Journal of Social Research Dynamics (JSRD), Volume 1 Issue 1 (2025)
ISSN: 2978-4352

From Adam Smith to Artificial Intelligence: A Classical Philosophical Foundation for Reinterpreting the Purpose of the Firm in the Age of Automation

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Abstract

This article discussed the examination of the evolution of the firm meaning over the course of time by providing a historical and philosophical sight with outlining periods from Adam Smith's labor-based perspectives to Milton Friedman's shareholder primacy, with an eye to how the development of artificial intelligence (AI) and automation have affected these legacy paradigms. The classical perspectives considered the firm as a generator of wealth maximization through profit splitting, while critiques today, such as stakeholder theory and corporate social responsibility, emphasize accountability, social good, and sustainability. It is generally assuming that the rise of AI and automation chimed under the firm paradigm undermines the role of human labor, modified transaction costs, and shifted stakeholder relationships. Managerial, policy and scholarly implications are also considered, focusing on pathways to inclusive capitalistic growth, and ethical deployment of technology and existential contemplation of corporate philosophy. The paper puts forward a future promise of reframing the firm to account for technological disruption.

Keywords: Adam Smith; Artificial Intelligence; Firm; Automation; Milton Friedman

Introduction

The firm has been a major institution in economic and social life for some time now. Philosophers and economists, including Adam Smith and Milton Friedman, have question its role in society, and whether its primary role is to maximize shareholder value or if it ought to balance a wider set of stakeholders (Freeman, 1984; Friedman, 1970). The historic foundations of the philosophy of business are based on human labor for the value of production and capital accumulation. Today, artificial intelligence (AI) and automation are beginning to challenge many of those foundations. Machines are increasingly displacing human labor not just physical or routine labor, but also cognitive work and decision making, which are also forms of labor. To narrow down the focus of this analysis, the debate was limited to some of Smith's main teachings that are still relevant today: the division of labor, the "invisible hand" as the coordinator of economic activities, and the ethical and political dimensions of labor. These topics are the grounds for the analytical method that was applied in comparing classical economic ideas with modern intelligent systems dynamics.

Two centuries and more lie between the worlds of Smith and today's mess of algorithms and automation; nevertheless, many of his principal questions stay opened. Productivity, labor specialization, and ethical implications of economic behavior were prominent in Smith's concerns and through that understanding, the modern automation issue can be approached. In tracing these continuities, one can see the reason why Smith's framework is still useful in assessing the technological changes of the 21st century (Acemoglu & Johnson, 2023).

Technical progress has been defined in this paper as the substitution of mechanical, digital, or algorithmic systems for human beings in the performance of tasks with less or no human

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involvement. AI, on the other hand, refers to systems capable of recognizing patterns, making predictions and decisions, usually with the help of machine-learning methods and large datasets. Clearing up these definitions right from the start helps highlighting the relevance of ancient economic principles to the current technological changes.

This article looks at the historical and philosophical development of the idea of firm purpose and discusses whether AI and automation require a new philosophy of business. First, classical views (Smith, Coase, Friedman) will be described, then follow their transformations through industrial, managerial, and post-industrial economies and contemporary discussions about stakeholder capitalism, corporate social responsibility (CSR) and ethical AI. Next step is to discuss AI and automation and how they challenge these philosophical philosophies, discussing tensions around efficiency, human dignity, moral agency, and sustainability. The objective of this article is to argue for a new way of thinking about the philosophy of the firm in the age of automation.

Classical Philosophical Foundations

Adam Smith's *The Wealth of Nations* (1776/1976) conceptualised the firm in terms of production efficiency, division of labour, and market exchange. Labour was central: humans were the producers, and the firm's success depended on organizing labour, capital, and management in ways that maximized productivity. Later, Ronald Coase (1937) introduced the idea that firms exist to reduce transaction costs; this too relies upon human coordination and managerial oversight. Milton Friedman (1970) took a normative position asserting that the social responsibility of business was to increase its profits, so long as it played by the rules. These classical viewpoints share core assumptions: that firms are human-based entities, that labour and human decision-makers are central, and that profit is the main measure of success.

