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Virtue as Competence in the Entrepreneurial Society

Nils Karlson*

Elina Fergin**

* nilskarlsson@ratio.se The Ratio Institute, P.O. Box 3203, SE-103 64 Stockholm, Sweden

** elinafergin@gmail.com The Ratio Institute, P.O. Box 3203, SE-103 64 Stockholm, Sweden



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Elina Fergin

Abstract

This paper analyses the relationship between competence and virtue. We argue that virtues should be regarded as a kind of competencies, which are essential in an entrepreneurial society, both for individual development and for the sustainability of such a society. Such competencies, or virtues, are essential not only for entrepreneurial success, but they may also be regarded as the informal norms, the rules of fair conduct, necessary to uphold an open market system. Moreover, to a certain degree virtues are learnt through the practice of entrepreneurship. Due to their importance, though, this may not be enough. Formal education should be complemented with situated learning, reflection and dialogue on moral and ethical issues, particularly in the context of management and entrepreneurial praxis.

Keywords: entrepreneurship, competence, skills, business ethics, education

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¹ The Ratio Institute, P.O. Box 5095, SE-102 42 Stockholm, Sweden; E-mail: nils.karlson@ratio.se

Introduction

What is the role of virtues in an entrepreneurial market society? In this paper we argue that virtues should be regarded as a kind of competencies, which are essential in an entrepreneurial society, both for individual development and for the sustainability of such a society. To be competent, to have the general ability to satisfactorily complete specific tasks in concrete circumstances, includes having human qualities, a stable character, and commitment to “goodness”, that is, being virtuous.

As we will see, the concepts of competence, skill and virtue overlap in important ways. Formal education and scientific knowledge, as well as the development of practical skills, should therefore be complemented with situated learning, reflection and dialogue on moral and ethical issues, in particular in the context of management and entrepreneurial praxis, which may be regarded as a ‘school in virtues’.

It has famously been argued by MacIntyre (1981) that, due to the lack of community, shared values and common traditions of today’s market-oriented world; the development of virtue is threatened. He explicitly criticises firm management, which, according to him, is not a practice where virtues can be developed, as it does not contribute to the human good. Management, in the MacIntyrean view, is a manifest of today’s moral vacuum, without any mutual values or goals (see, e.g., Balstad-Brewer, 1997; Dawson and Bartholomew, 2003).

We think that he is wrong. Virtues that promote and sustain an entrepreneurial and open society, where commerce, competition, creativity, pluralism and dynamism are commonplace, are both possible and desirable. Following McCloskey (2006), who argues that there is a set of bourgeois virtues that indeed are fundamental to the development of our modern world, the questions we want to pose are: how virtues are related to competence, how they are acquired and what role virtues may have in an entrepreneurial society.

First, we will briefly discuss the characteristics of an entrepreneurial society. Next, we will thoroughly investigate the concepts of competence and virtue respectively, and how they may be acquired. Thereafter, we will discuss the linkages between the concepts. In the last section, we will synthesize the analysis, and discuss virtues as competencies in the entrepreneurial society and the acquisition of entrepreneurial virtues. To the best of our knowledge, there is no explicit literature on the relation between competence and virtue, and the discussion of the concepts is in itself an important contribution to the literature.

The entrepreneurial society

According to Audretsch (2007), the entrepreneurial society was born in the anti-establishment revolution in 1960s America. People revolted against being cogs in a machine and demanded individual freedom and room for creativity. Audretsch argues that this development sparked the growth of companies such as Apple, Microsoft and Starbucks, pioneers in an entrepreneurial trend that was to grow stronger and stronger. Interestingly, Audretsch claims that the revolution of the 1960s was predominantly about the search for a meaningful life; suddenly young people wanted to be passionate about their jobs. They wanted a job that could be a means to self-development, not only a source of material income (Audretsch, 2007, p. 5). As we will see, such a perspective fits well into a framework of virtues.

However, it should be clarified that entrepreneurial societies are not recent phenomena. In fact, all liberal, open and commercial societies possess the characteristics described by Audretsch, as recognized by Smith, Montesquieu, Marshall, Hirshleifer, Hayek and many others. Commerce, they argue, has not only fostered human flourishing, but has also softened and civilized the customs and manners of mankind. As McCloskey (2006, p. 3) puts it: ‘we have been and can be virtuous and commercial, liberal and capitalist, democratic and rich, all these’.

