeastern Europe) (...). She resents the stern parental control and especially her inability to live as other girls do and to make her own friendships as she will” (*ibid*: 103).

During the first test-period, this young worker had complained to her colleagues about her situation. During the second, however, her colleagues, knowing of her problematic familiar situation, had “given her a sense of

comradeship and social support” which “operates to diminish the factor of personal resentment”. This, Mayo explains, accounts for the improvement made in the second test-period. Finally, the young worker recognizes that “the remedy is in her own hands; (...) she can transfer herself to living quarters with some girl friend. The determination to do this and the actual transfer are the unseen accompaniments of the sustained improvement of the third period” (*ibid.*: 105). According to Mayo, this transformation is therefore “in some degree” an “outcome of social comradeship”, but it is first and foremost due to

a major change in method of living” which “not only frees the worker from a perpetual interference with her personal development – unjustified by anything in the Chicago adolescent milieu; it also puts her in a position such that she can talk to her immediate relatives and seniors on a footing of greater comparative equality (*ibid.*: 105-106).

With this, we thus see the outside emerging on the inside as a highly complex factor to be taken into account (i.e. in the form of the worker’s personal situation, mode of living, familiar relations, country of origin, the way in which traditions from the country of origin might be at odds with those of the country within which the worker lives, etc.). As a consequence, there is a certain logic to the fact that Mayo in the opening of the following chapter can state that “our adventure” now “moves *outside* the [Hawthorne] Works and into the rapidly changing modern industrial community” (*ibid.*: 122, *emphasis added*). In this way, the outside emerges as a highly complex problem to be taken into account, reflected upon, and dealt with within the organization in order to secure high levels of productivity.

#### *The function of personnel work in industry*

The above described interpretations not only bring to the surface a new complex reality to be taken into account, they also lead to the question as to how one should manage this new complex reality. Roethlisberger and Dickson (2000: 590) propose that what they call the function of ‘the personnel man’ could be developed systematically and be given a place – within the formal hierarchy of the organization – side by side with other specialists such as engineers and physical scientists. Unlike the latter, however, the function of personnel management has

suffered under the fact that the science of the occupation has as of yet not been systematically developed (*ibid.*). In order to remedy this, Roethlisberger and Dickson propose some guidelines according to which this can be achieved. More precisely, they describe the skills necessary for the adequate fulfillment of personnel work in industry as hinging on a 'conceptual scheme', which contrary to preconceived ideas, does not disallow "seeing something 'new' when it arises" (*ibid.*: 592). The personnel man, this "human diagnostician", is furthermore to rely on "the techniques of observation" and "the techniques of interviewing". By way of utilizing the latter, just like a medical practitioner, he can go from symptoms "to the realities behind them" (*ibid.*: 592, 598-599, see also Perrow 1986: 95). It is worth here quoting Roethlisberger and Dickson at some length regarding how the personnel specialist is to take into account and handle the outside as well as the spontaneously arising relations generated within the organization. They state that when

a personnel specialist is addressing himself to the 'average' or 'typical' employee or 'what is on the worker's mind in general,' he is not exercising 'the specific function' as defined here. However, when he is thinking of what is on some particular employee's mind in terms of a worker who has had a particular personal history, who was brought up in a particular family that had certain specific relations to the community, and who because of this particular 'social conditioning' is bringing to his job certain specific hopes and fears; when he is thinking in terms of an employee whose job is in some particular place in the factory which brings him into association with particular persons and groups of people, i.e., a particular social setting which is making certain specific demands of the employee; and when he is thinking in terms of how these particular demands which the job is making of the person and the particular demands which the person is making of the job are producing either equilibrium or unbalance – when he is thinking in this way and oriented in this manner toward the employee, he is exercising 'the specific function of personnel work' (*ibid.*: 591).

In relation to the coming into being of co-creation, the Human Relations theorists' detection of how something outside the organization directly influences its

production is of significant importance. Of equal importance is also their description of how spontaneously developed social processes existing within the organization give rise to social values and principles according to which evaluations are made. Furthermore, their emphasis on workers' sentiments, and the complex webs within which these exist, also shifts the prism through which management thought conceives of the conditions of enhanced productivity – from the physical operations performed, to the immateriality of the social. In this way, we see a range of components coming together; components that are central for the coming into being of co-creation in the late twentieth century.

The problematization process carried out by the Human Relations theorists should therefore be seen as a marked transformation of the prism through which management began to be reflected. A transformation which, in opposition to the engineering approach, began taking the outside into account, began taking spontaneously arising processes into account, and began working with these complex realities in order to attain management goals. Nevertheless, as observers have also pointed out (Shenhav 1999: 184-186), Mayo, Roethlisberger, Dickson, and several of those that followed them, also remained within the vocabulary and the perspective developed by Taylor and the other engineers. On the one hand, they continued to use concepts such as 'systems' and 'equilibrium' (Mayo 2003: 172; Roethlisberger and Dickson 2000: 591), which were brought into formalized management thought with the advent of the engineers. On the other hand, in spite of all their insistence upon the need to listen to employees (Mayo 2003: 183), and of acting in a non-authoritarian way (Roethlisberger and Dickson 2000: 601), the workers were nevertheless still seen as passive, as suffering under the burdens of an industrial civilization, and as essentially having the potential to be manipulated by sophisticated management techniques. In this way, the creative agency and the ability to innovate, so central within co-creation, were not part of the Human Relations theorists' conception.

## **Public relations and marketing: the construction of souls and managing the outside**

More or less simultaneously with the experiments conducted at Hawthorne, another transition of major importance for the coming into being of co-creation was beginning to make itself felt. Spawned by the legitimacy crisis with which the major corporations in the United States found themselves from the end of the nineteenth century, new modes of managing the outside were coming into being (Ewen 1996; Marchand 1998). This legitimacy crisis was an outcome of a range of factors that began reinforcing each other, and to which corporations and intellectuals began responding. Firstly, we take a look at the conditions of this crisis of legitimacy, and hereafter we look at how the corporations responded to this. Special attention is given here to one particular PR-strategy that, in a previously unprecedented way, managed the outside.

### *The crisis of legitimacy*

Throughout the latter part of the nineteenth century, industrial enterprises kept growing. This continuous growth was not least spawned by a range of legal transformations by way of which the possibilities for setting up a corporation became more relaxed than what had hitherto been the case (Roy 1997; Bakan 2004). Initially, in the late eighteenth century when the United States was established, charters to set up a corporation were only granted on condition that the initiators could document that the corporation would serve the public interest (Nace 2005). Hence, corporations were initially constructed in a much different manner than the reigning practice of today:

Contrary to the notion that corporations autonomously developed because they competed more efficiently or effectively in the market, governments created the corporate form to do things that rational businessmen would not do because they were too risky, too expensive, too unprofitable, or too public, that is, to perform tasks that would not have gotten done if left to the efficient operations of markets. Corporations were developed to undertake jobs that were not rational or not appropriate from the perspective of the individual businessman (Roy: 1997: 41, see also Nace 2005: 48).

In most instances, the early corporations' business operations were thus restricted to the construction of roads, canals, bridges, and, later, railroads. However, from the middle of the nineteenth century and onwards, significant legal changes were made, and several of the previous restrictions that limited possibilities for 'incorporating' were now swept away (*ibid*: 70-86). One significant change was the way in which the case of *Santa Clara County v. Southern Pacific Railroad* resulted in a juridical decision according to which corporations now acquired the status of legal persons (Nace 2005: 87-109; Marchand 1998: 7). By way of utilizing an amendment to the constitution - an amendment which after the Civil War was constructed to secure the legal status of former slaves (Bakan 2004: 16) - the lawyers of the railroad company persuaded the Supreme Court that corporations, in a legal sense, should be considered as persons (Nace 2005: 102-109). Together with several other conditions by way of which corporate law was relaxed in relation to its initial rather strict formulation (Nace 2005: 51-52), this transformation aided the corporations in expanding to hitherto unprecedented sizes. This, together with the consolidation and merger movement that kicked off at the end of the nineteenth century (Chandler 1996), resulted in monstrously sized firms, the largest of which employed well beyond 100000 people. With this, however, an increasing resentment towards the corporations also began to arise (Marchand 1998: 1-9). In spite of the fact that corporations had acquired now the status of legal persons whose rights could be violated, in the eyes of the public, their sheer size, their fights against unions, their pressing of wages, and their relentless strive to attain 'economies of scale', seemed to be at odds with the guidelines by which personal conduct usually was evaluated. As a consequence, the corporations began to be conceived as "soulless leviathans – uncaring, impersonal, and amoral" (Bakan 2004: 17), and as entities that, as a result of their sheer size, had lost all personal relations with their customers, who were viewed merely as "so many units of consumption, a set of impersonal figures on a chart", as one advertising executive expressed it (quoted in Marchand 1998: 8).

