Journal of Business Ethics (2005) 58: 137–148
DOI 10.1007/s10551-005-1393-8 © Springer 2005

Toward a Contemporary Conceptual Framework for Stakeholder Theory

Rogene A. Buchholz
Sandra B. Rosenthal

ABSTRACT. Atomic individualism is embedded in most definitions of stakeholder theory, and as a result, stakeholders are not integral to the basic identity of the corporation which is considered to be independent of, and separate from, its stakeholders. Feminist theory has been suggested as a way of developing a more relational view of the corporation and its stakeholders, but it lacks a systematically developed conceptual framework for undergirding its own insights. Pragmatic philosophy is offered as a way of providing this theoretical undergirding for a relational understanding of the firm and its stakeholders.

KEY WORDS: Stakeholder theory progmatism, business and society

Rogene A. Buchholz is the Legendre-Soule Professor of Business Ethics Emeritus in the College of Business Administration at Loyola University of New Orleans. He has published over seventy-five articles and is the author of ten books in the areas of business and public policy, business ethics, and the environment. He is on the editorial board of several journals and served as chair of the Social Issues in Management Division of the Academy of Management.
Sandra B. Rosenthal is Provost Eminent Professor of Philosophy at Loyola University of New Orleans. She has published approximately 200 articles and 11 books on various dimensions of American pragmatism and its relevance for other areas of philosophy, and in both books and article has applied pragmatism to a wide range of business ethics issues. She is a member of the editorial board of several journals, and has served as president of numerous philosophical societies.

Introduction

In the Social Issues in Management (SIM) field, an explosion of theoretical development has taken place over the past several years related in one way or another to stakeholder theory. Perhaps it is not too far fetched to say that stakeholder theory has swept the field in some sense. An examination of the SIM program or of the program for the International Association of Business and Society (IABS) for any recent year will show how much interest has been generated in stakeholder theory. Freeman (1984) deserves credit for doing the seminal work on the stakeholder concept, but since Freeman's work, the stakeholder concept has been widely employed to describe and analyze the corporation's relationship to society. Donaldson and Preston (1995) reported that there were about a dozen books and more than 100 articles with primary emphasis on the stakeholder concept. Conferences have been held that dealt exclusively with the concept (Clarkson et al., 1994), and journals have published special issues that focused on stakeholder issues.

While each scholar may define the concept somewhat differently (Mitchell et al., 1997), each version generally stands for the same principle, namely that corporations should heed the needs, interests, and influence of those affected by their policies and operations (Frederick, 1992, p. 5). A typical definition is that of Carroll (1996, p. 74) which holds that a stakeholder may be thought of as "any individual or group who can affect or is affected by the actions, decisions, policies, practices, or goals of the organization." Clarkson defines a

stakeholder as ''those persons or interests that have a stake, something to gain or lose as a result of its (the corporation's) activities'' (Clarkson, 1998, p. 2). A stakeholder, then, is an individual or group that has some kind of stake in what business does and may also affect the organization in some fashion.

The typical stakeholders are considered to be consumers, suppliers, government, competitors, communities, employees, and of course, stockholders, although the stakeholder map of any given corporation with respect to a given issue can become quite complicated (Carroll, 1996, pp. 84–88). Stakeholder management involves taking the interests and concerns of these various groups and individuals into account in arriving at a management decision, so that they are all satisfied at least to some extent, or at least that the most important stakeholders with regard to any given issue, are satisfied. The very purpose of the firm is to serve and coordinate the interests of its various stakeholders, and it is the moral obligation of the firm's managers to strike an appropriate balance among stakeholder interests in directing the activities of the firm.

Stakeholder theory and atomic individualism

Most definitions of stakeholder theory assume that stakeholders are isolatable, individual entities that are clearly identifiable by management, and that their interests can be taken into account in the decision-making process. Each stakeholder has identifiable interests that must be taken into account by the manager in arriving at a responsible and effective decision. This assumption stems from a philosophical position of atomic individualism that finds its origins in the scientific revolution that has characterized modern societies, and is based on the view that the individual is the basic building block of a society or a community, with society no more than the sum of the individuals of which it is comprised. In this philosophical view, individuals as well as institutions are isolatable units that have well defined boundaries, can be considered as separate from their surroundings, and are not an integral part of the community or society in which they function.

The problem that atomic individualism poses for stakeholder theory is noted in an article by Wicks et al. (1994), where recognition is given to the role that atomic individualism has played in the development of stakeholder theory. The authors talk about the celebration of the individual and the respect for personal freedom which characterizes the post-Enlightenment West, particularly the U.S. with its image of the pioneer. They then go on to describe the problem of atomic individualism and show how it is embedded in definitions of stakeholder theory.