Shifts Toward Stakeholder and Ethical Purpose

In the last half of the twentieth century and well into the twenty-first, criticisms of shareholder primacy became more credible. Stakeholder theory (Freeman, 1984; Donaldson & Preston, 1995) proposes that firms have obligations not just to shareholders, but also to employees, suppliers, the community, and the environment. Academic work on business ethics, CSR frameworks, and legal developments in many countries increasingly examined responsible innovation processes, environmental responsibility, and long-term sustainability (Heath, 2014; recent ESG frameworks). These efforts indicate that the purpose of the firm can no longer be understood as simply delivering short-term profits, but must include creating value in a broader ethical, social, and ecological context.

AI, Automation, and Their Disruptive Force

Currently, empirical and theoretical research show that AI and automation change both firms' activities and actions. A critically reviewing article titled "Automation, digitalization and the future of work" claims that while some believe that automation will replace human labour more generally, it is not that simple: few jobs are entirely automated, rather tasks are automated, and many organizations experience challenges related to culture, strategy, and skills. Some human-centred skills still have value even as automation becomes more prominent (Willcocks, Hindle, Stanton, & Smith, 2024).

According to reports from companies, cost reduction especially incorporating wage bill management and efficiency are perhaps the primary incentives for realizing automation situations apart from family and friends (Richmond Fed, 2024). Nonetheless, the interaction of automation

on organizational structure, employee well-being, and growth in revenues demonstrates some complexity (Richmond Fed, 2024) with some organizations reporting they expect job growth to slow, as their automation alters manager's (lesser decision-makers) job roles (Dogan, Jacquillat, & Yildirim, 2024).

The literature regarding meaningful work considers this issue through what should be considered an ethical tension: the Journal of Business Ethics posits that AI reduces meaningful work by devaluing the social importance of labour and identity one derives from work (Bankins & Formosa, 2023). AI accomplishes ergonomically simple tasks, which might make work less meaningful, less rich, and void of challenge and lack moral purpose.

Reinterpreting Purpose: Efficiency vs. Human Flourishing

Automation pushes the organization toward minimizing labour costs, maximizing efficiency, and optimizing processes, often sacrificing those valuable activities that bring meaning, flourishing, or relational aspects to our work. A traditional view of the business firm was that labour was central not because of its economic value, but more because of its connection to human dignity, flourishing, and social identity (Smith; Coase). When we have either commodified labour or completely replaced labour with machines, this philosophical aspect of work is threatened.

Besides these, as world is moving toward more automated environments, decision-making authority has shifted to "higher" level managers or algorithmic systems. Research indicates that when firms promote automation, some of them choose to concentrate decision-making authority, limiting the autonomy of middle managers and employees (Dogan et al., 2024). These transitions have implications for a view of the firm as a democratically governed, stakeholder-embedded organization; if decision-making is handled by algorithms or top executives, what is the firm’s moral accountability?

Contemporary Debates: AI Ethics, Regulation, and Stakeholder Governance

Discussions about ethical frameworks associated with AI and automation are rising in prominence as part of business philosophy. Some new scholarship advises stronger governance regimes not just codes of conduct but legally enforceable regulatory regimes that create accountability, fairness, and transparency in business (Mirishli, 2025). Other researchers highlight stakeholder models and the cases for including non-human agents (AI systems) and accounting for societal level stakeholders, including those impacted indirectly by automation (the environment, displaced workers, and the digitally marginalized).

Corporate Social Responsibility (CSR) is changing into "responsible automation" for example, research Towards sustainable business in the era of automation, showcases the efficiency gains for both the corporation and its employees that results from new AI technologies, however also cautions organizations about ethical compromises they may make in areas of labour rights, privacy, and sustainability (2024). This underscores a twin obligation within firms to both promote efficiency and profitability, while they also seek to safeguard or enhance human dignity, sustainability, and social justice (Technological Forecasting & Social Change, 2025) (Willcocks et al., 2024).

