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R. Edward FREEMAN[1]

Abstract

The Covid-19 pandemic presents an opportunity for business ethics to further redefine itself and develop the project of a new narrative about business. To take advantage of this opportunity business ethicists have to become more involved in the actual business models that are being developed. And as academics we must commit to the idea of making business better.

Keywords: *Stakeholder theory; Ethics; Business Ethics; Covid-19;*

I want to suggest that we are in the midst of a great opportunity in business ethics. This might seem fanciful as the human and economic devastation from the Covid-19 pandemic continues to sweep the world. However, I believe there is a silver lining that will accelerate the forces of change for both business and our academic discipline of business ethics. Let me explain.

Several trends have created a perfect storm for change in the way that we think about business, what I call, "the story of business". First of all, the Global Financial Crisis of 2008 had enormous effects around the world and produced a myriad call for revision of the "shareholder primacy" story of business. Two further trends, the increasing alienation of employees from their work, and the erosion of public trust in business added to these calls for reform. Many organizations were formed, and many proposals were put forward to make capitalism a more human enterprise. From the standard

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CSR and Sustainability mantras to innovations such as Conscious Capitalism, Inclusive Capitalism, Impact Investing, etc. there are currently many competing ideas for the emergence of a new story about business. The devastation wrought by the virus pandemic, adds one more bit of urgency to the calls for reform. And, given that many large and influential business organizations such as the Business Roundtable in the US have endorsed some of these reform proposals, there is renewed vigor in seeing if companies can change and operate differently.

My co-authors and I have detailed the arguments here in Freeman, Martin and Parmar, 2020 [1]. We suggest that there are five critical ideas that are central to any of the new story proposals. They all involve seeing supposed dichotomies as "ands". Indeed, our title is "The Power of And: Responsible Business Without Tradeoffs". The five ideas are: (1) Purpose and Profits; (2) Stakeholders and Shareholders; (3) Society and Markets; (4) Humanity and Economics; and, (5) Ethics and Business. The traditional story of business has emphasized the latter half of each dichotomy. Any new story must embrace both halves without tradeoffs between them. We are very optimistic that as business recovers from the pandemic recession, it will embrace these five ideas even more.

Our own role as business ethics academics needs to change as well. For as long as the discipline of Business Ethics has existed, many of its proponents have adopted the old story of business as just about the money and profits, and they have assumed that "business ethics" is a kind of contradiction. If our argument about the new story is somewhat correct, then we need to embrace these ideas as not only ideals for business, but as rooted in reality. For instance, every business creates (and sometimes destroys) value for customers, employees, suppliers, communities and financiers. Business creates value for stakeholders, not just shareholders or financiers. The stakeholder idea is an important rewiring of the very basics of business. This means that academics need to pay more attention to businesses in the real world, and how they actually work, and how they can work better. Pronouncements from the standpoint of ethical theory simply intellectualize the problem, and don't help us, as Dewey suggested, "get inside the problem" and really understand it.

We can generalize this point, while thinking about business in broader terms than just business ethics. We need to rethink the disciplines of business, and the moral/ethical connections within these disciplines. For instance, can't we see brands as promises? Can't we see operations policies as one part of human development? And, can't we begin to see finance as enabling human innovation and growth? By coming to see the disciplines of business in their "fully moral/ethical" terms, and by inventing new

frameworks based on how leading companies approach these issues, we can develop a more comprehensive view of business that is fit for human beings.

Finally, as business school professors, we need to rediscover the moral center of our profession: developing responsible leaders for our institutions and developing more responsible models of these institutions. We need a recommitment to our students and to the executives and organizational members that will depend on them in the future. We need to become the generation that makes business better. There is no time, better than right now, to lead the way.

10 June 2020

Charlottesville, Virginia, USA

Refences

[1] Freeman, ER, Parmar BL, Martin K. *The Power of And: Responsible Business Without Tradeoffs*. Columbia: Business School Press; 2020.