Business Ethics at the Millennium

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Abstract: Business ethics, as a discipline, appears to be at a crossroads. Down one avenue lies more of the same: mostly philosophers taking what they know of ethics and ethical theory and applying it to business. There is a long tradition of scholars working in the area known as "business and society" or "social issues in management." Most of these scholars are trained as social scientists and teach in business schools. Their *raison d'etre* has been admirable: trying to get executives and students of business to understand the social impacts of business and to see business in broad, societal terms.

Introduction

Business ethics, as a discipline, appears to be at a crossroads. Down one avenue lies more of the same: mostly philosophers taking what they know of ethics and ethical theory and applying it to business. Along this route there are many interesting stops. Here lies the Kantian theory of organizations of Norman Bowie, Patricia Werhane's theory of employee rights, Donaldson and DeGeorge's rubrics for multinationals dealing with important cultural differences, and Donaldson and Dunfee's elaborate system of hypernorms and integrated social contracts, to name but a few.[1] Down this avenue lies most of the research reported in *Business Ethics Quarterly* and delivered at the Society for Business Ethics. These lines of research are very interesting and fruitful, as has been proven in recent years. They represent the very best that philosophy has to offer. Indeed, the very fabric of ethical theory has begun to be rewoven by these authors and their close counterparts in biomedical ethics.

Yet, one gets the feeling that the entirety of business, that multifaceted institution of capitalism, could ignore this avenue of inquiry without so much as a glance. Some may not ignore it, and there may emerge "pockets of ethics" and "ethical companies" according to these lines of research. However, the mainstream conversations in business have had little to do with the work of these philosophers.[2]

Another avenue at the crossroads fares no better. There is a long tradition of scholars working in the area known as "business and society" or "social issues in management." Most of these scholars are trained as social scientists and teach in business schools. Their *raison d'etre* has been admirable: trying to get executives and students of business to understand the social impacts of business and

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to see business in broad, societal terms. They have relied upon ideas such as corporate social responsibility, corporate social performance, and issues management and have taken a largely descriptive and empirical approach to their discipline, as opposed to the largely normative and theoretical approach of the philosophers.

Interestingly enough, the same criticism seems appropriate. Not much of this work has appeared in mainstream discussions of business and capitalism. There are two important reasons that may explain the general "perceived irrelevance" of work in business, ethics, and society (if we may combine these two lines of work into one). Both accounts of work in this area were opened largely to question the status quo, which claimed that businesses should be managed solely in the interests of stockholders. Put more crudely, the standard claim is that capitalism is a system that rests solely on individual self-interests to the exclusion of others, and that the "natural" drive of humans to compete is the main fuel of the engine of capitalism. Naturally a critical posture relative to this standard claim would make research in this area marginal and of little perceived value by those in the mainstream. Secondly, at least the philosophers would argue, we shouldn't be surprised that their ideas have not shown up in the mainstream. After all, they would argue, the mainstream is about the current practice of business and capitalism, while the ethical critique is about what *ought* to be the case. And, these philosophers would opine, you simply can't deduce an "ought" from an "is." How businesses ought to behave is not necessarily connected to how they do in fact behave. So, there is no small wonder that these ideas have not found their way into the mainstream, especially as the practice of capitalism has found itself triumphant around the world.

Yet these responses have a hollow ring to them. The recent emergence of concerns with "vision and values," and "a sense of purpose" in the mainstream conversations about business seem to be right up the alley of scholars in business, ethics, and society, yet it was others such as Prahalad and Hamel, and Collins and Poras who have brought these ideas into the mainstream.[3] Even more curious is the fact that the two streams of research and critique seem to add up to more than the sum of their parts. Recently these scholars have begun to see that they have a great deal to say to each other. Conferences, papers, and books have begun to appear to indicate how these two lines of inquiry can be combined. The results of this combination crystallize the problems that business, ethics, and society scholars face, and at the same time illuminate yet another avenue for future development, an avenue that puts the work of these scholars squarely into the mainstream conversation about business and capitalism.

