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Who's At The Corporate Table?
Democracy, Stakeholder Theory and the Definition of Corporate Social Responsibility

By

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Abstract

Many people today believe that corporations should be socially responsible. This has led to a new practice called "corporate social responsibility" (CSR). This essay explores several different models corporate social responsibility (CSR) and argues that each have different implications for the practitioner of CSR. The three models are 1) the classic model of the shareholder 2) the new theory of the "stakeholder" and the model of 3) those not at the table.

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Those of us who embrace the idea that corporations should be "socially responsible" agree at the most abstract level that corporations have some kind of moral obligation to their constituents and to the world generally. Not everyone of course agrees even with this seemingly unproblematic statement. But let's set these arguments aside for now and focus on the views of those who do find some meaning in the statement that "corporations have a social responsibility". Even among those of us who agree to this sentiment, we can find some pretty deep differences in how we conceive of corporate responsibility.

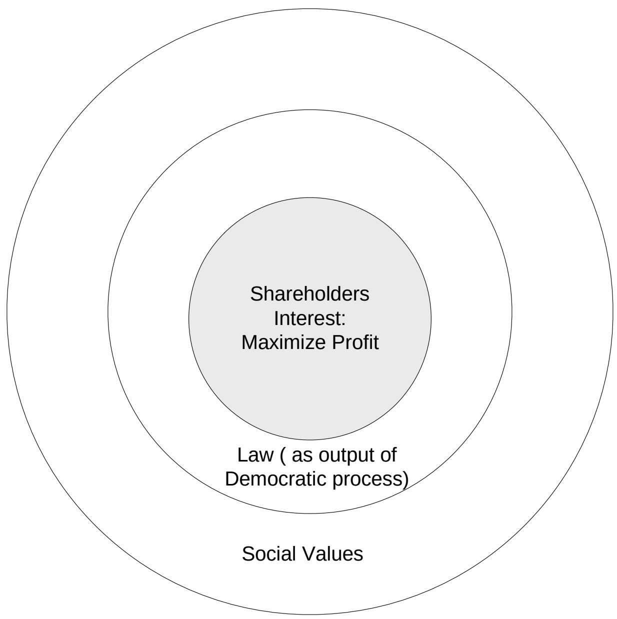
There are in fact several different models for thinking about what corporate social responsibility (CSR) is and should be. These models, moreover, have different implications for how corporations should engage their social responsibility. The differing implications have not always been entirely understood and appreciated leading to some lack of clarity in what advocates of “corporate social responsibility” mean by it. The goal of this essay is not to resolve once and for all the proper model of responsibility, but to highlight the variations in our conceptions of corporate responsibility and to provoke further thinking about what corporate social responsibility can and should mean. I will suggest that there are at least three major models of corporate responsibility (and likely more) that intersect and conflict in interesting ways.[1] After exploring these different conceptions of responsibility, we will consider the implications for CSR as an idea and practice.

Model 1: The Classic Model

It is fair to say that corporate social responsibility rejects and defines itself against the classic stockholder theory of the corporation. On that view, the responsibility of the board, directors and employees was defined *strictly* as a fiduciary responsibility to the shareholders. That responsibility involved expanding the profits of the organization so as to return value to the shareholders. The officers and employees were in essence seen as agents of the shareholders: entrusted with their investment and therefore obligated to act on the best interests of the shareholders even to the detriment of their own personal interests. This is precisely what it means to be an agent or to have fiduciary responsibility. We can call this the “classic model” of responsibility, understanding that even this model is a modern conception of the corporation.

It is easy for those who care about corporate responsibility to caricature the original model of the corporation. The exclusive focus on profits to the exclusion of other concerns is precisely what leads organizations to engage in socially destructive behavior with an obsessive focus on profits. Leaving addictive substances in glue sold to children in Honduras, selling sugar water as if it were apple juice for babies, dumping pollutants into rivers, or increasing levels of nicotine in cigarettes are obvious destructive outcomes of the drive for profit among corporations of recent memory.[2]

But the original model of the corporation is actually more complex than this caricature implies. For this original model does imply a notion of responsibility to the shareholders and their perceived interests. Furthermore, even within this classic view of the corporation, it was recognized that the corporation still has obligations to society beyond "maximizing profit." The corporation has to adhere to the law. And this adherence to the law was understood as already implying social responsibility, as the law embodies "social values" that have been developed and solidified in the democratic process. [3] On this understanding, then, the corporation is in fact being responsible to society's values as articulated by the law, which is an output of the democratic process at work. This conception of responsibility can be depicted in a Venn diagram where the corporation's responsibility is defined within the boundaries of the law.