### *Managing the outside*

This negative public perception of the corporations was one of *the* most central problems to which the public relations industry emerged as a response. If the

corporations were viewed as ‘soulless leviathans’, their public image necessarily had to be reworked and what presented itself as the most important task was the construction of *the corporate soul* (Marchand 1998). Accordingly, a range of companies began experimenting intensely with public relations campaigns through which they tried to portray themselves as ‘members of the community’ and as ‘caring persons’ (*ibid.*). Just as Mayo, Roethlisberger and Dickson had conceived of the personnel man as being akin to a physician, as a ‘human diagnostician’ and as someone who should diagnose and relieve the social pathologies brought about by industrialization and the hitherto reigning engineering-based approach to managing organizations, the new public relations professionals conceived of themselves as “‘physician[s] for corporate bodies’”, to use Ivy Lee’s phrase (quoted in Ewen 1996: 76).

One of the most important among these new physicians was Edward Bernays. He was not only *the* most influential practitioner within the emerging profession of public relations (Miller 2005; Ewen 1996; Tye 2002), he also published several books on the subject from the 1920s and onwards (Bernays [1923] 2011, [1928] 2005, 1952). His early experience with shaping and guiding public opinion towards specific goals was not least formed by his employment at the U.S. Committee on Public Information (CPI) that played a significant role in early twentieth century state-sponsored attempts at modifying public opinion (Creel [1920] 2010; Ewen 1996: 102-127). Significant among these early attempts was the CPI-organized, huge, and hitherto unprecedented, mobilization of the public towards legitimizing U.S. participation in the First World War (*ibid.*). As Stuart Ewen writes, the work undertaken by CPI opened up a whole new avenue through which messages could be communicated and through which techniques of persuasion emerged as something which could be utilized to the attainment of business goals:

As a colossal experiment in mass persuasion, the Committee on Public Information (...) had fostered a belief that public opinion might be managed, that a social climate, more friendly to business interests, could indeed be achieved. ‘The war taught us the power of propaganda,’ declared Roger Babson, the influential business analyst, in 1921. ‘Now when we have anything to sell the American people, we know how to sell it’ (*ibid.*: 131).



While several rather spectacular PR-campaigns flowed from this war-experience, we merely restrict ourselves here to one particular and rather notorious example conceived and executed by Edward Bernays. In terms of this example, the management of the outside is considered in relation to the managementality associated with the knowledge generated by the economists and engineers on the one hand, and with the already surveyed Human Relations theorists on the other.

In 1929, Bernays was contacted by the head of The American Tobacco Corporation, George Washington Hill. Hill was frustrated by the fact that the sale of cigarettes to women suffered under a taboo according to which it was considered inappropriate for women to smoke in public places (Ewen 1996: 3-4; Tye 2002: 28-33; Lopdrup-Hjorth and Raffnsøe 2012). Bernays, who was a double nephew of Sigmund Freud, was asked whether he could come up with a way to solve this pressing issue. He agreed to the task, and the first thing he did was to consult a psychoanalyst, Dr. A. A. Brill. Brill told Bernays that in spite of the somewhat reduced social boundaries between men and women (which, among other things, was a result of the fact that women had begun doing work in factories formerly reserved for men), cigarettes, nevertheless, were still a highly masculine symbol. Thus, if women could break the social taboo prohibiting them from smoking in the street, they could acquire a new degree of freedom. In this sense, cigarettes were to be conceived as “Torches of Freedom” (Bernays quoted in Tye 2002: 28).

After this meeting, Bernays conceived of a way in which he could solve his client’s problem. He sent a telegram, signed by his secretary, Bertha Hunt, to a carefully selected group of women, proclaiming the following: “In the interest of the equality of the sexes and to fight another sex taboo I and other young women will light another torch of freedom by smoking cigarettes while strolling on Fifth Avenue Easter Sunday” (quoted in *ibid.*). At the same time, Bernays made sure that the press was informed about what was to happen. Thus, appeals were sent to various New York-based newspapers, one of them signed by Ruth Hale, “a leading feminist” (*ibid.*: 29). The parade turned out to be an overwhelming success. “The outcome”, as Tye (*ibid.*: 33) writes,

was one that most publicity men (...) [could] only dream about: an irresistible script for a stunt, flawlessly executed, covered in nearly every paper in

America, with no one detecting the fingerprints of either Bernays or his tobacco company client.

While historians disagree about the social impact of this stunt (*ibid.*: 34), the sale of cigarettes to women nevertheless began growing at a rapid pace afterwards and what is significant here is not so much the causality that might reasonably be established between this stunt and the growth of the ‘female market’. What is significant, though, is the way in which management began to be conceived as something that could reach *outside* the organization in a hitherto unprecedented way. By way of taking into account already existing social tendencies, such as the women’s liberation movement, by way of calculating the probable media response, and by way of considering how the public plausibly would respond to the media spectacle of this occurrence, Bernays was able to align himself and work with a range of already existing forces, and to guide them towards a particular outcome from which women smoking in the streets went from being something inappropriate to being a gesture of freedom. By staging an event outside the organization, taking into account and working with an already existing reality, and letting social forces converge in and reinforce one another, Bernays was able to utilize ‘the sentiments of the street’ and manage them in a non-disciplinary way.

Bernays’s conception and orchestration of this stunt was not least shaped by his reading and practical adoption of the writings of Gustave Le Bon ([1896] 2006), John Dewey ([1927] 1988), and, his intellectual hero, Walter Lippmann, whose book *Public Opinion* had come out in 1922 (Lippmann 2007). Through reading these authors, Bernays had been convinced that there was an inherent dysfunctionality within modern democratic societies, and that it was not only legitimate, but also inevitable, that society should be guided by a small group of invisible “governors” and “wire pullers” (Bernays 2005: 37, 60), whom he conceived as “the true ruling power” (*ibid.*: 37). As an outflow of the technical revolutions marked by the invention of the railroad, the telegraph, the radio, and the airplane, ideas could now travel much faster than had previously been the case (*ibid.*: 40), and this transformation necessitated new modes of managing the public mind if society was to keep on functioning. As Bernays explained, in his straightforward language:

In theory, everybody buys the best and cheapest commodities offered him on the market. In practice, if everyone went around pricing, and chemically tasting before purchasing, the dozens of soaps or fabrics or brands of bread which are for sale, economic life would be hopelessly jammed. To avoid such confusion, society consents to have its choice narrowed to ideas and objects brought to its attention through propaganda of all kinds. There is consequently a vast and continuous effort going on to capture our minds in the interest of some policy or commodity or idea (*ibid.*: 39).