The entrepreneurial society in our interpretation is, however, not a society where everyone needs to be an entrepreneur. Rather, it can be compared to ideas articulated by, for instance, Hayek (1960) and Popper (1966), with regard to the ‘Great’ and the ‘Open’ society respectively, where values such as individual liberty, pluralism, responsibility, creativity and self-authorship are held high, and with an institutional structure that supports limited government, the rule of law, the market economy and democracy; this is contrasted with a centrally-planned or politicized society. In the ‘Great’ or the ‘Open’ society, commerce, competition, creativity, pluralism and dynamism are commonplace.

In order to investigate the role that virtues may play in such a society, we shall first discuss what kinds of competencies that are needed in a society like the one described above, and how they can be acquired.

Competence and how it is acquired

In European and American societies, which should be regarded largely as entrepreneurial, there is a growing mismatch between the demand and supply of the labour markets. People,

often young, are without jobs, and the enterprises are unsuccessful in seeking qualified candidates for hire, despite huge expansions of the educational systems. Many of those who look for jobs are *over-educated but under-skilled*. The effects are negative for the individuals, for the enterprises and for society at large.

As a consequence of this seeming paradox, the concept of *competence* has emerged with renewed vigour on the global policy agenda. The OECD, as well as the European Union and many individual governments, are trying to rethink the role of education in society. However, despite being frequently used, the competence concept lacks a clear definition. This is a problem, as it is clearly problematic for policymakers to form policies around a vague concept. What is competence, then? In brief, most definitions of competence state that competence is not only about specific skills, but rather about a whole set of abilities that can be applied in a wide range of situations.

If we begin by entering ‘competence’ in the Cambridge Online Dictionary, it simply says: ‘the ability to do something well’. The word ‘skill’, on the other hand, is defined as: ‘an ability to do an activity or a job well, especially because you have practiced it’ (www.dictionary.cambridge.org, 11 March, 2013). According to the dictionary explanations, competence thus seems to be mainly about performing a task or a job well. It also seems to be closely related to the definition of skill.

Suggestions of how competence should be defined can be found in various fields of academia. In psychology, competence is an important concept. One of the oldest definitions we found was formulated by White (1959) in an article about learning and ambition. White defines competence as an organism’s capacity to interact effectively with its environment. White thus presents a kind of biological approach to competence, which an individual develops to interact with others. Moreover, within psychology, competence is often used as a measure of abilities and capabilities, especially among children and teenagers (Harter, 1982).

Bartram (2005) defines competence as ‘sets of behaviors that are instrumental in the delivery of desired results or outcomes’, which is a rather mechanical view of competence as a means to a given end. Bartram distinguishes eight dimensions of competencies, ‘The Great Eight Competencies’, which he relates to the Big Five personality dimensions. Bartram’s eight competencies range from leading abilities to creative skills. When regressed towards the Big Five, significant correlations are found.

McClelland (1973) argues, in an article about the tests used to assess competence for universities and jobs in the US, that competence cannot be restricted to the ability to think logically and possess a certain vocabulary. Rather a wider set of competencies was of interest. A similar description is

given by Lundberg (1972). This dilemma is also addressed by Epstein and Hundert (2002) who, in a study of medicine staff, find that, for example, doctors are only evaluated based on formal competencies, although, to become a good doctor, 'soft' competencies, such as empathy and patience, are at least as important as formal skills. Leach (2002) discusses the same subject, and writes that medicine students are seldom prepared for the complexity that will face them in their working lives.

Rychen and Salganik (2003) discuss the difference between 'skills' and 'competence', based on various reports launched by the OECD. The concepts are often used interchangeably, but the authors argue that there is a difference; competence is a holistic, irreducible concept that is made up of a wide range of skills. Skills, in turn, can be divided into different parts, depending on the contexts and levels of complexity. In a similar way, Hager and Beckett (1995) define competence as essentially a relation between abilities or capabilities of people and the satisfactory completion of appropriate tasks. The authors argue that the concept must be understood as an integrated whole that comprises attributes as well as task-specific skills, and an ability to adapt to different situations. Similar definitions are used in reports from the Swedish Government (see, e.g., SOU 1991:56; SOU 1998:77). Note that these definitions acknowledge that competence not necessarily is about expertise, but rather about completing tasks 'good enough'.

Illeris (2013) also suggests that competence consists of holistic rationally and emotionally anchored capacities, dispositions and potentials that are related to potential areas of action and are realised through judgments, decisions and actions connected to known as well as unknown situations. Illeris' interpretation of competence applies not only to formal qualifications, but rather, to a whole range of cognitive and non-cognitive capacities. To illustrate this view, Illeris presents a 'competence flower', where the stem is the individuals' initial dispositions and potentials, which constitute the basis for competence development. The centre of the flower is made up of the core element of competence, which is defined as the ability to act in accordance with the requirements of a specific situation. The flower's inner circle of petals consists of the everyday understanding of competence, which includes e.g. formal knowledge, specific abilities and skills. The outer circle of petals represents an 'extended notion' of competence, which includes creativity, fantasy, flexibility, empathy, intuition, a critical stance and resistance.