The classic conception of the corporation, then, is of an organization that is responsible to social values as expressed by a society's laws. Operating within those laws and the values those laws embody, the corporation's major responsibility is to enlarge the shareholder's financial interests. On this original model, one can say that corporate social responsibility and democracy converge: democracy is the mechanism and framework by which corporations meet their social responsibility. Rather than seek out social issues, corporations adhere to their responsibility as dictated by the legal system as developed within the democratic process. The democratic process is the vehicle by which society signals to the corporation which values are of relevance and agreement to the majority of people.

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This “classic” model of the corporation is considered inadequate in some fundamental ways by those who endorse the concept of corporate social responsibility. We will briefly touch on these reasons to see how they set up and underline the alternative models of corporate responsibility we shall discuss.

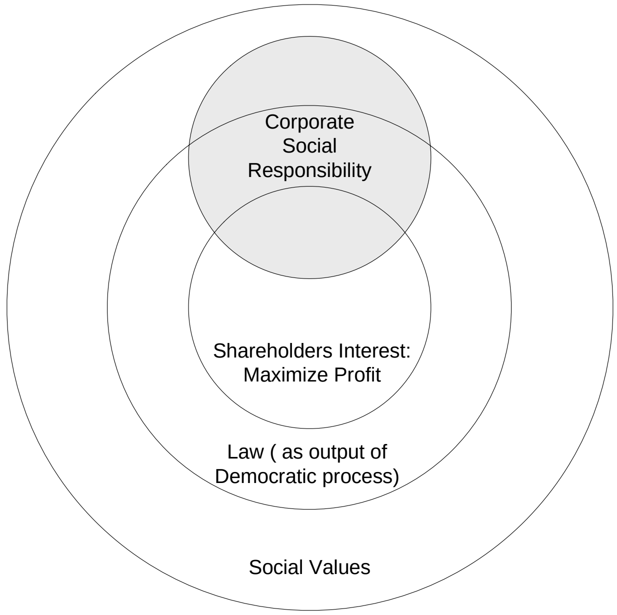
To begin with, there is some significant evidence from the history of the law itself that a broader conception of responsibility is itself recognized by the law already. During the last forty years and longer there is case law that clearly holds a corporation liable for consumer product liability and attempts to protect local communities, for example against air and water pollution.[4] Thus the law itself, when examined historically, seems to operate with a notion of corporation responsibility that is broader than strictly “shareholder responsibility.” The law itself (and thus by extension American democracy itself) is holding the corporation to responsibilities that emanate from persons and interests beyond the stockholders. The stockholder theory of the responsibility is therefore an inadequate description of the ideas implicit in the law and suggests that the responsibility of management is actually different than the first model articulates.

But beyond the historical question of the how the law conceives of corporate responsibility, there is also a normative question: Is the law’s notion of shareholder responsibility sufficient? What if the law did not yet recognize responsibilities of management beyond the fiduciary responsibility to shareholders? Would that mean that we should be satisfied with the classic conception of the corporation? For many, the answer is no. If the law does not yet recognize responsibilities beyond the stockholder, then it should and the law should be changed. Others argue that the law is never intended exhaust or contain all of the responsibilities that management must consider .[5] On this view, if the law does not fully articulate a broader conception of responsibility, that responsibility still rests with the corporation. There are multiple reasons why the first model’s prescription to “stay in the law” by itself seems inadequate.

First, even when staying in the law, the corporation can still have pernicious impacts and be involved in morally dubious activities such as externalizing costs in environmental pollution, or producing products that are known to be hazardous. In many cases, the law has not always caught up with social values or fully expresses social moral commitments. Moreover, there are still deeply held values and commitments of a society that are not expressed in law which a corporation should still honor. Law in this view is a subset of the values that a society holds and therefore the corporation has responsibility to values that are not yet and maybe never will be expressed in the law. When tobacco companies realized that tobacco was carcinogenic, one could argue they should *not* have advertised to minors, even before the law forbade such behavior. The managers should have known that inducing minors to smoke violated some basic well-accepted moral norms and interests. There seem to be some values that should be respected even without explicit government regulation.