> One of the assumptions embedded in this world view is that the ''self'' is fundamentally isolatable from other selves and from its larger context. Persons exist as discrete beings who are captured independent of the relationships they have with others. While language, community, and relationships all affect the self, they are seen as external to and bounded off from the individual who is both autonomous from and ontologically prior to these elements of context. The parallel in business is that the corporation is best seen as an autonomous agent, separate from its suppliers, consumers, external environment, etc. Here too, while the larger market forces and business environment have a large impact on a given firm, it is nonetheless the individual corporation which has prominence in discussions about strategy and preeminence in where we locate agency (Wicks et al., 1994, p. 479).

They point out that as a result of this assumption, stakeholders are understood as people who are affected by the corporation but ''not integral to its basic identity,'' a view ''reflected in the understanding of stakeholders offered by a number of authors. These definitions all share the implicit premise that the basic identity of the firm is defined independent of, and separate from, its stakeholders. The macro level view of the world of business is seen as a collection of atoms, each of which is colliding with other atoms in a mechanistic process representative of the interactions and transactions of various firms'' (Wicks et al., 1994, p. 479).

In their drive to reinterpret some of the traditional ways of thinking housed in stakeholder theory, Wicks et al. (1994) have turned to feminist views as the vehicle for such a reinterpretation. They suggest some important shortcomings of earlier versions of stakeholder theory, principally that they rely too much on an ''individualistic autonomous-masculinist mode of thought to make it intelligible which discounts many of the feminist insights. . .which can

be utilized to better express the meaning and purposes of the corporation''. (Wicks et al., 1994, pp. 476–477).

They go on to argue that persons are fundamentally connected with each other in a web of relationships that are integral to any proper understanding of the self, and that any talk of autonomy or search for personal identity must be qualified and located within this more organic and relational sense of the world. ''The stakeholder concept, understood in feminist terms,'' they state, ''makes explicit how the boundaries of the self extend into areas far beyond what we can easily recognize and into areas clearly 'outside' the corporation.'' Internal/external distinctions fade into a sense of communal solidarity in which the corporate identity is seen within an entire network of stakeholders and in a broader social context.

The authors thus move away from a long held understanding of the corporation, which, according to them, views the corporation as an autonomous entity confronting an external environment to be controlled; an entity which is structured in terms of strict hierarchies of power and authority and in which management activities are best expressed in terms of conflict and competition; one in which strategic management decisions result from an objective collection of facts via empirical investigation and a rationally detached decision maker distanced from leanings, biases, emotion laden perceptions. Instead, they move towards an understanding of the corporation as a web of relations among stakeholders ; a web which thrives on change and pluralism in establishing ongoing harmonious relations with its environment, one whose structure is contoured by radical decentralization and empowerment, one in which activities are best expressed in terms of communication, collective action, and reconciliation, and management decisions result from solidarity and communicatively shared understandings rooted in caring relationships.

There may have been even earlier attempts to deal with this problem, even though it was not explicitly recognized. When a close look is taken at the interpenetrating systems theory of Preston and Post (1975), for example, it seems that the authors may have been trying to deal with this same problem of atomic individualism that separated business from society and made them into two distinct entities. The interpenetrating systems model tried to bring business and society closer together in a theoretical framework that would allow for accommodation of differences without the necessity of a conceptual separation between business and society. This framework allowed for conflict and adjustment to take place in order to reach an accommodation, but because it is ultimately rooted in atomic individualism, it could not provide an adequate foundation for the relational nature of the corporation and society.

The roots of atomic individualism

Ours is a scientific and technological culture, but these terms refer not only to tools and techniques, but to a certain way of thinking about the world and an understanding of how the world works and how it is structured. Basic to this world-view is the assumption that the world is made up of individual elements that relate to each other through laws that can be discovered in scientific exploration. These laws exist in all parts of our physical world and form the basis or our ability to understand how the physical world works and allow us to manipulate it to accomplish our own goals and objectives. This kind of thinking treats things as inherently divided into smaller and smaller constituent parts that are essentially independent and self-existent (Bohm, 1980).

Science is reductionistic in that it takes something that is holistic, but rather than seeking to deal with it as a whole, it looks at the individual elements and tries to understand how these elements relate to each other. Thus science is atomistic in looking for individual components or atoms that make up nature and then trying to understand how these components relate to each other through some mechanistic process. This process is also repeated in the social sciences where human behavior is studied in the same manner, where individual components of human behavior are identified and then related to each other through some statistical process to see if there are significant relationships. This reductionistic process then forces us to think in terms of individual atoms and in terms of some mechanistic process through which these atoms relate to each other (Bohm, 1980).

