



# Adam Smith: His continuing relevance for contemporary management thought

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## ABSTRACT

This “Reflections on Europe” marks the end of the tercentenary of Adam Smith’s birth as an opportunity to consider the relevance of his work beyond the epithet of “founding father of Economics.” Recognising the limited attribution his analysis has had thus far – at least explicitly – in modern management commentary, we discuss three themes in his work – labour relations, business ethics, and inequality – that are also germane to contemporary organizational thinking. In exploring how a Smithian lens affords a generative opportunity for advancing insight and debate around European management thought, we invite future scholars and practitioners to further engage with his ideas as a means of understanding business as inextricably economic, social, political, and moral.

## 1. Introduction

This “Reflections on Europe” takes the end of the tercentenary of the birth of Adam Smith, the so-called “father of modern economics,” as the opportunity to reflect on his relevance to contemporary management thought. Few historical thinkers have been name checked by an audience as diverse as Mary Wollstonecraft, Karl Marx, Margaret Thatcher, and Barack Obama, but Adam Smith is one of them. As a key figure of the Scottish Enlightenment, his relevance to a variety of social science disciplines has long been noted. Yet contrary to the above attribution and often painted with the archetype of advocating *laissez faire* capitalism, Smith’s oeuvre and thinking is contextually sensitive, diverse, and keen to avoid a singular or myopic stance.

At a time when Europe faces a series of challenges around partisan and divisive politics, rising inequalities, and continual stress on systems and people due to the undulating complexity of modern business demands, turning back to Smith, born 300 years ago, may feel counter-intuitive. This is even more curious when so many of the “wicked problems” facing European management would have been inconceivable during Smith’s time, such as the environment presenting a limited and threatened resource and the unrelenting advances in technology. Even the way we often interpret political parties as closely connected to broader ideological positions was not part of the landscape during Smith’s time. However, in exploring some of the themes that have continually arisen in the *European Management Journal* and similar outlets, we have been struck repeatedly by how Adam Smith’s ideas suggest ways of renewing debate on pertinent issues in our discipline.

Indeed, what we hope to explore here is how some of our timely challenges in contemporary management thought can draw inspiration from more timeless conundrums Smith considered during his time.

By way of exploring these dimensions, this article takes up three enduring areas of concern in contemporary management thought, considering how Smith’s work operates as an analytical lens that situates them within a broader economic and social context. Our intention here is no less than to recover the richness and plurality of Smith’s writing and invite management scholars and practitioners to engage with Smith for themselves. To begin our conversation on how Smith’s broader oeuvre may help us to consider contemporary management thought, we overview Smith in the context of European thought during his time, outlining some of the key influences on his intellectual biography. Recognising the limited recognition his work has had thus far – at least explicitly – in contemporary management commentary, we then take up three themes in his work – labour relations, business ethics, and inequality – that are also germane to contemporary organizational thinking as a way of exploring how a Smithian lens affords a generative opportunity for advancing insight and debate. We then close with a reflection on how Smith’s own methodological approach may provide inspiration to European management, before outlining future vistas for Smithian dialogue with business scholarship and practice.

## 2. Smith in the European context

To understand Smith as a European thinker, it is valuable to reflect on the context in which his intellectual ideas were developed. He was

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born in 1723 in Kirkcaldy, Scotland and benefited from the early tuition of an innovative schoolmaster named David Miller. At the age of 14, he attended the University of Glasgow. At the time, teaching curricula were not privy to the disciplinary divisions that mark the modern educational system, and his classes would have included Latin, natural philosophy (covering modern sciences and mathematics), and moral philosophy (covering the modern disciplines of ethics, jurisprudence, economics, politics, and sociology). A coveted Snell scholarship took him to Oxford, although his letters back home suggest he was not as well suited to the pedagogical and intellectual environment there at the time (Smith, 1987 [1740]). He then returned to Glasgow in 1751, first as Professor of Logic, and then to the Chair of Moral Philosophy, where he spent 12 years teaching and developing the underpinnings of his two major works, *The Theory of Moral Sentiments* [TMS] (1759) and *An Inquiry into the Nature and Causes of the Wealth of Nations* [WoN] (1776), as well as undertaking a variety of key administrative roles. After taking up a role as a travelling tutor for the Buccleuch family, which took him to France, he became Commissioner of Scottish customs from 1778 until his death, as well as being appointed as rector at the University of Glasgow in 1787 (Ross, 1995).

