The past and future of stakeholder theory: introducing the TOPPER framework

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Chapter

The Past and Future of Stakeholder Theory: Introducing the TOPPER Framework

Jasmijn Boeken, Bibi van den Berg and Tommy van Steen

Abstract

Stakeholder theory has been identified as a potential solution to the challenges firms face regarding increased digitalization. It is a theory in the field of business ethics, which provides firms with clues on what behaviour is ethical. To assess whether stakeholder theory is up for the challenge of digitalization, this chapter offers a comprehensive overview of stakeholder theory. The TOPPER framework is introduced to categorize the research in this field based on their topic and perspective. The topics regard stakeholder importance, stakeholder identification, stakeholder prioritization, and stakeholder theory in practice. Regarding perspectives, the work is categorized into descriptive, instrumental, and normative research. This results in the identification of research gaps, especially regarding descriptive research on stakeholder importance and instrumental research on stakeholder prioritization. Emphasizing the underexplored normative perspective, the article advocates for a normative core spanning diverse topics. Discussing the critique on stakeholder theory brings attention to persisting issues, such as managing for stakeholders without a spokesperson. As firms navigate a digital future, reassessing business ethics is crucial, with stakeholder theory offering a promising solution to novel challenges.

Keywords: business ethics, stakeholder theory, ethics of care, TOPPER framework, management

1. Introduction

Private firms face increasing challenges from cyberattacks due to increased digitalization [1, 2]. At the 2020 World Economic Forum meeting in Davos, the discussion focused on how firms should deal with this rise of cybersecurity challenges [3]. In this meeting, as well as in the Davos Manifesto 2020, it was suggested that stakeholder management might be a solution to these challenges. Similarly, at the Business Roundtable during the same year, 181 CEOs committed to lead their companies in a manner that ensures the well-being of all stakeholders [3].

Within academia, the potential of stakeholder theory to help firms deal with the challenges of digital innovation has also been acknowledged. According to McVea and Freeman [4], this is because networks of relationships are increasingly important and the complexity of stakeholder networks is now, due to digital innovations, easier to operate. This raises the need for a structured overview of the work within the field. To gain such overview of the research, we propose the TOPic-PERspective (TOPPER) framework. This framework uses the work of Donaldson and Preston [5] who categorize stakeholder research into descriptive, instrumental, and normative work and adds a new dimension that regards the topic of research, creating a more detailed structure for organizing the literature.

Relating to the topic of this book, this chapter discusses research on organizational behaviour, mainly in the descriptive sections. Furthermore, it explores the business ethics that steers companies' behaviour. The next sections will introduce Edward Freeman's [6] seminal work on stakeholder theory, outline the TOPPER framework to organize the extensive literature, discuss critiques to stakeholder theory, and propose future research directions.

2. Managing for stakeholders: The basics

The term "stakeholder" was initially introduced in 1963 by the Stanford Research Institute [7]. Since then, it has been further explored and developed within various fields, including system theory, strategy literature, corporate social responsibility studies, and organizational literature [7]. Stakeholder theory became popular in 1984 when Edward Freeman published his seminal work: *Strategic management: A stakeholder approach* [6]. Freeman's work provided firms with a new way of approaching strategic management, addressing the challenges of an increasingly turbulent business environment. Freeman argued that to effectively manage a company within this turbulent environment, it needed to adopt a novel way of conceptualizing the business world and its operations. Stakeholder theory was thus proposed as a practical approach for firms to navigate evolving circumstances.

Initially, Freeman proposed stakeholder theory mainly as a practical guide, but in subsequent writings, Freeman shifts to a more normative argument, with a goal of overcoming the separation thesis [7]. This thesis entails a strict division between business and ethics within the shareholder view and is based on the fact-value dichotomy [7, 8]. Attempting to separate the two has led to an implicit set of values embedded within economic and business theory while proclaiming to be value neutral [9, 10]. In the words of Freeman: "as long as business ethics is separate, business theorists are free to make up supposedly morally neutral theories such as agency theory which can be used to justify a great deal of harm" [9] (p. 412). By shifting the focus of stakeholder theory towards normative questions, Freeman proposed to solve this separation of business and ethics.