The Role of Stakeholder Theory

These two streams of research have naturally merged around the idea of "stakeholders," a controversial concept in the mainstream conversation of business and capitalism, but an idea that has played a large role in the development of both lines of research. The stakeholder idea has a long history, but its current instantiation is due to business theorists trying to do ever better strategic planning, and to take into account precisely those groups who can have some effect on the firm or may be affected by the firm's actions.[4] The last 15 years have ironically seen a growing influence of the stakeholder concept in the business, ethics, and society literature, and a lessening of it in the strategic management literature.

The philosophers see "stakeholders" as a way to bring in the fact that business should be accountable to others. And, it is precisely some of these "others," who can affect or be affected by the firm, to whom some accountability is owed. There are a variety of proposals for which "others" count, but all of these proposals use the stakeholder idea to add in morality to the perceived "immorality" or "amorality" of capitalism.

Social scientists, on the other hand, see "stakeholders" as a useful *unit of analysis* that easily depicts the social and societal effects of business. By focusing on those groups who are affected by the firm or who can affect the firm we can show that there are broader issues at stake than just the economics of business. We can measure performance with these other groups, model good and bad performance, and revise the narrow economist's vision of business to include social issues and societal effects.

Two recent papers are canonical versions of these arguments. Donaldson and Preston's review of the stakeholder literature divides it into three main areas: normative, descriptive, and instrumental. They suggest, and others have seconded their suggestions with fervor, that theorists be more precise in making either normative, descriptive, or instrumental claims. They claim, "The muddling of theoretical bases and objectives, although often understandable, has led to less rigorous thinking and analysis than the stakeholder concept requires."[5] However, in the end they claim that the normative area is the central one, where "stakeholder theory," understood as an alternative to "stockholder theory," will get its justification. They go on to suggest that such a justification is to be found in an analysis of property from a modern perspective. And, Donaldson and Dunfee suggest that something like "stakeholder theory" can be justified only with an appeal to an elaborate mechanism known as "integrated social contract theory" else it collapses into the relativist abyss.[6] So, it seems that regardless of what empirical or descriptive propositions follow, and regardless of the causal or hypothetical connections that are established, we are to look to the normative realm if "stakeholder theory" is to be justified. For here we will find "its connection with more fundamental and better-accepted philosophical concepts."

Mitchell, Agle, and Wood have argued almost the opposite of Donaldson and Preston.[7] They suggest that we look to the empirical world to see how executives actually determine who and what stakeholders really count. By focusing on power, urgency, and legitimacy we can map a multidimensional analysis of stakeholders and their effects on the firm. Whether or not these effects ought to be the case or not is a separate matter. Mitchell, Agle, and Wood argue that while the search for legitimacy of stakeholder theory goes on, and we wait for the articulation of a normative core that is found to be convincing, "managers must know about entities in their environment that hold power and have the intent to impose their will upon the firm."[8]

The Separation Thesis and The Responsibility Thesis

In short, Donaldson and Preston, and Mitchell, Agle, and Wood, seem to accept some form of what I have called "The Separation Thesis," though each set of authors thinks that one side of the thesis holds more promise than the other. The Separation Thesis is the view that:

> The discourse of business and the discourse of ethics can be separated so that sentences like "x is a business decision" have no moral content, and "x is a moral decision" have no business content.[9]

The Separation Thesis has a long history and tradition. Amartya Sen has suggested how it has come to hold sway in modern economics.[10] I intended my statement of the thesis to be used as a diagnostic device to examine the current state of the mainstream conversation about business and capitalism, but it works equally well to diagnose the conversation about business, ethics, and society.[11]

Philosophers have stood behind their expertise in ethical analysis to trumpet the primacy of the normative. Social scientists have stood behind their methodological expertise to champion the primacy of the empirical. Some have argued that the normative must be based on an understanding of the empirical, but many philosophers would reject such a suggestion with a cry of "Hume's Law" referring to the belief that one can't derive a normative statement from a statement of fact. So, the Separation Thesis seems to aptly describe the two avenues of business, ethics, and society, and the crossroads at which the field stands. But, there is more.