Within management literature, there is a broad discussion of competence; however, this is often on an organisational level (see, e.g., Prahalad and Hamel, 1990; Lado and Wilson, 1994), for example, around the competence-based view of the firm (see, e.g., Freiling et al, 2007; Foss and Ishikawa, 2006). This perspective emphasises the within-company competencies as key factors in the

competitiveness of the firm. Table 1 (below) summarises the different definitions of competence cited above.¹

Table 1. Summary of definitions of ‘competence’

Author	Definition/description of ‘competence’
Cambridge Dictionaries Online	‘the ability to do something well’
White (1959)	‘an organism’s capacity to interact effectively with its environment’
McClelland (1973)	Competence cannot be restricted to the ability to think logically and possess a certain vocabulary
Hager and Beckett (1995)	‘a relation between abilities or capabilities of people and the satisfactory completion of appropriate tasks’
Rychen and Salganik (2003)	a holistic, irreducible concept that is made up of a wide range of skills
Bartram (2005)	‘sets of behaviours that are instrumental in the delivery of desired results or outcomes’
Illeris (2013)	‘consists of holistic rationally and emotionally anchored capacities, dispositions and potentials that are related to potential areas of action and are realised through judgments, decisions and actions connected to known as well as unknown situations’

From the definitions above, we can conclude that competence is a broad notion that comprises more than formal skills. It also involves the capacity to adapt these skills to different circumstances, which can be understood as having a sense of what is appropriate for the specific situation. Moreover, it should be clear that competence is a combination of as a set of specific skills and general abilities that enable the individual to handle and adapt to diverse practical situations. Some abilities may thus be more applicable in a general sense, or generic. Following the definitions

above, we chose preliminarily to define competence as ‘a general acquired ability to satisfactorily complete specific tasks in concrete circumstances’.

Such ability requires not only different skills, but also cognitive as well as judgemental abilities of more generic kinds. With this definition in mind, we move on to discuss the relationship between competence and different forms of knowledge, and how competence may be acquired.

Forms of knowledge and competence acquisition

An important point largely missing in the literature is that different dimensions of competence can be related to different types of knowledge. Following Aristotle, we shall distinguish between three categories of knowledge: i) episteme – scientific knowledge, ii) techne – practical knowledge and iii) phronesis – practical wisdom. Based on our definition of competence above, we shall argue that being competent requires a balanced combination of the three knowledge categories, which are acquired in different ways.

Episteme is scientific knowledge, analytical as well as empirical, and is, per definition, universal, general and objective. Episteme is what we can know about the world, our cognition of true and observable facts, as opposed to having an opinion (Gustavsson, 2000). Episteme is learned through formal education and discussion; it is the kind of knowledge that can be transmitted from person to person.

Techne is practical knowledge, technical skills or ‘know-how’. There has been a vigorous debate among education philosophers concerning the definition of techne and the relationship between reflection and action, theory and practice. Most would probably argue, that techne is the product of active reflection upon practical experiences. Practical knowledge also involves so-called ‘tacit knowledge’. Polanyi (1966) defined tacit knowledge as that which we know but cannot tell, for example, how to ride a bicycle or to swim. The opposite of tacit knowledge is explicit knowledge, which is knowledge that can be observed and defined, while tacit knowledge is knowledge that cannot be expressed (Baumard, 2010). Techne is thus the result of a combination of tacit and explicit knowledge, and its tacit parts are naturally difficult to transmit through formal education. The possession of techne calls for theoretical foundations as well as, and most importantly, active individual practice.

Phronesis is also a form of practical knowledge, but with a distinct moral and ethical dimension. Aristotle defined phronesis as the ultimate virtue, a superior moral dimension of knowledge. Phronesis may be translated as ‘practical wisdom’² or ‘good judgement’. In Ancient Greece, phronesis was the kind of wisdom that the city rulers and decision-makers needed to have, and

which was connected to their special responsibility for building a viable society. Phronesis can be understood as virtue in practice, and thus builds a bridge, as we shall see, between competence, knowledge and virtues. According to Aristotle, the development of virtue is a result of empirical experiences. Even though phronesis is an intellectual virtue, it improves through practical experience. If repeatedly exposed to moral dilemmas and complex decisions, one's ability to interpret situations and make appropriate decisions will increase. Table 2 (below) summarises and suggests how the three knowledge categories can be linked to skills and abilities, as well as to the acquisition of such.