Second, there is a sense among many that the democratic process itself may be inadequate to keep up with or to police emerging corporate behaviors. Not only may the legal system lag behind emerging problems and moral standards but it may be lacking resources to police or to even understand all the problems that are emerging. Since corporations are often driving change and innovation and actually participating in the reshaping of society, they have a moral responsibility to try to anticipate some of the social transformations they may be generating, even before they are fully embodied in law. In this sense, corporations have a positive duty, not just to abide by the law, but to interact with society in constructive ways and to help envision the implications of the society they are creating.

In this second Venn diagram, therefore, corporate social responsibility overlaps with the law but is not identical with it. There are moral responsibilities that are not yet expressed in the laws that are morally obligatory on the corporation. We see, moreover, the possibility that the responsibilities of the corporation now extend beyond the shareholder's concern with profit.



There is a third reason that obeying the law seems inadequate as a description of corporate responsibility. With the increasing globalization of our economies and the growth of large multinational corporations over the last forty years, it is now obvious that corporations no longer are contained within specific nation states, the way they were previously. The notion that the corporation is obliged to obey the output of the democratic process is a clearly Western-democratic and pre-global view of the corporation. With global corporations straddling dozens of nation states (some of which are democratic and some of which are not), it seems anachronistic and overly simplistic to rely *only* on the laws as worked out in a democratic setting to determine whether corporations are being responsible. A corporation can evade laws by moving operations and finances internationally. And many countries in which corporations do business are by no means democratic and subject to legal systems that are representative. To complicate matters, a company may straddle countries with conflicting values and conflicting laws. What does it mean to say that Google should “obey the laws” as worked out by the democratic process? How does that guidance help in responding to China’s insistence that the word “democracy” be filtered from search engines? Indeed, to even conceptualize the corporation as subject to the nation’s laws seems anachronistic since in many cases the corporate footprint and revenue may actually exceed the GNP of many countries in which they operate. All of these changes in global business underscore the inadequacy of using democracy by itself and the law of the nation state as the measure of corporate responsible behavior.

Of course the view that the corporation has moral responsibilities beyond the law and beyond the nation state raises some thorny issues: whose values should be adopted by the corporation and why? Moral values are often contested by different groups even within a given society. And when one looks to the international context, the criteria of what is right and wrong is arguably even more contested. To whose values then should corporations be beholden? We shall see that the second model of stakeholder theory attempts to address these issues by defining specific groups to which corporations are responsible.

Model 2: Stakeholder Theory

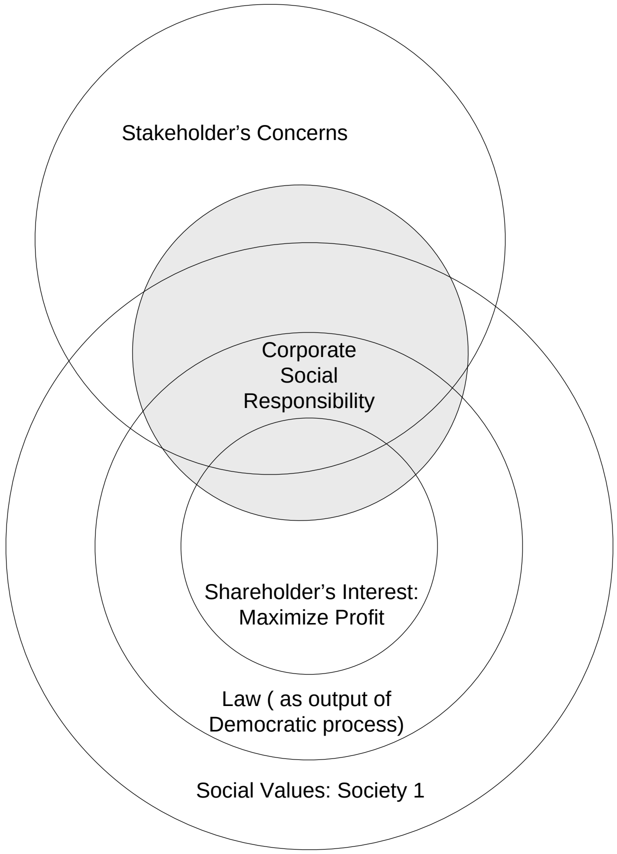
The second and more recent theory of corporate social responsibility is called "stakeholder theory".[6] Punning intentionally on the concept of the "shareholder", stakeholder theory tries to address some of the perceived limitations of the first model of corporate responsibility. Stakeholder theory holds that the corporation is responsible to a broader set of people than simply the shareholders. As businesses impact and touch many lives, the responsibility of the corporation is to a broader set of constituents. This broader set of constituents can include employees, customers, the local community, the suppliers, and the countries in which a company does business.[7] These stakeholders clearly care about more than just profit making and by holding the corporation responsible to them, the shareholders become only one voice among other voices to which the corporation has to paid heed.