Freeman argues that corporations should recognize their responsibility towards more stakeholder groups than just their shareholders (e.g. consumers, employees, local communities, and the natural environment) and that these groups should be considered in firms' decision-making processes [6]. The theory prescribes whom the firm should serve and how it should do this [11]. However, among the different views on stakeholder theory, there may be more distinctions than similarities. Therefore, rather than being one theory, stakeholder theory should be considered a genre or maybe even a paradigm [7].

3. The TOPPER framework

To organize the extensive research on stakeholder theory, Donaldson and Preston [5] divided it into descriptive, instrumental, and normative work. Where descriptive work addresses how firms currently operate, instrumental work studies the effects of stakeholder management on corporate goals such as profit, and normative work delves into what firms ought to do. While this distinction was initially beneficial for organizing the field and has been broadly applied, these categories can also be viewed as overly broad given the diverse range of research currently available.

To overcome this critique, we conducted an in-depth analysis of the literature. Through a mapping exercise we identified, in addition to the three established perspectives, that the literature can be effectively categorized using four distinct topics: (1) Stakeholder importance, (2) Stakeholder identification, (3) Stakeholder prioritization, and (4) Stakeholder theory in practice. To provide a meaningful categorization for the large body of stakeholder literature, we therefore propose the TOPic-PERspective (TOPPER) framework. This framework not only facilitates a more meaningful classification but also highlights the research gaps in existing literature.

Table 1 illustrates what the TOPPER framework looks like, specifying the type of research that fits within each category. The order of the topics shows the different stages of the stakeholder management process. As depicted by **Figure 1**, the progression initiates with an inquiry into the importance of stakeholders, followed by the identification of legitimate stakeholders. This is succeeded by the topic of stakeholder prioritization, exploring which stakeholders are more important than others. Finally, the process concludes with an investigation into how stakeholder theory works in practice.

Table 2 shows the landscape of stakeholder theory literature in the TOPPER framework. It shows the most important contributions to the debate on stakeholder theory. The framework contains research that is done on stakeholder theory in general and thus does not include the specific fields it has been applied to. There is a clear discrepancy between those cells that contain substantive amounts of research, and those that are empty or only contain one or two studies. Regarding the topics, stakeholder importance covers the least amount of research. Regarding the perspectives, research is well established in the descriptive and instrumental domains while normative research falls behind. The subsequent sections will discuss the research in this field based on its structure within the TOPPER framework.

	Descriptive	**Instrumental**	**Normative**
Stakeholder importance	Why do companies find stakeholder management important?	Why does stakeholder management lead to more profit?	Why should companies implement stakeholder management?
Stakeholder identification	How do companies define their stakeholders?	How does the identification of stakeholders affect profit?	How should companies define their stakeholders?
Stakeholder prioritization	How do organizations prioritize stakeholders?	How does the prioritization of stakeholders affect profit?	How should organizations prioritize stakeholders?
Stakeholder theory in practice	How do companies manage stakeholder relations?	Does stakeholder management influence profit?	What should stakeholder management look like?

Table 1.
TOPPER framework.

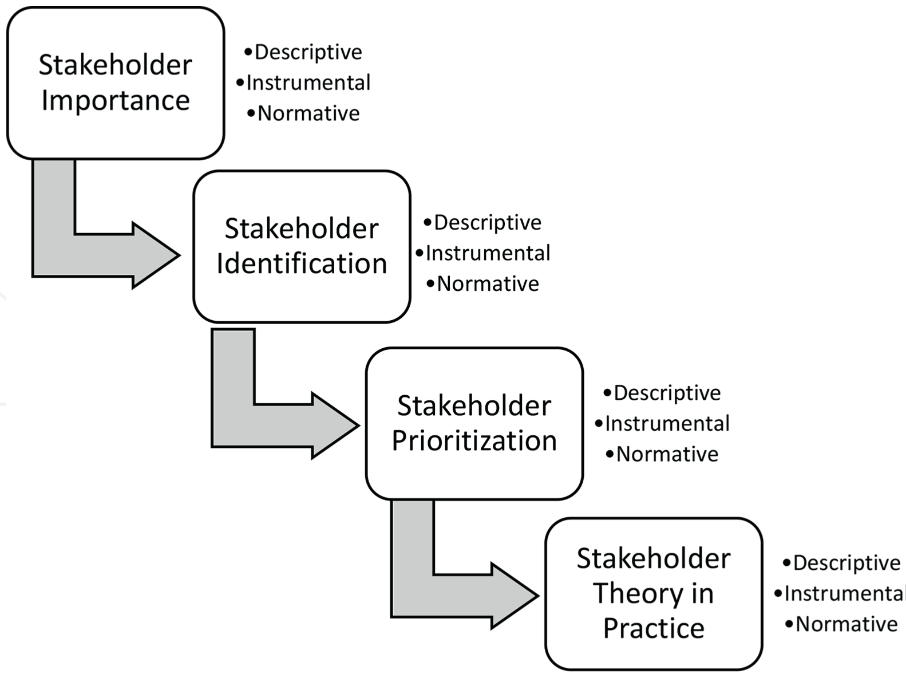

Figure 1.
TOPPER framework flow.