First of all, along with the Separation Thesis we might use another thesis for diagnostic purposes. Call this thesis the Responsibility Thesis, and let it stand for the idea that if ethics is to get off the ground and have any meaning, then people have to take some responsibility for their actions. More formally, the Responsibility Thesis claims:

> The basis for ethics, or the moral point of view, is that most people, most of the time, take, or want to take, responsibility for the effects of their actions on others. And, if they did not, then what we call "ethics" and "morality" would be meaningless.

Now it is easy to see the problem. First, a discourse, such as the discourse of business and capitalism, can't simultaneously appeal to the Separation Thesis and the Responsibility Thesis. If "Business" is truly separate from "Morality" then responsibility plays no role. And no matter how hard philosophers and social scientists try to slip it in via the back door, the mainstream conversation, built on the Separation Thesis, will reject it. Second, there is some truth behind the Separation Thesis that business, ethics, and society scholars tend to ignore and it is this: economics counts. Value creation and trade, in fact, can take place even when the parties to the practice share few values. Value creation and trade are resilient practices that have developed over millennia, before the advent of modern governments, before trade agreements, and before the large multinational corporation. If value creation and trade took place only within relatively homogeneous societies, then, getting all the normative claims lined up before we could describe business or its hypothetical relationships may make some sense. But, such a vision is not a useful one in today's world.

Stakeholder Theory as Managerial

Having diagnosed the split in business, ethics, and society, and its attempted healing via stakeholder theory as a necessary and implicit tension and appeal to the Separation Thesis and the Responsibility Thesis, I want to suggest that the seeds of the solution lie precisely in the middle of Donaldson and Preston's article. It is a great irony that such an influential article should be misinterpreted as claiming three things about stakeholder theory, that it is descriptive, normative, and instrumental. For in fact, contra the myriad papers citing this article, there is a fourth claim. Donaldson and Preston's "Thesis 4," which even they don't develop, holds the key to a way out of this morass. Thesis 4 claims:[12]

> The stakeholder theory is managerial in the broad sense of that term. It does not simply describe existing situations or predict cause-effect relationships; it also recommends attitudes, structures, and practices that, taken together, constitute stakeholder management. Stakeholder management requires, as its key attribute, simultaneous attention to the legitimate interests of all appropriate stakeholders, both in the establishment of organizational structures and general policies and in case-by-case decision making. This requirement holds for anyone managing or affecting corporate policies, including not only professional managers, but shareowners, the government, and others. Stakeholder theory does not necessarily presume that managers are the only rightful locus of corporate control and governance. Nor does the requirement of simultaneous attention to stakeholder interests resolve the longstanding problem of identifying stakeholders and evaluating their legitimate "stakes" in the corporation. The theory does not imply that all stakeholders (however they may be identified) should be equally involved in all processes and decisions." (pp. 175–6)

If stakeholder theory is managerial in this sense, then it is impossible to sort out the precise normative and empirical claims. Though the instrumental claims, the large cause-effect claims, may well turn out to be the most interesting of the three, and the connections between the instrumental claims and the managerial nature of stakeholder theory will be crucial. In that sense the recent work of Thomas Jones makes central contributions to the development of stakeholder theory.[13] My suggestion is that we replace a concern with Donaldson and Preston's first three theses with a full understanding of Thesis 4. We need to see stakeholder theory as managerial, as intimately connected with the practice of business, of value creation and trade. That was its original impetus, in the sense of redescribing the practice of value creation and trade to ensure that those with a "stake" in this practice had attention paid to them. In the messy world of management it is simply impossible and not very useful to be precise about what claims are normative and what claims are empirical etc., though there will surely be times when such careful delineation has a purpose.

