

BOOK REVIEW

Freeman, R. E., Parmar, B. L., & Martin, K. (2020). *The power of and: Responsible business without trade-offs*. Columbia University Press.

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Throughout management history, the topic of ethics, corporate responsibility, their relation to business, and what the true purpose of a business should focus on to be deemed successful, have evolved and been consistently challenged. The challenge escalated in the 1970's with Milton Friedman's declaration of a business's sole responsibility to increase profits. Friedman went so far as to call businessmen who touted social responsibility as "puppets" used to undermine the free market (Friedman, 1970). The argument is exacerbated by the difficulty of implementing social responsibility (Deer & Zarestky, 2017)

In the *The Power of And: Responsible Business Without the Trade-Offs*, authors R. Edward Freeman, Kristen E. Martin, and Bidhan L. Parmar, provide a new model by showing readers a way of doing business while making profits and by allowing for a focus on being responsible. The book was written with the business professional in mind, yet could be beneficial for business students, specifically, students of economics. The core ideas of the book are built around business ethics and economic theory present in business programs since the 1970's. More applicably for the practitioner, *The Power of And: Responsible Business Without the Trade-Offs* has a strong foundation for practical use for the average businessperson. The concepts throughout the book are easily understood and broken down into tangible pieces with practical and peer reviewed support. *The Power of And* serves as a good starting point for organizations to understand the benefits of operating as a responsible business while being profitable. The new scenario challenges the outdated zero-sum worldview.

First, the authors of the book synthesize the historic nature of business operations throughout history. In this journey, the authors present how an incomplete and unfair picture of the true nature of individuals and businesses are portrayed beginning with ethics. In Chapter 1, the authors delve into the history of the business versus ethics debate, giving readers an understanding of how the new narrative of business is shaped. The traditional view of business, profit versus the need for corporate responsibility, has been a debate for over a century. The authors are quick to point out how the main argument - profits are important and ethics and business are sometimes difficult to make work - holds true. However, if we are deterred by the

difficulty of implementation, not much room for improvement in business practice exists. Through analysis the authors were able to create a “new expansive business model” built around five key ideas: (1) the importance of purpose, values, and ethics, as well as profits; (2) the centrality of creative value for stakeholders, as well as shareholders; (3) seeing business as embedded both in societal institutions and in markets; (4) recognizing the full humanist of people, as well as their economic interests; and (5) integrating “business” and “ethics” into more holistic business models (p. 4-5).

For the remainder of Chapter 1, the authors explore the history of the newer business models including **corporate social responsibility (CSR), corporate citizenship, stakeholder theory, creating shared value, conscious capitalism, and inclusive capitalism**. Providing the background is important for readers as understanding the business operational history gives a basis for what has occurred in recent years, and how the new narrative has been built. The authors here provide a basic introduction into each of the five key ideas- each given their own chapter throughout the book.

Prior to exploring each of the five key ideas, Chapter 2 explores more of what is wrong with the more traditional, Milton Friedman type, story of business. The authors provide evidence of traditional limitations by debunking five of the common arguments for the traditional way of thinking about business. The authors label the five common arguments as myths. The myths, the authors argue, while holding some truths, provide a limited picture of how businesses truly operate, telling only one side of the story. The new story of business the authors have created is built upon the myths filling in the holes to tell the whole story.

The first key idea of the author’s new story is how purpose, values, and ethics are as important as profits, which is explored more in depth in Chapter 3. The authors highlight how even on Wall Street, businesses are beginning to understand that purpose matters. Further, they posit the importance of identifying the existing connection in finding a true long-term purpose beyond profits will inevitably lead to an increase in profits. While we often see purpose as a positive, there are many examples of businesses and organizations who have created a purpose which is “anything but good” (p. 57). Purpose, the authors argue, must be aligned with societal and ethical values. Throughout the chapter the authors highlight examples from companies such as Toyota, Barry-Wehmiller, FIFCO, CarMax, and Motley Fool to show how having a purpose aligned with values and ethics both motivates individuals and leads to greater long-term success.

In Chapter 4, the authors move on to the next part of the story, the stakeholder versus the old story’s emphasis on the stockholder. The authors pose the question most organizations ask themselves: “What makes any business successful and sustainable over time?” (p. 70). The answer is creating value for individuals and groups who make up the business’s stakeholders;

stakeholders by the authors definition being those that can affect a business. The individuals and groups, per research conducted by Freeman, Harrison, and Wicks (2007) include primary stakeholders such as customers, communities' financiers, employees, and secondary stakeholders which include the government competitors, consumer and advocate groups, special-interest groups, and the media (p. 67). As the chapter progresses, the authors find examples across industries and countries such as Apple, SAP out of Germany, Google, Cisco Systems, among others, to show how value can and has been created for each of the stakeholder groups. The culmination of the chapter builds on Chapter 3 in the creation of the purpose, values, and ethics. The results are incredible in regard to customer satisfaction, employee morale, and in the end profits and stockholder value.