Table 2. Summary: Forms of knowledge and ways of acquisition

	<i>Episteme</i>	<i>Techne</i>	<i>Phronesis</i>
<i>Definition</i>	Scientific knowledge, theoretical and empirical	Practical knowledge, skills	Practical wisdom, good judgement
<i>Scope</i>	General and specific	General and specific	General and specific
<i>Type of knowledge</i>	Verifiable knowledge	Practical and tacit knowledge	Practical knowledge, virtues, moral dimension
<i>Method of acquisition</i>	Traditional, formal education	Practical experience, situated learning; reflection and dialogue on experiences, cases and theory	Practical experience, situated learning; reflection and dialogue on experiences and cases from ethical perspective; commitment to goodness

For both *techne* and *phronesis*, reflections on experiences play a central role. This is supported by the more general literature on education and learning (see, e.g., Dewey, 1933; Schön, 1983; van Manen, 1933; Kolb and Kolb, 2005). To reflect upon one's own progression, as well as in dialogue with others, is regarded as a crucial part of learning new skills and abilities, and subsequently, of

attaining competence. Learning also involves a contextual dimension. Jean Lave coined the expression ‘situated learning’ in 1991, which has been influential in the education debate, especially in defending apprenticeship programs and internships. Lave meant that learning is context-contingent and that knowledge is tied to the community where it is practiced (Gustavsson, 2000). The importance of context is also emphasised by several authors, including Sandberg (2000) and Orlikowski (2002).

Another way to explain how to acquire the ability to satisfactorily complete specific tasks in concrete circumstances, and thence to become competent, is the well-known model of skill acquisition presented by Dreyfus and Dreyfus (1986), where becoming an expert involves integrating one’s skills and knowledge (in a particular area) into one’s own behaviour. The model displays five stages in the mastering of a skill:

1) novice → 2) advanced beginner → 3) competent → 4) proficient → 5) expert

In the novice stage, the individual is guided mainly by external instructions and rules in his or her decision-making. In accordance with one’s advancing in skill, decision-making becomes more and more inspired by experience, self-chosen strategies and intuition. In the expert (and final) stage, decisions are made on the basis of pure intuition. The skill or know-how has by then become incorporated in the individual’s behavior, and forms a part of the expert’s tacit knowledge. Note here that to be competent is not to be an expert, but rather, to be able to satisfactorily complete the task in question.

Dreyfus’ model is a good illustration of how competence requires a combination of episteme, techne and phronesis. We will thus refine our definition of competence as: ‘an acquired ability to combine scientific, practical and judgemental knowledge to satisfactorily complete specific tasks in concrete circumstances’.

Virtues and how they are acquired

Virtue is a much older concept than competence and could hardly be said to be a buzzword. However, in the academic world, there has been something of a revival of the virtue discourse. There are a plethora of virtue definitions that nevertheless share some common characteristics. In most approaches, virtue is about living a ‘good’ life to endorse self-development and to promote a prosperous society.

There are many suggestions regarding which traits are virtues. In the Classical tradition, four ‘cardinal virtues’ are emphasised: prudence, temperance, courage and justice. There are also three oft-mentioned ‘theological virtues’: faith, love and hope. In addition, there are numerous other suggestions of ‘virtue lists’, which include a wide range of traits and characteristics.

[Historical interpretations of the concept of virtue](#)

Virtue was a central concept in Ancient Greek philosophy and also in Medieval Christian thinking. To Plato, Aristotle and the Stoics, to put it simply, virtues were human characteristics necessary for human fulfillment and flourishing, or eudaimonia in the Greek language. Probably the most famous approach to classical virtue ethics is the Aristotelian one. Phronesis was given a special place in his highly-developed virtue ethics. Phronesis, or practical wisdom, can be understood as the primary intellectual virtue. According to Hursthouse (2000), phronesis is a virtue that appeals to the calculative part of the intellect. A person who has phronesis has the capacity to choose the right actions in the right circumstances. Accordingly, it can be said that phronesis acts as a catalyst for the other virtues. A famous interpretation of the Aristotelian definition of virtue is that a virtue is the ‘golden mean’ between two vices (Gustavsson, 2000). This is at least the case for the character virtues, such as courage, which can thus be defined as the golden mean between cowardice and foolhardiness. For the intellectual virtues, such as phronesis, the golden mean might not be as useful. The so-called ‘unity of the virtues’ is also important in the classical tradition. This implies that it is impossible to have only one virtue; either you have virtue (i.e., all virtues) or you do not.