Why This Matters: Reassessing Firm Purpose

Due to these changes, the philosophical rationale for the firm can no longer just be labour, capital, and profit. AI and automation compel us to rethink:

- ***What is viable value creation:*** Is it just profits and productivity, or does it also involve human well-being, meaning and resilience?
- ***Authorities of decision making and moral agency:*** How can firms take responsibility when so much decision making is algorithmic?
- ***Composition of stakeholders:*** Should impacted non-human entities (AI, algorithmic systems) or populations socially affected (dislocated workers, communities) also be part of the firm's moral justification?
- ***Purpose to provide something other than efficiency:*** Should firms add human flourishing, sustainability, and ethical purpose to their core mission of the firm, not just as peripheral commitments?

Literature Review

Classical Foundations of the Firm

The foundational principles surrounding the firm have historically focused concepts of efficiency, labour, capital, and profit. Adam Smith, in The Wealth of Nations (1776/1976), proposed that firms are most advantageous when driven by self-interest guided by an "invisible hand" embedded in productivity and specialisation. Ronald Coase (1937) further proposed the existence of firms on the basis of transaction cost economics firms exist to bring down the costs associated with trading in markets. Milton Friedman (1970) then established the doctrine of shareholder primacy on the formal grounds that a firm's primary purpose is to create shareholder profits, limited only by the law and ethical considerations.

Classical economics serves as a helpful base for assessing automated systems since it specifies the main rules of productivity, division of labor, and market synchronization. Adam Smith's assessment of the role of individuality in economic efficiency is interpreted as the rationale for the society's embracing of automation. Machines can be seen as taking part in the same process that Smith outlined, namely the reduction of labor time, the augmentation of output, and the rearrangement of production in more efficient manners (Acemoglu & Johnson, 2023).

These classical narratives privileged labour, human decision-making, and profit, but also assumed humanity as a component of these processes- only humans labour, decide, and consume. Even as technology progressed through industrialisation, computing, and early automation, these frameworks continued to position labour as the philosophical basis.

Challenges to Shareholder Primacy

In recent years, there has been an increase in philosophical and empirical critique of Friedman's idea of shareholder primacy. Stakeholder theory (Freeman, 1984; Donaldson & Preston, 1995) has gained traction, arguing that firms have responsibilities to a larger network: workers, communities, customers, environment—beyond just shareholders. Scholarship in ethical business (Heath, 2014; later works) has reinforced that legitimacy, fairness, and responsibility are critical to the purpose of business.

Empirical studies in the last few years reinforce this shift. For instance, *Rethinking Shareholder Primacy in the New Innovation Economy* (Kersten & Shivakumar, 2022) argues that workplaces overly focused on short-term shareholder returns tend to underinvest in innovation, worker training, and long-term sustainability, thereby undermining the firm's capacity to create value in future periods. Similarly, *The Choice of Values Behind Corporate Law: A Critique of Shareholder Primacy and a Response to China's Proposal* (Li, 2024) highlights how corporate law in some

jurisdictions is explicitly shifting towards giving legal recognition to stakeholder governance models, rather than treating shareholder primacy as an unquestioned norm.

These critiques demonstrate that the philosophical underpinnings of firms are being challenged the purpose of the firm is being redefined in ethical, social, and governance forums to include things besides profit. Nonetheless, these critiques are often predicated on the supposition that human labour and human stakeholders remains central.

Technology, Labor, and Shifting Purpose

Automation changed business for some time but advances in AI pose fundamentally different challenges. AI systems are capable of performing complex cognitive tasks, repeating manual tasks, decision-support, pattern recognition, predictive modelling, etc. This raises the question of whether the centrality of labour remains as the firms' core of labour's purpose if machines do more of what humans did, is labour still the philosophical core of value, purpose, and identity?