Thus science, at least in its classical sense, views the world as a closed system that operates according to mechanical laws that can be expressed in mathematical terms. Science produces a quantitatively characterized universe that is increasingly mathematized, and this quantification affects how we perceive the world and the kind of sensibilities we develop as human beings. Science tends to crowd out so-called subjective impressions as having any validity and forces us to lose a sense of connection with other people and with nature that produces a true community (Bohm, 1980). Everything becomes objectified and quantified, and decision-making models become mechanical in nature, even in the realm of ethics. There is no place for the sacred, for religious experience, for the spiritual realm in a purely scientific world-view.

There have been new developments in science, many taking place in recent years, that have modified or perhaps even radically challenged this classical view of science and the scientific world-view (Flowers, 1998). The first such challenge came from the development of quantum theory which led to Heisenberg's famous uncertainty principle where the classical view of Newtonian determinism, which claimed that all events could be described with infinite precision, was replaced by waves and probabilities, and science moved from a world of fixed rules and laws to a world of chance and uncertainty.

Thus the doctrine that everything is determinate and in principle predictable began to be questioned by the development of quantum theory, and has suffered even more of a blow by the development of chaos theory, where chaotic dynamics has made the old idea of determinism untenable not just in the quantum realm, but in the weather, breaking waves, and in most natural systems (Fox and Sheldrake, 1997). Chaos and indeterminism have introduced a greater sense of freedom and spontaneity into nature than anything that prevailed for more than three centuries when science was under the spell of classical determinism.

These and other developments in the scientific community are leading to a shift in world-view, some kind of a post-mechanistic state where the universe and the earth is an organism that is growing and changing and even the laws that govern behavior may be changing and evolving. However, there is some question whether these developments have filtered down to other sciences let alone the average person in society. For example, Capra (1996) has recently argued that conventional social science is based on an outdated mechanistic paradigm of natural science that calls for objective analysis of discrete building blocks to aid in the erection of conceptual frameworks that allow for prediction and control of natural and social phenomena.

By and large, we still live in a world of scientific objectivity where things happen in front of an observing and detached scientist. The idea that scientists are somehow disembodied and not bodily or emotionally involved in what they are doing is still the dominant scientific ideology. The idea that nature may be a living organism has been relegated to the realm of subjective experience and private life, while mechanistic attitudes have been endowed with the legitimacy of scientific authority (Fox and Sheldrake, 1997). Thus the traditional scientific world-view seems to constitute the way most people think about nature and its workings. Bohm (1980) claims that almost the whole weight of science has been placed behind the fragmentary approach to reality, and that this approach, the notion that the whole of reality is actually constituted of nothing but "atomic building blocks" all working together more or less mechanically, has ceased to be regarded as merely an insight and is instead regarded as an absolute truth.

Why atomic individualism is a problem

American society has been criticized for being too individualistic and not enough concerned about community; everyone is encouraged to look out for themselves and largely ignore the needs of others. (Bellah et al., 1991). However, the individualism that exists in American society is not just a moral problem, it is a philosophical problem in that the world-view of science has pervaded everything related to how we understand ourselves and the larger universe. We are individual atomic selves by and large alone and on our own, who build institutions and enter into contracts in order to survive and provide for our needs and create some kind of relationships with others. But most of these relationships are instrumental in that we relate to people who can do something for us and provide us with

something we need for our existence. We are not linked to people except through external ties that can never lead to a true community.

Within the philosophy of atomic individualism, there are nothing but these external links to bind people and institutions together. Self-interested individuals and institutions that have separate wills and desires are constantly colliding. To minimize the collisions and reduce conflict, people and institutions may come together to establish some sort of a relationship to work out differences. But while peripheral ties may be established when antecedent individuals enter into contract with one another or come together to more readily secure, their own individualistic goals, these bonds cannot root them in any ongoing endeavor which is more than the sum of their separate selves, separate wills, separate egoistic desires. There is never any possibility of developing a true community or society or any true relational understanding of stakeholder interests.

If the community is seen as nothing more than the sum of its parts, society bounces back and forth between an emphasis on individual rights and community needs, between a celebration of pluralism and the need for common goals and interests. Once the individual is taken as an isolatable unit, then the individual and the community become pitted against each other in an ultimately irreconcilable tension. This tension between the individual and the community presents a great deal of difficulty in arriving at mutually satisfactory solutions to social problems. Nothing binds individuals and institutions together except self-interest, and if one starts with individual and separate atomic bits of this sort, there is no way to get to a true community. True unity between people can arise only in a form of action and thinking that does not attempt to fragment the whole of reality (Bohm, 1980).

Furthermore, if reality is broken down into atomic units, the way these individual units are most often related to each other is through some kind of mechanistic process, reflecting a way of looking at the universe in basically mechanistic terms which is a holdover from Newtonian mechanics. For example, in market theory, consumers are considered to be atomic units revealing their individual desires and wants in marketplace transactions. These individual demands are then coordinated by the market mechanism into a collective demand schedule that the individual productive units in society can respond to in order to make a profit for themselves. Competition is viewed as a mechanistic regulator of supply and demand to assure than any one producer does not come to dominate the system and attain a monopolistic position.

