



# Statistical Tests as a Hindrance to Understanding What the Controversy around the “Hiding Hand” Reveals about Research in the Social Sciences and Conceals about Project Management

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## ARTICLE INFO

### Article history:

Accepted 6 October 2017

Available online 23 November 2017

### Key words:

Albert O. Hirschman  
the Principle of the Hiding Hand  
project management  
quantitative versus qualitative analysis

## SUMMARY

Albert O. Hirschman's famous Principle of the Hiding Hand describes an unconscious predisposition of project managers: Projects are launched in the belief that one is prepared for every possible future difficulty. However, some potential problems are overlooked during the planning phase and surprisingly might surface later—making it necessary to deal with them. Recently, this concept was statistically tested by Bent Flyvbjerg in *World Development*, who concluded that the Principle is “wrong”, “biased” and “potentially disastrous.” However, it is not the Principle of the Hiding Hand that is faulty, but the methodological approach taken by Flyvbjerg. In fact, Flyvbjerg's analysis is a telling example of what can go wrong if we assess the value of qualitative scholarship merely through the lens of large-n case quantitative analysis. Flyvbjerg seems to overlook both the context of the Hiding Hand and its connection to the work of Albert Hirschman. This article shows how specific notions of rigor can serve as a hindrance to understanding and thus belittle insights by one of the most original thinkers of the 20th century that are still useful in current debates on project management and expert behavior.

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## 1. Introduction

In a recent article published in *World Development* titled *The Falacy of Beneficial Ignorance: A Test of Hirschman's Hiding Hand*, Bent Flyvbjerg argues that the Principle of the Hiding Hand, an idea that Albert O. Hirschman introduced in his 1967 book *Development Projects Observed*, is “wrong”, inexistent, “invalid in scholarly terms”, “potentially disastrous” and should thus be rejected.

Flyvbjerg bases his claim on empirical evidence that he distills from his impressive data set on large infrastructure projects that he has collected (Flyvbjerg, 2016). The identical argument, using the same data set and methodology, is repeated by him in another article written jointly with Cass Sunstein that was published in *Social Research* in 2016.

According to Flyvbjerg, Hirschman's Hiding Hand suggests that “ignorance [of costs and possible problems] is good in planning.” It is beneficial in two ways. First, “because if decision makers knew the real costs and difficulties of projects, few ventures would ever get started” and second, because, problems that appear during project implementation are not only manageable but will be dealt with creatively and innovatively—in fact, the Hiding Hand implies that “problem-solving abilities will be triggered when needed.” The Hiding Hand covers up real costs and problem-solving abilities

—but as a general rule in Flyvbjerg's understanding, one can optimistically rely on the problem-solving abilities to turn projects into successes (Flyvbjerg, 2016, p. 177). For Flyvbjerg, the Hiding Hand thus offers a “theoretical justification” to a “start digging” approach to large investment projects (Flyvbjerg, 2016, p. 176) and is thus attractive for politicians and planners. He sees the Hiding Hand as the most common pretext “of why low-balled cost-estimates and optimistic business cases are considered acceptable in large projects” (Flyvbjerg, 2016, p. 176).

As a result, adhering to the Principle incites deliberate slack in project planning as planning is based on the optimism that all contingencies will be dealt with through unexpected ingenuity. The Principle, so Flyvbjerg, “stands stronger and more celebrated today than ever” (Flyvbjerg, 2016, p. 176).

His critique of Hirschman is harsh. Flyvbjerg accuses Hirschman of having refrained from presenting his findings “in an honest and balanced way” (Flyvbjerg, 2016, p. 181), that Hirschman misrepresented and mistook his own “view for empirical reality” (Flyvbjerg, 2016, p. 181), especially through anecdotal evidence, storytelling and a biased case selection. According to Flyvbjerg, Hirschman gives “a misleading account of economic development” (Flyvbjerg & Sunstein, 2016, p. 984) and that adhering to the idea of the Hiding Hand can have “potentially disastrous consequences

when applied in policy and practice” (Flyvbjerg, 2016, p. 176). Flyvbjerg holds that his findings “form a devastating verdict: Nothing about the Hiding Hand is right for understanding ‘project behavior in general’” (Flyvbjerg, 2016, p. 185). He even goes so far as to skeptically suppose that many other ideas from Hirschman should equally be tested in the future “in order to decide which parts stand up to closer scrutiny and which do not” (Flyvbjerg, 2016, p. 185).

Above all, Flyvbjerg finds fault with the fact that according to him, the Principle of the Hiding Hand represented a theory of human behavior, a “general Principle of action” (Flyvbjerg & Sunstein, 2016, p. 984) with universal validity.

Yet, I will show that it is not the Principle of the Hiding Hand that is to be criticized, but rather Flyvbjerg’s approach. Not only is his interpretation of what the Hiding Hand means misleading and wrong—it is only by claiming that the Hiding Hand describes a universally valid mechanism in the first place that it can be tested with Flyvbjerg’s data at all. This is a case in which the research question is constructed in ways to fit the available data. The quality of the statistical tests run by Flyvbjerg themselves is not the issue, but they do not test what the Hiding Hand is supposed to mean.