Labor theory has undergone a radical change since the days of Smith; it moved from manual skill and physical productivity to knowledge work and digital coordination. The division of labor that used to mean manual work in different areas of the factory now encompasses both the machines and humans' cognitively divided parts of the work. The modern algorithms of the economy do scheduling, forecasting, quality control, and even decision-making—functions that were mostly based on human judgment before. This signifies a huge change from Smith's classic model of labor specialization to one where the machines are changing the structure and the very nature of work by their active participation in it (Alkhatib, 2021).

Empirical work document is analyzed that how organizations are utilizing AI in their decision-making such as Artificial Intelligence and Strategic Decision-Making including evidence from Entrepreneurs and Investors (Csaszar, Ketkar, & Kim, 2024) which explores how AI tools can augment human strategy processes in entrepreneur and accelerator contexts with speed, scale, and analytical capacity. But it also notes that AI often reproduces existing strategic norms, cognitive frames, and when applied, has the potential to constrain novelty. Consequently, human agency in monitoring performance, strategic input, and application of AI has considerable consequence.

Moreover, AI-enabled Knowledge Management (KM) Processes for Decision-Making (Leoni et al., 2024) found that generative AI in KM systems improves organisational decision-making only in firms with ethical, human-focused oversight, and it also addressed maters of bias, explainability and accessibility which indicates that even in firms using AI, human values and governance become important in the defence of philosophical ideals of fairness and legitimacy.

These developments are challenging old assumptions that labour (human work) is central and profit is the metric of success. They imply a philosophical shift to an emerging form of value creation based increasingly on information, algorithms, data, and human–AI collaboration rather than large human inputs of labour.

AI and Emerging Philosophical Challenges

The emergence of AI and automation brings forth a range of philosophical challenges to traditional and even stakeholder models of firm purpose. Discussing four specific areas: 1) labour displacement, 2) decision-making & accountability, 3) shifts in the stakeholder landscape, and 4) purpose beyond profit.

Labour Displacement and Meaning

AI has capacity to automate routine, analytical and decision support processes drives the predictions of a changing workforce. Labour displacement alters economic relations but also undermines the symbolic, ethical, and existential functions of work within human life (Bankins & Formosa, 2023). When people derive meaning, identity, and dignity from work, reducing or eliminating human involvement or "human labor" raises the risk of diminishing what philosophers call "human flourishing." This poses the question—for firms, if human labour decreases, does this require a reframing of purpose to be stated in more humanistic, ethical, or social terms than merely economic ones?

Ethical Decision Making and Accountability

Artificial intelligence in the managerial decision-making process generates important questions about responsibility, moral agency and governance. A recent experimental study, The Bright Side of AI in Marketing Decisions: Collaboration with Algorithms Prevents Managers from Violating Ethical Norms (2025), demonstrates that AI recommendation systems can promote personal accountability for managers, as people tend to feel accountable for decisions that are based on AI algorithms. However, in some collaborative contexts with AI, responsibility can become dispersed, which may weaken ethical standards. To communicate a sense of purpose, firms cannot rely solely on notions of profit and efficiency, if ethical legitimacy has been violated in the process.

Another Study relevant to Ethical Impact of AI in Managerial Accounting (2023) finds that ethical risks, such as privacy, accountability and transparency are particularly pronounced in firm functions such as accounting in which a machine may perform the analyses and make predictions, but human oversight is necessary. This suggests that concepts associated with moral obligation for stakeholders should be considered in addition to technical metrics when firms delineate purpose.

4c. Stakeholder Landscape Shifts

As labor might be relegated by automation, the stakeholders that have to be considered become increasingly complex. Workers who are displaced or marginalised, the AI systems themselves (if they are designed with some rights/ethical status), social/community stakeholders impacted by automation (social, environmental) - these are all things that must factor into stakeholder models of the firm's purpose.

There is already some policy and business literature that acknowledges the shift. For example, Deloitte's (2024) report titled Leadership, governance and workforce decision-making about the ethical use of Artificial Intelligence found that 89% of the C-level executives surveyed agree that there will need to be ethical governance structures into their organisations to responsibly make use of AI; they mentioned stakeholder concerns such as employee welfare, data privacy, and environmental impacts (Deloitte, 2024). A Study on Ethical Implications of Artificial Intelligence Adoption in Business: Challenges and Best Practices (2025) also recognised that ethical issues manifest differently across relevant dimensions such as demographics and organisations. The study highlighted the important point that considerations of stakeholder impact cannot be a one-size-fits-all response (Future Business Journal, 2025).