Smith was exposed to early thinkers of the Scottish Enlightenment, notably his professor, Francis Hutcheson, himself a major contributor to Enlightenment thought. The Scottish Enlightenment refers to an outpouring of scientific and artistic achievement that flourished in the second half of the eighteenth century. Smith was a leading figure in the intellectual clubs and societies that formed the backbone of this group of scholars. The Scottish thinkers were interested in using the European ideas of enlightenment in a Scottish setting. They believed that debate and discussion would lead to the growth of knowledge about the world in a way that would improve the lives of citizens and banish the forces of ignorance and superstition (Herman & Bishop, 2002; Klemme, 2019). Its sustained and rational analysis not only influenced the arts and scientific advancement, but also transformed how ideas surrounding the self, society, and world were conceived. As widely acknowledged by scholars including Berry (2020) and Chitnis (2021), this impact brought about a sea change in how phenomena were analytically approached at both an ontological and an epistemological level. This can be seen in Smith's first major work, *The Theory of Moral Sentiments*, which in many ways is embedded in the intellectual geography of Scotland at the time. Rather than considering philosophy as an abstract enterprise that told people what they should believe, Smith set out to analyse how ordinary people made moral judgments. His point was that if we were to become better people, we first had to understand the experience of making moral decisions. In this respect he was a pioneer of moral and social psychology.

Smith and his fellow thinkers of the Scottish Enlightenment typified the growing concern with behaviour and practice derived from our experiences in the world. At the same time, Smith was by no means parochial, and his exposure to broader European thought is witnessed through his extensive correspondence during his life. In his role as travelling tutor for the Buccleuch family, he spent two years mainly in France, and the influence of thought from the French Enlightenment is clear in his work, most notably through his engagement with French moral philosophers such as Rousseau and social and economic thinkers such as Montesquieu and Turgot (Broadie, 2012; Skinner, 1997). The books that he personally owned also highlight his own engagement with a variety of European thinkers such as Voltaire, Riccoboni, and Pufendorf (Mizuta, 2000). Smith was also interested in descriptions of life in other parts of the world, particularly descriptions of life in China, India, and the Americas. Scholars continue to explore how his voracious reading and intellectual exchange shaped his intellectual biography through paying attention to marginalia found in his extensive personal library (e.g., Smith, 2018).

Smith's context of commerce was also increasingly global. Writing on the cusp of the Industrial Revolution, Smith's empirical analyses is perhaps of its time. While Smith writes in great detail about international trade and the growing impact of commerce and the division of

labour, he was writing before the full development of a truly global and modern economy. One indication of this is his conceptualisation of the benefits of trade in terms of absolute advantage rather than the comparative advantage stressed by those who followed in his wake in the nineteenth century, such as David Ricardo and John Stuart Mill (Hollander, 1979, 1985). Smith's classic example of the gains from trade that come from Scotland not attempting to produce wine, but instead importing wine from France while concentrating on the production of wool in Scotland, show that he was thinking internationally, but also in very material terms. But it also reveals that he understood that the costs involved in producing wine in Scotland meant that international trade was a far more effective way to secure good wine than the investment of capital and labour in developing a domestic industry.

It is from this fertile intellectual landscape that Smith formulates ideas across a wide-ranging group of subjects relevant to philosophy, economics, sociology, political economy, politics, and education. However, in reflecting on his ongoing relevance to the concerns of this journal and its readership, we now turn to the areas of labour relations, business ethics, and inequality to further explore how his work holds relevance to contemporary debates in management thought and practices.

### 3. Labour relations

While most introductory management courses in higher education introduce the idea that labour is divided to maximise efficiency, the discussion is most often associated with Frederick Taylor. However, one of the most systematic and detailed accounts can be found in Smith's second and best-known tome, *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776). Here the "wealth" of a nation is not confined to the idea of holding assets, such as gold, but rather is the ability of a nation to increase or generating value through its actions. The division of labour is central to this thesis, given that economic development relies on increasing productive labour – in this case, through specialisation. Using the example of a pin factory, Smith discusses how separating different elements of production significantly increases the overall number of pins produced, a logic that still underpins the global production of goods.