Chapter 5 moves on to combat the narrative that businesses work best in free and unregulated markets, by instead asserting how businesses are embedded into and not separate from society and the physical world. The authors point out how even the earliest forms of business, with trading and bartering, understood their businesses were not a separate entity from society, but were based on protection, respect, and rules of trade. The old myth covered in Chapter 2 operates on the "business is an island" idea, meaning how the individuals and executives who make up the "islands" only have to look out for themselves making them inherently selfish which is covered more in depth in Chapter 6 (p. 87). In this regard, the authors present the case of Lehman Brothers and Bear Stearns, who in 1977 both refused to help save the financial services industry, when the CEOs of eight other banks offered help. Lehman Brothers and Bear Stearns operated on the island myth and were out for selfish gains. The authors point out how when the decision on who to save during the 2008 economic crash occurred, the actions of these two firms from 1977 were referenced, and neither survived.

The authors also explore a more recent business example with Facebook. The authors argue how over the course of its business history, Facebook acted as if it existed on a mysterious free-market island. The organization believed and acted as if their only responsibility was in building and providing the platform as a tool for users. Facebook has since learned, through backlash and criticism, that the use of their tool is also a part of their company responsibility. While their current operating procedures are not perfect in an ethical responsibility sense, the authors recognize how Facebook is taking steps to improve.

Further, the idea and myth of businesses believing businesspeople and society are made up of mostly selfish individuals maintains attention. The authors explore why this might be occurring, and show room for improvement in a few ways. The first reason is the way economics is taught, which focuses on the individualistic story. The authors discussed research conducted on economics students at a university versus those in other majors in a number of settings within their academic career. The results found how economics students were found to be less

cooperative and honest than students in other majors. The individualistic story also prevails, the authors point out, because what we see in the news and on the front page of the newspaper are the stories of organizations with poor relationships with society including companies like Walmart and Volkswagen. Yet stories such as Costco paying employees above average salaries, and Madewell Jeans creating a Do Well program are found to be less newsworthy. Chapter 5 provides evidence of business as a tenet of society, as a part of society that can help to solve key problems to the benefit of all. As businesses, business schools, and society as a whole continue to shift the way they talk about business, the authors argue it can make an impact on how “we see ourselves in relation to our community” and allows us to act in a way that aligns with our “instincts to survive in a group,” (p. 107).

When exploring the myths of the old story of business in Chapter 2, the authors stated that believing individuals only act with their own self-interest in mind to be the “most damaging” part of that story (p. 41). In Chapter 6, we find a bit of truth in the idea of how we all act in our own self-interest, but we also have evolved to a point where we consider others in our decision-making process. The authors bring in research from evolutionary psychologist, Michael Tomasello, to explore how morality has and continues to evolve into what they term an “evolutionary advantage”, fostering cooperation and coordination. Tomasello’s research provides support for the fact that humans are, by science, capable of making decisions with others in mind and can focus on others as well.

Chapter 6 debunks the idea of those in business as using only rationality to make decisions with organizations, and leaving factors such as emotion, personal values and a sense of identity out of the workplace. The authors take each of these so-called lesser tools of emotion, values, and identity and explore their functionality and influence in our actions within the workplace. For example, research shows how emotion impacts our decision-making more than anyone would admit. We consider the way we feel in each situation we are faced with in the workplace, and how that emotion influences the choices we make. Emotions may have a negative connotation in the decision-making process, but the authors argue emotions can actually be functional. Additionally, the authors point out how intuition can, in some instances, be a guide to the right decision. The authors reference the example of the economics students and find that the more students were exposed to economics in their undergraduate studies was a “strong predictor” of whether a person believes morality was worth the effort (p. 120).

Overall, people and organizations are complex beings who, given different situations and contexts, may act in what individuals will label a good or bad way. Given this complexity, and the complexity of multiple systems of morality, the authors point out how people and organizations cannot be classified on the basis of morality as either “heroes/villains or saints/sinners” (p. 111). Moving forward organizations are able to use the insights from this

chapter to better understand the complexity of individuals, which will improve how their stakeholders are treated.

While ethics has been a core component of each of the previous chapters, Chapter 7 more strongly emphasizes the need for business and ethics to be integrated. The belief that “business ethics is an oxymoron” the authors point out, is like a self-fulfilling prophecy. If we continue to say it to business students, that is the mindset they are taking into the workforce (p. 131). The authors argue instead with a new narrative- the two terms should be offered complementary, not mutually exclusive. Stakeholders at all levels want to do business with companies that act ethically, and while no company is perfect the authors find thousands who are committed to doing business ethically.

