Response: Divergent Stakeholder Theory
Author(s): R. Edward Freeman
Published by: Academy of Management
Stable URL: http://www.jstor.org/stable/259078
Accessed: 11-09-2017 11:43 UTC

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RESPONSE

DIVERGENT STAKEHOLDER THEORY

R. EDWARD FREEMAN
University of Virginia

There is much that is useful in Jones and Wicks' proposal for a "convergent stakeholder theory." First of all, they detail a wide spectrum of agreement by those who are stakeholder theorists. Second, they rightly emphasize so-called instrumental stakeholder theory as the most promising candidate for theoretical development. Finally, they link stakeholder theory to broader areas of management scholarship. Using convergent stakeholder theory as a grand concept for integrating the many strands of stakeholder thinking is a natural idea given the current state-of-the-art of management theory and its penchant for consensus and agreement, and given the usually divergent poles of positivism and relativism (Wicks & Freeman, 1998).

 Nonetheless, I argue that their attempt at grand theorizing goes awry on two separate grounds. Their analysis is built on the following two propositions:

1. The Donaldson-Preston typology of "normative-instrumental-descriptive" stakeholder theories is useful.
2. The linkage between instrumental theory and ethics consists of the nature of the means and ends that are linked together.

I suggest that each of these claims is at best dubious and that, together, they lead "theorists" such as Jones and Wicks in precisely the wrong direction. Furthermore, what we need is not more theory that converges but more narratives that are divergent—that show us different but useful ways to understand organizations in stakeholder terms.

PROPOSITION 1: THE DONALDSON–PRESTON TYPOLOGY

Jones and Wicks claim that Donaldson and Preston (1995) have provided "considerable coherence to the stakeholder concept as theory" (p. 206) by dividing it into descriptive, instrumental, and normative parts. This idea is rooted in a centuries-old philosophy of science, in which descriptive theory tells us the way that the world really is (in some sense of "really is"), normative theory prescribes how the world should be, and instrumental theory links means and ends. Donaldson and Preston argue that stakeholder theory would be more precise, more formal, or more scientific if we distinguished these three senses. Descriptive stakeholder theory would describe how organizations manage or interact with stakeholders, normative stakeholder theory would prescribe how organizations ought to treat their stakeholders, and instrumental theory would include such statements as "If you want to maximize shareholder value, you should pay attention to key stakeholders."

Jones and Wicks actually note that the idea that there is a value-free science, much less a value-free social science, is a holdover from the days of positivism and the philosophical view that language can represent the world as it "really is." Likewise, the existence of a "normative world" in isolation from actual human values and conventions is a fiction that has long outlived its usefulness. Wicks himself (Wicks & Freeman, 1998) argues that such a positivism contrasted with relativism needs to be replaced by modern pragmatism.

Nonetheless, Jones and Wicks seem to countenance the Donaldson-Preston typology as useful. It is worth pointing out that many ethical theorists indeed do accept this distinction, but they rarely address the underlying philosophical views about the language on which the distinction rests. Philosophers, not necessarily known as ethical theorists, such as Quine (1953), Goodman (1955), White (1956), Rudner (1966), Kuhn (1970), Feyerabend (1975), Rorty (1989), and a host of others, have argued for the better part of four decades that there is no way to have a
meaningful distinction between normative and descriptive without relying on the distinction itself. In her recent analysis, Catherine Elgin (1998) traces the attempts to uphold these philosophical dualisms post Quine and Goodman and relies on a reinterpretation of Rawls (1971, 1993).

I have suggested (Freeman, 1994) that relying heavily on the fact-value—or descriptive-normative—distinction is a form of the separation thesis: the view that it is meaningful to separate the discourse of business from the discourse of ethics. Now, if we drop the tripartite typology of Donaldson and Preston, then plainly there is no need for anything like convergent stakeholder theory. There is nothing to converge—no separate contributions for philosophers and management theorists. There are just narratives about stakeholders and narratives about these narratives—that is, theory.

The overwhelming logic to drop this distinction is pretty simple. By choosing to call groups “stakeholders,” rather than “interest groups,” “constituencies,” or “publics,” we have already mixed up “fact” and “value.” Stakeholder is an obvious literary device meant to call into question the emphasis on “stockholders.” The very idea of a purely descriptive, value-free, or value-neutral stakeholder theory is a contradiction in terms. Why, then, should Jones and Wicks claim that the Donaldson-Preston tripartite typology is useful, when plainly it relies on an outmoded, nonpragmatist method (Wicks & Freeman, 1998) of understanding management theory? The answer is that instrumental theory is clearly extremely interesting.

**PROPOSITION 2: LINKING INSTRUMENTAL THEORY AND ETHICS**

*Strategic Management: A Stakeholder Approach* (Freeman, 1984) is built on instrumental premises. It suggests that if organizations want to be effective, they will pay attention to all and only those relationships that can affect or be affected by the achievement of the organization’s purposes. That is, stakeholder management is fundamentally a pragmatic concept. Regardless of the content of the purpose of a firm, the effective firm will manage the relationships that are important.

Later works (see Freeman & Gilbert, 1988, and Freeman, 1994) go on to suggest a typology of various “enterprise strategies” or “normative cores” that relate to the variety of purposes that business firms actually use. Contrary to Donaldson and Preston’s analysis, and Jones and Wicks’ seconding of that analysis, such normative cores are always dependent on the instrumentality built into the idea of stakeholder management. Although such an approach may seem trivial, it masks an important difference in the argument among social scientists and philosophers, who Jones and Wicks take to represent the two competing strands of stakeholder theory: the difference between deontologists and consequentialists in moral theory.