Besides its direct ridicule of economic theory, Bernays's views on the management of society pointed to an underlying reality of socially formed sentiments and desires that on the one hand exhibited a certain irrationality, but which on the other hand, fortunately, could be shaped and guided towards specific ends by those with adequate insight into the social formation of attitudes. Of major importance here was the recognition that the group mind functioned in a radically different way than the individual mind. Thus, whether the PR-man or advertiser were to guide the public towards certain political ideas or stands, or towards specific products or perceptions, he had to take into account the irreducibility of the formation of opinions pertaining to the group (Schwarzkopf 2009: 13-14). Bernays, however, was not alone in making such observations. Also drawing on crowd theory and psychoanalysis, Ivy Lee expressed similar views when in an interview from 1923 he proclaimed the importance of recognizing that "people are guided more by sentiments than by mind", and that public relations "was nothing less than the *'art of steering beads inside ...the secret art of all the other arts, the secret religion of all religions'*" (quoted in Ewen 1996: 132).<sup>1</sup>

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<sup>1</sup> It is worth mentioning here how Ivy Lee's statement should be seen in relation to the far-stretching historical problematic pertaining to the government of souls that Foucault takes up in his lectures from 1978: "Saint Gregory Nazianzen", who lived from 329-389, "was the first to define this art of governing men by the pastorate as (...) the 'art of arts,' the 'science of sciences'" (Foucault 2007a: 150-151). Furthermore, it is important to note that the word *propaganda*, the title of Bernays's book from 1928, originally "had been coined in 1622, when Pope Gregory XV, frightened by the global spread of Protestantism, urgently proposed an addition to the Roman curia. The Office for the Propagation of the Faith (*Congregatio de*

With these thoughts yet another problematization of the foundations of the managementality associated with economics and the engineering-based approach to management had emerged. Just as with the Human Relations theorists, a new reality consisting of socially generated sentiments and beliefs had come to be expressed and come to be seen as being of major importance. Just as with the Human Relations theorists, this new irreducible social layer of reality was not expressible within a framework where individuals were considered to behave rationally and in accordance with their self-interest. Whereas the Human Relations theorists had stressed how Taylor's system was incapable of delivering on its basic premises because it failed to take into account the human organization, the Public Relations theorists' complementary schemes showed how conceptions of the rational consumer were just as inadequate as that of the rational, self-interested worker. In relation to both of these problematizations, we see the emergence of something outside the organization that comes into view as a phenomenon to be taken into account, analyzed, and managed in order to secure the attainment of business goals. On the one hand, the visible hand of management, controlling and specifying the exact details of what is to be done within the organization, is challenged by the discovery of spontaneous social processes conditioned on 'methods of living', communally formed modes of evaluation, and specific personal histories that reach way beyond the organization. On the other hand, the functionality of the invisible hand of the market now becomes conditioned on 'invisible wire pullers' who guide and shape public sentiments and perceptions toward specific ideas, ends and products. Revisiting the introduction of the dissertation, there is a certain irony in the fact that more or less simultaneously with Wallace B. Donham's (1922: 1) dismissal of the sentiments of the street as something on which an executive theory of business should rely, these sentiments

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*propaganda fide*) would supervise the Church's missionary efforts in the New World and elsewhere" (Miller 2005: 9). Thus, whereas this 'art of all arts,' had been concerned initially with governing souls in order to secure their salvation, its twentieth century public relations variant sought out more worldly and prosaic aims through the construction of *corporate souls*.

began to show up as something to be harnessed and utilized, as something through which it became possible to pass, as detours through which the attainment of business goals could be advanced.

Nevertheless, in spite of their respective attacks on the rational foundations of engineering-based management thought and economics, both human relations and the proponents of public relations conceived of their efforts through the vocabulary developed by the engineers. Whereas Mayo, Roethlisberger, and Dickson sought to attain *equilibrium* between the specific communalities, sentiments and beliefs of the human organization and the technical organization, Bernays and the other PR-practitioners were probing for ways in which dynamic, passionate collectives existing outside the organization could be steered towards a range of political and economic ends. While certainly not engineers by training, or practicing engineers in any conventional sense, these PR-practitioners nevertheless also spoke of what they did with reference to an engineering vocabulary. Thus, in spite of the fact that many of the underlying assumptions with which they worked emanated from crowd psychology, psychoanalysis, and social theory, the way in which such theories were put to use made the tropes of engineering useful conceptual hinges on which the insights of humanistic and social science understandings could be turned towards practical ends. Edward Bernays's famous article "The Engineering of Consent" in particular was quite explicit on this analogy. Bernays here specified that just "as the civil engineer must analyze every element of the situation before he builds a bridge, so in order to achieve a worthwhile social objective, the *engineer of consent* must operate from a foundation of soundly planned action" (Bernays 1952: 161, *emphasis added*).

Reflecting this through the prism of Foucault's history of governmentality, it is worth noting how the transition in managementality from Taylor and the economists to human- and public relations bears a certain resemblance to that marked by the transition from reason of state to a liberal art of government. Just as with the latter transformation, in this twentieth century one, we also see a shift from one art of management to another that is marked by a complex interplay of continuity and discontinuity. In both transitions we see the abandonment of attempts at total and thorough disciplinarization, and their substitution - or, more to the point, supplementation - with a new mode of management that seeks to take

into account a newly discovered and irreducible layer of reality. Just as the breakdown of the disciplinary managed space of the town in the eighteenth century gave rise to a new mode of managing that relied upon the centrifugal character of the apparatuses of security, the crisis of the engineering-based approach and the coming into being of human- and public relations gave rise to a new mode of managing dynamic collectives. To attain organizational goals, to enhance production, to sell more cigarettes, etc., one had to manage in accordance with reality as depicted within these modes of knowledge. Hence, to attain such goals, one had to take the outside into account, that is, to listen to it, to generate knowledge about it, and to manage it through new, anti-disciplinary, facilitative and persuasive techniques. Accordingly, a range of similarities as to the respective discontinuities existing between these two transformations can be seen.

Furthermore, besides the respective similar discontinuities, a range of complementary continuities also come into sight, for whereas a liberal art of government, and its supportive knowledge of political economy, could be seen to unfold within the structure marked out by reason of state (Foucault 2008: 14-16), the new conceptions of management emerging with human- and public relations should also be understood as marked out and proceeding from assumptions and understandings already in place. On the one hand, the engineering vocabulary, although rearticulated, could still be relied upon as a vocabulary through which these new modes of knowledge could begin to be expressed. Though bent and twisted to contain the new realities, the concepts of 'systems', 'equilibrium', and 'engineering' proved flexible enough to be realigned and accommodated to the rising aspirations with managing the outside. On the other hand, and in spite of the newly surfacing outsides, the individuals, and the collectives within which they were a part (workers as well as consumers), continued to be cast in largely passive and reactive terms. Whether viewed as irrational or non-logical, or as unconsciously driven crowds, workers as well as consumers lacked the distinctive creative and inventive capacity so central in co-creation. In this sense, though they had to be listened to by sympathetic personnel men, though their desires had to be taken into account in the design of advertising- and PR-campaigns, they could still be manipulated towards certain ends. As long as one took into account the 'human organization' or 'the group mind', in all their complexities, one could still guide and

bend these ‘outsides’ towards goals exclusively formulated by management. Hence, the creative agency was still missing. In order to see the emergence of this, we now turn to the last of the three problematizations of central importance for the coming into being of co-creation.

### **Entrepreneurship and innovation: The value of the outside and the socialized production of events**

Whereas the previous two problematizations of the engineering- and economics-based managementality could be seen as problematizations made within the discipline of management, the final problematization was initially set forth from a bit farther away, that is, within the discipline of economics. The main figure here is Joseph A. Schumpeter, and the central concept is that of *economic development*, what Schumpeter characterizes as ‘dynamic’ in opposition to ‘static’ economic action. Firstly, we see what this distinction implies, and how it integrates what hitherto had been seen as *outside* the economists’ framework. Of special importance here is the explicit connotation with which this distinction is cast within a value vocabulary. Secondly, we see how Schumpeter’s conception of this special type of economic activity, throughout his work, gradually slides from being associated with individuals, marked by exceptional and heroic traits, to becoming a largely depersonalized and socialized mode of action. Finally, we attend to how Schumpeter’s thought implies a radically new conception of the event than that which came to pass in the middle of the eighteenth century.

#### *Bringing the outside inside: the value of economic development*

In 1934, two years after Schumpeter had moved to the U.S., his first major economic work came out in English. This work shifted the attention from a static view of the economy to a much more dynamic view. Whereas the neoclassical economists preceding Schumpeter had concentrated on optimal allocation and the attainment of equilibrium within an essentially static frame, Schumpeter found such a conception inadequate in explaining the most important part of the functioning of economies. More precisely, while recognizing the contributions made to economic theory by Alfred Marshall, William Stanley Jevons and Leon Walras in

particular, Schumpeter thought that their conception of the 'circular flow' failed to take into account something of major importance, what he called *economic development* (Schumpeter [1911] 2011a, [1934] 2002). This specific economic phenomenon, Schumpeter (2002: 64) explained, is

entirely foreign to what may be observed in the circular flow or in the tendency towards equilibrium. It is spontaneous and discontinuous change in the channels of the flow, disturbance of equilibrium, which forever alters and displaces the equilibrium state previously existing.