Stakeholder theory is about value creation and trade. If capitalism is the umbrella under which we analyze value creation and trade, then stakeholder theory is inherently capitalistic, no apologies. Stakeholder theory is about the real world of business, the messy relationships, sometimes sortable into neat categories, but oftentimes, customers are suppliers are competitors. If "stakeholder theory" is to join the mainstream conversation about business and capitalism it will be because theorists are able to both understand practical managerial problems and offer narratives or stories that enable managers and stakeholders to enact a better, more useful version of value creation and trade. I want to suggest how the business, ethics, and society scholar can do this by way of example.

By implicitly appealing to the Separation Thesis and the Responsibility Thesis four managerial problems arise. Each of these problems can be avoided by enacting a version of a story about value creation and trade that does not depend on the tension between these theses. Furthermore such a story, which I want to call "Stakeholder Capitalism," is a more generic narrative about value creation and trade that avoids many of the pitfalls of our standard story about capitalism.

Four Managerial Problems

Since, according to the Separation Thesis, business and ethics are to be disconnected, the first managerial problem may be called the Problem of Meaning. Human beings spend a majority of their waking hours at work. Most people want meaningful work, to see that their work matters and has some meaningful and usually good consequences for others. However, if our understanding of business is based on the Separation Thesis, such moral ideas about work are problematic. Hence, there will be a tension between people wanting meaningful work and the more traditional idea that work and the meaning of life are somehow disconnected. Work is at best a means in which we use its fruits, money, to find meaning or to care for others that are important to us.

Collins and Porras, in *Built to Last,* have detailed company after company that has outstanding performance in part because these companies have a sense of purpose, a sense of meaning that is transferred to their employees. This sense of purpose is broader than "maximize shareholder value" and inevitably refers to some good done for other stakeholders as well. Note that this sense of purpose doesn't imply that these companies do not maximize shareholder value, but that such an outcome is not the purpose of the enterprise. For example, employees at Merck come to work in part because it is important that they do so—finding cures for human suffering is a cause worthy of their attention. The problem of meaning is a function of our ideology, a function of the Separation Thesis, and a problem that we can help dissolve by coming to see the employee stakeholder relationship in both business and moral terms simultaneously.

The second managerial problem is related and can be called the Problem of Careers. If work has little meaning, then for the sake of one's mental health, the self is separated from work. If we have a self that we conceive of as "fully or partially moral," that moral self is out of place in the business world where ethics and business are separate. Consequently we need new constructs such as "career" to be a "dummy variable" for self. Students often say "I'm doing this for my career" when they mean, "I really don't want to do this. I'm not like this really. Etc." Separating self from work automatically ignites another problem, that of balancing work with other interests. Since work is not, on this view, part of one's moral universe, there is a limited amount of time an employee is willing to devote to her career. Rather than making corporations friendly places for families, relationships, and more fully developed human beings, the separation of self from work leads to the tensions between one's "professional" and "private" life, one's work life and family life, one's career and self. These tensions can ultimately be alienating on either side of the tension. We become our work, or we endure our work for the sake of privacy, family, and self.

The third managerial problem can be called the Problem of Change. There is no topic that is written about more in the mainstream discussions of business than "change." Executives constantly invoke "change programs," send employees and themselves to "change seminars," and hire consultants to help them "manage change." The standard mantra is that change is difficult. Change is hard. People have difficulty with change and don't want to change. But, this standard story is directly deducible from the affirmation of the Separation Thesis and the denial of the Responsibility Thesis. If business is separate from values and ethics, and if change requires one to think about values and ethics, then change in business will be difficult. It will prescribe that one do what cannot be done: invoke the cause of change, values, in an arena where it is illegitimate, according to the discourse, to do so.

If we revise the standard story of business, to make it a story about stakeholder relationships that are fully human, then change is actually quite easy. What is difficult is knowing what the values are that one stands for. But, if we give up the Separation Thesis and all of its concomitant guises, then the question of what one stands for (individual, or company) becomes a central part of understanding any business and any stakeholder relationship.