Power (2000) argues that this view of the atomic self permeates our understanding of the economy and the functioning of the economic system. Economics assumes that society is nothing but the aggregation of atomistic individuals so that there are no social objectives to individual decisions. The economy and economic activity are envisioned as separate realms of human activity that can be studied outside of their social and political contexts and have an existence separate from the rest of people's existence. Economics also appeals to a mechanical model to explain how the economy functions.

Thus one of the important accomplishments of economics, according to Power (2000), has been to distinguish the economy as a separate realm of human activity and then see it as managed by an automatic mechanism that is both self-adjusting and socially rational, even though no rational thought is involved in its operation. Conscious direction of the economy is not only unnecessary but inappropriate and destructive. Through the competition among self-interested parties, the narrow self-seeking that motivates these individuals is cancelled out and an outcome intended by none of the participants emerges. That outcome is supposedly rational in the sense of minimizing costs and using scarce resources efficiently in satisfying the aggregate preferences of the population. This reduces the determinants of individual well-being largely to the level of personal consumption achieved.

Questions began to be raised about this traditional view of business and its embeddness in a marketplace orientation when social problems were addressed through a concern with the social responsibilities of business. The problems social responsibility advocates addressed such as pollution and unsafe workplaces were in large part created by the drive for efficiency in the marketplace. Thus it began to be argued that business had impacts on society that went beyond its performance in the marketplace and business needed to pay attention to these impacts which were causing problems in the society as a whole.

Social responsibility advocates were trying to get at the interrelatedness of business with the broader community of which it is a part and make a case taking account of the social aspects of business activities, and not just its economic performance. However, this attempt remained rooted in the same atomic individualism of economic theory in general. Business and society were seen as two separable, isolatable entities, with the corporation seen as an autonomous unit which must consider its social obligations to the society which it impacts (Buchholz and Rosenthal, 1997). As Solomon (1993, p. 149) states.

> The notion of responsibility is very much a part of the atomistic individualism that I am attacking as inadequate, and the classical arguments for "the social responsibilities of business" all too often fall into the trap of beginning with the assumption of the corporation as an autonomous, independent entity, which then needs to consider its obligation to the surrounding community. But corporations, like individuals, are part and parcel of the communities that created them, and the responsibilities that they bear are not products of argument or implicit contracts but are intrinsic to their very existence as social entities.

Thus, arguments for the social responsibilities of business stem from an atomistic understanding of corporations and their relation to society. The whole notion of the social responsibilities of business was problemmatical from the beginning, for this way of thinking about the corporation and society embodies implicit atomistic assumptions. There was no real understanding of the embeddedness of the corporation in society and no real theory that incorporated the relational aspect of the corporation and society. The corporation remained the focus of concern, and just as in stakeholder theory, continued to have prominence in discussion about corporate social performance and preeminence in where agency was located.

Pragmatism as a relational philosophy

To adequately deal with this problem of atomic individualism in stakeholder theory, a new philosophy is needed that is not based on atomism or discreteness but instead is relational in nature. While feminist theory is indeed relational and utilizes a broader social context in which to understand the corporation and its relationships, it has no systematically developed conceptual framework for undergirding its own insights. Thus it houses the insights of a different world view from atomic individualism, but not the conceptual structure of a world view which incorporates these insights.

Pragmatism is a uniquely American philosophy of this nature that offers a philosophical foundation for a relational view of the self and the communal nature of corporate relations. However, this philosophy must not be confused with the popular use of the word to refer to the sort of practical approach to life's problems that is seen to be a critical part of the American character. Pragmatism as used here has nothing to do with this " pragmatic" approach to a problem that one so often encounters. The development of pragmatism as a distinctive philosophical framework represents a historical period in American philosophy spanning a particular time frame that includes the doctrines of its five major contributors, Charles Peirce, William James, John Dewey, C.I. Lewis, and George Herbert Mead.

Pragmatism questions virtually all the assumptions governing what might be called the "mainstream" philosophical tradition and the kinds of alternatives to which they give rise, and offers novel solutions to the assumptions, alternatives, dilemmas, and impasses this tradition has reached. These novel solutions cannot be understood as an electric synsthesizing of traditional alternatives, but an entirely new approach to philosophical problems. As Mead (1959, p. 98) well warns in a statement which is echoed in various ways throughout the writings of the classical American pragmatists, "There is an old quarrel between rationalism and empiricism which can never be healed as long as either sets out to tell the whole story of reality. Nor is it possible to divide the narrative between them." What is needed is an entirely new approach that avoids these impasses.