Many people now implicitly equate CSR with this stakeholder model of responsibility. Indeed, in some critical ways, stakeholder theory seems to solve some of the problems of the classic model of corporate responsibility. It clearly broadens the notion of responsibility beyond shareholders to a wider group of people with broader interests. Employees and customers will care not only about the profitability of the company but about other dimensions of the business practice such as treatment of the employee, safety of the products, impact on the environment, and so forth. Stakeholder theory thus holds a corporation responsible to the very specific values and interests of people who are touched by a business. It does not let the corporation off the hook by making it responsible only to the law (although adherence to the law is presupposed).

Stakeholder theory thus potentially solves the problem of explaining whose values beyond the law are to be taken into account: there are specific groups of people with identifiable interests that the corporation touches. These are the values and interests to which the corporation should pay attention. By the same reasoning, stakeholder theory can acknowledge the problem of the global corporation and globalization generally. Stakeholders include those persons that are touched by the corporation's global footprint. The chain of small suppliers and their employees and the end countries that receive products are considered "stakeholders," as their lives are touched by the business.

On this stakeholder model of corporate social responsibility, the corporation has to acknowledge and understand its stakeholders. Corporate responsibility means engaging the stakeholders in conversation to understand what values are of importance to them and the corporation has some responsibility to engage those values.

Turning again to our Venn diagram we see now that corporate social responsibility straddles many different interests: shareholders, the laws of democracy, and stakeholders. Stakeholders may be partially represented in the original "democracy" (society 1) (e.g. employees in the US for a US headquartered company) but as they are in multiple countries they actually present values that are outside those generated within a single democracy.



There are, however, some nagging issues with stakeholder theory that raise doubt about whether it alone can provide an adequate model by itself to define corporate responsibility. A core problem is precisely defining who the stakeholders are.[8] While it might be easy to see how employees, customers, local communities and even the supply chain might qualify as "stakeholders", it is not clear exactly where the boundaries are between those who are in and those who are out and who gets to decide?[9] Are for example the banks who lend money to a corporation part of its stakeholders? What about the poor people who are neither customers in the supply chain but are affected by the chain of consumption several degrees removed? If it is hard to draw the boundary between who is in and who is out, then we are back to the problem of trying to decide whose values we need to pay attention to. More problematic, the needs and values of these various constituents might be in conflict. This raises the problem of what Goodpaster has called "multifiduciary responsibility".[10] Do manager have a fiduciary responsibility to more than one group? And can you be an agent to parties with conflicting claims? Clearly the interests of shareholders (who are also stakeholders by the way) and of employees may be in conflict at times.[11] Goodpaster calls this the "stakeholder paradox": "ethics seems both to forbid and to demand a strategic, profit-maximizing mind-set." [12] He solves the paradox by arguing that obligations to shareholders are fiduciary while obligations to stakeholders are of a different nature and not fiduciary. Since obligations to stakeholders are of a different kind than obligations shareholders, there is no real conflict.

Others argue that there is no paradox for different reasons, *because even the relationship between managers and shareholders is not a fiduciary relationship to begin with.* [13] On this account, managers may not have fiduciary responsibilities to the shareholder directly but to the corporation as an institution. And the fiduciary responsibility to an institution is broader than just the maximization of profits. One can picture the various options in this tabular format.

	Stockholder	**Stakeholder**
Classic Model: **Obligations to stockholders only**	Fiduciary Responsibility	No responsibility at all
Stakeholder theory (version A) Obligation to stakeholders is of different kind than to stockholders but still important	Fiduciary Responsibility	Non-fiduciary responsibility
Stakeholder theory (version B) Obligation to stakeholders is of same kind as that to stockholders. Both are on equal footing	Non-fiduciary responsibility	Non-fiduciary responsibility

But the conflict in stakeholder theory is not just the conflicting pulls between shareholders and stakeholders. There are potential conflicts among different groups of stakeholders themselves. For example, employees in the U.S. might want a corporation to spend more on environmental standards while employees in other countries may want the corporation to spend more on childcare. By what mechanisms does a corporation mediate or resolve these various conflicting impulses in its own stakeholder base?[14] Should all stakeholders' interests be weighed equally or should they be weighed based on the contribution and risks of each group? Finally, some stakeholders might have values and concerns that broadly speaking do not seem to dovetail with larger concerns that seem to go under the rubric of "corporate responsibility". For example, suppose a music company's customer base is a drug culture and the core constituent feels that drugs should be legalized. Should the corporation be bound to invest in that value? Who decides what are the legitimate concerns of stakeholders and by what criteria? Does this not throw us back into the very question of democracy itself? Whose interests get represented and why?