In explaining this phenomenon, Schumpeter makes clear that the development of which he speaks cannot be explained through the construction of “*infinitesimal steps*” between one equilibrium position and another (*ibid.*: 64, note 1). Rather, in Schumpeter's sense, development is the “‘revolutionary’ change” by which something new comes into the world, leaves its imprint on economic reality, and forces it to develop along hitherto nonexistent paths (*ibid.*: 63, see also [1911] 2011b). In this sense, there is a radical difference between the point of departure for static theory on the one hand, and dynamic theory on the other. Hence, economic development in Schumpeter's sense is

a disturbance of the existing static equilibrium without any tendency to again strive towards that equilibrium or any other equilibrium at all. It changes the data of the static economy (...). When an equilibrium state is reached again, that does not happen because of the driving forces of development itself. It happens precisely because of a reaction against development (Schumpeter 2011b: 173-174).

The problem, however, was not that economists had not been aware previously of economic development. It was rather that they failed to explain it *as* economic development, and instead merely registered it as a fact which came from *outside* the economy and to which the economy afterwards reacted. Hence, the introduction of a new technology, such as for instance, the railroad, could only be registered as something which impacted the economic system as a non-economic, external phenomenon on behalf of which a new equilibrium position would be established. In the preface to the Japanese edition of *The Theory of Economic Development*, Schumpeter describes this previously reigning approach in the following way:



I felt very strongly that this was wrong, and that there was a source of energy within the economic system which would of itself disrupt any equilibrium that might be attained. If this is so, then there must be a purely economic theory of economic change which does not merely rely on external factors propelling the economic system from one equilibrium to another. It is such a theory that I have tried to build (Schumpeter [1937] 1991a: 166).

In explaining this, Schumpeter states that his endeavor had been to theorize “the *process* of economic change in *time*” in a way comparable to Marx’s analysis of “economic evolution as a distinct process generated by the economic system itself” (*ibid.*: 165, 166, emphasis added). However, as we saw in chapter one, whereas Marx pointed to labor power as the source of value, Schumpeter explains that the value created through economic development is of a special type which can neither be ascribed to labor, capital, or land, nor can it be explained through those post-1870 economic theories that render value dependent upon utility (2011a). Hence, what we see with Schumpeter’s thought is the coming into being of a highly complex theoretical response that strives over largely incompatible theoretical traditions (such as those emanating from Marx and Walras, whom he both admired), and does so in a manner that renders hitherto reigning conceptions of value creation inadequate.

Schumpeter stated that to the extent that we are not dealing with a completely stationary economy, which knows nothing but the repetition of the same, goods have *two value scales*. On the one hand, we have the alternative usages to which goods of various kinds can be put in a stationary economy. Here, attaining a position where marginal utility equals marginal costs provides the optimum point. This reflects what Schumpeter called the goods static value (*ibid.*: 124), which is in agreement with what became foundational knowledge for the discipline of economics after the marginalist revolution. On the other hand, we have what Schumpeter called “developmental value” (*ibid.*), or “the *system of future values*” (*ibid.*: 127), that operates in a completely different way, and cannot be understood or measured according to the already existing reality: “The future values are the correlate of the new combinations; *they are new combinations translated into a language of value*. They are *the shadow of future events*, the harbinger of the immediate economic future” (*ibid.*: 128, emphasis added). Firstly, we take a look at who or what is

responsible for creating this latter kind of value, and then come back to the notion of the event below.

*Depersonalization and socialization of the entrepreneurial function*

Within Schumpeter's work, a marked transformation can be detected from the first 1911-edition of *Theorie der wirtschaftlichen Entwicklung* (2011a, 2011b), over to its second edition (2002), and then to his later writings from the 1940s ([1942] 2000; [1949] 1991b). More precisely, whereas in the early work Schumpeter depicted the entrepreneur as an almost Dionysian, creative individual that forces his actions upon the world and bends it according to his will, this psychology of the entrepreneur is significantly downplayed later to the point at which what had been the exception before, reserved for the few, can now be routinized (2000: 132-133), and performed not just co-operatively within a firm, but also by a "social environment" (1991b: 260-261). This gives rise to what can be called the *depersonalization* and *socialization* of the entrepreneurial function (Shionoya 1997; Swedberg 2000; Becker et al. 2011) and this also marks an important condition of possibility for the coming into being of co-creation. However, before taking up this issue more explicitly, we take a look at the transformations at work within Schumpeter's thought.

Initially, what Schumpeter called "the man of action" (2011a: 115), or "the *entrepreneur*" (ibid: 129), is the one responsible for bringing about economic development in the form of innovation. It is only by his actions that the economy is forced out of its circular flow. This person is contrasted with the static man who, belonging to the mass, is incapable of crossing the threshold of the habitual in economic life. While the man of action is driven by the urge to create, to conquer, and to bring something new into the world, static men, comprising of workers, landowners, *and* capitalists (Schumpeter 2011b: 194) "lack the moral courage to try", because they "cannot risk the basis they have established for their existence" (Schumpeter 2011a: 122).

Hence, only within the minds of the few do the seeds of the new exist. While being a necessary precondition, however, it is not the thought or the ability to sense something new that is of major importance. Rather, it is the ability to *act*, to seize the new, to force it into the world against all obstacles from habitual modes

of conduct, to force it upon the masses of passive men; this is what sets the man of action apart (*ibid*: 123, 2011b: 214-215). As already mentioned, the economic development initiated by the man of action cannot be grasped in terms of the laws pertaining to habitual economic conduct. His impulse to create is much closer to the creative impulse driving the artist or the statesman (Schumpeter 2011a: 107), than it is to the drives of static men who largely behave in accordance with the laws laid out by ‘static’ economic theory. Indeed, this distinction between the creative few and the static many is, according to Schumpeter, not just a distinction relevant to economic life. Within politics, science and art, we see the same fundamental distinction: on the one hand “those spirits” that “stand out”, “who *create* new lines of art, new ‘schools’, and new parties”, and on the other hand, “those spirits who *are created* by the lines of art, ‘schools’, and parties” (2011b: 214; cf. Sørensen 2008).

Besides being motivated by the will to conquer and to attain social power (Schumpeter 2011a: 105), the man of action is most of all driven by an irresistible “*pleasure from activity itself*” (*ibid*: 110, *emphasis added*), that is, the pleasure of what in 1911 Schumpeter called “creative construction [schöpferisches Gestalten]” (*ibid*: 80, 105). Since this urge to act and to create is what drives the man of action, his mode of behavior cannot be represented through the prism of economic theory according to which disutility (i.e. work) is weighed against utility. He does not make such narrow calculations, but does what he does for completely different reasons. On the one hand, he does not optimize since, just like the military leader on the battle field, he has to “get it right *without* exhaustively investigating other possibilities” (*ibid*: 134). In this way, he senses, probes and seizes something non-existing, something essentially incalculable, something “outside” the field of visibility of ordinary men (*ibid*: 137), and makes it into reality. On the other hand, he does not act in accordance with the economic laws of conventional theory, because “there is no resting point that could be identified, no economic behavior and no level of marginal utility where he would come to a stop” (*ibid*: 110). When he eventually stops, it is not because he is satisfied, has attained equilibrium, or anything like that, but simply because he has become exhausted, and can no longer face up to the heroic battle within which he has been enmeshed (*ibid*: 111). This, essentially, is the young Schumpeter’s sweeping understanding of economic development in 1911.