Smith suggests that this mode of specialisation also has a broader impact. Specialisation within the factory is mirrored by specialisation across society, where we each become experts in a focussed area of work. Central to Smith's discussion are two important preconditions. The first is that there is a stable political system and a fair legal system that protects property. Without this, no one would be willing to specialise, as they would not be certain that they could retain the profits from their labour. The second, which Smith calls a propensity of human nature, is the human disposition to "truck, barter, and exchange" (1776 [1776], I.ii.1, 25). This tendency is present in all human societies, but it only comes to fruition in a society where there is tolerable security that a specialist will be able to trade what they produce for other goods that they need, which are produced by other specialists. Smith points out that the greater the number of potential customers, the more we are encouraged to specialise – a crucial argument in favour of a market of the widest possible extent.

However, while the rudimentary principles of division of labour described by Smith remain remarkably similar within contemporary accounts of labour, Smith's nuanced sociological analyses have been less attended to – often to the detriment of those most vulnerable to its excesses. For Smith, the division of labour cannot be considered in isolation from the broader consequences it produces for those involved. Notably, the siloing of skills and tasks has implications for "intellectual, social, and martial virtues" (1776 [1776], V.i.f.50, 782). While Smith suggests education as an antidote for this, he also speculates that the division of labour is often accompanied by decreasing levels of education, given that the demands of divided tasks can be fulfilled by children. It is partly upon this idea surrounding the relations of production –

notably in Book 1 of *The Wealth of Nations* – that Marx bases his critique of Smith.

But there is also another significant dimension here, in that specialisation as a precondition for the division of labour precludes the capacity for creativity and imagination. These components were also viewed as fundamental to the development and progress of a nation both in Smith's time and within late capitalism, whereby the generative potential for creativity underpins both innovation at a local level and productivity growth as a macro level (Cerne et al., 2022). That the disposition Smith views as vital for the furtherment of an economy is dulled by practices that also aid its development presents a conundrum.

This inherent tension that Smith identified has played out across recent managerial practices. Systems of continuous improvement or high-performance work systems are traditionally located in initiatives that involve workplaces reassembling employees involved in commensurate parts of a workplace system in order to both improve existing systems and empower or enrich employees' experiences. More recently, the ability to order labour in a way that is efficient and yet fosters innovation and imagination is woven into the language of human capital as a means of attempting to quantify such value. This has become a mainstay of debates surrounding talent acquisition and competitive gains in fast-moving, volatile markets (Dakhli & De Clercq, 2004). Smith's empirical assessment of agricultural workers possessing a wider range of skills than industrial workers is of its time: the underlying premise surrounding the "skill and experience" of those in agriculture compared with "mechanick" trades (1976 [1776] I.x.b.8, 119) suggests that workers who have the knowledge to deal with variability and discretion have far more potential to contribute to a productive economy than those who do not. Smith was clearly aware of something akin to what we now call "human capital," as can be seen in his discussion of the impact that skills acquisition has on wages, with occupations that require extensive training and occupation attracting higher wages than more simple manual occupations. But he was also acutely aware that the consequences of this may be inequalities both in outcomes and in the life prospects of workers. Those with the resources to acquire highly specialised skills could expect greater rewards than those trapped in low-education, simplified occupations.

Smith is nothing if not a nuanced analyst, and his awareness of the benefits and drawbacks of the division of labour show that he was in no way one-sided in his understanding. One example of this is that he places his discussion of a commercial society in the context of a historical development. Smith points out that the division of labour has freed ordinary workers from dependence on a particular employer. In feudal society a serf was compelled to work for a particular landowner who could then demand absolute loyalty, including the serf going to war for his lord. Smith was aware that in modern commercial societies the employer no longer had this power, as the employee was free to change occupation rather than submit to such demands. Smith calls this freedom in the modern sense of the term. People become more independent because they now rely upon a wider market of potential customers and employers. For example, labour mobility and urbanisation brought about a transformation in the relations between employers and employees.

That said, Smith was also aware that the "masters" in the new factories would have a very different set of interests from those of their employees and that they would everywhere try to limit the ability of their workers to secure higher wages. While factory owners might achieve this through informal coordination, workers required more disruptive tools to advocate for their interests. The social unrest that attended strike action, Smith argued, reflected that workers were desperate: "They must either starve, or frighten their masters into an immediate compliance with their demands" (1976 [1776] I.viii.13, 85). In this sense, the modern conception of precarity is something that would have been unsurprising to Smith as a likely outcome of the different incentives that held for managers and for workers.