Stakeholder theory, thus, fundamentally broadens the notion of responsibility beyond shareholders. But it raises some pretty complex issues in sorting out the various claims about the corporation's responsibilities and how to juggle those interests. There is a broad literature that considers the nature of stakeholder theory and for practitioners of corporate social responsibility to even wade through this academic literature and understand its ramifications could be a full time job. How practitioners are actually supposed to engage this academic theorizing of responsibility is of course a topic worth investigating itself.

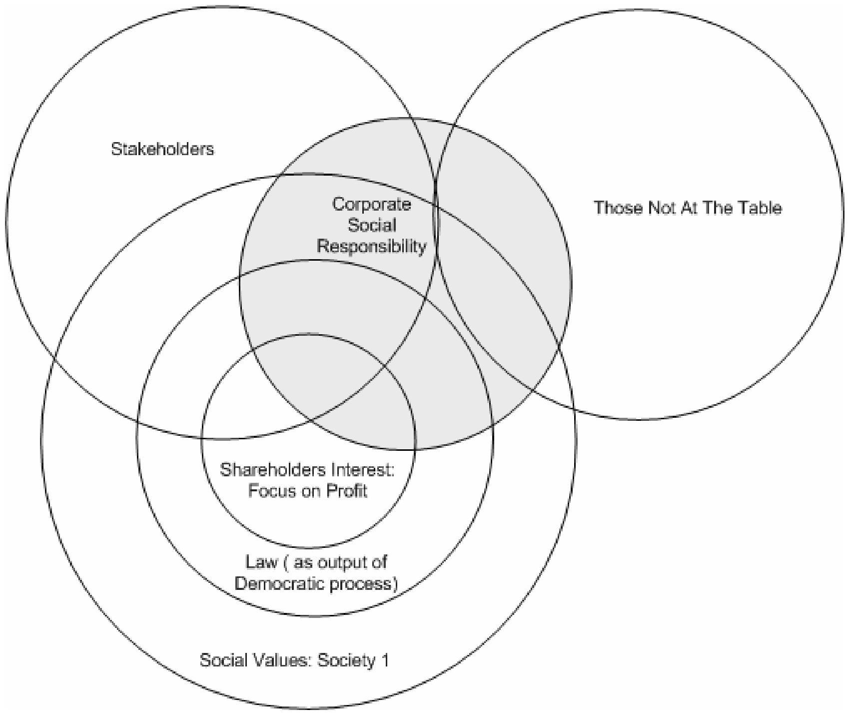
Model 3: Those Not At The Table

There is still a third model of corporate responsibility that differs conceptually from both shareholder and stakeholder theory but has not been fully articulated or even fully named. I call this model "Those Not At The Table". This view of corporate social responsibility assumes there are certain moral values that should impact a corporation's practices that are neither derived from democracy specifically nor extrapolated from a corporation's stakeholders necessarily (although they can be, as we shall see). These responsibilities are extrapolated from the people who are not "represented at the table". In saying this, we are assuming that the notion of the stakeholder in the previous model is more limited than "everyone in the world." That is to say, there are categories of people who are not stakeholders of the corporation. There are several types of people who fall into this category. They can include the economically disenfranchised, people who have no buying power. These people can't count as customers and hence can't qualify as stakeholders on that score. They also can't sway corporate behavior by withholding their buying power and therefore can't "vote with their dollar."[15] Also included in those who don't make it to the table are people who may be geographically remote and invisible. As depicted in the recent documentary *Darwin's Nightmare*, by Herbert Sauper's, when Europeans import Nile perch from Lake Victoria in Africa, Tanzanian villager's economies are disrupted and reorganized in powerful and disturbing ways. Who will ensure that those villagers are included in the corporation's analysis of its responsibility? The argument then is that there are groups of people who don't fall obviously into either stakeholders or shareholders who nonetheless have a moral claim on the corporation for reasons discussed below.