In 1934, however, when Schumpeter's work first came out in English (translated from the revised second edition of 1926), almost all of the explicit Dionysian connotations had been weeded out of the text (Swedberg 2000: 14-15; see also Reinert and Reinert 2006). While still detectable here and there, Schumpeter now assured his reader that his theory did not stand or fall "with our 'psychology of the entrepreneur'" (Schumpeter 2002: 90). As a way of detaching the still vital economic function of economic development from the man of action, Schumpeter's vocabulary now slides towards the much more depersonalized concept of "an entrepreneurial function" (Schumpeter 2002, 2011c; Becker et al. 2011: 8) and this depersonalizing tendency is furthermore amplified when Schumpeter, in an article from 1928, speaks of an over-individual 'entrepreneurial mentality' (Schumpeter [1928] 2011c; Becker et al. 2011: 15).

The clear-cut separation between the man of action and the static man, and between their respective kinds of economic conduct, now becomes increasingly difficult to uphold. This is not least due to the fact that what Schumpeter had previously regarded as an exceptional case, disrupting the circular flow of the economy, has now become much more prevalent, and that "the social whole", as a consequence hereof, "is getting ever more used to incessant innovation" (Schumpeter 2011c: 251). This, in combination with a widened sphere of calculability, entails that the function of the leader, as well as the entrepreneur, tends to become 'democratized', to be taken over by a much larger group, and in this process turned into something "that can be learned" (*ibid.*: 252). This tendency finally culminates in the 1940s when Schumpeter, not without some resignation, remarked how the importance of the entrepreneur as a distinct person had begun to rapidly fade away. On the one hand, Schumpeter states:

it is much easier now than it has been in the past to do things that lie outside familiar routine – innovation itself is being reduced to routine. Technological progress is increasingly becoming the business of teams of trained specialists who turn out what is required (...). On the other hand, personality and will power must count for less in environments which have become accustomed to economic change (2000: 133).

In this way we not only see how ‘the social’ has become accustomed to the incessant transgression of the already existing brought about by economic development, but we also see how the entrepreneurial function itself, with this transformation, begins to be *socialized*, and begins to emerge as a *group activity*. It is therefore not surprising that in a late text from 1949 Schumpeter can claim that this depersonalized and socialized transgression of the already existing “need not be embodied in a physical person and in particular in a single physical person. Every social environment has its own ways of filling the entrepreneurial function” (Schumpeter 1991b: 260).

### *Productive events*

In spite of the ever less grandiose attributes with which the entrepreneur is depicted within Schumpeter’s work, it is nevertheless important to take stock of the fact that Schumpeter’s contribution to economic theory is of significant importance. More relevant for the present dissertation, however, is the fact that his thought brings to the fore something of utmost importance for the coming into being of co-creation, namely the *event* as the permanent transgression of the already-existing. This conception of the event marks a radical departure from the one Foucault located in the middle of the eighteenth century. Here, the event was no longer conceived as an evil to be avoided, but as something natural and inevitable, something which should not be prevented, but instead be allowed to run its course. As Foucault showed, this constituted an integral part of the liberal art of government. With Schumpeter, however, we see something completely different. The event is no longer considered as something which has a naturalness to it. Rather, the event is unnatural, discontinuous, and inorganic (Schumpeter 2011b: 174). It is no longer normatively neutral, and something which will balance itself out; rather, it is a process of *creative destruction* “that incessantly revolutionizes the economic structure from *within*” (Schumpeter 2000: 83).

While the classical and the neoclassical economists operated from completely different underlying epistemological frameworks, as was shown in chapter one, it is nevertheless possible to see how their radically different views (with the exception of Karl Marx) to a large extent can be seen as different ways of embracing the economy as a circular flow. Whether in the form of Quesnay’s *Tableau* or the

neoclassical economists' static framework, the depiction of the economy as reducible to a circular flow is rendered completely inappropriate by Schumpeter's account. More precisely, depicting the economy as a circular flow, whether organically (Quesnay) or mechanically (the neoclassicals), prevents us from seeing the most important economic phenomenon, i.e. economic development in the form of innovation. It is through this intervention, through this 'entrepreneurial function,' that "the 'natural' course of the economy" is changed (Schumpeter 2011a: 118).

This crucial addition, this creative destruction, thus overthrows all the connotations to nature through which the economy had been depicted by the political economists associated with classical liberalism. In this sense, Schumpeter's work can be seen as prolonging the de-naturalization movement, which economics had already begun from the latter part of the nineteenth century (Schabas 2005). However, whereas the neoclassical economists substituted the naturalness which had hitherto permeated economic phenomena with a timeless, highly abstract, and mechanical universe, Schumpeter stated that the underlying framework with which they did so, essentially barred them from grasping innovation and entrepreneurship as economic phenomena:

Just like the laws of mechanics tell us how heavy bodies behave under the influence of some 'forces', but without dealing with the nature of those forces; and just like mechanics assumes that the bodies do *nothing* and do not produce any new phenomena of mechanical nature as long as no force impinges upon it from outside; just like that, pure economics provides us with formal laws on the configuration of the economy under the influence of exogenously given conditions and the reactions of the economy to changes coming from the outside (Schumpeter 2011b: 160-161).

Schumpeter's work is an ambitious attempt to bring this outside force inside, and in so doing he prolongs and taps into the otherwise displaced growth- and production-based value creation framework of the classical political economists, and yet does so in a way that completely overthrows the foundational pillars upon which this was organized. Hence, on the one hand, his preoccupation with innovation and entrepreneurship revisits the shared epistemological space of the

classical economists where emphasis was given to a perspective of growth and augmentation emanating from some kind of productive activity. On the other hand, however, the underlying measure according to which value could be determined (be it labor or socially necessary labor time) is completely displaced.

In doing so, Schumpeter's work should furthermore be seen as an important contribution to and early inspiration for several of the economic works that have been associated with the twentieth century rise of neoliberalism. As Foucault remarks in passing, Schumpeter's thought not only nourished the way in which the German Ordo-liberals began conceiving of enterprise as that which ought to make up "the formative power of society" (Foucault 2008: 147-148, 176-178), his work was also crucial to the way in which the American economists, a bit later on, began to flesh out their concept of 'human capital' (*ibid*: 231). The way in which these twentieth century streams of thought have been depicted as central to the rise of enterprise as a far reaching normative obligation for public sector institutions and individuals alike (Dean 1998, 1999; du Gay 1991, 1994; Rose 1999b) should therefore be seen against the backdrop of Schumpeter's early work on economic development, and especially in light of how the depersonalization and socialization of the entrepreneurial function paves the way for a multiplication of productive-destructive events across all levels of society.

Still, in spite of the fact that this relationship between the event and neoliberalism is indeed an interesting and somewhat under-investigated topic (for noteworthy exceptions see Dean 2010, 2011), this is not the right place to continue such a study. Rather, turning towards our concern here with how co-creation came into being, Schumpeter's work should be seen as yet another problematization of the managementality informed by post-1870s economics and the engineering-based approach to management. The reason for this is that Schumpeter's work, too, attacked the very foundations of the rationality on which management thought had relied previously. It pointed to something *outside* the sphere of rational calculability, something outside the sphere of economic optimization. Additionally, it pointed to the inadequate conception of a technical-economic fix, relying upon self-interest and disciplinary organization as the guideline around which production ought to be organized and, most importantly, it did this by re-casting the whole problem in a *value vocabulary* through which the creation of value could now begin to be

conceived along totally different lines. Hence, whereas value creation had been conceived previously as hinging upon optimization, as hinging upon how self-interested individuals strove to maximize utility, it could now be recast as something which should be organized around establishing relations to something outside: outside the framework of conventional theory, outside the field of visibility of ordinary assumptions, and outside the sphere of habitual economic conduct.

With this response, we see a highly important shift. Whereas the managementality associated with the engineers and the economists had been orchestrated around the difference between the actual and the potential, Schumpeter's account forces another difference to the fore which, to utilize Deleuze's (1994, 2002b) distinction, is orchestrated around *the actual* and *the virtual*. Whereas the crucial problem hitherto had been to go from the actual to the potential (no matter whether this was calculated through the principle of marginalism within economics or the maximum amount of worker-output in Taylor's (1967: 109) equation), this is now, if not replaced, then at least supplemented with the problem of *actualizing the virtual*, of transgressing the perimeters of the already known, of bringing something new into the world, of grasping "the shadow of future events" (Schumpeter 2011a: 128). Schumpeter's two value scales (*ibid*: 124, 127) are the emblematic expression through which this becomes articulated as an economic-managerial value creation problematic.