The role and function of the concept of virtue, however, have changed over history. During the Middle Ages, the classical virtue tradition was kept alive by the scholastics, in particular St Thomas Aquinas, who struggled to merge Aristotelian philosophy with the message of the Bible. Some authors argue that the most important change in the discourse on virtue occurred during the 17th and 18th centuries. At that time, the Enlightenment had paved the way for a modernised perception of virtue (Macaulay and Lawton, 2006; MacIntyre, 1981), or at least, the virtue concept became more embedded in political philosophy.

The classical account of the virtues is focused on reaching the ‘good’ life, hence implying that there is an objective definition of ‘good’. This universal concept of goodness was questioned by the political philosophers that dominated the Enlightenment. Political philosophy was more concerned with ‘rights’ than with ‘good’, which also affected the interpretation of virtue. The virtues were understood in terms of cornerstones of a social contract and came to be viewed more in terms of utility and the common good. Hence, virtuous action became equivalent to doing what was good for

society as a whole, and was also often associated with ‘values’ such as patriotism (Macaulay and Lawton, 2006; Lindberg-Cronstedt and Stenqvist, 2010). Moreover, Hume and Smith (among others) also made a distinction between public and private virtues. This was not as prominent in the classical tradition, where these spheres were more interrelated (Macaulay and Lawton, 2006).

During the 19th century, virtue ethics experienced a downturn. However, during the late 20th century, there was an upsurge of interest in virtues. There may be several explanations for this, for instance, the post-modern rejection of the grand narratives to focus on the individual, and the globalisation debate with its calls for human rights and universal values.

Modern definitions of virtue

Over the last decades, we have seen a kind of revival of the virtue concept within academia. Below, some modern definitions of virtue are listed. Of course, these definitions rely heavily on the classical virtue account, but they also include more recent elements, such as practices and skills.

MacIntyre defines virtue as: ‘An acquired human quality the possession and exercise of which tend to enable us to achieve those goods which are internal to practices and the lack of which effectively prevents us from achieving any such goods’ (MacIntyre, 1981, p. 91). Virtue in MacIntyre’s definition is something that strengthens excellence in a practice, which in turn is something that contributes to the human good. What ‘human good’ is depends, according to MacIntyre, on the traditions and narratives that shape the particular time.

A slightly more vague definition is posed by McCloskey (2006). She defines virtue as ‘a habit of the heart, a stable disposition, a settled state of character, a durable educated characteristic of someone to exercise her will to be good. The definition would be circular if “good” just meant the same thing as “virtuous”. But it’s more complicated than that. [...] A virtue is at the linguistic level something about which you can coherently say “you should practice X”’ (McCloskey, 2006, p. 64).

The ethicist Robert C. Solomon (1999) defines virtue as ‘a value embodied and built into action’ (Solomon, 1999, p. 63). Moreover, Solomon writes that virtue is the conceptual linkage between the individual and the society. Here, Solomon makes a very important point that appeals to the view advocated by MacIntyre, namely, that virtue is closely linked to a particular social context.

Annas, who has written extensively on the subjects of virtue and skills, defines virtue as ‘a lasting feature of a person, a tendency for the person to be in a certain way’ (Annas, 2011). She also states that virtue is a deep, central trait in a person, and suggests that virtue is what brings an individual closer to the ‘life lived well’, the eudaimonic happiness, to use the Greek terminology. This

happiness is not about desire or pleasure, but rather, about living a flourishing and meaningful life. Annas distinguishes between ‘the circumstances of a life’ and ‘living a life’, suggesting that virtue is about learning to use most of the circumstances and traits that are given to us. Annas does not presume that there is something like one ‘good’ life. Rather, the ‘good’ life may have different meanings for different people. What is essential, though, is the drive to aspire.

According to Annas, what discerns a virtue from a character trait in general is that virtue necessarily includes a ‘commitment to goodness’. She illustrates this by criticising Hume’s definition of virtue as a disposition that is useful and agreeable to others (Annas, 2002, p. 105). Hume continues by describing a character called Cleanthes, the ‘perfect son-in-law’, as a virtuous person. Cleanthes is an ambitious and educated lawyer and businessman. He is good-spirited, fair and humble, intelligent, gallant and witty. However, Annas remarks that we cannot know whether Cleanthes is virtuous or not, as we do not know if he is committed to goodness. We actually cannot deduct any profound knowledge of Cleanthes’ character based on the traits mentioned above. For example, Cleanthes might be an exemplary businessman, but at the same time a dishonest friend and an ignorant father (Annas, 2002, p. 106 ff).