Purpose Beyond Profit

If efficiency is no longer the factor that limits a firm's purpose—that AI and automation can now fulfill near-perfect efficiency across many domains—the firm's purpose may need to be aligned

beyond profit: social value creation, prioritization of human well-being, environmental sustainability, ethics and accountability in innovation, etc.

Emerging empirical literature addresses the extent to which many firms undertake the balancing of profit with purpose. For example, in the global Workday study, it's suggested that most leaders believe humans should be involved in any decision-making activity AI is part of—while firms value efficiency, they recognize the ethical concerns related to biases, privacy, and accountability is an equally pressing contemporary issue. Consequently, firms are very clearly proactively transitioning their understanding of purpose to include values—focusing or dealing with values or principles is becoming more apparent as an expected responsibility of firms, and not just performing profitably.

More recently, AI Ethics Unwrapped: an empirical investigation of ethical principles in collaborative ideation processes finds that AI developers are implementing ethical principles (if only in design thinking workshops) in the development of ethical AI. The authors argue that fairness, accountability, and transparency principles are being practiced (or at least prototyped), to develop tools that will profess AI products for ethical use. From the emerging literature, existing and expanding philosophical expectations of firm purpose are already bending toward ethical accountability and human values.

Philosophical and Normative Implications

A series of normative implications are emerging due to empirical and theoretical developments.

- ***Value creation reprioritized:*** Philosophers and business theorists may have to begin to see value as not only economic profit, but human and societal flourishing, dignity, meaning, and community.
- ***Moral agency and accountability:*** As AI assumes a more substantial decision-making role, firms will have to structure governance in a manner that preserves human moral agency and prevents fugitive accountability across non-human and opaque systems.
- ***Stakeholders expanded:*** The stakeholders to whom firms will owe our responsibilities will have to become expanded. Displaced workers, AI-assisted agents, affected communities, and the environment are now becoming morally relevant.
- ***Purposes expanded:*** Firms may soon indicate that there are other purposes beyond profitability in their mission statements, such as ethical purpose, sustainability, and human well-being. Corporate law, governance practice and investor expectations increasingly reflect this direction.

Methodological approach

This article takes a conceptual and historical-philosophical approach. Rather than empirically validating propositions, it synthesizes classic texts, contemporary business philosophy, and contemporary arguments in AI/automation. This approach creates room to reinterpret timeless questions about purpose of the firm in light of the technological disruption.

Discussion and Analysis

Rethinking Smith in the Age of AI

Adam Smith's insistence that labour division produces efficiency and wealth was firmly established in the industrial conditions of the 18th Century. Simply stated, Smith felt that productivity would expand when tasks were subdivided, and workers could specialise. AI now

undertakes both manual and cognitive tasks, however, which shifts the emphasis away from human specialisation. Generative AI, predictive analytics, and robotics all show capabilities that collapse long-established divisions between cognitive, or 'thinking', work and physical work. For example, ChatGPT can write reports, code software, and even conduct customer services; meanwhile robotic process automation can perform back-office tasks previously and specifically relegated to clerical workers - and the primary reasoning for this is based on observed efficiency (Leoni et al, 2024).

What this development requires is a new reading of Smith's larger philosophy. He is likely to be remembered as the economist focused on efficiency, though he also wrote extensively when writing The Theory of Moral Sentiments (1759/2010), and was similarly vocal on morals and social dimensions of life as human beings, including compassion, justice, and respect for one another. Some contemporary scholars argue that what AI's advancement really necessitates returning to this less acknowledged Smith. A perspective that emphasises human flourishing; education, and aspects of civic virtue, as fundamentally important aspects of purpose for business (Bankins & Formosa, 2023).

