Stakeholder theory


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Examples of a company's internal and external stakeholders.

Stakeholder theory is a theory of organizational management and business ethics that addresses morals and values in managing an organization. It was originally detailed by R. Edward Freeman in the book Strategic Management: A Stakeholder Approach, and identifies and models the groups which are stakeholders of a corporation, and both describes and recommends methods by which management can give due regard to the interests of those groups. In short, it attempts to address the "Principle of Who or What Really Counts."[1]

In the traditional view of the firm, the shareholder view, the shareholders or stockholders are the owners of the company, and the firm has a binding fiduciary duty to put their needs first, to increase value for them. Stakeholder theory argues that there are other parties involved, including employees, customers, suppliers, financiers, communities, governmental bodies, political groups, trade associations, and trade unions. Even competitors are sometimes counted as stakeholders - their status being derived from their capacity to affect the firm and its stakeholders. The nature of what is a stakeholder is highly contested (Miles, 2012),[2] with hundreds of definitions existing in the academic literature (Miles, 2011).[2]

The stakeholder view of strategy integrates both a resource-based view and a market-based view, and adding a socio-political level. This view of the firm is used to define the specific stakeholders of a corporation (the normative theory (Donaldson) of stakeholder identification) as well as examine the conditions under which these parties should be treated as stakeholders (the descriptive theory of stakeholder salience).[2]