Building on the definitions above, we shall define virtue as:

‘An acquired human quality forming a stable character of a person, with a commitment to “goodness”’.

What should be meant by ‘goodness’ is related to having a telos, a question we will now turn to.

[The role of the telos](#)

The virtues in Ancient Greece and in medieval society had an important social and political dimension; being virtuous was incorporated into being a good citizen and knowing your particular role in the polis (Cronberg-Lindstedt and Stenqvist, 2010; MacIntyre, 1981). According to MacIntyre (1981), virtue is always developed within a given community and context. Hence, to understand the meaning of virtue requires an understanding of the particular history and tradition of the relevant context. As has already been mentioned, MacIntyre argued that the Enlightenment marked the beginning of the end of virtue ethics. The shared telos, based in history and tradition, disappeared in the search for a rational-secular ground for morality, and hence the baseline for ‘good’ and ‘bad’ was lost. In the individualistic modern society of today, according to MacIntyre, we have neither a shared telos nor defining contexts, and consequently there is no place for the virtues.

MacIntyre directs sharp critique towards the capitalistic, individualistic system, most poignantly through his disqualification of the manager. The manager in MacIntyre's world is not only an actual manager, but also a symbol for the individualistic society with its belief in control and organisation. MacIntyre means that management, or his perception of the modern society, lacks a telos. Hence, we are striving towards an undefined goal and will never be capable of moral reasoning, since we lack a goal that contributes to a greater human good. MacIntyre thereby disregards the presence of virtue in business, which, as we will see, may be far from well-grounded (see, e.g., Dawson and Bartholomew, 2003; Cornwall and Naughton, 2003).

How virtues are acquired – the skill analogy

From the beginning of the virtue debate in Ancient Greece, there has been a consensus that virtuosity is a result of reflection and active practice in concrete situations, which encourage virtues to become habits that bring the individual closer to his or her *telos* (Cronberg-Lindstedt, Stenqvist and Österberg, 2012). Aristotle himself meant that ethical expertise, or *phronesis*, is formed through practical everyday experience, even though it is an intellectual virtue² (see, e.g., Stichter, 2007; Hursthouse, 2000; Dreyfus and Dreyfus, 2004). As underlined by Swartwood (2013) in an essay about wisdom and expertise, there is a perpetual conflict regarding whether wisdom is acquired through intuition or through reflection. This dilemma can also be applied to the discussion of how to become virtuous, and is highly relevant today, as a large literature on virtue and skill has emerged.

Julia Annas (2011) explicitly compares the acquisition of virtues with learning a skill ('the skill analogy'). Annas means that the attaining of virtues postulates 'a need to learn' and 'a drive to aspire'. This implies that we must desire and value the virtues in question. From Annas' point of view, virtue is achieved through practice that gradually evolves into deeper understanding through perpetual reflection. Virtue is an ever-evolving concept, a 'developmental notion'. The more we practice a certain virtue, the deeper our understanding of that virtue will be. For every new level of understanding, the practicing of the specific virtue becomes more natural and easy. It is important to note that according to Annas, these virtues should never become mere habits. If they do, the reflective process is lost and with it, the virtue. Finally, Annas stresses that virtue cannot be achieved solely through parroting role models; there must be an active and independent understanding of them, even though we are of course inspired by our particular surroundings.

² Which was articulated, for example, by Plato, who advocated a more intellectual view of the virtues.

As shown by, for example, Dreyfus and Dreyfus (2004) and Swartwood (2013), learning ethical behaviour can also be incorporated in models of skill acquisition. Dreyfus and Dreyfus (2004) compare the learning of ethical behaviour in their famous model of skill acquisition, which has been discussed above. Like expertise in any area, ethical expertise requires intuitive practice. In a similar way, Swartwood (2013) models wisdom as an expert skill, which also has a bearing on the acquisition of virtue. Swartwood means that both wisdom and expertise are related to how to conduct oneself, in regard to self-discipline. Both are also products of deliberate practice. In Swartwood's model, both intuition and reflection are incorporated: the wise individual or the expert make decisions much on the basis of intuition, but the road to intuition requires reflection. This can also be applied to the process of becoming virtuous; virtue is developed through experience and reflection. but once you have it, you keep it. Comparing this model to the 'skill analogy' adopted by Annas (2011), we can spot an important difference: Annas articulates that we never should stop reflecting upon virtue, as it is a 'developmental notion'. In sum, reflection and practice are key aspects in the process of achieving virtue, which can be compared to a staircase.