While "free market" economists who have taken their cues from

Smith often depict labour relations as an interaction between two parties (employees and employers), Smith himself includes a third party – the State. Managers are able to defeat workers' efforts to raise wages because they "never cease to call aloud for the assistance of the civil magistrate, and the rigorous execution of those laws which have been enacted with so much severity against the combination of servants, labourers and journeymen" (1976 [1776] I.viii.13: 85). Crucially, for Smith, these laws do not necessarily deliver good government. "No society can be flourishing and happy," he warns, in Book 1 of *The Wealth of Nations*, in which workers do not earn enough to sustain themselves and their families, and so ensure the social reproduction of the labour force upon whom national prosperity depends. This is what Smith called "the liberal reward of labour" (1976 [1776] I, viii, 182), in which the fruits of production are shared by the labourer himself. In this, Smith may find a somewhat unlikely audience in more critical approaches to industrial relations which foreground the role of state regulation and political economic institutions in the labour market.

Smith argues that commercial society is meritocratic in that rewards will reflect effort at all levels. He acknowledges the power imbalance between workers and employers (and landowners) but contends that a prosperous society in which demand for produce is expanding, and where the "bold undertakers" (Smith, 1976a, 1976b [1776] III, iv: 508) are disciplined by competitive pressures, will strengthen the position of workers, as firms have to compete for labour. For Smith, growth drives up wages. In this way, the benefits of commercial society are distributed across all classes. In Book I of *The Wealth of Nations*, Smith states,

The demand for those who live by wages ... naturally increases with the increase of national wealth, and cannot possibly increase without it. (Smith, 1976a, 1976b [1776] I.viii.18, 87)

For Smith, the success of commercial society rests on the bold undertakers, accumulation, the division of labour, parsimony, "security," and competition. Both require justice: "fair" wages, systems that reward the efforts of all of those contributing, as previous commentators have suggested. In this regard, Preiss (2021) contrasts the "winner takes all" society redolent of capitalism in the late twentieth and early twenty-first centuries with Smith's "well-ordered society" – harmonious society – which is founded on justice. Here the notion of "just work" resonates; wages that enable an individual to lead a flourishing and meaningful life.

For a harmonious and opulent society, Smith recognises that wages must be of a level that ensures that the population can "tolerably" acquire the essential provisions of life, and beyond. That said, Smith resists defining this level. Nonetheless, he is aware of the precariousness of his vision. For instance, he is sensitive to the role of the state in ensuring that the intrinsic power advantage of merchants and landowners does not lead to inequalities in income and wealth disruptive of the harmony of the commercial society. He fears that the state may become an instrument for the vested interests of the wealthy and is therefore reluctant to endorse a role for it (Preiss, 2021). Indeed, he fears that wages will be "eaten up" by the powerful. He remarks, "We have no acts of parliament against [merchants] combining to lower the price of work; but many against [workers] combining to raise it" (Smith, 1976a, 1976b [1776] I. viii.12, 84).

Smith is also highly suspicious of firm owners' motives. Notably, he observes that

People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some connivance to raise prices. (Smith, 1976a, 1976b [1776] I.x.c.27, 145)

Elsewhere, he also suggests that

Our merchants ... complain ... of the bad effects of high wages in raising the price ... of their goods ... They say nothing concerning the bad effects of high profits. They are silent with regard to the

pernicious effects of their own gains. (Smith, 1976a, 1976b [1776], I. ix.24, 114)

In circumstances in which the state acts in workers' interests, Smith argues, "when regulation is in favour of the working-man (sic), it is always just and equitable, but it is sometimes otherwise when in favour of the masters (sic)" (Smith, 1976a, 1976b [1776] I.x.c.61, 158). Smith's message is clear, as are the implications for how we view labour relations: employers constitute a powerful class in society, and their pursuit of unbridled self-interest will disadvantage the greater part of society, and hence undermine the commercial society. Of course, Smith's invocation of self-love, which is centred on the self-approval of the socialised individual who balances self-interest with regard (sympathy) for others (Evensky, 2005; Garnett, 2019), is an important counter to the tendency he identifies. Nonetheless, it may not be sufficient in circumstances where this duty is itself undermined by the corrosive effect of sustained power imbalance, which, in Smith's schema leads to injustices. Such principles underlie a concept of justice that is relevant to contemporary concerns around ethics, to which we now turn.