Another group not represented at the table are future generations, those who are not yet born and may be impacted by corporate practices today. Should the interests of future generations be represented? [16] And who represents their interests? One can argue that the stakeholders and democracy itself in some sense already embody the interest of the next generation, as understood by those in this generation and their concerns. But is that representation sufficient? Moreover, since the next generation and the generations beyond are not present, we do not really know what their interests are and can only infer those interests from our own. Indeed, will future generations be among the stakeholder, shareholders or those not at the table in the future? Presumably, they will be represented by all three groups. But what will the interests of those three groups be like in five generations. To complicate matters further, we don't know what kind of values they will have or what kinds of technologies at their disposal to address the problems of the future. Perhaps, then, we shouldn't think about all future generations, but only those that are approximate to ours in time. These are complex questions that have to be addressed at some point in a theory of corporate responsibility.[17]

All of these “voiceless persons” could be considered part of a company’s stakeholders *on the broadest definition of stakeholders*. If so, then our second and third models are really the same thing. But the broadest definition of stakeholder theory seems to undermine the meaningfulness of the concept “stakeholder” which is trying to link the corporation’s responsibility to direct and tangible interests of people that it touches.[18] That is why Freeman prefers a definition of the stakeholder that still distinguishes people who are not stakeholders. It is precisely because there are voiceless people who can’t make it to the table, whom the corporation does not touch directly, that the concept of stakeholder may not be sufficient by itself to represent all of a corporation’s responsibilities. In other words, there are other interests and concerns that may not be easily or tangibly represented in the voices that the corporation hears. On this view, corporate social responsibility as a practice is obliged to seek out and try to understand at least some of the voices on the periphery—the interests and needs of those who can’t economically shape a corporation’s interests, whose voices never make it into the democratic laws and are powerless to influence the governments in which they live, and last but not least, the voices of the next generation. On this third model of corporate social responsibility there is an obligation to try to understand and anticipate what the needs of these voiceless people are.

This third model of corporate responsibility brings in a set of interests and voices that otherwise may never be expressed on either of the other two models. Our Venn diagram is thus even more complex. Now corporate social responsibility takes account of shareholders, stakeholders and those not at the table. They may live in the local democracy but they can live elsewhere.



If stakeholder theory says the corporation is responsible to certain specific groups of people because it touches their lives in immediate ways, why, then, are corporations responsible to the unheard voices, those whose lives are not tangibly touched by the corporation in an immediate way? The answer is that the corporation has impacts far beyond the lives of its stakeholders. As we now understand, the activity of commerce transforms the social lives of all people, those who directly buy or produce for the corporation, as well as those who do not. A company that produces computers has an impact on the nature of our social lives far beyond the people who buy and make the computers. In this view, there is no one who is left untouched by the corporation. As the planet gets smaller, and we all share one world, one ocean, one air, the notion that there are people who are not touched by a larger corporation seems unpersuasive. Everyone is touched by the corporation. In other words, the unheard voices are touched but in ways that are not as visible or as immediate as the stakeholders.

Is it obviously not easy or simple to represent the people not at the table. Not only are there many more voiceless people than can be represented at the table but there is in fact a danger that those who try to represent the voiceless might be paternalistic in the worst way, projecting their values onto the disenfranchised, as with any attempt to represent those who are powerless. Nonetheless, we are arguing that this third model of responsibility captures a set of obligations that are not effectively captured by the other two models. It recognizes that as globalization continues, that attention to local communities and the suppliers alone does not adequately exhaust the myriad ways in which a corporation touches the world. With world economies interlinked and dependent on each other in complex ways, and with utilization of resources and pollution impacting people who are not in any shape stakeholders, there needs to be some way of defining the other obligations beyond stakeholders. The concept of “those not at the table” (the non-stakeholder) is a concept that points to the limits and boundaries of stakeholder theory. It forces us to realize and conceptualize that the stakeholders themselves represent a subset of interests and those interests may themselves be limited in some critical ways. By forcing the corporation to amplify the stakeholder voices with those not at the table, management is reminded of the complex interrelatedness of the world, of the ways in which the corporation impacts those heard and not heard.