	Descriptive	Instrumental	Normative
Stakeholder Importance		[12–14]	[15]
Stakeholder Identification	[16]	[6, 17]	[11, 18–22]
Stakeholder Prioritization	[23–32]		[33]
Stakeholder Theory in Practice	[34–39]	[10, 40–49]	[50]

Table 2.
TOPPER framework stakeholder theory literature.

3.1 Stakeholder importance

As shown by the TOPPER framework in **Table 2**, the topic of stakeholder importance is covered only marginally in academic research. This entails that interesting research areas are not yet thoroughly studied, such as the descriptive question why companies find their stakeholders important. Limited research has been done within the instrumental and normative domain, but the existing studies do provide a good first insight into what such research could entail.

3.1.1 Why does stakeholder management lead to more profit?

This section discusses instrumental research on stakeholder importance. This entails the argument that when firms implement stakeholder theory this may lead to increased profit. According to Harrison et al. [13], stakeholder management fosters a relationship of trust that will stimulate stakeholders to share information with the firm. This information can be of great benefit, as it could increase efficiency, speed up innovation, and make the corporation better prepared for unexpected changes [13]. Jones [14] also recognizes the importance of building trusting stakeholder relations, as this leads to less opportunism, fostering a competitive advantage. Additionally, research by Bosse et al. [12] contends that managing for stakeholders could lead to increased profit due to the idea of reciprocity. They argue that when the firms treat their stakeholders in a good way, these stakeholders are inclined to reciprocate in kind towards the company. Instrumental stakeholder research thus emphasizes the importance of building trusting relationships and outlines the positive effect this has on profit.

3.1.2 Why should companies implement stakeholder management?

Containing the only identified normative research on stakeholder importance, Freeman and Phillips's [15] consider the normative question of why companies ought to consider stakeholders in their decision-making. They revert to the argument of property rights, based on libertarian theory, asserting that stakeholders have their own property rights (e.g. how employees own their labour time) that should be considered. Furthermore, they add a contractarian approach, which posits that there exist obligations towards stakeholder in so far as they are parties to a contract.

Whereas using libertarian ideas as a normative core provides a narrow interpretation of stakeholders, this analysis shows what research in this domain may look like. There remains room for future research to cover the "why" question of stakeholder theory, an interesting and important question for the further development of the field.

3.2 Identifying stakeholders

This section discusses the research on identifying stakeholders, which entails a definition of stakeholders. While articles often include a list of stakeholders which they consider [51], this does not constitute a definition of stakeholders, which must be explicit. As shown by the TOPPER framework in **Table 2**, stakeholder identification is not yet thoroughly studied and finds most of its research in the normative domain.

3.2.1 How do companies define their stakeholders?

This section discusses descriptive research on stakeholder identification. Providing such a descriptive view, Clarkson [16] defines stakeholders as "persons or groups that have, or claim, ownership, rights, or interests in a corporation and its activities, past, present, or future" [16] (p. 106). While providing an interesting definition, it is not exactly clear how it came to be. Future descriptive research on how companies identify their stakeholders would be a valuable contribution to the field.

3.2.2 How does the identification of stakeholders affect profit?

Instrumental stakeholder literature concerns the effect from stakeholder identification on profit. The first introduction of a stakeholder definition in management literature was in 1963 by the Stanford Research Institute (SRI) who defined it as "those groups without whose support the organization would cease to exist" [7] (p. 31). The first definition of a stakeholder was thus instrumental, using stakeholders as a means to an end.