The fourth problem can be called the Problem of Leadership. With the possible exception of "change" no other topic has recently generated such a large volume of literature. There is a hue and cry for leadership in today's business world, and it is connected to the preceding three problems. Because our discourse asks us to see work as not admitting of meaning, the self as disconnected from work, the exigencies of change as difficult to manage, we need some heroic construct like "leadership" to get us through the day-to-day pressures of business. There is a whole genre of "Leadership Lessons From X" where X ranges over a set of people from Attila the Hun to Martin Luther King. And, this literature mimics the Separation Thesis. It has little role for values, other than in a descriptive role, or other than in the "character of the leader." In few instances do we find values in both their individual and social forms, and rarely does this literature see the need for a critical approach to both the leader and the very idea of leadership.

Toward a New Understanding of Capitalism

These four problems, based on the very real world of a global business environment, call for the need to rethink the standard story of capitalism. Suppose that we gave up the Separation Thesis. Note that this entails giving up all the distinctions that Donaldson, Preston, Mitchell, Wood, and Agle hold dear, at least most of the time, and adopting what Donaldson and Preston call the managerial thesis of stakeholder theory. So, there are no "descriptive" constructs. There are no "empirical" studies. There are no fundamental "normative cores" on which to base everything.[14] There are only narratives and pieces of narratives that are at once descriptive of how we are and at the same time suggestive of how we could live better. These narratives serve the function of offering hope about how we can revise our current institutions to make them serve us better. "Stakeholder theory," "stakeholder management," or "managing for stakeholders" is precisely this kind of narrative. It calls into question the dominant story of "anything-goes capitalism" or "cowboy capitalism" or "shareholder capitalism," etc.[15] I want to articulate four principles of stakeholder capitalism and suggest how enacting these principles can help us to avoid the four managerial problems outlined above.

First of all *The Principle of Stakeholder Cooperation* says that value is created because stakeholders can jointly satisfy their needs and desires.[16] Value creation and trade is not a zero sum game. Capitalism works because entrepreneurs and managers put together and sustain deals or relationships among customers, suppliers, employees, financiers, and communities. The support of each group is vital to the success of the endeavor. This is the cooperative common-sense part of business that every executive knows, but the Separation Thesis leads us to believe that the shareholder is always more important than others. Try building a great company without the support of all stakeholders. It simply cannot be sustained.

Because this principle is rooted in the interests of stakeholders, the corporation becomes a clearinghouse or nexus of activity where stakeholders satisfy their desires. Far from being meaningless, the corporation becomes an institution imbued with meaning from many different perspectives.[17] Employees need not pursue only careers in such corporations, but the corporation becomes a vehicle, a mere means, if you like, to employee and other stakeholder ends. Note however, that such meaningful work has to satisfy the desires and interests of other parties to the agreement. All corporations are not managed for the benefit of any one group, though some may in fact be so managed.

Second, *The Principle of Complexity* claims that human beings are complex creatures capable of acting from many different values. We are not just economic maximizers. Sometimes we are selfish and sometimes we act for others. Many of our values are jointly determined and shared. Capitalism works because of this complexity, rather than in spite of it.

If human beings are complex and multifaceted, the problem of change takes on new meaning. It becomes a central task to determine an answer to fundamental values questions that may bind together a business entity. There are no obvious "right" answers here. There are many different ways to engage in value creation and trade and also be "an ethical person."[18]

Third, *The Principle of Continuous Creation* says that business as an institution is a source of the creation of value. Cooperating with stakeholders and motivated by values, businesspeople continuously create new sources of value. This creative force of humans is the engine of capitalism. The beauty of the modern corporate form is that it can be made to be continuous, rather than destructive. One creation doesn't have to destroy another, rather there is a continuous cycle of value creation that raises the well-being of everyone. People come together to create something, be it a new computer program, a new level of service, a way to heal the sick, or simply to work together.

The problem of leadership is relevant here. By seeing the corporation as itself an innovative mechanism set forth to preserve the possibility that the current cooperative agreement among stakeholders may well turn out to be worth preserving, leadership takes on a whole new meaning. Again, the leader will not be able to separate out the "skills and influence techniques" from the ongoing intersection of interests and values of the stakeholders. An analysis of the ethics of the corporation won't be done from an outside point of view, say that of "ethical theory," but from the inside view of what stakeholders are trying to achieve together, and what they are trying to preserve so that tomorrow they may achieve again.