The question of course will arise of how the corporation should seek out these voices and factor them into shareholder and stakeholder priorities. Not everyone’s voice can be heard or given equal weight. There is no simple rule to solve this problem. But then again there is no simple rule to figure out how to prioritize the multiple stakeholders’ priorities either. If stakeholders’ contributions are a factor in defining the priorities, then some other criterion could be adopted for those not at the table. The corporation can try to envision its impact on lives beyond stakeholders and prioritize the concerns of those who are most deeply affected by its corporate success.

Conclusion

So to whom is the corporation responsible? We have seen that there are at least three overlapping and likely more competing notions of corporate responsibility. What does this mean for the person who practices corporate social responsibility? Should one or another of these models be “the” model of CSR or can we embrace more than a single model? My own view is that there are strengths and limitations of each of the models. And the value of a model is that it provides a lens for how to think about the nature of responsibilities. The model itself does not suggest at this level how to actually act on or prioritize the obligations. The fact that there are multiple models and that each point to different constituents helps to ensure precisely what the corporation is always in danger of forgetting. That there are multiple powerful effects of the corporation that ripple across the lives of people, both close and far way, both living today and not yet alive. There are no simple ways to say once and for all what are the obligations of the corporation. Indeed, this is the biggest and most interesting dilemma of envisioning responsibilities beyond “maximizing profit”.

What counts as a corporation’s responsibility is ultimately the result of the conversation that has to happen among all the parties who are at the table including some who are trying to understand the interests of those who are not there. The corporation’s responsibility, then, is to engage responsibly in these conversations with various models of responsibility and to attempt to sort through those interests and prioritize them as best it can. Clearly the corporation can not address the concerns of everyone. It would simply go out of business if it met everyone’s needs. It will have to prioritize some over others, and weigh them against its responsibility to be successful as a business. How it should do that is a topic for another time. But it is not unlike the conversation that the corporation is already involved in and carries off quite successfully: how to maximize its profits. That conversation, which everyone recognizes is part of the corporation’s responsibility, is an equally complex a conversation, one that requires inputs from markets close and far away, complex product development and strategic decisions, and prioritization of resources. No one doubts that good corporations can and do carry on that conversation effectively. There should be no reason, then, that the corporation can’t also think about its various constituents and rationalize how to balance the various pulls that it feels. If it can do the former, it can also do the latter. But just as there are no rules for the one, there are no rules, only frameworks, for engaging the second. The role of CSR and of the CSR practitioner within the corporation, then, is precisely to facilitate this conversation, to understand and evoke the models, and voices, and help drive a corporation to a thoughtful and reflective strategy on engaging its multiple responsibilities. CSR is the vehicle for the conversation.

[1] For an alternative model of CSR, consider Mark S Schwartz and Archie B. Carroll, "Corporate Social Responsibility: A Three-Domain Approach." *Business Ethics Quarterly*. 13:4 (October) 2003: 503-530. Schwartz and Carroll rethink and deepen the earlier pyramid model of Archie Carroll: "A Three-Dimensional Conceptual Model of Corporate Performance." *Academy of Management Review*. 4:4, 497-505. These models distinguish the economic, legal, ethical and philanthropic duties and impulses of the firm as a way of conceptualizing CSR. The current essay offers a different way of conceptualizing CSR based on the source of the obligation.

[2] See, for example, James Traub, "Into the Mouth of Babes." In *Case Studies in Business Ethics*. Ed. Thomas Donaldson and Al Gini. (Prentice Hall: Upper Saddle River, New Jersey), 1996:22-29. Norman Bowie and Stefanie Anne Lenway, "H. B. Fuller In Honduras: Street Children and Substance Abuse." In *Case Studies In Business Society and Ethics*. (Prentice Hall: Upper Saddle River, New Jersey), 1998:185-195; Martha W. Elliott and Tom L. Beauchamp, "Hooker Chemical and Love Canal." In Beauchamp, *Case Studies*, 106-117.

[3] Milton Friedman, "The Social Responsibility of Business Is to Increase Its Profits." Reprinted in *Ethical Issues in Business*. Ed. Thomas Donaldson, Patricia H. Werhane, Margaret Cording. (Prentice Hall: Upper Saddle: New Jersey), 2002 [orig. 1970]: 33-38.

[4] See Freeman "Stakeholder Theory," 40. E. Merrick Dodd, Jr. "For Whom are Corporate Managers Trustees?" *Harvard Law Review* XLV:7 (May), 1932: 1145-1163.