#### 4. Business ethics

Smith's ideas have already made some inroads into contemporary management scholarship beyond a standard namecheck in passing, although some, such as Gonin (2015), have noted the surprising failure to treat his work as central to the traditional canon of business ethics or to debates surrounding ethical practices and processes in and around organizations. However, there have been somewhat isolated calls to pay attention to the sociality inherent in Smith's theory of commerce, where, contra to normative readings, productivity and the pursuit of wealth are constituted in relations, rather than through the pursuit of an atomised, selfish individual. Here scholars have already argued that "Smith's equation of justice as fairness, and the demands of justice itself, create an assimilated and holistic model of commerce," making it impossible to disentangle from economic practice (Bevan and Werhane, 2016: 334). Others have sought to highlight the ethical assumptions of Smith's work through rereading his relations with Marx as a means of considering social order and its role in the labour process (e.g., Neesham & Dibben, 2016).

A prosperous society, through a Smithian lens, centres on the notion of a well-ordered society founded on justice. In both *Theory of Moral Sentiments* and *The Wealth of Nations*, he refers to a "flourishing and happy society" and it is in relation to this that Smith's concern with what we might term a stakeholder approach emerges. In *The Wealth of Nations*, he argues,

Is ... improvement in the circumstances of the lower ranks of the people to be regarded as an advantage or an inconveniency to ... society? The answer seems at first sight abundantly plain. Servants, labourers, and workmen ... make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. (Smith, 1976a, 1976b [1776] I.viii.36, 96, emphasis added)

Smith speaks of a harmonisation of motives under a "beneficent Providence." Here, he alludes to what he considers as the co-operation fostered by markets – the mutual dependency of exchange with "strangers" – and sympathy-based co-operation with the familiar. There is an alignment between economic activity and civil society, in that the former is nested in the latter. Market exchange does not reside in splendid isolation. Rather, economic exchanges necessarily involve a complex welter both pecuniary and nonpecuniary motives. There can be no "pure" market economy founded on selfishness (Garnett, 2019).

We can see this manifest through his analysis of regulatory mechanisms and systems of governance. Interpretations of Smith have centred

around the way his work is underpinned by a system of "natural liberty," that is, that "Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men" (Smith, 1976a, 1976b [1776] IV.ix.51, 687) emphasis added). In other words, Smith developed the view that individuals were better placed than governments to make decisions about how to deploy their labour and capital. His reasoning here is again related to the division of labour. Smith thought that it was obvious that individuals had greater knowledge of their local circumstances than any central authority. Moreover, they also had greater incentives to make careful decisions about how to make use of their limited resources. For Smith, individual frugality and prudence were widespread characteristics of individuals.

Interpretations of this stance underpin the association of Smith's work with minimising regulatory systems or processes, justified by appeal to the "self-correcting" free market. It is not hyperbole to suggest that this has been foundational to ethical practice in and around organizations. For example, we see that the "business case" rationale is often commensurate with neoclassical economic justification, in that equality or advocating for business ethics is a means to influence the preferences of stakeholders, including customers and talent in a competitive labour market. This justification is also called upon when a preference for voluntary codes of conduct or standards is advocated, rather than statutory or legislatively binding mechanisms such as the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (2023), which assume that regulatory intervention will distort and restrict ("perfect") market mechanisms in a way that is economically untenable.

That said, Smith did not believe that economic life existed in a vacuum. As noted above, he was certain that stable government and the rule of law were necessary for a commercial society to develop. He was also aware that the government could act to prevent "masters" conniving to suppress the wages of their workers. More than this, though, Smith was aware that the reckless actions of "projectors" might create systemic threats. One good example of this is his justification of banking regulations (Smith, 1976a, 1976b [1776] II.ii.94: 324). Here Smith is clear that the regulations that he calls for are a violation of the liberty of market actors, but he justifies them precisely on the basis that the reckless pursuit of short-term and excessive profits would threaten the banking system as a whole. As the banking system was necessary to facilitate trade and investment, this could have a fatal impact on a commercial society. As a result, Smith thought it perfectly reasonable to introduce regulations, much in the same way, he suggests, that we have local laws on building standards and the use of fire walls to protect the houses of our neighbours in the event of a fire (Smith, 1976a, 1976b [1776] II.ii.94, 324).

At the same time, Smith's work reminds us that economic behaviour is also enacted within and between social relations. This is particularly poignant given the recent turn towards the ontological dynamics of morality within business ethics commentaries, where debates surrounding aspects such as deviance (Henle, Giacalone, & Jurkiewicz, 2005)), prosocial behaviour (Hannah et al., 2011), and ethical decision making (Garnett, 2019) require an understanding of the self as socially situated. This moral development requires social interactions how this works in the internalised world of peoples' minds. Central to this was what Smith referred to as "passions": a mixture of emotion, psychological disposition, and selfhood/identity. Passions are important, as they are the driver of how we both perceive the world and subsequently respond to it. They are also important cues that a spectator – or person witnessing another – reads from another person in particular contexts in order to enact expressions of sympathy.