Classical American pragmatism embodies a complete rejection of the long-standing view of individuals as atomic, separable, isolatable units that relate to each other through some external process. According to this assumption, the individual is the basic building block of a society or a community, which is no more than the sum of the individuals of which it is comprised. Peripheral ties may be

established when these antecedent individuals enter into a contract with one another or come together through other means of collection in order to more readily secure their own individualistic goals, but, as stated previously, bonds cannot root them in any ongoing endeavor which is more than the sum of their separate selves, separate wills, and separate egoistic desires. Thus, at the deepest level, humans remain separate from each other and from the communities in which they live and have their being.

In contrast to this view, pragmatism sees the individual as inherently social. This position holds that in the adjustments and coordinations needed for cooperative action in a social context, individuals take the perspective of viewpoint of the other in the development of their conduct, and, in this way, a common content is developed that provides a community of meaning. To have a self is to have a particular type of ability, the ability to be aware of one's behavior as part of the social process of adjustment. Not only can selves exist only in relationship to other selves, but no absolute line can be drawn between our own selves and selves of others, since our own selves are there for and in our experience only in so far as other exist and enter into our experience. The origins and foundations of the self, like those of mind, are social or intersubjective.

In incorporating the viewpoint of the other, the developing self comes to take the perspective of others as a whole, in this way incorporating the standards and authority of the group, the organization or system of attitudes and responses that is called the "generalized other" (Mead, 1934). There is a passive dimension to the self. Yet, in responding to the perspective of the other, the individual responds as a unique center of activity. There is a creative dimension to the self. Any self thus incorporates, by its very nature, both the conformity of the group perspective and the creativity of its unique individual perspective. Thus, Dewey (1987) holds that the tension between conservative and liberating forces lies in the very constitution of individual selves. Freedom does not lie in opposition to the restriction of norms and authority, but in a self-direction which requires the proper dynamic interaction of these two poles within the self. Because of this dynamic interaction constitutive of the nature of selfhood, the perspective of the novel, "liberating" pole always opens onto a common, "conserving" perspective. As Dewey (1987, p. 133) notes, "the principle of authority" must not be understood as "purely restrictive power" but as providing direction.

Because of the nature of the self, the individual is neither an isolatable discrete element in, nor an atomic building block of, a community. Rather, the individual represents the creative pole or dimension within community. When the individual selects a novel viewpoint, this becomes incorporated into the common viewpoint. This novel viewpoint is an emergent because of its relation to institutions, traditions, and patterns of life which conditioned its novel emergence, and it gains significance in light of the new common viewpoint to which it gives rise. In this continual interplay of adjustment of attitudes, aspirations, and factual perceptions between the common viewpoint as the condition for the novel emergent, and the novel emergent as it conditions the common one, the dynamic of community is to be found.

The ability to provide a means of mediating within these ongoing dynamics of participatory adjustment constitutes a community of any type as a community. This adjustment is neither assimilation of perspectives, one to the other, nor the fusion of perspectives into an indistinguishable oneness, but can best be understood as an " accommodating participation" in which each creatively affects, and is affected by the other through accepted means of adjustment. Thus a community is constituted by, and develops in terms of, the ongoing communicative adjustment between the activity constitutive of the novel individual perspective and the common or group perspective. Selfhood and community alike are ongoing processes involving change and development in their very essence.

Moreover, each of these two interacting dimensions of community gains its meaning, significance, and enrichment through this process of participatory accommodation or adjustment. A free society, like a free individual, requires both the influencing power of authority as embodies in institutions and traditions, and the innovative power of creativity as contextually set or directed novelty. Thus, in Dewey's (1984, p. 332) terms, "No amount of aggregated collective action of itself constitutes a community... To learn to be human is to develop through the give-and-take of communication an

effective sense of being an individual distinctive member of a community; one who understands and appreciates its beliefs, desires, and methods, and who contributes to a further conversion of organic powers into human resources and values. But this transition is never finished.''

The uniqueness of the individual and the norms and standards of community are two interrelated factors in an ongoing exchange, neither of which can exist apart from the other. Because of the inseparable interaction of these two poles, goals for ''the whole'' cannot be pursued by ignoring consequences for the individuals affected, nor can individual goals be adequately pursued apart from the vision of the functioning of the whole.

The development of the ability both to create and to respond constructively to the creation of novel perspectives, as well as to incorporate the viewpoint of the other, not as something totally alien, but as something sympathetically understood, is at once growth of the self and community. To deepen and expand the horizons of community is to deepen and expand the horizons of the selves involved in the ongoing dynamics of adjustment. Any problem situation can be viewed through the use of social intelligence in a way which enlarges and reintegrates the situation and the selves involved, providing both a greater degree of authentic self-expression and a greater degree of social participation. In this way, an organization controls its own evolution. Any authentic organization involves shared values or goals, and the overreaching goal of an organization which is not to die of stagnation is, in Mead's (1934, p. 251) words, precisely ''this control of its own evolution.'' Thus, the ultimate ''goal'' involving the working character of universalizing ideals is growth or development, not final completion.

