

The “Business Sucks” Story

R. Edward Freeman¹

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Abstract The purpose of this essay is to suggest that one of the dominant modes of thought in our society is a profound mistrust and misunderstanding of the role of business. A dominant myth in society is that business occupies the moral low ground, separate from ethics or a moral point of view. This position is characterized as the “business sucks” story, and the essay shows how the enactment of this story underlies business thinking among managers and business theorists. The essay concludes with a suggestion to rethink and reinvent this story along more realistic and more empowering lines. Values based capitalism, or stakeholder capitalism, offers a better way to understand the complex role that business does and should play in modern society.

Keywords Business · Business ethics · Separation thesis · Stakeholder theory · The “business sucks” story

This essay was originally delivered as the Presidential Address to the Society for Business Ethics, in Vancouver, in August of 1995. It was never published or even submitted for publication. I am grateful to the Journal of Humanistic Management for publishing it after all these many years. It is difficult to reread something that was written so long ago, but I find that most of the ideas unfortunately are still relevant. I originally wrote this essay, inspired by a comment of my late colleague, Richard Rorty, that he “refused to participate in the America sucks sweepstakes”. I, too, refuse to participate in its first cousin, “the business sucks sweepstakes”. I have made minimal changes to the original, even though I might put several points differently today, especially the set of principles of “values based capitalism”. I have added a few footnotes to clarify the relationship between some of the ideas in the essay and later work.

✉ R. Edward Freeman
freemane@arden.virginia.edu

¹ University of Virginia, 100 Darden Boulevard, Charlottesville, VA 22903, USA

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Charlottesville, VA.

1. I recently attended a seminar given by a business executive to a group of academics mostly from the humanities. The subject of the seminar was what business could do to participate in environmentalism. One of my colleagues, of whom I am quite fond, began the questioning in what could only be called a condescending voice. He asked the executive whether or not this presentation wasn't better suited to business people rather than scholars, since the thrust of the presentation was that helping to save the earth didn't have to be costly, indeed the executive argued, it could even be profitable. No mention was made of the morality of saving the Earth, and that is the proper concern of "scholars", who don't care in the least about the profits to be generated by environmentalism – or so said my colleague.

The executive's response was so perfect and delivered so appropriately (one might even say "efficiently") that neither my colleague nor I understood the significance of the reply. He said simply, "Oh, of course, it's the right thing to do, the ethical thing to do. I thought we all agreed on that. I'm just trying to show how it can also be profitable."

2. I originally thought that this reply was simply a nice put-down of a sometimes arrogant colleague. However, upon further reflection I have come to see this response as illustrative of an important facet of the discourse of ethics and the discourse of business. I want to suggest that both parties to this conversation participated, perhaps unknowingly in what I have come to call the "business sucks" story.¹

In this essay I want to suggest that this story plays a large role in our understanding business and ethics, and hence business ethics. And, I want to suggest that the business sucks story consists of shopworn metaphors and lousy ideas that have long outlived their usefulness. Furthermore, we need to undertake the task of reinventing the language of business, and thus business itself, along more useful lines. Such a redescription needs to allow business full citizenship in the moral discourse of our society, rather than its current role as a rather unpleasant moral relative that has to be explained away or simply ignored.

3. My colleague clearly illustrated by the tone of his voice, his body language, selection of phrases, and the general state of his being that he thought, in short, business sucks. He spoke with such contempt and tempered outrage that the bonds of civility were clearly strained. My colleague believed that matters of profit and loss were not only irrelevant but irreverent in a serious "scholarly" discussion of the environment. The currency of his land is "right" and "wrong" and there is no exchange rate with the scorekeeping mechanisms of the capitalists' world. The ethics of business has been settled, to wit: business sucks.

Curiously enough, the business executive was making a very similar set of assumptions. As a routine matter of course he assumed that the ethics of business was not a very interesting question. Either ethics was mundane, agreed upon, or simply not an issue. The key for him and for the discourse of business was the centrality of the metaphor of

¹ The "business sucks" story is intended as a further elaboration of what Richard Rorty (1992) called the "America Sucks Sweepstakes" referring to Jonathan Yardley. However, one may refuse to participate in the America sucks sweepstakes and still believe in the business sucks story, as is the case with some modern pragmatists.

profitability. If saving the earth could be shown to pay then we could get on with it. The intonation of “scholars” and “ethics” in a sophisticated Ivy-Oxbridge voice did not impress the executive, but he showed no contempt, only indifference. His currency, and by his assumption, the world’s currency, was profit and loss. “Business may suck” according to him, “but that’s business”.