Earlier industrial revolutions disrupted human labour, but new forms of work emerged each time. In the transition to mechanisation, workers moved from the farm to the factory; in the transition to electrification, from the factory to the office. What differs now, however, is that AI diminishes the centrality of humans in both routine and cognitive tasks. Therefore, while Smith's principle of productivity will endure, Smith's assumption of the necessity of labour will not. This split indicates that firms will need to rethink the purpose of their existence, not just as organisations of work, but also as institutions that promote human dignity and direct technology to the common good.

Beyond Coase: Transaction Costs in the Algorithmic Economy

Ronald Coase's (1937) basic argument was that firms exist because, by organising work in a hierarchy, the transaction costs of contracting in an open market is reduced. The transaction costs of AI, blockchain and algorithm coordination render the rationale for firms unimportant. Smart contracts, automated supply chains and decentralised finance platforms execute transactions at almost no marginal cost, eroding the Coasean rationale of firms. As examples, peer-to-peer ride-share and/or micro-finance systems managed through apps and smart contracts demonstrate that platforms can mediate an exchange without the traditional hierarchy of the firm (Csaszar et al., 2024).

Similarly, previous telecommunications and information technology reduced transaction costs but did not completely eliminate firms, because firms were still needed to monitor, make decisions, and provide trust. Today, algorithmic systems can assure compliance and validate information with little human role in the process. This implies a philosophical inflection point: if the original justification for the firm is lessened, what is its continuing rationale?

Contemporary discussion suggests that firms' new value involves less coordinating transactions, and more supplying social stability, ethical governance, and aligned purposes (Deloitte, 2024). Firms can persist as trusted intermediaries that work algorithmic systems and technology into socially legitimate practices. Leoni et al. (2024), for example, conclude even though AI may increase the efficiency of knowledge management, organisations are still accountable to humankind for AI success. Thus, what if the post-Coasean firm justified itself, not as an increase of efficiency, but by assuring ethical protections, and limited collective trust in algorithmic systems?

Friedman's Profit Doctrine under Automation

Milton Friedman (1970) argued for shareholder primacy, the notion that firms exist solely to increase profits within the constraints of the law and ethics, and his argument remains relevant today. As automation has imperative consequences for the logic of profit maximization. If AI promotes higher productivity and profitability but also results in mass unemployment of underpaid labor and concentrates wealth into fewer hands, then seeking the maximum profit separates from the social good of value creation. The recent literature suggests this paradox: we understand that AI can enable firms to become more productive, but it can also concentrate wealth, degrade the quality of work, and challenge societal ideas regarding the legitimacy of profit motives (Susskind, 2020; Ethical Impact of AI in Managerial Accounting, 2023).

Moreover, it is worth noting that Friedman was writing at a time when firms relied on labor and capital, where profit was tied to productive labor and market efficiency. In contrast, profit earned in an AI-mediated economy is closer to maximized efficiency as a default component of economic exchange. There is a philosophical risk created from this dependency: profit is less a signal of social value-creation, but a measure of technological advantage and ownership of data.

Empirical studies suggest support. Evidence shows that utilizing AI could undermine meaningful work raises existential concerns amongst employees (Bankins & Formosa, 2023). In the absence of a broader social purpose, CSR provides no support to corporations in undermining human dignity. Inversely, growing demands for firms to demonstrate social, ethical, and environmental accountability are increasingly tied to stakeholder models. Should firms adhere to Friedman's [1962] position, they will likely help fueling tension in society and increasing their exposure to regulatory risk and stakeholder reputations.

Stakeholder Theory & AI

Stakeholder theory (Freeman, 1984) provides a more plausible foundation by promoting the firm's responsibilities to employees, consumers, communities, and the environment. But AI exacerbates stakeholder relations. Displaced workers, gig workers explicitly managed by algorithmic systems, and communities exposed to digital exclusion and biased systems each represent stakeholders whose interests must be summed in an ethical and transparent manner.