Neither community nor the working character of universalizing ideals implies that differences should be eliminated or melted down, for these differences provide the necessary materials by which a society or organization can continue to grow. As Dewey (1978) stresses, growth by its very nature involves the resolution of conflict. Authentic reconstruction in cases of incompatibility must be based on the problem situation and the history within which it has emerged. Yet, reconstruction cannot be imposed from on high by eliciting the standards of a past which does not contain the means of resolution, but must be developed by calling on a sense of a more fundamental and creative level of activity.

The adjustment of perspectives through rational reconstruction requires not an imposition from ''on high,'' but a deepening to a more fundamental level of human rapport. While experience arises from specific, concrete contexts shaped by a particular tradition, this is not mere inculcation, for the deepening process offers the openness for breaking through and evaluating one's own stance. It allows us to grasp different contexts, to take the perspective of ''the other,'' to participate in dialogue with ''the other.''

Implications for stakeholder theory

Wicks et al. (1994) ultimately argue that nothing less than a redefinition of the corporation is needed, and such a redefinition, they stress, requires as well a redefinition of the self. And, ultimately, such a reconstructed self requires a reconstructed philosophic context within which to conceptually locate its relational nature. The pragmatic view of the self described earlier, provides strong theoretical underpinnings for the insights of stakeholder theory, for in spite of the atomistic nature of earlier definitions, stakeholder theory embodies in its very nature a relational view of the firm which incorporates the reciprocal dynamics of community, and its power lies in focusing management decision making on the multiplicity and diversity of the relationships within which the corporation has its, being and the multipurpose nature of the corporation as a vehicle for enriching these relationships in their various dimensions.

In a concluding statement, Wicks et al. (1994, p. 493) point to the importance of philosophic underpinnings in rethinking the nature of the corporation. The move toward a relational understanding of managing for stakeholders does not make competition irrelevant, for example, but rather it becomes a secondary virtue. A firm becomes competitive as an effect of successful collaboration and team work. In changing the priority of competition, competition is being placed in a new world view framework which excludes the old framework. This changes the ''logical place'' of competition in the relational network. Thus the very concept of competition and other dimensions of corporate life

are transformed by, and gain their importance from, the new relational network which contours the concept's significance and function.

While a firm must be able to compete to survive, survival requires growth, growth requires enhancement of a relational web, and the direction growth takes evolves through the self-direction of the firm's community dynamics. Moreover, community growth cannot be measured in economic terms alone, because it involves the enrichment of human life in its entirety. The moral meaning of the firm is rooted in the community dynamics by which life thrives and in which the experience of value and its furtherance emerges.

Freeman (1994, p. 419) eloquently expresses the far-ranging significance of rethinking the nature of the corporation in his suggestion that: "Redescribing corporations means redescribing ourselves and our communities. We cannot divorce the idea of a moral community or of a moral discourse from the ideas of the value-creation activity of business." To do so, according to Freeman, entails the acceptance of the separation thesis, the thesis that "one can separate the discourse of business from the discourse of ethics." This thesis finds it way into certain criticisms of stakeholder theory that point out problems believed to be inherent in the concept.

For example, the balancing of diverse claims required by stakeholder theory leads Goodpaster (1991) to lament and attempt to resolve what he calls the "stakeholder paradox," in which directors and officers must see themselves as both trusted servants of the corporation and its shareholders and also as members of a wider community inhabited by the corporation, its shareholders, and many other stakeholder groups. He holds that one has either strategic stakeholder synthesis, which yields business without, ethics or multifiduciary stakeholder synthesis, which yields ethics without business. Freeman (1994) argues that this "paradox" is a result of an implicit separation thesis and is thus not a valid criticism of stakeholder theory.

In another article, Goodpaster and Holloran (1994) defend this kind of paradox as a limitation on practical reason which is not necessarily to be lamented but is better preserved than guided toward resolution. The authors note that this human duality of perspectives is too deep for anyone to hope to overcome. The pragmatic view of self and community agrees that this duality of perspective is deep, for it lies embedded in the very heart of selfhood. This duality is , however, neither a contradiction nor a paradox, but rather it represents the bipolar dynamics which are embedded in the heart of selfhood and in the heart of community and which, in proper adjustment, allow for free creative growth and the attuned balancing of diverse and often conflicting interests, including the interests of self and other.

The varied attempts to define what or who is or is not a stakeholder, as well as attempts to delimit stakeholders, is perhaps misplaced. What will count as stakeholder claims is context dependent, and any decision can only be as good as the moral vision of the decision-maker operating within the contours of a specific problematic context. Moral development lies not in having rules to simplify situations, but in having the enhanced ability to recognize the moral dimensions of a situation. Stakeholder theory contours the direction of the vision, it cannot simplify the complexity of contexts by delimiting, in the abstract, those upon whom the vision should apply in the diversity of specific contexts. Stakeholder theory, then, seems to house in its very nature not only a relational view of the corporation but also an understanding of the situational nature of ethical decision making as operative in specific contexts.