Seen in this light, the relevant observation to make is probably not whether Schumpeter was successful in bringing this outside to the inside of the discipline of economics in a theoretically defensible manner (Shionoya 1997: 170). Rather, the relevant observation to be made is probably that what had been outside previously now began hunting the inside as a concern which made itself felt in a formerly unprecedented way, firstly within the discipline of economics, and then, gradually, within studies more explicitly oriented towards business and management, with Edith Penrose ([1959] 2009), whom we came across in chapter two, being one significant intermediary. If Taylor's late work from 1911 condensed the "efficiency craze" in emblematic form that stirred the early twentieth century (Barley and Kunda 1992: 370), Schumpeter's first book, from the exact same year, sowed the seeds of the 'innovation- and enterprise craze' that flourished at the opposite end of the century. Of utmost significance in this regard was the opening up of a whole



new plane of thought in economics, an opening up towards the permanent transgression of the already existing, a new encounter with events. Such events were no longer conceived as something to be smoothed out and self-annihilated, but as a reservoir hitherto overlooked, a reservoir previously on the outside, through which value could be created.

### **The coming into being of co-creation**

With the three problematizations of the managementality associated with the engineers' and the economists' respective formalizations, we see trajectories of major importance for the coming into being of co-creation. Seen against the backdrop of Foucault's history of governmentality, it has been shown how several of the components relevant to this made their displaced reappearance in relation to management thought.

On the one hand, Foucault's history of the art of government can be seen as an important chapter in a history of co-creation. The crisis of the disciplinary police regulations associated with reason of state and the eventual transition to a liberal art of government was proposed here as not only an important prehistory pertaining to the coming into being of co-creation, but also as a prism through which it became possible to see how early twentieth century management thought ran into a crisis and reoriented itself as it stumbled upon a range of phenomena not totally unlike those appearing with the transition to a new art of government in the eighteenth century. Of particular importance for this twentieth century transformation was the way in which things outside the organization and outside formalized management thought, emerged as irreducible social realities, which, when handled in a proper way, could be utilized and harnessed to attain management goals. We saw here how management thought responded to these outsides and began devising non-disciplinary, responsive, facilitative, and persuasive modes of management that took these complex, spontaneous, social realities into account and tried to guide them towards certain outcomes.

On the other hand, however, we also saw how the third critique of the engineering- and economics-based managementality marked a crucial displacement in relation to what could be called the complex reappearance of the liberal critique

at the level of the organization. Whereas a non-disciplinary way of managing the event could be traced back to the eighteenth century, Schumpeter's thought brought a whole new conception of the event to the fore, which not only departed significantly from the naturalness with which the economy had been depicted in the eighteenth century, but also from the static, timeless, 'proto-energetic' approach (Mirowski 1989: 63) with which it had come to be depicted in the late nineteenth century. Hence, the imperative was no longer to respond to the event by letting it unfold and cancel itself out, but it was rather to move in the complete opposite direction, that is, of constantly producing events, becoming active, destabilizing, and transgressing the perimeters of the already existing through innovation and entrepreneurship. With this transformation, we saw how value creation began to be rearticulated along completely different lines from those with which it had been depicted within political economy and neoclassical economics.

Following this account, it is possible now to propose that the three analyzed responses, from their very coming into being up until today, have re-surfaced continually as problems to be attended to and further elaborated within management thought. Thus, from Mayo, Roethlisberger and Dickson to contemporary HRM, the distinctly human and its social milieu have continually surfaced as a problem to be taken into account and managed. Likewise, from Bernays to contemporary marketing and public relations, managing something outside has emerged continually as a challenge in relation to guiding consumers and publics towards specific outcomes. Finally, from Schumpeter up until the present, the questions as to what brings about innovation and how it can be facilitated and managed have come up in various shapes. While a range of heterogeneous and significant historical transformations have impacted all of the three trajectories and altered the way in which their respective outsides and realities have been taken up, the crucial point in understanding how co-creation came into being, however, should not be located within either one or the other of these trajectories. Hence, co-creation should not be understood as a phenomenon which comes into being solely in relation to managing the organization, its human capacities, and their social milieus; it should neither exclusively be understood as a marketing phenomenon, which so far seems to have been a predominant tendency (Arvidsson

2006, 2008; Zwick et al. 2008; Böhm and Land 2009; Willmott 2010); and finally, it should not solely be understood as a phenomenon pertaining to discourses on innovation.

Rather, *the three different problematizations accounted for here have entered into ever closer relationships with one another throughout the twentieth century. They have nourished each other, fed into each other, shaped one another, crossbred, and the outcome of this has been a historically established resonance field through which co-creation eventually was born.* Through this resonance field, spanning across disciplines within management thought and running through the problems and solutions these disciplines respectively have encountered in relation to managing their outsides and complex social ‘ecosystems’, co-creation eventually came to appear as a relevant contemporary response to the problem of how value creation should be managed.

With the Human Relations theorists we have already seen how social values and spontaneously formed communal evaluations, dependent upon the outside, emerged as immaterial prisms through which the economic and the technical came to be filtered and assessed, and through which the effectiveness and speed of operations were preconditioned. With Edward Bernays we have furthermore seen how something outside, organized in the street, aligned with social tendencies, formulated in the language of freedom and women’s liberation, and amplified through the press, came into view as a beneficial detour through which it became possible to pass in order to achieve business goals. With Schumpeter we have finally seen how value creation became preconditioned on transgressing the already-existing through an ever more depersonalized and socialized production of events that took into account something outside the economists’ frameworks. Through these critiques, through these interventions of thought, the outside kept appearing as something to be taken into account, as something to be utilized and managed and as something through which value creation increasingly became dependent. Whether described in spatial terms or in temporal terms, whether internalized or left as an external productive reservoir with which one then had to relate, the outside nevertheless kept surfacing as a problem that could not be contained and handled through a managementality informed by engineering-based management thought and neoclassical economic theory.

Today, all of these different connotations of the outside overlay and reinforce one another. When the contemporary question regarding the most adequate way of managing organizations comes to the fore, a prevalent contemporary answer is likely to run along the following lines: Let's utilize the spontaneous processes of our self-organizing, creative employees. Let's put to work their lives and the social networks of which they are a part. Let's utilize their differences. Let's bring them closer to the customers. Let's bring them closer to the outside, because it is on the outside that value is created. It is here, just beyond the border of our too rigid organizations that innovative ideas, thoughts, and future products bubble up from below. Let's tap into this outside. It is out here, in creative user-communities, driven by sentiments and deep-felt beliefs, driven by non-monetary incentives, driven by needs for self-expression and the joy of activity itself, that true creativity and innovation flows. And while we are at it, let's organize our inside as the outside. Let's tear down the pyramids in the name of liberation. Let's bash bureaucracy and promote freedom. Let's introduce self-management as our reigning organizational model. Let's become processual instead of rigid. Let's improvise. Let's deterritorialize. Let's extitutionalize. In short: 'Let's go outside.' Should anyone ask why we do all this, let's throw them an answer that's formulated in a vocabulary that forces even the hard-liners and the skeptics to give in: 'Because it creates value!' The vocabulary of co-creation is exactly *the* vocabulary through which such answers today come together in the most forceful and pointed way.

While somewhat caricatured, but only slightly, such contemporary answers are nourished by the way in which the three analyzed problematizations gradually have come together and reinforced one another. Furthermore the discoveries of these complex realities and outsides, from approximately the early 1920s to the late 1930s, comprise a constantly resurfacing and continually accentuated challenge that studies of organization and management have encountered throughout the twentieth century up until today, not in the sense of a totalizing tendency towards which everything else necessarily has had to adjust, but nevertheless as a significant one that has come forward and influenced the ways in which a range of concerns have come to be expressed.