[5] There is, as we shall see, agreement that the law does not exhaust all responsibilities of the corporation. But whether those responsibilities should be moved within the law or remain beyond the law is subject to debate. For a discussion, Phillips, Freeman and Wicks, "What Stakeholder Theory Is Not." *Business Ethics Quarterly*. 13:4 (October) 2003: 479-503 particularly 490-491.

[6] The classic statement is by R Edward Freeman, "Stakeholder Theory of the Modern Corporation." In *Ethical Issues in Business*. Ed Donaldson et al, pp 38-48. The view that corporation has obligations beyond the stockholders was put forward as early as 1932 by E. Merrick Dodd, Jr. "For Whom Are Corporate Managers Trustees?" *Harvard Law Review*. (45)1932:1148.

[7] Freeman, "Stakeholder Theory", 39, who gives the classic articulation of stakeholder theory defines it this way: " Stakeholders are those groups who have a stake in or claim on the firm. Specifically, I include suppliers, customers, employees, shareholder and the local community as well as management in its role as agent for these group." Although some interpret his theory to apply very broadly to society as a whole and even to the world citizen, Freeman contends that this vitiates the meaning of the term and prefers to keep it more specific: "'Stakeholder' is not synonymous with "citizen" or "moral agent" as some wish to interpret it. Rather, a particular and much closer relationship between an organization and a constituency group is required for stakeholder status. The theory is delimited and non-stakeholder should remain a meaningful category." See Phillips, Freeman and Wicks, "What Stakeholder Theory Is Not," 491. See also Robert Phillips "Stakeholder Legitimacy" in Business Ethics Quarterly. 13:1, 2003: 25-43, especially 28.

[8] See Phillips, Freeman and Wicks, "What Stakeholder Theory Is Not" for a discussion of the various definitions of stakeholders.

[9] Phillips, Freeman and Wicks "What Stakeholder Theory Is Not" p.491-92 summarize the different views on who counts as stakeholders

[10] See Kenneth E. Goodpaster, "Business Ethics and Stakeholder Analysis." In *Ethical Issues*, 49-60. Freeman envisions this process as constructing normative stories that represent each constituent's ethical standpoint. One the important questions on reading Freeman is figuring out how business management

could and should actually go through such an exercise.

[11] See Goodpaster, "Business Ethics", who sees this as a critical issue. Goodpaster argues that the obligation to the shareholder is of a different nature than the obligation to the stakeholder.

[12] Goodpaster, "Business Ethics", 55

[13] See Dodd's essay for an early exposition of this view and more recently John R. Boatright, "Fiduciary Duties and the Shareholder-Management Relation: Or, What's So Special About Shareholders" In Ethical Theory and Business. Ed. Tom L. Beauchamp and Norman E. Bowie. 6th Edition. (Upper Saddle River, New Jersey), 2001: 75-85. Still others reject stakeholder theory altogether precisely because the fidicuriary relationship to shareholders supercedes any kind of obligations to the stakeholders. See Alexei Marcoux, "A Fiduciary Argument Against Stakeholder Theory" In Business Ethics Quarterly. 13:1, 2003: 1-24.

[14] Phillips, Freeman, and Wicks, "What Stakeholder Theory Is Not" 488-489 argues that there should be a "meritocracy" meaning that stakeholders claims should be valued in proportion to their risks and contributions. Freeman acknowledges this question and argues that stakeholder analysis does not provide a methodology for answering this question but only a general framework for saying that stakeholder values and responsibilities have to be taken into account. He argues to take account based on meritocracy.

[15] See my discussion of Milton Friedman's view that the market enables one to vote via proportional representation. Clearly the market's type of proportional representation depends on the amount of dollars one can vote with. See Schwartz "What Color Tie Do You Vote For?: Or "Is Economic Freedom Part of Liberty"? In Freedom, Capitalism, and Religion (in progress) published on www.FreedomandCapitalism.com

[16] See Manuel G. Velasquez, *Business Ethics*. Fifth Edition. (Upper Saddle, New Jersey: Prentice Hall). 2002:308-312. Martin Golding, "Obligation to Future Generations." Monist 56:1 1972. Gregory Kavka "The Futurity Problem" in Ernest Partridge, Responsibilities to Future Generations (New York: Prometheus Books) 1981:109-22; Ronald Jeurissen and Gerard Keijzers, " Future Generations and Business Ethics." *Business Ethics Quarterly* 14:1 (January), 2004: 23-46. John Rawls, A Theory of Justice (Cambridge: Harvard University Press), 1971:289.

[17] See Velasquez, Rawls

[18] See footnote 7.