Central to Smith's moral ontology is the notion of sympathy, which we might understand as empathy. Sympathy is not about an idea of pity but rather a connective emotion or feeling. In other words, we feel into another organizational stakeholder's experiences through imagining how they might feel in given situations. Here "it is by the imagination

only that we form any conception of what are his sensations” (Smith, 1976a, 1976b [1759] I.i.I, 9). This imagining is an important mediator, as it allows us to feel sympathy even when we do not have direct experience of something ourselves. For example, if someone failed to obtain employment, we can imagine how that might feel, even if we have never had that experienced it ourselves.

This process relies on being in a social context that provides a mirror as to judgements of particular actions and responses to them. Through experience individuals accumulate an arsenal of (i) what is viewed as good and bad behaviour and (ii) what is the right or wrong response to others in each situation and in light of the relationships we have with particular people. Under this guide, business ethics can be considered a dialectical process that forms both character and behaviour, and broader organizational and cultural mores, and is neither the exclusive locus of external ideas nor solely an internal compass, but a socially constituted conscience that is located within us:

It is not the soft power of humanity, it is not that feeble spark of benevolence which Nature has lighted up in the human heart, that is thus capable of counteracting the strongest impulses of self-love. It is a stronger power, a more forcible motive, which exerts itself upon such occasions. It is reason, principle, conscience, the inhabitant of the breast, the man within, the great judge and arbiter of our conduct. (Smith, 1976a, 1976b [1759] III.3.4, 137)

At the same time, Smith’s work is not limited in attention to the ethics of those directly connected to organizational relations, but also carries the potential to consider broader dynamics of inequality, to which we now turn.

## 5. Inequality

Smith was writing at a pivotal time for the transformation of the British Empire. Monopoly corporations, private businesses entrusted with the power to rule whole countries and the exclusive right to trade in certain commodities, rivalled the power of the state. They grew not through the “liberal reward” of free labour, but instead through the armed expropriation of land and the systematic exploitation of enslaved labour. For example, the most powerful of these companies, the East India Company, had recently overseen a catastrophic famine in Bengal and had instigated revolutionary backlash against British rule in North America with its demands for preferential tax treatment.

Against this backdrop, Smith sought to make sense of inequality as in part social, in that slavery may appeal to darker aspects of the human condition that enjoy a “love to domineer” (Smith, 1967 [1776] III.i.10, 388) and the ability to exert power over another, which Smith suggested had been an underlying reason for slave ownership for centuries and which may also play a part in the way power manifests across organizational systems today. However, his views against slavery also rely upon a broader critique of mercantilist systems of the time whereby policies restricted colonial trade in ways that favoured certain parties over others. Through Smith’s critique, we can see that trade and goods where slavery was most concentrated disproportionately benefited from such systems, distorting profits, even when the primary motivation – if we can call it that – of an enslaved person was not to work efficiently but simply to stay alive. For Smith, the constellation of these elements played out through a labour theory of value whereby profits or productivity were skewed through the veneer of economic benefits of slavery when in fact it was more likely down to the use of enslaved people being concentrated in the production of highly profitable goods.

Given recent attention paid to postcolonial critique of management systems, Smith’s critique of colonial corporations provides an essential, but often overlooked, element of his economic theory. In the eighteenth century, “commerce” meant something broader than trade, encompassing economic, cultural, and political exchange across borders, similar to what we mean today by “globalization” (Muthu, 2008). For Smith and his contemporaries, commercial liberty – meaning the

freedom to exchange both goods and ideas with one another as we choose – was a fundamental right. Policies that restricted liberty, such as monopolistic privileges for certain companies, or that relied on coercion, such as securing markets by force or using slave labour, were violations of those rights. Smith argued that since they acquired their economic privileges by legal monopoly and military coercion, and relied on slave and indentured labour, the colonial corporations did not belong in a system of free exchange (Easterly, 2021). While memorialised today as a champion of free markets, Smith saw the existing markets of his day as unfree and unjust, in large part because of their reliance on forced labour.