4. Now let me hasten to add that I have a great deal of respect and admiration for both of these people. One is doing groundbreaking work in the analysis of modern culture and moral discourse; and, the other is trying to change, for the better, a large bureaucratic corporate institution. Both, I am convinced, share a deep concern with the environmental mess we have made and both have definite ideas on how to fix up Planet Earth. However, because each participates in his own way in the business sucks narrative, neither will be very successful at changing business or in saving the Earth. Rather we need to come to see the business sucks story as a story that goes nowhere – as a story that prevents us from working together.
5. The problem is brought closer to home when someone asks me what I teach.² If I reply “business ethics”, they either have to manage not to laugh, or I have to endure the now endless tirade of wisecracks beginning with “I thought that was an oxymoron” and ending with “Must be a short course”. If I reply with a vaguer yet more descriptive “I teach business” or “at a business school”, they simply change the subject.

Humanities professors don’t experience this profound questioning of the very motives of their work. Of course, no one may be interested in nineteenth Century Elegies or “the early views of immortality of Augustino Nifo”, but if you are, no one is going to question your motives. How could they be other than the love of knowledge and your subject matter (or some Freudian or post-Freudian account of this professed love)? Surely, you are not in it for the money.

But, business sucks. It is concerned primarily with profits at the expense of others, especially employees. Any business behavior which could possibly be other-regarding is just a clever scheme to make more money. Corporate social responsibility programs, employee involvement programs, corporate philanthropy, quality programs, customer complaint response policies, and countless other business tricks that appear to offer respect and dignity to its participants should not fool us. Business is about making money and business executives are in it for the money, and power, prestige, and elitism, which are after all just psychological explanations for money. If business executives believe that they have a moral concern with the state of the Earth, the people killed by product tamperings, poverty in the developing world, racist and sexist stereotypes, or the rise in state control of the private (or public) sphere, they must be mistaken, deceiving themselves, or in a position of bad faith. Because, as the story goes, business sucks.

6. In reality there are at least two main versions of the business sucks story, and each version depends on what I have called elsewhere, the Separation Thesis³: the view that the discourse of business and the discourse of ethics are meaningfully or usefully separated. This thesis entails that we can evaluate “business as a whole” from an ethical

² This section is a direct paraphrase of what John Wisdom considered to be the problem of philosophy (cf. Wisdom (1970: 1–2)). The link between Wisdom’s view of the role of philosophy and Rorty’s notion of “redescription” of self and community is larger than indicated here.

³ More recently I have labeled this the “separation fallacy” to denote that it involves fallacious reasoning, at least to this pragmatist. It makes the fact-value dichotomy a central theme of business theory. For more on the issues here see Harris and Freeman (2008) and Putnam (2004).

point of view – hence, the business sucks story.⁴

The first version of the story, call it the trendy-left leaning-radical-version, claims that business is an exploitative, back-stabbing, mere-means treating, profiteering rat race with no redeeming intrinsic values. The discourse of business may pretend to be amoral, but it is corrupt through and through, and must be thrown out altogether. The problem is, that except for a nostalgic longing for a socialism that works, there doesn't seem to be any alternative to business. So we have business, but it sucks.

The second version of the story – call it the executive-trendy-right wing – *Wall Street Journal* version, goes as follows: business is about people who act in their own interest and contract with other self-interested beings to achieve their ends. Stockholders or other owners put their money at risk and are entitled to the returns after all of the other contractual obligations are met. Executives make “business decisions” that are hard-nosed and tough-minded based on “purely business” criteria of the most efficient uses of resources. What appear to be ethical dilemmas are only the results of self-interested people choosing what is best for themselves. If we, especially government, will leave everything alone, it all works out, as if by an invisible hand.⁵ Business may suck, but we're all better for it.⁶

7. These two versions of the business sucks story are implanted in our minds daily, but they have more sophisticated cousins in the academic world. Each version depends on something like the Separation Thesis for its logic.

Humanist academics decry the separation of business and ethics, but they do not see any alternative. Instead they write critical, ironic papers and use phrases like “late 20th Century capitalism” or “the commodification of culture” or “multinational companies take profits out of production”. They simplify, stereotype, and belittle with rhetoric like “large corporations that control....” and “rich elite executives who....”. More telling is the fact that most humanist discourse is simply silent about business, pretending it doesn't exist, and when it does raise its unwelcome head knowing glances are exchanged, expressing thanks that the moral problem of business has been solved: it sucks.

Another group of academic “humanists” have responded to the business sucks narrative and mounted a “defense”, by decrying the story as one more piece of evidence that universities are controlled by leftist academics with hegemonic anti-business values. These scholars at the Heritage Foundation, the Hoover Institute and the American Enterprise Institute led by pro-business humanists like Michael Novak have argued that business doesn't suck at all. Capitalism, according to Francis Fukuyama, has some historical necessity – the triumph of the West. Business should be celebrated as allowing human beings to “be all that they can be”. These academics rejoice, ironically with their opposite numbers, that the moral problem of business has been solved. According to them, there is no problem.