The original Hiding Hand was an observation derived from a qualitative study of a non-random sample of case studies. And nowhere in the writings of Hirschman is the claim made that it is universal, nor that underestimating future problems will as a rule lead to innovative problem-solving or to project success.

Yet, running a test on an erroneous interpretation of the Hiding Hand is not the main point of this paper. Flyvbjerg’s approach and interpretation shows an unwillingness to value the insights of qualitative social analysis. His critique of Hirschman is so devastating that he belittles his oeuvre by questioning its overall scientific value. This, however, might rather be telling of the effect of the prominent, if not monopolistic position held in the contemporary social sciences by quantitative analysis. Few are the articles in major Social Science journals that do not have at their core some test of statistical significance—just as the one provided by Flyvbjerg. Unfortunately, this rigorous scientific analysis fails to acknowledge three things: (a) the context in which the Hiding Hand was formulated and what the Hiding Hand actually means, (b) the role that this type of analysis and reasoning plays in the work of Albert O. Hirschman and (c) that the insight of the Hiding Hand is still important for understanding project management and that it actually touches upon on-going debates on experts and development planning.

I want to highlight these points in this paper. I will show that Flyvbjerg’s test is based on an erroneous interpretation of the Hiding Hand, that his test does not do justice to the concept, and in ignoring the context and the work of Hirschman in general as well as current debates, the test actually serves as a hindrance to understanding. In a day and age where statistical tests are held as the pinnacle of Social Science scholarship in research and teaching, it is worthwhile to highlight just how their application can go awry. Tests, so it seems, can become an end in themselves.

## 2. The Principle of Hiding Hand

The publication *Development Projects Observed* grew out of an evaluation of eleven World Bank funded development projects that Hirschman visited in the mid 1960s. The projects were chosen according to two criteria: “As a group, they had to be well diversified with respect to economic sector and geographical area, and each project had to have an extended history, including if at all possible several years of operation” (Hirschman, 1995a, p. 3).

The resulting projects, given that they were set up in the early development decades, comprised industry, transport, electric power, telecommunication, and irrigation schemes in Latin America (El Salvador, Ecuador, Peru, Uruguay), Africa (Ethiopia, Nigeria, Uganda), and Asia (India, Pakistan, Thailand) as well as one in Italy. Rather than describing the eleven cases separately and in detail, Hirschman condensed his overall impressions into a number of concepts and observations by making repeated reference to the individual projects.

In the first chapter of the book, entitled “The Principle of the Hiding Hand”, Hirschman highlighted the case of a newly built papermill in Pakistan whose main required input (local bamboo pulp) suddenly disappeared for the unexpected reason that the bamboo plants in the region began to flower (which happens seldom but after which the plants usually die). This unforeseen problem left the managers of the mill with the stressful task of looking for suitable substitute inputs. Since a substitute was found after some experimentation with other locally available plants and the mill continued to function, Hirschman parted from this specific example to dwell in more general terms on the issue of unforeseen contingencies and the response to them in project management and particularly in the management of development projects.

Hirschman argued that many development or generally large-scale investment projects would not have been realized at all, had all possible costs and possible problems been accurately anticipated. Therefore, at least for those involved in project planning, there seems to exist a “hidden hand... that beneficially hides difficulties from us.” (Hirschman, 1995a, p. 13).

But this Hiding Hand not only allowed for the realization of projects through covering up possible costs and problems ex-ante. As seen in the case of the papermill, the Hiding Hand induced a process of learning that led to a “creative response” (Hirschman, 1995a, p. 12) and thus enhanced know-how and capabilities.

Hirschman states that it was “quite plausible” to claim that “each project comes into the world accompanied by two sets of partially or wholly offsetting potential developments: a set of possible and unsuspected threats to its profitability and existence, and a set of unsuspected remedial actions that can be taken should a threat become real” (Hirschman, 1995a, p. 11). But while Hirschman saw a creative response in various of his projects, this was not always the case. This led him to express “an emphatic warning that by itself, trouble does not constitute a sufficient condition for a ‘creative response’” (Hirschman, 1995a, p. 12). Yet, in its essence, the Hiding Hand was a mechanism that induced “action through error” (Hirschman, 1995a, p. 29).

That possible difficulties were overlooked in project planning was often the result of one of two strategies: First, the “pseudo-imitation technique”, with the help of which a project was labeled as a copy of some identified universal best practice or as a one-to-one copy of a successful venture elsewhere. And second, the “pseudo-comprehensive technique” which “tends to give the policy makers and project planners the illusion that the ‘experts’ have already found all the answers to the problems and that all that is needed is faithful ‘implementation’” (Hirschman, 1995a, p. 23)

The advantage of the hiding hand and of the two “techniques” was that they made a “risk-averter take risks and in the process turns him into less a risk-averter. It permits prerequisites [like a necessary large propensity to risk-taking, P. L.] to come into existence *after* the event to which it is supposed to be the prerequisite” (Hirschman, 1995a, p. 26). The Hiding Hand was thus proof that in the process of development—or in the life cycle of a project, supposed sequences (believing that certain prerequisites have to be in place beforehand) could actually be inverted.

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