At the time, abolitionism was not a mainstream view, not even in the “enlightened” philosophical circles in which Smith lived and worked. The first “freedom cases,” in which enslaved people challenged the conditions of their bondage in court, were filed in Scotland in the second half of the eighteenth century, with key precedents set in 1755, 1769, and 1778. Importantly, some of these cases focused on practices of businesses: whether enslaved persons might count as property in insurance claims, for example (e.g., Baksi, 2021). While our popular memory of the campaign to abolish slavery focuses on its legal abolition by the British government, Smith’s analysis has a powerful contemporary resonance: now, as then, most forced labour takes place inside the supply chains of multinational businesses.

Such an idea provides fresh insights into how we might consider challenges facing multinationals whereby forms of exploitation are embedded within complex systems of production. At its most pertinent, modern-day slavery and forced labour have been identified as one of the most significant forms of supply chain contamination whereby “circumstances residing out of the direct control of managers must be seriously considered as holding the potential to affect companies” (cf. Nunes, 2018, p. 583). While Smith’s work does not imagine an international division of labour, his attendance to the broader political economy highlights the need to understand the dynamics of inequality as formed by multiple elements that are complicit in its reproduction, broadening its attendance beyond ideas of workplace discrimination or hostile work environments, for example.

At the same time, Smith’s work provides insights into the lived, phenomenological experience of inequality as simultaneously affective and material, an area that has often proven difficult to conceptualise within the postmodern and discursive turn that has influenced much of European management research in the past 30 years. Here the practical circumstances of inequality lie at the heart of Smith’s thesis. As noted previously, Smith’s conception of wealth is not the store of gold hoarded by a country, but rather the material condition of its people, notably the labouring poor. It is noticeable that when he comes to discuss the advantages of wealth his examples are not the great wealth of successful merchants, but the rising living standards of ordinary people. His example of the labourer’s woollen coat (Smith, 1976a, 1976b [1776] I. i.11, 22) is intended to show the interdependence of the division of labour behind such an ordinary product, but shortly after that he explains how the diffusion of such goods to all members of a commercial society means that the living standard of a labourer in a commercial society is higher than that of a king in an undeveloped country. But as he also observes, “where there is great property there is great inequality” (Smith, 1976a, 1976b [1776] V.i.b.2, 709–10). His point here is that within the commercial society the rising living standard of the least advantaged is directly connected to the inequality in outcomes that secures the rich ever greater wealth. The same system that ensures the improving lives of the poor ensures that the rich will enjoy still higher living standards.

This aspect of his work, however, also exposes challenges to Smith as being in many ways a man of his time. We see little attention to gender dynamics surrounding inequality beyond normative ascriptions to roles within the family, or essentialised dispositions of men and women’s “natures” (Clark, 2013; Kuiper, 2006; Harper, 2013). Smith’s references are at best gender-blind and at worst reproduce the patriarchy of the

time, even though there is evidence of intellectual exchange about his work with women he encountered during his life, including during his visit to France and a letter in his correspondence noting feedback on his manuscripts from Lady Frances Scott (Smith, 1987 [1783]). That said, we can suggest that his attention to the dynamics of inequality feels particularly pertinent at a time when the economic landscape is seeking to demand how organizations respond to the cost-of-living crisis, the decline of wages, and in-work poverty where “employees in in-work poverty not only receive poverty-levels of pay, they experience re-occurring poor employment conditions and prospects” (Richards & Sang, 2021, p. 2204).

Yet Smith also recognises poverty as holding an affective quality that “places him [an individual] out of the sight of mankind, or, that if they take any notice of him, they have, however, scarce any fellow-feeling with the misery and distress which he suffers” (Smith, 1976a, 1976b [1759] I.iii.2, 51). In other words, poverty presents a challenge to organizations in the sense that it not only occludes itself due to the shame attached to it, but as a phenomenon presents specific challenges to how we seek to connect with others within a sympathetic relation, evidenced today through contemporaneous accounts of the moral economy of poverty and marginalisation of the voices of those facing economic insecurity within the population. Here Smith’s acknowledgement of the lack of recognition of the poor within broader economic discourses surrounding, for example, austerity carries particular purchase on marginalising a concept of wealth where “Undermining support for the vulnerable is thus one means of embedding a particular kind of economy, which also entails a change in the balance of power between workers and employers, and a worsening of terms and conditions at the lower end of the employment spectrum” (Morris, 2016: 102).