In this sense, the convergence of the respective problematizations can be seen as running through and informing later developments within organization and

management theory. While this is not the place to fully elaborate how they have come together in all of their complexities throughout the twentieth century, it is nevertheless possible to point to a couple of instances where they begin to converge. For instance, is it not possible to view later developments within Human Relations, associated with such names as Douglas McGregor ([1960] 2006), Abraham Maslow ([1965] 1998), and Rensis Likert (1967), as conditioned upon a particular mixture between the first and the third problematization of the engineering- and economics-based manageriality? Is McGregor's (2006) *The Human Side of Enterprise*, and in particular his "Theory Y", not to be seen as a response to the challenge of bringing together, on the one hand, all the connotations of sociality, community, spontaneity, and participation of the early Human Relations theorists with, on the other hand, the pleasure of activity itself, the creative drive, the ability to transcend the already-existing in a way that creates value, as described by Schumpeter? Was it not the case that such a particular mixture had already been prepared by Schumpeter's writing about the socialization and democratization of leadership and entrepreneurship, by the way in which the increasingly depersonalized entrepreneurial function tended to become folded into the organization and by the way in which it tended to become something every social environment had its own way of fulfilling? Though McGregor's thoughts concerning these matters obviously cannot be reduced to a specific attempt at uniting these themes, the way in which he seeks to solve the problems inherent in hitherto reigning management theory nevertheless operates within a horizon which is clearly shaped by these two problematizations. Thus, when McGregor describes how Theory Y, as opposed to Theory X, is dynamic rather than static, when he conceives of "*imagination, ingenuity, and creativity*" as "*widely, not narrowly, distributed in the population*", and when he states how hitherto reigning management thought, in conjunction with the assumptions of Theory X, has not recognized the "substantial potentialities" inherent in the human resources, he brings together these two responses in a forceful way (*ibid*: 66). Accordingly, the organization and its employees emerge as being permeated with a not yet actualized creativity. To bring this forward, to accelerate value creation, the managers of the organization merely have to shift assumptions from Theory X to Theory Y, and to redesign the

management system in accordance with this latter view. As McGregor pointedly formulates it: “Theory Y is an invitation to innovation” (*ibid.*: 77).

Similarly, is it not possible to view the coming into being of the open systems perspective within management and organization theory as a particular way in which a range of scholars seek to respond to the problem of the outside, as a particular way in which they try to face up to the challenge that the pressure from the outside poses? Are the three problematizations accounted for here not tendencies of central importance through which the “doors and windows of the organization” finally came to be “opened” to the “vital flows and linkages that relate the organization to other systems” (Scott 1981: 120)? Again, though marked and shaped by a range of heterogeneous theoretical trajectories and concerns, it is possible to view the coming into being of theories such as those of Lawrence and Lorsch (1967) and Pfeffer and Salancik (1978), among others, as diverse ways in which the outside has become an increasingly prevalent problem and challenge towards which organization and management thought has sought out new responses. To take just one example, Lawrence and Lorsch’s *Organization and Environment: Managing Differentiation and Integration* (1967) could in this light be viewed as one particular response by way of which the theoretical foundations for the management of organizations sought to move forward by taking the outside into account through paying attention to the different *environments* within which organizations are placed (Lawrence and Lorsch 1967: 3). According to Lawrence and Lorsch, it is imperative to be attentive to the different dynamics characterizing the *development* and *change* inherent within these environments (*ibid.*: 3-4). Thus, the most favorable management of the organization is not something that can be calculated or laid out solely by taking into consideration what the organization does, or by taking into account how the organization is managed. Rather, the most favorable form of management *within* the organization can only be established by considering what goes on *outside* the organization and the key concept guiding this new framing is that of the organization as an *open system* (*ibid.*: 6-7). Accordingly, the organization now only comes into view as an entity to be attended to *through a detour over the environment* within which it is placed, that is, through a detour over the “outside contingencies” which “can then be treated as both constraints and opportunities that influence the internal structure and processes” (*ibid.*: 186).

Finally, and more specifically related to the already existing accounts of the coming into being of co-creation, the discovery of the active and creative consumer within marketing theory in the 1950s and the 1960s (Arvidsson 2006: 41-65, 2008: 327, 331; Zwick et al. 2008: 169-171) should also be seen in conjunction with the critical rearticulations attended to above. While Arvidsson merely brushes off pre-1960 management theory in a much too superficial manner when he reduces it to Taylorism and discipline that had not yet discovered “the productivity of the social” (Arvidsson 2006: 41), his account of post-WWII developments pertaining to the rise of ‘social production’ and ‘customer coproduction’ are nevertheless highly insightful. Besides transformations within the discipline of marketing, “a new activation of civil society” came to the fore as ever more people got involved in “a range of productive consumer practices”, including “mods, hippies, and other visible forms of youth culture”. These productive consumer practices came into existence simultaneously with an “intensification of political activism and new social movements, (...) new forms of New Age spirituality and body practices like yoga, jogging, macrobiotic foods, and a host of alternative lifestyles” (Arvidsson 2008: 327). These trends, in conjunction with a new media environment, the emergence of a service and knowledge economy, and a dramatic “expansion of secondary and university schooling” (*ibid.*: 328), surely constitute important, *later* preconditions for the coming into being of co-creation.

While insightful and full of engaging and relevant material regarding post-WWII developments pertaining to the coming into being of co-creation, nevertheless these accounts (Arvidsson 2006, 2008, 2009, 2010; Zwick et al. 2008; Cova and Dalli 2009; Cova et al. 2011) do not sufficiently appreciate the more encompassing historical trajectories through which co-creation could begin to take on the prevailing contours it has acquired today. This neglect is something that they share with several of those who have followed Deleuze’s (1995a) description of a new form of post- or anti-disciplinary power emerging after WWII (Hardt and Negri 2000, 2004; Fleming and Spicer 2004; Lazzarato 2004; Weiskopf and Loacker 2006; Spicer 2010; Martinez 2010), and several of those who have depicted co-creation as a contemporary phenomenon (e.g. Normann and Ramírez 1993a, 1993b; Prahalad and Ramaswamy 2000, 2003, 2004a, 2004b, 2004c; Vargo and Lusch 2004, 2010; Lusch and Vargo 2006; Berthon et al. 2007; Rowley et al. 2007;

Banks and Humphreys 2008; Bonsu and Darmody 2008; Humphreys and Grayson 2008; Payne et al. 2008; Spoher and Maglio 2008; Vargo et al. 2008; Böhm and Land 2009; Van Dijk and Nieborg 2009; Helm and Jones 2010; Le Ber and Branzei 2010; Ramaswamy and Gouillart 2010a, 2010b; Willmott 2010; Lusch and Webster 2011). All of these accounts do not take into consideration how spontaneously-formed social realities and communally-based social values had already from the 1930s come to pose a problem for management thought to which responses were made. Neither do they take into account how the outside, in the same period, had come into view as a problem and a challenge, as something one had to relate to through non-disciplinary, centrifugal management techniques. Last but not least, they completely neglect how value creation itself, throughout the 1920s and 1930s, began to be conceived as being dependent upon the creative impulse, the pleasure of activity itself, the continuous transgression of the already existing, and the increasingly depersonalized and socialized production of events.

None of the three problematizations of the managementality informed by engineering-based management thought and neoclassical economics that we have attended to in this chapter ought therefore to be brushed off as pre-1960s attempts with which “Taylorist management sought to discipline an unruly labor force into adopting certain pre-programmed forms of behavior” (Arvidsson 2006: 41). Rather, it was exactly here, in the first half of the twentieth century, that a range of highly relevant preconditions for the coming into being of co-creation came to the fore. If we therefore want to inquire into the conditions of co-creation as a particular way in which management and value creation became tied to something outside the organization, it is necessary to describe the historically changing prisms through which management *as well as* value creation have been problematized. By neglecting to attend to the singularity of these deep-seated historical transformations, we inevitably end up producing an account which holds either one or the other, or both, of these historical *variables* as a constant.