Most philosophers are Kantians or deontologists who believe that the morality of an action is not solely a function of the consequences generated by that action. The rightness of an action may depend on the intent of the actor or the generalizability of the rule, principle, or maxim that led to the action. Certainly, philosophers like Donaldson (Donaldson, 1994), who see a separate normative realm, unrelated logically to the actual world we live in, believe that some actions may be wrong or right regardless of the resulting consequences.

In contrast, consequentialists believe that what makes an action right or wrong depends on the consequences generated by that action. Utilitarianism is the most famous consequentialist theory, whereby an action is right if it generates, on balance, the best consequences for all.

The debate between deontologists and consequentialists is long, historical, and tedious, and it depends on more philosophical dualisms that are not terribly useful. The point is that “moral” in the business ethics literature is often associated with “deontological,” precisely because philosophers need a separate realm for their own analysis, much in the way that social scientists need a separate realm of facts to distinguish their own expertise. Instrumental theory lays claim to another space in the discourse—one that mixes up both views and leaves no room for purely philosophical or purely scientific analysis.

Jones and Wicks (and Jones, 1995) have articulated a version of stakeholder theory that is purely instrumental—that combines and jumbles up the normative and the empirical. They claim that “instrumental stakeholder theorists can explicitly embrace the addition of norma-
tive soundness to their theorizing without abandoning any of the criteria of ‘good’ theory in the organizational sciences” (p. 213). Instrumental theory, like any good narrative, depends on criteria such as usefulness, simplicity, and clarity in distinguishing “good” from “bad” theory.

Yet, Jones and Wicks claim that instrumental theory of the form “if A then B” must accept only fully moral A’s and B’s. According to Jones and Wicks, the moral work of convergent stakeholder theory must be done from some independent moral realm to evaluate whether or not A is a good worth pursuing and whether B is a morally acceptable means. Otherwise, why would they claim that each theory in the class of convergent stakeholder theory would have a normative core, and “its normative foundation (‘core’) is explicitly and unabashedly moral and has to be explicitly defended in moral terms; instrumental means are not either (a) applied to immoral behavioral standards or (b) used to pursue immoral ends” (p. 215).

Such a view defeats the purpose of instrumental stakeholder theory. Instrumental stakeholder theory is not value free precisely because it claims that consequences count. Because consequences count, statements of the form “if A then B” tell us how to produce certain kinds of consequences. By framing the discussion in terms of these consequences, one explicitly is making both a descriptive and normative statement at the same time.

Consider the following theses:

- **The instrumental thesis of stakeholder theory:** To maximize shareholder value over an uncertain time frame, managers ought to pay attention to key stakeholder relationships.
- **The normative thesis of stakeholder theory:** Managers ought to pay attention to key stakeholder relationships.

The normative thesis needs more argument, and it is hard to see how such an argument can be connected to real firms and real stakeholders without some kind of instrumental claim. The instrumental thesis needs no more backup if you think that consequences count in general and that shareholder value consequences count in particular. We could have an argument about *which* consequences, but, ultimately, that argument would lead to a discussion of the nature of a business, how a business survives, the role of stakeholders in such an argument, and so on. In short, we would naturally embed the instrumental analysis in the real world. Instrumental theories need backup and justification, but not exclusively moral backup and justification, precisely because they are instrumental: only consequences count. Such a lesson is an important one for business ethicists, and they would do well to explore Jones and Wicks, whereas Jones and Wicks would do well to simply give up the vestigial limbs of the separation thesis.

**TOWARD A DIVERGENT STAKEHOLDER THEORY**

We need more instrumental theories—that is, we need more studies of the kinds of linkages postulated in the instrumental thesis—and fewer of the kind of studies that simply declare “managerial oughts” from general principles. Russell Hardin (1988) has argued persuasively that if we take bounded rationality and a thoroughgoing uncertainty about the world seriously enough, consequences may be all that our moral apparatus can handle.

Jones and Wicks seem in sympathy with such a view, especially in their Appendix, where they give an example of a convergent stakeholder theory. It is clear that the instrumental relationship is doing the heavy lifting. “Firms whose managers . . . will achieve competitive advantage” is all that needs to be said if one adopts a capitalism that, like Adam Smith’s, is built on values and instrumental relationships.

Suppose we had 100 theories like the one illustrated in the Jones and Wicks’ Appendix. These theories, which I prefer to call narratives, would be accounts of the role of such concepts as trust, enactment, sustainability, hierarchy, and so on, and their instrumental relationships to organizational and stakeholder performance. There is no reason to suppose that these narratives would converge or that it would be good if they did. What we would have would be divergent accounts of organization and stakeholder relationships—happily, for surely there is more than one way to be effective in stakeholder management. Surely there is more than one vision for creating value or for what consequences count as valuable. What we need is a conversation that encourages such divergent views, but one that quickly throws out those views that are not
useful, not simple, and that do not show us how it is possible to live better.

Toss out the Donaldson and Preston typology, and you do not need convergent stakeholder theory. Understand the central role of instrumental claims, and you do need a kind of philosophical pragmatism laid out by Wicks and Freeman (1998) that avoids the old distinctions between “true by definition” and “true by experience,” between normative and descriptive, and between deontological and consequentialist. Instrumental stakeholder theory per Jones (1995) is here to stay—if we do not try to fit together narratives that are better understood when they are left alone.

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R. Edward Freeman is the Olsson Professor of Business Administration and the Director of The Olsson Center for Ethics, The Darden School, University of Virginia. He has a B.A. in mathematics and philosophy from Duke University and a Ph.D. in philosophy from Washington University.