

Patagonia's grand gesture sends the wrong message about ethical capitalism

October 12 2022, by David Weitzner



Credit: AI-generated image ([disclaimer](#))

Patagonia's recent [blockbuster announcement](#) that the company was "turning capitalism on its head by making the Earth our only shareholder" is generating a lot of attention. It is the start of another chapter in a long and storied history of a company that, more often than not, has been getting ethics right.

But is "turning capitalism on its head" the right move in these socially and economically precarious times? Patagonia will continue to operate as a private, for-profit corporation, with a catch: the [company's](#) voting stock will be [transferred to the Patagonia Purpose Trust](#).

In explaining the move, Patagonia's founder Yvon Chouinard said that [taking the company public would have been a disaster](#). He said that "even public companies with [good intentions](#) are under too much pressure to create short-term gain at the expense of long-term vitality and responsibility."

It's clear Chouinard has lost faith in the ability for businesses like Patagonia to act ethically for the common good, despite the company's history of doing exactly that.

Patagonia inspired others

I have long lauded Patagonia as the paradigm of an ethical company. Patagonia sells durable and lasting products, offers a [repair and reuse program](#) and [robust environmental](#) and [animal welfare principles](#) for sourcing materials. It also offers safe, fair, legal and [humane working conditions](#) at all production facilities.

We need paradigms of good governance like Patagonia. In contrast, members of [the Business Roundtable nonprofit](#), made up of CEOs of top American companies "working to promote a thriving U.S. economy and expanded opportunity for all Americans through sound public policy," went back on [their ethical promises](#) a year after pledging a new model of corporate responsibility.

The Roundtable executives were right to conclude that focusing solely on maximizing shareholder value will not support success in today's socioeconomic reality. But they didn't know how to follow through on

the required changes.

What's needed is not grandiose ethical gestures, but businesses like Patagonia that model a viable type of ethical business and make meaningful commitments about ethics without alienating managers and customers.

Avoiding conversation stoppers

In a [recently published paper](#) in the *Journal of Business Ethics* my colleague and I looked to the American pragmatist Richard Rorty for ethical guidance. Rorty [explained](#) that morality begins only when controversy arises, and [moral dilemmas](#) are solved by how we justify our ethical positions.

Rorty warns against what he calls conversation stoppers. The argument that there is no hope for shareholder capitalism is one example of a conversation stopper that prevents us from making meaningful progress. Sometimes even the best moral arguments run the risk of having an averse effect. We shouldn't be shutting down conversations about ethical capitalism—we should be starting them.

Instead of grand gestures, like Patagonia's recent move, we should be committing to managing stakeholders in a way that shrinks the Us vs. Them divide. It is a mistake for managers of publicly traded firms to view their shareholders as part of the "Us" while all other stakeholders are the less important "Them." And it is equally problematic for those who put ethics first to view public companies as part of a hopelessly immoral "Them."

We need to strive for harm reduction in our business activities, and work towards [social mobility](#) for all our stakeholders. These are things Patagonia does well that other firms can learn from.

Difficulty with staying on track

A recent scandal involving John Deere illustrates how difficult it is for companies to embody true corporate responsibility. Similar to Patagonia, John Deere has also been [lauded for its overall business ethics](#).

The company's current focus is on creating agricultural machinery using autonomous driving technology to help the world feed itself. It's moving to automation in an [industry facing massive labor shortages](#).

In 2020, it was revealed that John Deere was [selling tractors that farmers were locked out of repairing themselves](#), meaning even the simplest repair would have to be done by a licensed dealer.

This seems like a foolish choice, since the company's [future is in innovation](#) tied to its solid reputation, not exploiting [a repair monopoly](#). The money gained by this piece of their value proposition is simply not worth the moral cost.

John Deere promised that by 2021 it would make repair tools, software and diagnostics directly available to tractor owners. [This has yet to happen](#).

Turning the tide of anti-capitalism

Back in 2005, Richard Rorty [made a pitch to business thought leaders](#): engage in big-picture imaginative projects to turn the tide of anti-capitalist resentment.

He observed that this resentment is "likely to produce social and political chaos." He warned that if those in positions of power aren't "dreaming up idealistic, utopian scenarios for the formation of a morally decent

global society, it is unlikely that such a society will ever come into existence."

[Chouinard claims to be acting in that spirit](#), writing: "Truth be told, there were no good options available. So, we created our own." But does Patagonia's grand gesture get us closer to a better society? Not in my estimation.

Instead, it turns [business](#) ethics on its head by telling firms to not even bother striving for noble ethical outcomes. It's a message that undermines a wider drive towards ethical capitalism. By inviting publicly held firms to question the value of even trying to do good, Patagonia may ultimately give them the grounds to cease trying at all.

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