Regarding a normative justification of stakeholder theory, Donaldson and Preston (1995) argue that the concept of property rights offers a possible basis for such a justification, because contemporary theoretical concepts of private property do not ascribe unlimited rights to owners and thus do not support the view that managers are responsible only to stockholders. Referring to recent work in the field , the authors note that property rights are embedded in human rights and are not unrestricted rights, rather property rights are relations between individuals. They then go on to point out this relational understanding of property rights does not answer the question as to the principles determining the distribution of property, the answers to which mainly draw on utilitarianism, libertarianism, and social contract theory, which stress, respectively, need, ability and effort, and mutual agreement.

Donaldson and Preston (1995) argue that while the theoretical battle goes on among these competing theories, common sense suggests that each of these approaches has a certain validity, and most respected contemporary analysts of property rights tend to agree. They then, therefore, reject the notion that any one theory of distributive justice is universally applicable, stressing that the trend is strongly toward theories that are "pluralistic," allowing more than one fundamental principle to play a role. They see the use of this plurality of principles as allowing the connection between the theory or property and stakeholder theory, since " all critical characteristics underlying the classic theories of distributive justice are present among the stakeholders of a corporation as they are conventionally conceived and presented in contemporary theory" (Donaldson and Preston, 1995, p. 82). The same principles that are used in a pluralistic theory of property rights also give diverse groups a moral interest or stake in the activities of the corporation. Thus the authors hold that these principles provide both a foundation for the contemporary pluralistic theory of property rights and the normative foundation for stakeholder theory.

A plurality of principles for interpreting property rights brings us, along with stakeholder theory, to the problem of pluralism and the need for a philosophic grounding for understanding the basis for the choice among principles. Within the framework of pragmatic theory, these principles themselves are attempts to articulate various dimensions of community reciprocities embedded in the richness of human activity within specific contexts. These principles emerge from a fundamental moral attunement within this process which is too rich to be captured by any set of principles, although various principles can abstract our various relevant considerations at work in the situation. For pragmatism, then, the ultimate grounding of stakeholder theory lies in the vague sense of moral fittingness as it emerges from immediately had or felt value within the reciprocal dynamics of community.

The same source from which diverse abstract principles are created as working hypotheses is the source of the primal recognition that each human being has moral standing which must be respected, a primal moral attunement which can work itself out in a plurality of working hypotheses or abstract "principles." While Freeman (1994) suggests a kind of neo-Kantian principle for treating stakeholders as ends rather than mere means, he recognizes that this Kantian framework does not admit the pluralism in which we are emmeshed. The pragmatic position offers a way to undergird the moral standing of stakeholders while allowing for a pluralism in the attempts to articulate this primal recognition.

Conclusion

The relationship of business to its stakeholders depends on how one views the corporate entity. Those who adhere to the traditional economic view of the corporation hold that business relates to society only through the marketplace and that marketplace transactions constitute the whole of its existence and reason for being. Thus stockholders are the primary if not the only stakeholder of concern. It is this narrow definition of the corporation and its relationships that stakeholder theory has tried to correct, but so long as it remains rooted in the same atomic individualism that pervades traditional economic theory, this relational aspect of the corporation cannot become an integral part of the theory.

The philosophic framework of pragmatism can offer a theoretical undergirding for this relational understanding for the firm and its stakeholders. From a pragmatic standpoint, the corporation as understood only in its marketplace function is an abstraction from its larger context and the multiple relations and responsibilities which this involves. This isolated function has too often been allowed to take on a life of its own, detached from the larger context which gives the corporation its existence and purpose, and in the process the corporation has been given a purpose in terms of only one aspect of the fullness of its existence. The corporation does not have its whole existence and reason for being in the marketplace and its sole purpose is not maximization of shareholder wealth. It is a pluralistic organization that changes along with the context in which it functions, and it is this pluralistic nature of the corporation that stakeholder theory tries to capture.

What has been lost is the intrinsic nature of the corporation as part and parcel of a broader

community to which it is inextricably tied and within which it relates to and affects multiple "others," which in turn affect it in a reciprocal relationship. The corporation is not isolatable from its stakeholders but is in fact constituted by the multiple relationships in which it is embedded and which give it its very being. These multiple relationships are part of the multiple relationships that are inherent in human existence. The corporation has as its major function the enrichment of these multiple relationships in which it is embedded, for these relationships constitute its existence.