## 6. Concluding reflections: where might Adam Smith take European management thought?

What then are we to make of Smith’s thinking in the context of mature capitalism dominated by large transnational corporations and at a time in inequalities of income and wealth have been growing for the past three or four decades (Piketty, 2014; Stiglitz, 2016). There is also evidence to suggest that greater inequality is associated with a range of social ills, such as higher levels of incarceration, morbidity rates, and mental health issues (Wilkinson & Pickett, 2010, 2019). For many, Smith’s idea of a “flourishing and happy society” seems distant. However, it does perhaps serve as a provocation as to the assumptions we made about the parameters of what the economy and work within it should be. For Smith, the economy is more than the simple generation of material wealth (important though that is); it is embedded in a broader society. On this, he does not refer to a “market economy” in the way that mainstream economists assume, but to a “commercial society” (Garnett, 2019). This was instilled by values that corrected the potential harms of selfishness and greed. Indeed, Smith alluded to “general rules of conduct” that guide what is “fit and proper” behaviour in particular situations. Greed is not part of this. In *Theory of the Moral Sentiments*, he goes further in arguing that the admiration of great wealth and the disparagement of the indigent corrupts our moral sentiments and potentially undermines the “harmony” of a commercial society (Smith, 1976a, 1976b [1759] I.iii.i, 61). There is extensive evidence that Smith believed that the commercial society would especially benefit the poor materially.

The question remains of what Smith might have thought of European management thought today. From our personal insights in working with Smith (the man and his ideas) for some time, we may suggest that he would appreciate the diversity of thought surrounding how best to balance profit and motive, or productivity and character, although perhaps be disappointed that we were not as far forward in addressing this as we should be. But he also might heed a caution as to the ways in which an increasing homogeneity of organizational systems or economic reasoning has spread across much of the European world, and in doing

so has increasingly segregated economic strategies from the context in which work, labour, and commerce are executed – from the material and social conditions under which they take place. There is some irony that the name “Adam Smith,” often associated with limiting management to solely its economic potentialities, has in reality presented us with a thesis that argues for the consideration of markets as inextricable socially and contextually embedded systems. Smith’s work calls on management scholars to turn towards embracing the complexity of interdependent forces within the contemporary context, being sensitive to how structural, political economic, and market dynamics coalesce with the ontological character of the self in society.

Smith’s critique of the power of monopoly corporations is another aspect of his thought that remains radical for contemporary European management thought. While contemporary critiques of monopoly often focus on the way it perverts the efficient functioning of markets, artificially raising prices or depriving consumers of choice, Smith has a different complaint. Companies that become too big to fail, he warns, also become too big to regulate. For Smith, chartered monopolies captured the power of their home states to secure preferential treatment, and in doing so, undermined the state’s position as a neutral arbiter in the market. As a result of such capture, “the whole system of [British] industry and commerce has thereby been rendered less secure; the whole state of her body politic less healthful than it otherwise would have been” (Smith, 1976a, 1976b [1776] IV. vii.c.25, 598). The consequences of corporate capture of the state for the body politic and for democracy remain highly relevant in an era when there is growing concern over the way Big Tech corporations may shape the outcome of elections and negotiate for regulatory perks with government officials, particularly where there are attempts to shut out scrutiny, such as the use of nondisclosure agreements during the process.

In this regard, we would also suggest that it is not only paying attention to particular topics such as labour relations, ethics, and inequality that highlights the fertility of Smith’s thinking in renewing our understanding of current economic and management challenges. The Smithian approach to markets and morality as mutually constituted also generates new insights through his approach to analysis – his methodology of thought, if you will – as a way to understand the commercial processes that sit at the heart of much contemporary management thought. We would argue that this provides opportunities for leaders and managers to turn a critical eye to contemporary dynamics and their place within them. Smith’s emphasis on undertaking historical analysis not in and of itself, but as a conduit to explore the present, provides an infrastructure for how managers – in the face of seemingly intractable challenges and complex economic landscapes – recognise economic dynamics as embedded in patterns and behaviour over time. Central to this approach is paying attention not only to the concept of knowledge as continually evolving, but also to the disposition to order and make sense of the world as a profoundly human endeavour. For us, this is Smith’s most important intellectual gift. Cutting across Smith’s analyses is recognition that both commercial and social processes seek to “lay open the concealed connections that unify the various appearances of nature” (Smith, 1982 [1795], 51) in ways that show business as inextricably economic, social, political, and moral, an ambition that is just as relevant to management scholars and practitioners today as it was 300 years ago.

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