Finally, *The Principle of Emergent Competition* says that competition emerges from a relatively free society so that stakeholders have options. Competition emerges out of the cooperation among stakeholders, rather than being based on the primal urge to "get the other guy." Competition is important in stakeholder capitalism, but it is not the primary force. It is in its ability to manage the tension created by simultaneous cooperation and competition that stakeholder capitalism distinguishes itself.

Stakeholder capitalism takes a firm stand against the Separation Thesis. It implies that human beings are required to be at the center of any process of value creation and trade. It underscores the Responsibility Thesis that common decency and fairness are not to be set aside in the name of playing the game of business. It suggests that we should demand the best behavior of business, and that we should enact a story about business that celebrates its triumphs, admonishes its failures, and fully partakes of the moral discourse in society as a routine matter. Yet, stakeholder capitalism is no panacea. It simply allows the possibility that business becomes a fully human institution. There will always be businesspeople who try to take advantage of others, just as there are corrupt government officials, clergy, and professors. Stakeholder capitalism bases our understanding and expectations of business, not on the worst that we can do, but on the best. It sets a high standard, recognizes the common-sense practical world of global business today, and asks managers to get on with the task of creating value for all stakeholders.

The Role of Business, Ethics, and Society Scholars

I believe that stakeholder capitalism, as briefly sketched above, articulates many of the values, beliefs, and the critical stance of many scholars in business, ethics, and society. I also believe that the four managerial problems represent the cutting edge of how managers experience the business world. Both of these claims could be false, but even if they are, I want to argue that some such process as I have suggested in the last two sections is the road down which business, ethics, and society scholars should tread.

We need to be fully immersed in the world of value creation and trade. If these four problems don't interest scholars then find some others. We need to be fully cognizant of the worth of what we are doing, which is, in large part, revising the story of capitalism to make it work better. If the revision I've called stakeholder capitalism doesn't interest scholars, then find some other revisions.

We need to avoid isolated theorizing that is unconnected and unconnectable to the practice of value creation and trade. We need to avoid philosophical distinctions that, for the most part, don't make a difference. We need to firmly reject the idea that business and ethics are separate, and we need to explore whether or not our "ethical theory" contains traces of the Separation Thesis, i.e., the idea that business couldn't possibly be a full citizen in the moral universe.

In short, we need to join the mainstream conversation about business and capitalism. We need to develop the stakeholder framework more fully to help revise the process of value creation and trade, to make business an even more fruitful institution in bringing about good and raising up the least well off in the world. Business, ethics, and society scholars are poised to lead this conversation. The challenge, however, is a substantial one.

Notes

[1]See Norman Bowie, *Business Ethics: A Kantian Perspective* (Oxford: Blackwell, 1999); Patricia Werhane, *Persons, Rights and Corporations* (Englewood Cliffs, N.J.: Prentice-Hall, 1985); Thomas Donaldson, *The Ethics of International Business* (New York: Oxford University Press, 1989); Richard DeGeorge, *Competing With Integrity in International Business* (Oxford: Oxford University Press, 1993); and Thomas Donaldson and Thomas Dunfee, *Ties That Bind: A Social Contracts Approach to Business* (Boston: Harvard Business School Press,

1999). I don't wish to except my own work in this tradition from the criticisms that I raise here. William Evan and R. Edward Freeman, "A Stakeholder Theory of the Modern Corporation: Kantian Capitalism" (in *Ethical Theory and Business,* 3rd ed., ed. T. Beauchamp and N. Bowie [Englewood Cliffs, N.J.: 1988]) is squarely in this tradition.