Such accounts furthermore face the danger of setting up the rather tedious moral drama of good versus evil, which is then played out as a grand historical battle. Whether formulated as the creative multitude against Empire, or as the decentralized, free, joyous, and truly value-creating social production against exploitative, customer co-production, such distinctions are difficult to uphold as



clear-cut categories when confronted with the historical material. Casting such distinctions within the meta-historical transformations by way of which we have passed allegedly from a disciplinary society to one based on control, from Fordism to post-Fordism, or from modern- to post-modern capitalism, does not aid much in accounting for the coming into being of co-creation either. Rather, the opposite seems to be the case. Instead of facilitating the understanding of the historical processes through which the phenomenon of co-creation could emerge, meta-narratives of this kind tend to obscure it. In doing so, they end up at best with a moralizing account and at worst, an account which not only misrepresents history, but also fails to appreciate the extent to which the agenda promoted as revolutionary, subversive or resistive is already nourished by ‘the enemy’.

One particular noteworthy example which incarnates both of these tendencies is when Hardt and Negri (2004: 331) in their sweeping account embrace innovation as an activity that comes from, or ought to come from, below. They then contrast this with Schumpeter, who allegedly stated that the entrepreneur was a capitalist who brought “workers together in productive cooperation” (*ibid.*). Following from this, Hardt and Negri claim that just “as only the one can decide in politics, we are told, only the one can innovate in economics” (*ibid.*). However, as should be clear from the description presented in this chapter, such a reading not only completely misrepresents Schumpeter’s thought, much worse, it also ends up normatively embracing a depersonalized and socialized innovation process, which Schumpeter had already registered as an empirical transformation in the early twentieth century.

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Whereas Part One accounted for the *formation* of the experience of the outside as a source of value creation, as this was expressed through the components making up the co-creation vocabulary, Part Two has tracked a *genealogy* of this experience by

way of investigating how its constituent parts showed up within a long and wide history pertaining to the government and management of human beings. Hence, throughout Part One and Two it has been shown how an experience of the outside as a source of value creation has been formed, and how the components making up this experience have risen as problems towards which responses have been made – first within a history of governmentality, and afterwards within a related (but nevertheless irreducible) history of managementality. Throughout this double perspective, it is thus possible to account for the birth of a complex experience: *the birth of an experience of the outside as a source of value creation and as an object of management*. It is furthermore possible to do so without presupposing or defending a specific theory of either value creation or management. Instead of defending any such theory, the dissertation has shown the historically changing reflective prisms through which value creation and management have been problematized. Furthermore, it has shown how these historical variables have come together in singular and immanent ways, that is, in ways that do not presuppose an external, ahistorical position through which such a coming together would be possible. Thus, by way of accounting for how conceptions of value creation and management have changed historically in conjunction with one another, it has been shown how an experience of the outside as a source of value creation and an object of management has been born.

In light of this history it becomes possible to revisit the problem drawn forward at the end of Part One, that is, the problem of whether and to what extent the formation of the outside as a source of value creation should be seen as marking the arrival of an irreducible and autonomous mode of value creation that, potentially, challenges the capitalist economy, *or* whether this experience should be seen as inseparably tied to modes of management that reach beyond the borders of the organization and tap into a ‘new hidden abode’ (Böhm and Land 2009)? As we have seen, Hardt and Negri (2000, 2004, 2009), Lazzarato (2004, 2005), and Arvidsson (2008, 2009, 2010) have tended to embrace the first of these positions, whereas Böhm and Land (2009) and Willmott (2010), among others, have tended to embrace the latter position.

In terms of the history charted in Part Two, there is considerable evidence to suggest that the emerging new mode of value creation should indeed be seen as

having come into being in conjunction with changing modes of management. Hence, Hardt and Negri's (2000: 275-276) account of the way in which new social movements in the late 1960s constituted the "*truly creative moment*" which was then co-opted by capitalism and reactive management practices significantly underestimates the extent to which the components making up the co-creation vocabulary were born out of a considerably longer history of problematizations. In particular they overlook how the problematizations of the managementality coming into being with engineering-based management thought and neo-classical economics was criticized and reformulated *within* management thought. When Hardt and Negri (2000: 294), in addition to this, claim that the multitude's biopolitical production "seems to provide the potential for a kind of spontaneous and elementary communism", Böhm and Land's (2009: 7, 14) characterization of this as "entirely fantastic" and "hopelessly utopian" is well targeted.

Nevertheless, while scholars within Critical Management Studies rightly have insisted on viewing the arrival of co-creation in close conjunction with developments within management thought, the historical problematization analysis followed in the dissertation has gone through a different route than that laid out by thinkers coming out of this tradition. Either such thinkers have taken a completely ahistorical approach (such as e.g. Böhm and Land 2009 or Willmott 2010), *or* they have followed Deleuze's (1995a) and the Autonomist Marxists' (Hardt and Negri 2000: 22-30, *ibid.*: 328-332, 1994: 259-260; Hardt 1995; Lazzarato 2004, 2005, 2006) description of the rise of a new form of power and a new mode of management coming into being after World War II (Munro 2000; Fleming and Spicer 2004; Weiskopf and Loacker 2006; Zwick et al. 2008; Spicer 2010; Martinez 2010). Whereas the ahistorical approach cannot necessarily say anything about how co-creation has come into being in conjunction with changing modes of management, the second approach, besides having taken over Deleuze's limited reading of Foucault, has been unable to account for the much longer and wider history through which a non-disciplinary mode of management (that utilizes spontaneously, self-forming processes, that relies upon events, that manages the outside) has come into being.

By way of following this history the dissertation has shown how management thought, in encountering the outside moved beyond and dispensed with its former

preconditions; moved beyond the closed, predictable, and mathematically calculable space of the disciplinary organization; and moved beyond and problematized the managementality informed by engineering-based management thought and neo-classical economics.

In encountering and responding to this outside, however, management thought has also come to rely upon objects that are inherently unstable, hard to specify, and highly difficult to control. It has come to rely upon objects, the blurring contours and inherent dynamisms of which imply that management thought seems incapable of establishing and regaining the authority which its hitherto existing rationality allowed it to establish. In this sense, management thought has encountered exiting new objects that it cannot dispense with, that it has to relate to, but which it nevertheless comes to appear somewhat impotent in relation to. This loss of control and this loss of a direct authority, however, is to be seen simultaneously in conjunction with the fact that management thought begins to concern itself with objects that formerly were beyond its reach. In this sense, the loss of direct control goes hand in hand with a widened sphere of influence, with an attention to processes that formerly were beyond the grasp of management, but which now come to appear as processes that have to be taken into consideration, as processes that can be utilized and nurtured and as processes that provide new detours to be taken to advance value creation. This double tendency - the simultaneous loss of control and the widened sphere of influence - at present seems to culminate in the experience of the outside. While this experience on the one hand has come to appear as something management scholars (critical as well as more mainstream ones) have celebrated, cherished, criticized, and/or worried about, it has on the other hand also induced a reorientation to the very ways in which management thought relates to the organization.

Another important implication seems to be that management thought has not merely become preoccupied with extitutions (Spicer 2010), but that it also has become an extitutionalizing machine itself, a machine that constantly grinds away at hitherto established distinctions between inside and outside, between producer and consumer, between managing and managed. In trying to adapt to the gradually surfacing outsides, management thought has accentuated its preoccupation with these newly discovered realities to such an extent that what at first appeared as a

stimulus to thought, as something management thought could latch on to and relate to, has grown now to such an extent that it threatens to undermine the very point of departure from which these outsides initially were discovered, i.e. the organization as a relatively self-enclosed entity, as a productive unit which was differentiable from the environment within which it was placed. Hence, through the problematizations of the managementality associated with engineering-based management thought and neo-classical economics, through the history by way of which these problematizations have cross-bred and fed into each other, through the coming into being of the co-creation vocabulary, a trajectory has formed that has gradually turned the organization inside out, not in the sense of an empirical fact, but in the sense of an accentuated normative injunction according to which management thought has increasingly called for the necessity of organizations to re-fashion and re-organize themselves, to go outside themselves. While it has been claimed that this development should be viewed in light of the coming into being of an ethical economy (Arvidsson 2008, 2009, 2010), an emerging epoch of biopolitical production (Hardt and Negri 2000, 2004), or something similar that challenges management thought, forces it to adapt, forces it to give up its previous authority, the argument presented here rather indicates that this development should be viewed in light of transformations immanent to a managementality that has been set forth, problematized and rearticulated throughout the twentieth century.

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