

PREFACE TO THE REVISED EDITION

By the time *Grow the Pie* was released on 26 March 2020, COVID-19 had already started to devastate the world. 24,000 citizens had lost their lives, 520,000 had tested positive and millions more were estimated to have been infected, but had not yet been tested. Fifty-six countries including the UK, France, Germany, Italy, India and Mexico, plus several US states, had already gone into lockdown.

The impact on business would be catastrophic. Thousands of companies were forced to close, sparking mass redundancies. Among those that survived, there were serious concerns that responsible business would be a relic of the past – a luxury in a time of crisis – as companies needed to watch every penny.

Yet many enterprises took extraordinary actions to serve society. Some ensured a fair split of the pie, by continuing to pay furloughed workers, offering loans to customers and suppliers, and donating products to communities. Not every company had pie to share – some didn't have relevant products to give; others were strapped for cash as their business had been badly hit. So they instead played their part by growing the pie through innovation and excellence. Mercedes' precision engineers teamed up with University College London to reverse-engineer a breathing aid and improve its design so that it could be manufactured at scale. Perfume companies used their expertise in alcohol-based products to make sanitiser, and clothing companies pivoted to masks and hospital gowns. And citizens played their part too, buying groceries for their vulnerable neighbours or advance-purchasing products from local businesses.

Most of these leaders and citizens won't have read the book, so I can't claim they were intentionally implementing the principles of Pieconomics. But the pandemic highlights the power of viewing responsibility as growing the pie and actively doing good, rather than only splitting the pie and doing no harm. It showed how serving society needn't involve substantial financial expenditure and is thus feasible even in a crisis. I recognise it's rare to update a book so soon after its release, and a paperback edition is usually the same as the hardback but a year later. But I wanted to update it to give aspirational examples of how enterprises and citizens are growing the pie even under the most difficult circumstances. Creating value for society isn't just an ancillary activity to pursue when times are good, but both realistic and urgent in a downturn.

And many other events took place since I completed the hardback, so this isn't just a 'pandemic edition'. In August 2019, two months after handing in the final manuscript to my publisher, the Business Roundtable redefined its statement of the Purpose of the Corporation away from just shareholders to include stakeholders. This sparked a vigorous debate on whether shareholder or stakeholder capitalism was the appropriate model, and scrutiny on whether the signatories were actually putting it into practice. New, high-quality research on responsible business has since come out, and readers alerted me to previously published papers of which I was unaware beforehand. Exciting developments have occurred in the practitioner as well as academic world, such as new ways to measure the societal impact of investments.

While all the physical launch events were cancelled, I'm deeply grateful to the companies, investors and universities who extended invitations to give webinars on the book, as well as to the podcast hosts and journalists who interviewed me. Through the Q&A, I received challenges and pushbacks to my ideas, and learned which of the arguments and evidence I gave in response most resonated. Audiences asked about topics they were interested in but weren't in the hardback, or I did

cover but they wanted more. In particular, while large-scale evidence – the backbone of this book – focuses on mature public companies, many were interested in how Pieconomics applies to start-ups and private firms. Some companies and investors invited me to work with them on putting the principles of the book into practice. These practitioners taught me some great ideas for Part III of the book on ‘How to Grow the Pie’. Universities gave the opportunity to participate in debates on responsible business, since 2020 marked the 50th anniversary of Milton Friedman’s claim that ‘The Social Responsibility of Business is to Increase Its Profits’. Through these interactions, I learned from the differing perspectives of others.

So rather than tacking on an epilogue chapter about the pandemic, this revised edition contains changes throughout. The core principles remain the same, but several of the examples and applications are new. There are major enhancements to the middle third of Chapter 1 (contrasting Pieconomics with other modern approaches to business, such as Corporate Social Responsibility and Stakeholder Capitalism), the final third of Chapter 1 (applying Pieconomics to the pandemic, and dealing with a shrinking pie), the first half of Chapter 2 (contrasting Pieconomics with the Friedman viewpoint), and the first half of Chapter 3 (on the danger of viewing responsibility as a public relations exercise). The amendments to the evidence-rich Chapters 4–7 mainly involve adding new research, with Chapter 4 covering whether social performance pays off in a downturn and how it affects debtholders, not just shareholders, and Chapter 6 containing a new section on investors in private companies. In addition to new research, Chapter 5 discusses how executive pay should be modified in a pandemic, and Chapter 7 tackles how responsible companies should approach dividend policy, to supplement the material on repurchases. Chapter 4 gives the reader a fly-on-the-wall peek into the peer-review process – taking one paper and walking through all the hurdles it had to overcome to be

published – to underscore the book’s focus on research from the most stringent journals.

The most substantial changes are to Chapters 8 and 9, on how enterprises and investors can put Pieconomics into practice. Chapter 8 contains new material on how companies can define, embed and communicate their purpose, as well as on the power of purpose in start-ups. Chapter 9 goes into much more depth on how an investor can assess whether a company is responsible, discussing the various data sources and their limitations. It features a revised set of questions that asset managers can ask companies to evaluate whether they’re truly growing the pie, shaped by numerous conversations with investors since the hardback version – as well as questions for savers, such as pension funds, to ask asset managers to scrutinise whether they’re actually practising responsible investment. It also draws a parallel between responsible investing and responsible procurement that’s often overlooked, emphasising the power of corporate customers to hold their suppliers to account and use the frameworks established in responsible investing to do so. Chapters 10 and 11, which are focused on citizens, have minor enhancements on how we can play our part in a crisis. Since an overwhelming array of studies are now coming out on responsible business, given its popularity, Chapter 10 provides significantly more detail on how to assess which ones are reliable. And over and above the content, there are several changes to the structure throughout the book. In particular, long sections have been broken up into bite-sized chunks with sub-headings to bring out the key takeaways most clearly.

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provided constructive criticism on my edits. I'm grateful to everyone who showed interest in the hardback edition – for reading it, spreading the word, giving opportunities to present and discuss it, providing feedback and offering critiques. I learned a substantial amount from these interactions and insights and I hope the revised version does them justice.

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