The relationship between competence and virtue

We have defined competence as a more general acquired ability that combines scientific, practical and judgemental knowledge to satisfactorily complete specific tasks in concrete circumstances, and we have defined virtue as acquired human qualities forming a stable character of a person, with a commitment to 'goodness'. Keeping the literature on virtue and skills in mind, it should be apparent that there are also a number of similarities between virtue and competence.

The skill analogy lies first and foremost in the realm of acquisition, that is to say, skill acquisition shares important similarities with the development of virtue. A possible analogy for competence would lie more on the conceptual level. As a virtue, competence is a holistic concept that is made up of different skills, but also cognitive as well as judgemental abilities of more generic kinds. Competence requires a balanced combination of scientific, practical and judgemental knowledge. In general, it is about knowing how to handle and cope with new concrete challenges and tasks, in order to be able to make appropriate judgments in unknown situations. The Greek idea of unity of the virtues can be compared to the general definition of competence. Just as you cannot have only one virtue, so competence is, in the same way, a general notion that comprises a set of abilities and skills.

In addition, both competence and virtues are acquired capabilities or qualities; they are not innate. They must be learnt and cultivated. A distinctive factor in the improvement of competencies relying on practical knowledge and judgement, as well as in the development of virtue, is that both rely much on situated learning; practical experience in concrete situations is key. Reflection is vital for the development of both virtue and competence, which requires a need to learn alongside a drive to aspire. Competence in the form of scientific knowledge, however, should be universally true and verifiable, and, consequently, preferably taught through formal education rather than through practical experiences.

The commitment to goodness is an important distinction between competence and virtue. To be virtuous implies, to put it simply, that one is a ‘good’ person. To be competent, however, may not necessarily imply any morally superior behaviour. It is possible to be a competent professional and simultaneously lack the appropriate virtues, which is sometimes called the ‘fragmentation problem’ (see, e.g., Dawson and Bartholomew, 2003; Beadle, 2002; Sundman, 2000). This problem is also articulated in the reading of Annas’ discussion of Hume’s role-model Cleanthes, which has been described above. However, in most cases, to be competent, to have acquired the capability to satisfactorily complete specific tasks in concrete circumstances, includes having good moral judgement, that is, being virtuous.

From the discussion above, it should be clear that virtues should indeed be regarded as a kind of competence, even though there are important differences between the concepts. To be competent, to have the general ability to satisfactorily complete specific tasks in concrete circumstances, requires the possession of human qualities, a stable character, and a commitment to ‘goodness’, that is, being virtuous. The question to discuss now is: what role do virtues have in an entrepreneurial and open society?

Virtue as competence in an entrepreneurial society

There is a widespread and old belief that a dichotomy exists between entrepreneurship and the ‘good’ society, as illustrated above by MacIntyre’s arguments. This picture is based on the perception that businesspeople are driven only by a will to maximise profits, and therefore they cannot be virtuous. This may be partly true; certainly there are businesspeople who make profits at the expense of others’, with ethically dubious consequences. However, this view is fallacious for a number of reasons. Firstly, the entrepreneurial and open society is no doubt a worthy telos to strive for. No other society in history has even come close to the civility and prosperity that characterises

today's democratic market economies. Such a society may not have as strong a community as the Athenian polis or some other traditional telos. Instead it is likely to be a pluralistic, dynamic society sharing a number of economic and civil rights, which define the basic institutional structure and the rule of law. These are indeed the traditions and narratives that characterise our own particular time.

Secondly, while it is true that profit maximisation characterises the surviving firms of a free market economy, as pointed out by Friedman (1953) and others, in fact few successful business have profit maximisation as their prime objective. Kay (2012), for instance, stresses that a profitable business is seldom a result of an active pursuit for profit, and argues – with support from various enterprise success stories – that the profits increase in companies where the founders have other goals than material benefits – these are side-effects or largely unintended consequences of more virtuous behavioural rules. Kay terms this view of profits as an indirect goal for 'obliquity'.

Thirdly, the entrepreneurial society largely fosters 'douce commerce'; it softens and civilises the customs and manners of mankind. Voluntary market exchange, in combination with the rule of law, creates positive sum games that promote reciprocal trust and prosperity (Karlson 1993/2002; Berggren and Jordahl, 2006). For a manager or a firm to be successful in the long run, it must not only treat consumers, employees and other shareholders decently, but must also promote the value of self-development (i.e., a drive to aspire). As pointed out by Lazear (2003), among others, successful entrepreneurship involves a mix of skills and abilities, and of virtues.