A truly harmonious relation between a corporation and its stakeholders, a relation of mutual enrichment and nurturing rather than either domination and control or "external tolerance," requires that the corporation internalize the perspectives of the stakeholders into its unique perspectival network, because this is the route that will lead to the accommodation and harmonization which constitutes ongoing growth. The relational nature of the corporation requires this internalization just as the relational nature of the self requires the internalization of the perspective of the other. For the corporation as for the self, atomic individualism and its view of isolatable entities is very different from the caring attuned relationships based on the internalization of the perspective of "the other" within the diversity of perspectives constitutive of one's own and the corporation's being.

References

Bellah, R. N. et al.: 1991, *The Good Society*, (Knopf, New York).

Bohm, D.: 1980, *Wholeness and the Implicate Order.* (Routledge & Kegan Paul, London).

Buchholz, R. A. and S. B. Rosenthal: 1997, 'Business and Society: What's in a Name,' *The International Journal of Organizational Analysis* **5** , 180–201.

Capra, F.: 1996, *The Web of Life: A New Scientific Understanding of Living Systems* (Anchor Doubleday, New York).

Carroll, A. B.: 1996, *Business and Society: Ethics and Stakeholder Management* , 3rd Edition (Southwestern, Cincinnati).

Clarkson, M. et al.: 1994, 'The Toronto Conference: Reflections on Stakeholder Theory', *Business and Society* **33**, 83– 131.

Clarkson, M.B.E. (ed.) 1998, *The Corporation and its Stakeholders: Classic and Contemporary Readings*, (University of Toronto Press, Toronto).

Dewey, J.: 1978, ' Ethics', In J. A. Boydston (ed.), *The Middle Works, Vol.* 5. (Southern Illinois University Press, Carbondale and Edwardsville, IL).

Dewey, J.: 1984. 'The Public and its Problems', in J. A. Boydston (ed.), *The Later Works,* Vol. 2. (Southern Illinois University Press, Carbondale and Edwardsville, IL).

Dewey, J.: 1987, 'Authority and Social Change', in J. A. Boydston (ed.), *The Later Works,* Vol. 11. (Southern Illinois University Press, Carbondale and Edwardsville, IL).

Donaldson, T. and L. Preston: 1995, 'The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications', *Academy of Management Review,* **20**, 65–91.

Flowers, C.: 1998, *A Science Odyssey: 100 Years of Discovery*, (William Morrow and Company, Inc., New York).

Fox, W. and R. Sheldrake: 1997, *Natural Grace: Dialogues on Creation, Darkness, and the Soul in Spirituality and Science*, (Doubleday, New York).

Frederick, W. C.: 1992, Social issues in management: Coming of age or prematurely gray? Paper presented to the Doctoral Consortium of the Social Issues in Management Division. The Academy of Management, Las Vegas, Nevada.

Freeman, R. E.: 1984, *Strategic Management: A Stakeholder Approach*, (Pitman, Boston).

Freeman, R. E.: 1994, 'The Politics of Stakeholder Theory: Some Future Directions', *Business Ethics Quarterly* **4**, 414–427.

Goodpaster, K.: 1991, 'Business Ethics and Stakeholder Analysis', *Business Ethics Quarterly* **1**, 53–73.

Goodpaster, K. and T. Holloran: 1994, 'In Defense of a Paradox', *Business Ethics Quarterly* **4**, 423–429.

Mead, G. H.: 1934, *Mind, Self, and Society,* in C. Morris (ed.) (University of Chicago Press, Chicago).

Mead, G. H.: 1959, *The Philosophy of the Present* (Open Court, La Salle, IL).

Mitchell, R. K., B. R. Agle and D. J. Wood: 1997, 'Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts', *The Academy of Management Review* **22**, 853–886.

Power, T. M.: 2000, 'Trapped in Consumption: Modern Social Structure and the Entrenchment of the Device', *in* Higgs, Light and Strong (eds.), *Technology and the Good Life* (University of Chicago Press, Chicago).

Preston, L. E. and J. E. Post: 1975, *Private Management and Public Policy* (Prentice-Hall, Englewood Cliffs, NJ).

Solomon, R. C.: 1993, *Ethics and Excellence: Cooperation and Integrity in Business* (Oxford University Press, New York).

Wicks, A. C. D. R. Gilbert and R. H. Freeman: 1994, 'A Feminist Reinterpretation of the Stakeholder Concept', *Business Ethics* Quarterly **4** , 475–497.

Rogene A. Buchholz
College of Business Administration,
Loyola University New Orleans,
800 Pearl St. Apt. 1104,
Denver, CO 80203,
U.S.A.
E-mail: buchholz@loyno.edu

Sandra B. Rosenthal
Department of Philosophy,
Loyola University New Orleans,
800 Pearl St. Apt. 1104,
Denver, CO 80203,
U.S.A.
E-mail: rosenth@loyno.edu