The authors compiled research regarding the integration of business and ethics to show their value and necessity for long-term success. The first research study focuses on the work by Brian Uzzi a sociologist, who finds organizations benefit from strong relationships with stakeholders, echoing Chapter 4 sentiments (p. 139). The authors point out Uzzi’s findings of businesses with strong stakeholder relationships and a strong sense of ethics were more mutually beneficial. Further, there was a developed trust which led to cooperative problem-solving if issues arose. In turn, where relationships focused on transactions and profits, if issues arose, issues were then solved through legal terms. What the authors find in this chapter combines what has been said throughout the past four, businesses cannot operate as if ethics is separate or an afterthought but must include ethics from the beginning. While the authors point out many right ways exist to incorporate ethics, businesses must take a step back to understand where their ethics lay and how to make sure their ethics are inherently incorporated to solve the issues of the 21st century.

The final chapter of the book, Chapter 8, begins with the story of New York Life, a mutual insurance company. New York Life has chosen to follow a new narrative recognizing the issues in the old story of business. The authors discovered how the company operates on all five of the key ideas of their new story of business and walks readers through how they embody each. After walking through this real-world example, the authors leave readers with what they deem as “tools for improvement” for each of the five areas of the new story of business (p. 145). Here is a real practical golden nugget for practitioners. The tools are meant as a starting point for businesses and include examples and questions used to begin the conversation on how these businesses can begin to move towards this new all-encompassing story of business. The authors end the book with the statement of much to be done, but with the given guiding principles it is a step in the right direction (p. 156).

Freeman, Martin, and Parmar, the authors of *The Power of And: Responsible Business Without the Tradeoffs*, set out to conceptualize a new revolution for businesses showing them that they can be successful and responsible. Many of the concepts the authors present as a part of this story be found in some of the newer models of business including corporate social responsibility (CSR), corporate sustainability, stakeholder theory, conscious capitalism, among many others (Carrol & Brown, 2018). However, even with the vast history of social responsibility the overall concept is still complex to both scholars and practitioners, which makes the decision to pursue ethical and socially responsible initiatives anything but trivial (Crifo & Forget, 2015). The authors of this book succeed in building on past literature and creating an all-encompassing picture for business owners and filling in the gaps that were lacking in some of the previous models. For those interested in learning more, more recently, the trio have a new book of interest, *The Power of Logic*.

Throughout the book the authors provide several examples from current, recognized businesses to represent a multitude of industries and countries, which aids readers, especially other business leaders, in seeing the concepts in action. The examples at times can be overwhelming and the point can become convoluted between stories. The point of presenting so many examples of businesses following the new story of business, may very well be a vital part of the book, because as the authors pointed out most ethics' books, newspapers, and even social media news tend to only focus on the negative examples of ethics and does not highlight the good things happening.

The representation of small and medium size business (SMEs) is lacking among the examples, which is an issue because SMEs make up most of the businesses across the world and serve as an important driver in the global economy (Naradda et al., 2020). The lack of SME examples is not surprising as SMEs are rarely the subject of interest for ethics and social responsibility for researchers (Spence, 2016). The authors present their concepts in a generalizable manner which can be adapted for SMEs. The lack of research leaves room for future scholars to focus and analyze SMEs to see if any adjustments need to be made to their story.

Within the field of ethics and socially responsible business practices, the authors of *The Power of And* join others to influence and shift ethical thinking in the business world. Carol Sanford (2020) is one such author who has a desire to shift the thinking of business, and recently published a second edition of her book *The Responsible Business: Reimagining Sustainability and Success*. Many of the ideas presented in *The Power of And* reviewed extend Sanford's (2020) work, especially the core idea that responsibility must be a central component ingrained in "both the purpose and the prosperity" of the business and not just an afterthought (p. 38). One important concept Sanford (2020) presents which differs from *The Power of And*, is within the final portion of her book, which provides readers with practical applications of, and ideas for,

assessing the impact of responsible initiatives within the business. Many critics of the social responsibility movement cite lack of reporting and measurement as a main issue. With such a large investment, business leaders need to know and see a more tangible ROI. In providing a section focused on assessment and looking at it from the perspective of the stakeholder, Sanford (2020) fills in a gap missing from many social responsibility pieces, and makes it an applicable text for practitioners. Combined with the user-friendly framework presented by Freeman et al., (2020) scholars continue to shift the approach to a more practitioner focused narrative.

The strong author team of *The Power of And* provide a new story of business with flexibility to fit within businesses across many industries and countries. Throughout the book, the authors are able to broaden the conversation of ethics and business, a concept which many scholars, practitioners, and students approach with skepticism. The authors challenge readers to view the business world as one where no one is perfect, nor can they be perfect. What businesses can do moving forward is strive for improvement and the merging of ethics and business with strategic and thoughtful planning. The authors leave with the note that their book is not the end of the story nor the perfect answer, *The Power of And* provides a new story for business leaders to follow and questions to ask themselves to move towards continuous improvement.

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