Markets often provide more effective feedback mechanisms in these regards than most other social systems do. In this sense, entrepreneurial praxis may be regarded as a school in competence, where an acquired ability to combine scientific, practical and judgemental knowledge to satisfactorily complete specific tasks in concrete circumstances is rewarded. Moreover, the market economy may sometimes also be regarded as a 'school in virtues', since, without virtue, most businesses will not be able to serve their customers in a productive way. Many entrepreneurs, in fact, have an ambition to contribute to the 'goodness' of society by their work (see, e.g., Blackburn and McGhee, 2007; Whetstone, 2001; Cornwall and Naughton, 2003, McCloskey, 2006; Dawson and Bartholomew, 2003). Solomon (1999) even argues that the Athenian polis and the Medieval Church as communities have been substituted for the corporation.

Lastly, one of Hayek's great insights was that an entrepreneurial society rests on a number of rules of fair conduct (Hayek, 1973). Some of these rules may be formal institutions and laws, while others may be informal norms or behavioural regularities. The spontaneous order of the market economy rests on these rules – without their adherence the extended use of knowledge, and anonymous coordination made possible by the price mechanism, will fall short.

One way of interpreting this is to view virtues as the informal norms, the rules of fair conduct necessary for the sustainability of the entrepreneurial society. For example, prudence is usually given a special position within both virtue and business ethics (see, e.g., Whetstone, 2001).

Solomon (1999) describes prudence as the ability to know how to avoid disaster and to be able to carefully consider the given circumstances. McCloskey (2006) describes it as 'good judgment' or 'practical wisdom'. Solomon even describes entrepreneurship as a virtue of its own, as the virtue of choice (Solomon, 1999, p. 85) in a business environment.

In particular, McCloskey (2006) has also argued for a wider spectrum of virtues relevant to the entrepreneurial society, at least including the cardinal virtues of prudence, temperance, courage, justice, faith, hope and love. Macedo (1991) argues that there ought to be a wider set of 'liberal virtues', which would also include, for example, tolerance and benevolence. He is somewhat vague in his definitions of a virtue, but states that liberal virtues, even if not found in all or even many liberal citizens, are those forms of excellence appropriate to citizens of liberal regimes and conducive to flourishing in the kind of society liberalism creates. Galston (1988), on the other hand, distinguishes between the virtues needed for the entrepreneur and employees, and virtues that are needed for the liberal society as such. The entrepreneurial virtues are, for example, creativity and determination; the employees' virtues are, for example, conscientiousness, trustworthiness and a will to work within a given framework. For the economy, the overarching virtues are, for example, ambition, the ability to postpone satisfaction of needs, and flexibility.

Blackburn and McGee (2007) and Solomon (1999) accentuate the importance of integrity in the sense of an inner balance, to have a consistent understanding of one's responsibilities and to be able to make well-considered decisions. In this sense, integrity is quite similar to prudence. According to Solomon, integrity is 'the synthesis of the virtues' (Solomon, 1999, p. 38). Integrity is to have a united self, to have a holistic perspective on how to live a decent and meaningful life. Integrity is about making the most out of your role, about being honest to others and yourselves; simply put, to have a stable character.

Kay (2012) and Annas (2011, p. 98) mention benevolence as a virtue. From Kay's perspective, this relates to an entrepreneur's will to contribute to the good of society. Annas views it more as a feature that is important in dealing with our relationships to other people, which doubtless is essential to businesspeople. Be this as it may, it should already be clear that virtues are essential competencies in an entrepreneurial society.

Concluding remarks

We have shown that virtues should be regarded as a kind of competencies, which are essential in an entrepreneurial society, both for individual development and for the sustainability of such a society. To be competent, to have the general ability to satisfactorily complete specific tasks in concrete circumstances, the traits one should possess include human qualities, a stable character, and a commitment to ‘goodness’. Such competencies, or virtues, are essential not only for entrepreneurial success, but may also be regarded as the informal norms, the rules of fair conduct necessary to uphold an open market system.

To a certain degree, such virtues are learnt through the practice of entrepreneurship. Due to their importance, though, this may not be enough. We should rethink the role of education and put a stronger emphasis on phronesis, or the development of practical wisdom. Formal education and scientific knowledge, as well as the development of practical skills, should be complemented with situated learning, reflection and dialogue on moral and ethical issues, particularly in the context of management and entrepreneurial praxis.

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¹ There is also a literature that discusses the difference between non-cognitive and cognitive skills, which may be relevant to the competence discussion. However, the concepts are slightly unclear and will hence not be discussed here. For further literature, see, for example, Heckman, Stixrud and Urzua (2006) and Carniero, Crawford and Goodman (2007).

² Note that Aristotle made a very clear distinction between practical wisdom and the practical knowledge that *techne* refers to.