Freeman's original definition remains the most widely used in academia [52] and in educational books on stakeholder theory [53]. Freeman famously describes stakeholders as "Any group or individual who can affect or is affected by the achievement of the firm's objectives" [6] (p. 25). Based on this definition, Freeman [6] proposes the following stakeholders: local community organizations, owners, consumer advocates, costumers, competitors, media, employees, special interest groups, environmentalists, suppliers, and governments. Due to its focus on the achievements of the firm's objectives, this definition must be considered instrumental [41, 54]. While the original work of Freeman as well as this definition are based on instrumental thinking, adding those who are affected by the firm to the definition opens the door to a somewhat more normative view on stakeholder identification [41].

Alternative definitions have been posited. For instance, Post et al. [17] base their definition of stakeholders on the presence of risks and benefits: "individuals and constituencies that contribute, either voluntarily or involuntarily, to its wealth-creating capacity and activities, and who are therefore its potential beneficiaries and/or risk bearers" [17] (p. 8). The focus on the creation of wealth renders this definition instrumental. While the focus on benefits and risks brings interesting insights, it excludes those groups who are not affected by the firm but are able to affect it. For example, consider a big-tech company engaged in software development. According to the definition put forth by Post et al. [17], the media would not be considered a stakeholder as it is neither a beneficiary nor a risk bearer. However, while the media may not be affected by this company, it has the power to impact the company's operations. Reporting on a significant data breach, for example, might influence consumers choice and thus lower shareholder's profit. This instrumental definition of stakeholders is thus more limiting than Freeman's [6] original definition.

3.2.3 How should companies define their stakeholders?

This section describes normative research on prioritizing stakeholders, which is concerned with the question who should be the legitimate stakeholders of a firm. Interestingly, this is the most studied topic from the normative perspective.

One study that finds itself in the gray zone between normative and descriptive work is that of Langtry [19], who defines stakeholders as: "groups or individuals who *either* are such that the firm's decisions to act, or decisions to not act, have been or will be to a significant extent causally responsible for their level of well-being, or *else* have some independently identifiable moral or legal claim on the firm which the firm's actions violate or respect" (italics in original) (p. 433). While providing a clearly normative definition of a stakeholder, this definition lacks an explicit normative core. According to Freeman [6], such a normative core is an essential part for stakeholder theory, as it provides a theoretical foundation. The other definitions that this section discusses do contain such a normative core, either based on theories of Rawls, Kant, or ethics of care.

Phillips [20] proposes a normative definition of stakeholders based on Rawls's renowned principles of fairness, arguing that certain relationships of the firm possess elements that generate an obligation of fairness, which results in responsibilities towards stakeholders. According to Phillips [20], such elements are: (1) mutual benefit, (2) a sacrifice or restriction of liberty, (3) possible free-riders, and (4) voluntary acceptance of benefits. The principle of stakeholder fairness as proposed by Phillips asserts that firms bear an obligation to those stakeholders with whom they have a relationship that meets these criteria.

In later work, Phillips [22] asserts that his former conception of stakeholders was too limited and instead poses that there is a difference between two different categories of legitimate stakeholders. The first group of stakeholders have normative legitimacy, and the firm has a moral obligation to them based on the obligation of fairness as described above [22]. The second group of stakeholders have derivative legitimacy, they are "those groups whose actions and claims must be accounted for by managers due to their potential affects upon the organization and its normative stakeholders" [22] (p. 31). An example of such a derivative stakeholder is the news media, the firm does not have an obligation regarding the well-being of the media but should consider their impact on the firm.

Providing a Kantian perspective on stakeholder identification, Vos [21] draws upon critical systems heuristics (CSH) to identify four different roles in the stakeholder process: client, decision-maker, planner, and the witness. According to Vos [21], the client, decision-maker, and planner are directly involved with the firm, in Freeman's terminology, they would be the ones that can affect the firm, whereas the witness is the affected. In line with Kantian thought, Vos [21] asserts that the witness (the affected) should not be seen as a means to an end but should be treated as a stakeholder that is an end in themselves. What this might entail in practice is that firms should not only consider the affected stakeholders because this is good for profit, they should consider them because they are important in themselves.

The stakeholder definition of Wicks et al. [11] is based on care ethics and sees the firm as consisting of a network of relationship. In their view, stakeholders should be defined as "*groups who interact with and give meaning and definition to the corporation*" [11] (italics in original, p. 483). Engster [18] delves deeper into the foundational ideas of care ethics and defines stakeholders as "any groups or individuals whose ability to care for themselves or others is directly dependent upon a firm's actions or decisions" [18] (p. 101). Based on this definition, Engster recognizes two stakeholder groups as being of utmost importance to the firm: shareholders and employees. However, Engster also recognizes responsibilities towards the local community and customers, emphasizing that while shareholders and employees' needs should usually be prioritized, concerns over health and safety always have priority.