Comparative analysis shows how prior stakeholder discussions were concerned with reconciling competing human interests' wages versus profits, consumer safety versus corporate expansion. Stakeholders now extend into realms shaped by nonhuman systems: algorithms that determine credit scores; predictive policing tools; and AI-mediated hiring processes. Ethical discussions have also shifted from discussions of distributive justice, to central issues of transparency, explainability and accountability (Pant et al., 2023).

There is emerging evidence to support these changes. The Future Business Journal (2025) suggests that ethical issues like bias and transparency appear differently based on demographic groups, which demonstrates that AI not only redistributes economic outcomes, but shapes subjective beliefs about fairness. Deloitte (2024) discovered that 89% of executives indicated that ethical AI governance is considered important when governing stakeholder responsibility. Now more than ever, firms are being asked to manage "algorithmic stakeholders" systems that make decisions that directly affect human outcomes. A governance model is needed that goes beyond extending existing models to the boundaries of human stakeholders; instead, stakeholders have different interests depending on whether they are human or algorithmic.

Toward a new philosophy of the firm

History from Smith through Coase, Friedman, and Freeman has progressively widened business philosophy; work and efficiencies, transactional costs for coordination, profit maximization, inclusion of stakeholders. The emergence of AI and automation is a fast-tracked challenge to this history. A new philosophy of the firm must address: the deprioritization of labour, the erosion of transactional costs, the split of profit from social value, and the expansion of stakeholders. These collectively point to four linked directions:

1. **Human Flourishing as the Core Purpose**
   Firms should be anchored in the mission of well-being, rather than focusing on optimal performance efficiency. This is manifested in Smith's moral sentiments and recent appeals to workplace dignity (Bankins & Formosa, 2023). Firms can play a role by investing in reskills, increasing creativity, and working to ensure that technology enhances rather than replaces human capabilities.

2. **Ethical Accountabilities of AI**
   Corporations using AI should ensure that they are being transparent about use of AI and ensuring fairness and explainability of the AI. Evidence produced by comparisons suggests that AI could increase accountability in some contexts. This is shown in the case study "The Bright Side of AI in Marketing Decisions" (2025). But in other contexts, it could diffuse accountability (i.e., accountability could become blindered or attenuated). Thus, firms must create a strong ethical governance process that recognises that legitimacy is determined by how (not whether) performance objectives are met through the use of AI.

3. **Sustainability and Environmental Stewardship**
   The aim of the firm must go beyond metrics of economics to include ecological and social sustainability. Even if automation provides an opportunity to conserve resources and create more optimal supply chains, without sustainability commitments, the efficiencies will only cause overproduction, rather than environmental damage.

4. **Social Redistribution**
   The displacement effects of AI risk exacerbating inequality. Past industrial revolution studies comparing the recent past show that redistribution (education, welfare and labour protection) was key in sustaining legitimacy. Likewise, today firms must take an inclusive approach in their strategies- reskilling, equitable access to technology, and possibly helping social mechanisms such as universal basic income.

Comparative Synthesis

Smith, Coase and Friedman originally defined the firm through a framework of labour and efficiency, transaction cost minimisation and profit maximisation. These models fit a time when human labour was necessary, the cost of coordination was high, and profit was a signal of productive contribution. Today, AI challenges all parts of this framework: labour is less important, transaction costs are minimal, and profit could be disconnected from social value.

Stakeholder theory offers a more accommodating framework, but it too needs to be rethought: stakeholders are now displaced workers, algorithmically managed workers, and communities impacted by unclear technological decisions. Recent writing (Deloitte, 2024; Future Business

Journal, 2025) suggests that firms need to have ethical governance and redistribution to maintain legitimacy.

In summary, the comparative evidence shows a historical pathway from efficiency to ethics, and the firm of the future may need to begin redefining its purpose as a function of human flourishing, ethical accountability, sustainability and social justice as a result of, and materially impacted by, AI in the future.

