

Identity, Transgression & Connection: Capitalism And Sales

An Ironic Lack Of Theory

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Abstract: Management Innovation eXchange (“MIX”) is a think tank funded by McKinsey, Dell, Gartner and others for the purpose of crowd-sourcing ideas for management innovation. Under the MIX umbrella the Harvard Business Review and McKinsey have sponsored a “Long-Term Capitalism Challenge”. Capitalism can be seen in both positive and negative lights, by both champions and detractors. The MIX brief identifies three challenges to the future of capitalism, specifically interpreted here as ethics, patience and alienation. Tackling these problems requires the best possible understanding of capitalism. But missing from most explanations of capitalism is a theory of sales and selling. Sales and selling, as expressions of comparatively free contracting, are unique to capitalism, and distinguish capitalist social organization from Soviet-style state-directed economic relations, feudal/hierarchic economic relations and economic formations defined by force, violence and crime. A theory of selling could start from recent work on narrative, semiotics, discourse theory, rhetoric, systems theory, information theory, microeconomics and more, and work stemming from Ronald Coase's theory of the firm. Such a theory of sales would be directly useful in addressing the three challenges posed by the MIX: ethics, patience and alienation. The question as to why a robust theory of sales is missing from the roster of useful management tools under capitalism is itself a topic worth studying. In 2012 there is no generally accepted theory of sales that engages with the domains listed and that in itself has any explanatory or predictive power. The only writing on sales for academic, management or popular audiences is generally confined to front-line personal sales skills or the mundane details of sales management.



The Audacious MIX Challenge To Repair Capitalism

The idea that capitalism can be "re-invented", a tempting invitation to hubris perhaps, is based on the assumption that a social process is amenable to directed choice. In classical literature, hubris leads to destruction and certainly there is a large chorus forever singing a song of capitalism's demise.

But the question of re-inventing capitalism, in its audacity, is also characteristic of the fundamental genius of capitalism as a social system. Even the champion of communism himself, Karl Marx, welcomed a bourgeoisie-driven capitalist revolution as a way beyond the prison of feudalism and hierarchy. The idea of capitalism, defined by both bourgeois champion and severe critic, is very much about the idea that freely associating human actors can build lives and organizations as they see fit, and that re-invention of social relations is permanent.

An example of one such public initiative to “reinvent capitalism” is sponsored by the *Management Information eXchange* or “MIX”, an online management-oriented “innovation project” led by Professor Gary Hamel, among others. The 2012 MIX Brief for the “Long-Term Capitalism Challenge” is specified to engage with threats to capitalism, particularly in three dimensions: (1) principles or ethics, (2) patience or time horizon, and (3) lastly “the social” or community, which although being today’s buzzword is still a good proxy for the problem of atomization of relationships.

These three challenges, principles, patience and community, are core problems under capitalism because they are derived from capitalism’s inherently revolutionary nature. The three challenges are such because capitalism as social organization explicitly casts aside traditional restraints of ethics, perspective and community. Insofar as traditional ethics, perspective and community were based on injustice, exploitation and rigidity, capitalism is therefore a welcome door to individual freedom and fulfillment.

But despite capitalism’s undoubted benefits, unrestrained capitalism is capitalism’s own worst enemy and is under varying levels of attack from multiple groups. Traditionally-minded societies reject the social atomization which may come with freedom and capitalism. Western middle-classes, middle-classes ostensibly being the foundation of any liberal capitalist democracy, are under increasing pressure and some writers have speculated that western middle-classes may be tempted to authoritarian anti-capitalist solutions. And in “almost-developed nations”, the worst cases of unrestrained development, named “turbo-capitalism” or “savage capitalism”, make easy targets for those who believe capitalism is inherently flawed and unjust.

Can the question posed by the MIX challenge even be answered? The question suggests that voluntaristic acts, according to some winning formula, might provide the ideological and practical basis for “reforming capitalism”. And such a reformed, “greener”, “more friendly” capitalism would meet the challenges listed. Without facetiousness, it would be true to say that under such conditions, the end of history, or at least economic history anyway, would have been reached.

The purpose of this essay, as a response to the MIX *Long-term Capitalism Challenge*, is not to attempt to directly propose a program meeting the requirements of the challenge. Instead, this response asks a question about our understanding of capitalism itself. And perhaps an answer to this question will make the development of any program a little easier.

Free Contract As A Distinguishing Feature Of Capitalism

Capitalism is usually defined in phrases which focus on the stock of capital itself, as in “investment in and ownership of the means of production” etc. It is worthwhile however to consider a focus instead on interrelationships between actors under capitalism. With a focus on interrelationships instead of the stocks of capital themselves, the raw genius and nature of capitalism becomes the subject of our discussion.

What then is the difference between capitalism and other modes of economic organization, especially where interrelationships of actors are concerned? What is the difference which will help us better address the three questions of the MIX challenge?

Capitalism is characterized first of all by free contract. Even the term "free enterprise" does not fully capture the idea that under capitalism, relationships are freer, and can be more freely made and broken, than in any other mode of social organization. And it is this free contract and free association that is the sometimes obscured genius of capitalism.

Let's explore the idea of free contract in more depth. Specifically, free contract requires "sales", typically an activity assayed by professional sales people, but also by many senior executives in any function. It is the act of selling that is the name given to that collection of activities that is required to identify, propose and sign the millions of contracts which daily constitute economic life under capitalism. And it's worth emphasizing how this activity of selling is important and unique, and not merely a clerical function. "Selling" under communism is more of a clerical function; under fascism or feudalism "selling" may be more akin to thuggery. Selling under capitalism is that activity of contract which defines voluntary economic relationships instantiated without violence and under the rule of law.