In Engster's consideration of different stakeholders, however, there appears to be a lack of recognition on relationship building. Engster suggests that companies have the obligation to opt for a cheaper supplier if such an alternative exists, based on the firm's responsibility towards stakeholders. However, this perspective fails to acknowledge the relationship of the firm with its current supplier. A long-term caring relationship founded on trust may hold more value than a hasty deal with a cheaper supplier. Although noteworthy contributions have been made to merge care ethics with stakeholder theory, a comprehensive combination of the two is yet to be accomplished.

The literature on identifying stakeholders pertains to the question of which stakeholders' firms consider or should consider. Whereas descriptive stakeholder identification remains a very limited field that is worthy of further exploration, more substantial work has been done in the instrumental and normative fields. While stakeholder identification is an important step in the stakeholder process, the next step, reflected upon in the subsequent section, is the question which stakeholders are more important than others.

3.3 Prioritizing stakeholders

This section will discuss the literature on prioritizing stakeholders. As shown by the TOPPER framework in **Table 2**, substantial work has been done using descriptive methods, while there is no instrumental research to discuss and only one normative study on prioritizing stakeholders was identified. This means that the question how prioritization affects profit remains open and that the normative question on what ethical prioritization should look like requires further research.

3.3.1 How do organizations prioritize stakeholders?

While various descriptive stakeholder prioritizations have been proposed, the one put forth by Mitchell et al. [27] is most often used. They categorize stakeholders according to their power, legitimacy, and urgency and argue that the more of these attributes a stakeholder has, the more salient it will be to the manager. The first attribute, power, is defined in the classical way inspired on work of Weber [55] and Dahl [56] as: "a party to a relationship has power, to the extent it has or can gain access to coercive, utilitarian, or normative means, to impose its will in the relationship" [27] (p. 865). For instance, consider the stakeholder relationship between a big-tech company and a privacy-protection agency. While the agency has no coercive power, it might have utilitarian power due to the ability to give fines as well as normative power due to its reputation for protecting citizens' privacy.

While power and legitimacy are often used in tandem, powerful stakeholders are not always legitimate, and legitimate stakeholders are not always powerful [27]. Based on the idea that legitimacy is thus an independent factor, Mitchell et al. [27] use Suchman's definition which states legitimacy as "*a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions*" [57] (p. 574). For a company developing software, a legitimate stakeholder would be the privacy protection agency, while a stakeholder without legitimacy would be a black hat hackers' group. To make their stakeholder salience model more dynamic, Mitchell et al. [27] add the variable of urgency, which they define as "the degree to which stakeholder claims call for immediate attention" [27] (p. 867). Whether a situation commands immediate attention depends on two variables: time sensitivity and criticality. When these two factors are apparent, a stakeholder (relationship) is considered to be urgent according to Mitchell et al. [27]. The stakeholders that have the most attributes (power, legitimacy, and urgency) will be more salient to the manager [27].

Providing empirical support for the model from Mitchell et al. [27], Parent and Deephouse [29] conduct a multi-method comparative case study and conclude that power is the most significant attribute to managers. However, an alternative study conducted by Tashman and Raelin [31] found that power, legitimacy, and urgency are not always crucial to managers in their decision-making process. They note that the disparity of empirical results might be due to the limited focus on managerial perception of stakeholder salience and propose a more holistic approach by letting stakeholder salience be determined by managers and stakeholders together.

Mainardes et al. [26] suggest an adjustment to Mitchell et al.'s [27] stakeholder salience model, changing it from a binary structure to a structure of scales. Instead of either having urgency or not, the question changes to how much urgency there is. This modification results into the classification of stakeholders into six distinct groups. The first group comprises regulatory stakeholders who possess the ability to influence the firm but are not subject to influence of the firm. The second group consist of controller stakeholders who exert more influence over the firm than the firm does over them. In the third group, partner stakeholders, there is an equal and mutual level of influence between firm and stakeholders. The fourth group encompass passive stakeholders, where the firm has more influence over the stakeholder than vice versa. The fifth group include dependent stakeholders, whereby the firm can influence the stakeholder but not vice versa. Lastly the sixth group consist of non-stakeholders, where neither the firm nor the stakeholders have influence over each other [26]. While providing an insightful classification of stakeholder groups, Mainardes et al. [26] do not specify a hierarchy between these groups, leaving us with little guidance on who to prioritize.