It is easy to see that even though these pro business humanists reach the opposite

⁴ Cf. Freeman (1994). The Separation Thesis is related to much of Amartya Sen's argument in his brilliant book, *On Ethics and Economics* (1987). For a more recent argument see Wicks (1996).

⁵ This is the dominant version behind the recent waves of rhetoric on business restructuring and re-engineering where thousands of employees are fired to make things better for “the business”, and ultimately, so the story goes, for society.

⁶ In today's world we can see this version of the story behind the current mania of companies to buy back their own shares to pump up the stock price, and the existence of raiders who put good companies into play with no motive other than to profit from the stock.

conclusions from their counterparts, both groups are appealing to the need to separate business from ethics in the day to day life of the participants in business. Judged from afar, each looks at business as a whole, applies some ethical criteria or other and comes to a particular conclusion. The business sucks narrative is still the issue even though one group is simply issuing its denial. I might have just as easily entitled this essay “The “business is great” story”. Unfortunately, since I believe that the business sucks story is such a large part of our culture, no one would have read it.

8. There is a third group of academics, those who teach in business schools. Now most of these academics either are economists or wish they were economists but they have turned out to be accounting, finance, marketing or production professors. The business school gospel involves the whole-hearted acceptance of the separation thesis. Business and ethics are to be kept apart, and business school academics have abrogated the realm of business for themselves. These scholars see their main task as the development of theories, models and frameworks that explain and predict in non moral terms, the actions and strategies of businesses and their participants. Of course, for public relations reasons, or just for intellectual amusement it may be convenient to have a course in business ethics or even to hire a philosopher on the business faculty, but make no mistake: the moral problem of business is not very interesting.

Business may or may not suck. It’s not the job of these academics, according to them, to say one way or the other.

9. Now none of this is very useful. “Business”, as it is currently understood by those who unwittingly accept some version of the business sucks story, is shopworn at best. The Separation Thesis is in reality a rhetorical move, by both sides of the debate, to close off serious conversation of the role of business in our lives. And, we are in desperate need of new stories that do not depend on the Separation Thesis – stories in which the very words that are used to tell the tale describe business and human beings at once.⁷

There was or still is some truth to the business sucks story, but it is a truth which is so limited as to be misleading. Plainly some businesses suck. In so far as they abuse the very people they are designed to serve these businesses violate a morality so common that we take it for granted. But, it is a logical error to conclude that “business sucks” from “some businesses suck”. And, just as plainly, some businesses do not suck. They enable people to accomplish together what they could not accomplish alone. Furthermore, there is nothing in the logic of “business” as it is currently understood that will tell us whether it sucks or not.

The problem is obviously that for the most part, business is not about what the business sucks story says it is about. Business is primarily a story of cooperation, as well as competition. It is a story based primarily on solidarity as well as individuality. And, it is enmeshed in a complex human system which can never be usefully separated into “economic”, “political”, “social”, “ethical”, or any other joint-cutting ideology, that masquerades as either science, social science, philosophy, or deconstruction.

10. We need a new story to replace the business sucks story. And, I can do no more than sketch an outline here in this essay. I want to call this new story, “values based

⁷ This is precisely Gilbert’s beef in *The Twilight of Corporate Strategy* (1992), and his more recent *Ethics Through Corporate Strategy* (1996). Why not just assume that business is one more way that human beings create meaning, and that we are fully human while we are fully engaged in business? We have tried to make this clearer recently in Freeman et al. (2010).

capitalism”, and it is related to what I have elsewhere called “stakeholder capitalism”, and others have labeled “Conscious Capitalism”, “Inclusive Capitalism”, “Capitalism 2.0”, and related concepts like “Impact Investing” and “Just Capital”.⁸ While these are new names, this new story has been enacted for some time, but, the lens of the “business sucks” story have tended to obscure the view and warp the surrounding conversation. Values based capitalism depends on four key principles that I shall briefly sketch.⁹ (See Exhibit 1.)

The first principle of values based capitalism is that capitalism depends first and foremost on the cooperation of stakeholders. The entrepreneur’s or the manager’s job is to put together a deal so that customers, employees, suppliers, financiers, and communities win over time. Each of these groups has a stake in the corporation or partnership or firm, and each is vital to its success. Without the support of each stakeholder group, a business enterprise is not viable, no matter its legal or organizational form. Scholars are beginning to amass evidence, both systematic and anecdotal, that companies that have endured over time and performed at a very high level understand and practice this principle.