For these reasons, that selling under capitalism is ubiquitous, important and uniquely distinctive, the profession of sales, and the act of selling, is at the core of the social organization of capitalism. If one accepts this proposition, then it also follows that a failure to understand sales will also undermine any understanding of capitalism itself. We can add that an understanding of sales is thus also important to answering the MIX challenge.

How is it possible to claim that sales is not well understood under capitalism?

The Missing Theory Of Sales

Certainly there are innumerable anecdotal books on the topics of sales, and even books which purport to provide a theory of sales, but a true theory of sales seems to be missing. Apparently there are no "faculties of sales" or "chairs of sales", except of the most pedestrian kinds, in any business schools. The head of one top-ranked business school reportedly considered establishing such as chair, but was warned against it, because to do such a thing would be to sully the reputation of the school.

Let's start with theory. What would a "theory of sales" look like?

Interestingly, many of the components of a "theory of sales" are "ready to hand"; although in what many business executives would find to be the most unlikely of places. This is to say that the ideas of "narrative theory", "semiotics" and "deconstruction of belief systems", found in departments of English and anthropology, are exciting places to begin. Consider that a sales person is a "transgressive actor" who "crosses boundaries" carrying "narratives" and that the ability of the sales actor in "sales performance" will determine their success. "Narrative" and "story telling" are some of the hottest memes in today's high-tech world, but serious research on the power of story has been going on in various faculties for over a decade.

Another important question to be addressed by a new "theory of sales" is the question of "sales governance". Who does the sales person work for? Sales managers are notorious for their cynical attitudes to salesperson's loyalties. When the sales person sallies forth, what is the representation that they make?

A "theory of sales" will also enable an analysis based on systems theory, whereby all the millions of "communicative actions" of millions of sales people result in millions of contractual moments, and which can be usefully studied.

The Urgency Of Studying Sales

It is common enough today for various high-profile bloggers such as Seth Godin to comment on the restructuring of work, and millions of formerly comfortable people in the West have seen their assumptions about economic security undermined. The order of the day seems to be taking personal responsibility for one's future. Of course the retort of the Occupy movement is that personal responsibility for employment isn't helpful when there are enough jobs to go around. To which the libertarian or economist might respond that the market should respond to soak up all the unemployed, etc. etc. Around and around we go, and thus we have a "legitimation crisis in Capitalism" and the need for the MIX challenge.

For comparisons' sake, consider what until very recently was considered by many to be a viable alternative to capitalism, namely communism. The difference between a Soviet-style Gosplan-dictated economy and a capitalistic economy is that under Gosplan (the Soviet state's central planning



organization) every organization was told what to produce, and who to work with. In contrast, under capitalism, conditions of work and relationship are much more freely determined. Market participants constantly scanning markets to identify opportunities for business relationship, and these relationships are specified and managed by cadres of sales people.

While there are capitalistic market failures and restrictive monopolistic and oligopolistic practices, free contract, exercised by sales cadres is a key distinguishing feature of capitalism. But for various reasons which themselves could be the subject of interesting research, this centrality of contract and sales is not typically top of mind when thinking about capitalism.

Sales & The Three MIX Questions

How might an understanding of the centrality of acts of sales to capitalism help us answer the three MIX challenges?

Considering ethics, relations between corporate actors under capitalism are mediated substantially by sales actors and the sales process, even if relations are also supported by legal and product cadres as well. ***The question of ethics and capitalism then is very much informed by a deeper understanding of sales.***

Considering patience and a time horizon, the question is about the difference between short term gains and longer-term value, question which for a better understanding can be reduced to its economic and financial components. But as we have learned from the new "neuro-economics crowd", humans are not usually rational actors, but behave in "predictably irrational" ways. One might have any particular product, service or project which is a rationally superior choice for an individual, organization or society. And under Gosplan, the choice would be dictated (and irrationally so, but Soviet irrationality is different from capitalistic irrationality). **Under capitalism however, the choice must be freely agreed, and that means the choice between short term and long term needs to be sold.** What is science and theory of sales that will help understand the processes of choice and the possibility of "selling the future", under conditions of predictable irrationality? Perhaps the study of rhetoric might be as useful for understanding sales as *Selling to VITO*.

Considering the constant danger under capitalism of atomization of relationships, the sales person is typically held up as the "avatar of anomie", in other words a cynical and alienated type. The so-called "coin-operated" sales person, wandering between boundaries of organizations, without loyalty, can be either the case-in-point for a bleak future, or possibly the happy free agent of which libertarians dream. And in the second case, and insofar as millions of people are now finding themselves turned into free agents, by choice or not, millions of people are now also sales people. **What is it we can say about the sales person and alienation, as new forms of sales governance are discovered?** Is it possible that the self-conception and social perception of the sales person and the profession of sales might change?

Why should the centrality of the sales person under capitalism be obscure? Why should the role of the sales person be sometimes accorded a low status? Is it because capitalism itself has not completely thrown off the shackles of old hierarchies? That the "capitalist revolution" is not complete? The free agent sales person is the "new capitalist person", and counterpart to the unlamented "new Soviet man", but opposite in many ways. Perhaps even the word "capitalism" might be substituted for a term which better captures the centrality of selling under "capitalism".

Ronald Coase, the Nobel Prize-winning economist, is famous for exploring "why corporations exist". And his short answer is "because organizational transaction costs are not zero". Sales theory will find a great basis for development from Coase's work, because the transactions which are the subject of Coase's work are in every case sold by a sales person.

Capitalism defined as free association to work with whoever one pleases to work with, while an ideal, is still in practicality the basis of future freedom and prosperity. How economic organization and human society are in relationship around ethics, time horizon and community will be a contest likely lasting forever. But an understanding of and a valorization of the role of sales as intermediary between organizations is essential.