Practical Recommendations

For Managers

- Business leaders should adopt a comprehensive and people-centered approach to AI and automation that values human dignity and ethics as much as it does efficiency.
- In addition to using AI for productivity and efficiency, managers should:
- Develop ethical AI governance structures that ensure decision-making processes are transparent, fair and explainable (Deloitte, 2024).
- Develop workforce reskilling and upskilling initiatives that support workers into complementary creative, relational, and oversight roles while limiting displacement (Bankins & Formosa, 2023).
- Build stakeholder engagement processes and include workers, customers and communities in a participatory process for designing AI integration, ensuring to technology adaption reflects mixed needs.
- Reinstate organizational culture with an emphasis on fulfilling work in pursuit of meaningful objectives and collaborate with technology and innovation as at least as important as efficiency alone, linking business goal with dignity and inclusion, rather than efficiency alone.

For Policymakers

Governments and regulatory agencies have an important role in establishing the ethical and philosophical orientation for organizations in the era of AI. Policymakers could encourage inclusion and fairness through the following initiatives:

- Construct regulatory frameworks that require organizations to take responsibility for ethical considerations in their use of AI, including appropriate responses to algorithmic bias, data privacy and explainability.
- Encourage and support inclusive growth policies, such as tax deductions or credits for companies and organizations investing in employee reskilling, sustainability, or socially conscious technological innovations.
- Encourage public-private partnerships to provide safety nets for displaced workers, potentially in the form of universal basic income or more expansive safety nets.
- Create alignment around purpose for organizations to consider community goals that go beyond business objectives, such as UN Sustainable Development Goals and resulting ESG reports documented and assess impact on either social or ecological wellbeing in the community impacted by the business.

For Scholars

- Academic researchers in business philosophy, management, and technology studies have a critical role to play in rethinking the purpose of the firm in an age of AI. These researchers should do the following:
- Build on theoretical lenses to include disruption of technology, ethical responsibility and human existential problems in considerations of corporate purpose.
- Carry out empirical research on the effects of AI on stakeholder relationships, dignity in the workplace and redistribution of advantages in different cultures and organizations.
- Revisit the classical authors (e.g., Smith, Coase, Friedman) and contemplate their assumptions given a world of algorithmic coordination and post-labour.
- Encourage multi-disciplinary, multidisciplinary discussions across philosophy, computer science, sociology, and economics to create more nuanced understandings of corporate purpose that will work to not only drive efficiency but also human flourishing.

Conclusion

The development of business philosophy, from Adam Smith's focus on labor and productivity to Friedman's principle of shareholder primacy reflects changing historical and economic conditions. Yet the emergence of artificial intelligence and automation brings a disruption that threatens these historical bases. If firms were justified in the past by their organization of human labor to coordinate productive resources, and produce profit, the decrease of human labor requires a rethought of the firm's justification in the future.

The comparison indicates that Smith's main concern with the division of labor and Coase's concerns with transaction cost will continue to play a role in the analysis of firms, but their explanatory power, as to the firm and the economy they operate in, will diminish in algorithmically coordinated economies. Likewise, Friedman's inflexible focus on returns to shareholders can serve as a path for deepening inequality, and loosens business from its social obligations as efficiency will be achieved through machines instead of human intelligence. Stakeholder theory offers a more robust alternative, but as we use AI and algorithms to internally and externally create stakeholder characteristics, stakeholder theory will require an adjustment in terms of who and how firms balance stakeholder obligations.

Therefore, a new philosophy of the firm must center upon, among other things, human flourishing, ethical accountability and social redistribution as key elements. This vision as a guiding philosophy for the firm extends beyond the previous norms of efficiency or profit-maximization models of the firm, and instead re-establishes firms as institutions of moral and social responsibility in an economy marked by technological upheaval. This isn't only a normative shift - it is a necessary shift. Without it, firms will lose their connection to worker base, trust, and legitimacy in a form of economy that can deepen inequality or build an economy for all and of a human-centered nature.

Returning to the purpose of the firm, in the age of AI the purpose of the firm should not be locked in to efficiency, but instead, to enhance dignity, sustainability, and social value through new forms of social and economic uncertainty and transformation.

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