The second principle of values based capitalism is that people are complex. While this sounds pedestrian, the assumptions of the old story are astounding in the denial of this simple truth. The evidence is plain enough, that while people do sometimes act selfishly, they often act for others. And, most of the time they do neither, as they pursue joint conceptions of the good. Call these joint conceptions of the good, “shared values”. From the early views of Peters and Waterman to calls for sustainable development by authors such as Paul Hawken,¹⁰ acting on shared values is necessary if business is to work. Merck has been a great company because it has believed in alleviating suffering. J&J has performed well because the people who deal with it see the famous Credo in action. The list goes on. Each of these companies could be described as self-interested “fierce competitors”, but if we use such language we cannot forget that it is the activation of values which causes such “fierceness”.

The third principle of values based capitalism can be called “continuous creation”. This twist on Schumpeter’s principle of creative destruction is meant to emphasize that capitalism is mainly creative rather than mainly destructive. Yes, some of the creative force of business destroys the value previously created, but only in theory does this happen immediately. Most of the creative force of capitalism in fact co-exists with what it purportedly “destroys”. And, if Firm A invents a product or improves a product that Firm B depends on, Firm B is not destroyed, rather it creates yet another innovation. Creativity is a continuous process of capitalism, especially where the drive to create is caused by people trying to realize and act on those things that are most important to them: their values.¹¹

The fourth principle of values based capitalism is the principle of emergent

⁸ It is also related in a complex way to these many recent proposals for the revision of the story of capitalism. With colleagues, Bidhan Parmar and Kirsten Martin, I explore this new story in a forthcoming book tentatively titled: *Business: the New Story*. A first version of the argument here can be found in Freeman (2017a).

⁹ I leave these principles as they were in the original. I would state them differently today as I do in Freeman (2017a) note 8 op. cit. and in Freeman et al (forthcoming).

¹⁰ See Peters and Waterman (1982) and Howken (1983).

¹¹ I would put this principle in the context of interdependent stakeholders and the search to avoid making tradeoffs. See Freeman (2017b)

competition. This principle says that when capitalism is found in a society with relatively free political institutions, competition emerges from the first three principles. Where social and political institutions provide relatively easy access to stakeholders, the inventors, entrepreneurs, and other value-creators can challenge the established order.

While each of these principles is worthy of more conversation and analysis, I want to suggest that this sketch of the new story, values based capitalism, is a rather bold and powerful edifice. It says that businesses are successful because people stand for some values, that stakeholders' deals exist and are relatively stable because most people keep their contracts, promises and commitments, and it says that business and ethics can go together. More precisely, values based capitalism makes it possible for us to reinvent business in distinctly more human terms.¹²

11. In summary, I want to suggest that we take every opportunity possible to ferret out the “business sucks” story when it appears in the pages of *The Wall Street Journal* and *The Academy of Management Review*. We need a rhetorical strategy of satire and ridicule. We should belittle the business sucks story just as it belittles us. We should offer no respect to those who are not willing to see business for what it is – just one more garden variety way that humans create meaning for themselves – an institution that can at once promote individual freedom and community solidarity, an institution that can bring about a more just more ecologically sustainable social order, or lead to our destruction. Finally, we need a political philosophy and an ethical theory that do not depend on the business sucks story. We need to elevate the public discourse of politics and ethics beyond the level of investigative trash talk. I believe that this substantial bit of intellectual work will have to come from those of us working in the field of so-called “applied ethics”, but that is a story for another time.

Compliance with Ethical Standards

Conflict of Interest There is no conflict of interest.

Exhibit 1

Four Principles of Values Based Capitalism or Stakeholder Capitalism

I. The Principle of Stakeholder Cooperation.

Value is created because stakeholders can jointly satisfy their needs and desires.

[Capitalism works because entrepreneurs and managers put together and sustain deals with stakeholders, rather than become agents of the owners of capital.]

II. The Principle of Complexity

¹² And, it is worth noting that values based capitalism has plenty of room for businesses that may suck. Not all values are warm and fuzzy, as Freud and others have taught us.

Human beings are complex creatures, capable of acting on multidimensional values, some of which are selfish, some of which are altruistic, and many of which are jointly created and shared with others.

[Capitalism works because of this complexity rather than in spite of it.]

III. *The Principle of Continuous Creation*

Cooperating with stakeholders and motivated by values, people continuously create new sources of value.

[Capitalism works because the creative force is primarily continuous rather than primarily destructive.]

IV. *The Principle of Emergent Competition*

In a relatively free and democratic society, people can create alternatives for stakeholders.

[Capitalism works because competition emerges out of the cooperation among stakeholders, rather than being based on some primal urge of competition.]

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