[2]By this I mean that there are few articles in the popular discussions of business that mention the work of these scholars. There are few articles about ethics at all in these journals and magazines. There are no ethics best-sellers in business. Most executive programs have ethics sessions as an afterthought or an after-dinner speech. There is, however, an increasing number of articles by business, ethics, and society scholars in more mainstream management journals such as *Academy of Management Review.*

[3]See G. Hamel and C. K. Prahalad, *Competing for the Future* (Boston: Harvard Business School Press, 1994) and J. Collins and J. Porras, *Built to Last* (New York: Harper Business, 1994).

[4]For a history of this idea see R. Edward Freeman, *Strategic Management: A Stakeholder Approach* (Boston: Pitman Publishing Inc., 1984); T. Donaldson and L. Preston, "The Stakeholder Theory of the Corporation: Concepts, Evidence and Implications," *Academy of Management Review* 20, No. 1 (1995): 65–91, reprinted in M. Clarkson, ed., *The Corporation and its Stakeholders: Classic and Contemporary Readings* (Toronto: University of Toronto Press, 1998); and Giles Slinger, "Spanning the Gap: The Theoretical Principles Connecting Stakeholder Policies to Business Performance," Center for Business Research, Department of Applied Economics, University of Cambridge.

[5]See Donaldson and Preston in Clarkson, *The Corporation and its Stakeholders,* p. 182.

[6]See Donaldson and Dunfee, *Ties That Bind.*

[7]See R. Mitchell, B. Agle, and D. Wood, "Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts," *Academy of Management Review* 22, no. 4 (1997): 853–886, reprinted in Clarkson, *The Corporation and its Stakeholders,* pp. 275–314.

[8]Ibid., p. 307.

[9]R. Edward Freeman, "The Politics of Stakeholder Theory," *Business Ethics Quarterly* 4, no. 4 (1994): 409–422.

[10]Amartya Sen, *On Ethics and Economics* (Oxford: Blackwell, 1987); and "Does Business Ethics Make Economic Sense," *Business Ethics Quarterly* 3, no. 1 (1993): 45–54.

[11]There are many dualities in the mainstream conversation of business and capitalism that bear some relationship to the Separation Thesis. I have in mind "business—ethics," "social science—humanities," "fact-based—opinion and feeling," "empirical—normative," "descriptive—prescriptive," "business—society," and others. A full accounting of the Separation Thesis is beyond the scope of the present paper. Suffice it to say that I believe it runs to the core of the mainstream conversation.

[12]Donaldson and Preston, pp. 175–176.

[13]See Thomas Jones, "Instrumental Stakeholder Theory: A Synthesis of Ethics and Economics," *Academy of Management Review* 20, no. 1 (1995): 92–117; Jones and A. Wicks, "Convergent Stakeholder Theory," *Academy of Management Review* 24 (1999).

[14]This doesn't imply that normative cores or even empirical categorization schemes are not sometimes useful. It does imply that their usefulness to a managerial stakeholder theory is the proper criterion for their evaluation.

[15]That it has always been at least intended (if not executed) as such a managerial revising of the mainstream conversation about value creation and trade, at least in my own view, is the subject of a joint paper with Robert A. Phillips, "Stakeholder Theory: A Libertarian Argument," Society for Business Ethics Meeting, Chicago, August 1999.

[16]The following sections contain some paragraphs from R. Edward Freeman, "Stakeholder Capitalism," *Financial Times*, July 26, 1996. I am grateful to the editors and publisher for permission to use this material here.

[17]For an account of how this can come about see R. Edward Freeman and Daniel R. Gilbert, Jr., *Corporate Strategy and the Search for Ethics* (Englewood Cliffs, N.J.: Prentice-Hall, 1987) chapter 7.

[18]That there are many ways to run a business is the insight behind the often-ignored idea of "enterprise strategy" and its theoretical analog "normative core." It is a separate story whether or not "being an ethical person" makes any sense in isolation from the ideas of value creation and trade. If value creation and trade are fundamental to the human experience, then separating out "ethical person," as the above sentence does, is also illegitimate. Another way to say this is that our analysis points out the need for a political philosophy or a conception of ethics where value creation and trade, rather than the state, play a central role.