While the model proposed by Mitchell et al. [27] holds a dominant position in the field and has served as a foundation for subsequent research [26, 29, 32, 58], other models have also been proposed. For example, Perrault [30] argues that managers prioritize individual stakeholders based on their status as, among other things, associating with stakeholders of a higher status will increase the status of the firm. Harrison and St. John [24] prioritize stakeholders by looking at uncertainty: "one of the key factors that determines the priority of a particular stakeholder is its influence on the uncertainty facing the firm" [24] (p. 47). According to this principle, the strategic importance of a stakeholder (group) depends on: (1) contribution to the environmental uncertainty, (2) ability to reduce this uncertainty, and (3) firm strategic choices [24]. For example, for a firm working with personal data, a privacy activist group could have the political power to increase environmental uncertainty by pressuring the development of new privacy regulations.

Jawahar and Mclaughlin [25] propose that different stakeholders become critical at various stages of a company's life cycle. Drawing upon resource dependency theory, they argue that stakeholders possessing the most resources crucial to the firm's survival are considered the most critical by managers [25]. Additionally, they incorporate prospect theory from the field of behavioural decision-making to explain managerial choices regarding stakeholders. According to prospect theory, unless presented with threats, firms tend to be risk-averse, while in the presence of threats the firm exhibits riskier behaviour with a focus on those stakeholders who are involved in the threat. Jawahar and Mclaughlin's [25] illustrate how different stakeholders assume critical roles at different stages of an organizational life cycle, highlighting the relative importance of stakeholders based on their ability to provide essential resources. It is worth noting that while their work falls under the descriptive category, they have not yet tested their proposed model.

Authors that do base themselves on empirical work are Greenley and Foxall [23], who shed light on how firms actually prioritize stakeholders. Their study reveals the following ranking: (1) consumers, (2) competitors and shareholders, (3) employees, and (4) unions [23]. Whereas consumers, competitors, and shareholders are deemed highly important in corporate culture, employees and unions get comparatively less attention.

The descriptive field has both seen speculative research as to how companies prioritize stakeholders as well as empirical work. The model that was proposed by Mitchell et al. [27] remains the most influential.

3.3.2 How should organizations prioritize stakeholders?

An interesting contribution on normative stakeholder prioritization is made by Burton and Dunn [33], who combine a Rawlsian approach with the ethics of care to propose the following principle for stakeholder prioritization: "Care enough for the least advantaged stakeholders that they not be harmed; insofar as they are not harmed, privilege those stakeholders with whom you have a close relationship" [33] (pp. 143–144). Whereas Burton and Dunn thoroughly describe why ethics of care could be a suitable normative core for stakeholder theory, there remains substantial work to be done on how this should take shape.

There is little normative work done on prioritizing stakeholders, while such a prioritization seems an important normative question which requires further research. Furthermore, no instrumental work was identified, leaving open the question of how stakeholder prioritization impacts profit. The main work in prioritization has been done in the descriptive field, where Mitchel et all's. [27] work remains dominant.

3.4 Stakeholder theory in practice

The final step after questioning why to include stakeholders, who to include and who to prioritize, is to study how stakeholder theory is applied in practice. As shown by the TOPPER framework in **Table 2**, substantial work has been done from both the descriptive and instrumental perspective, while normative research remains limited.

3.4.1 How do companies manage stakeholder relations?

This section discusses the descriptive research on stakeholder theory in practice. An example is the work of Belal [34], who examines companies in the UK that use social and ethical accounting, auditing and reporting (SEAAR) practices. Belal [34] concludes that these ethical business practices do not necessarily result in stakeholder accountability. Instead, Belal suggests that stakeholder accountability can be achieved through a focus on empowering stakeholders and actively involving them in the decision-making process. In line with this, Unerman and Bennett [39] found that actively approaching stakeholders is necessary for an inclusive stakeholder debate. Studying Shell's stakeholder dialog web forum, they conclude that while the forum gives a voice to previously unheard stakeholders, it is very limited in its scope and needs to be used in conjunction with other types of stakeholder involvement. Furthermore, due to a lack of transparency, it is not clear if the information from the web forum is influential regarding managerial decision-making. The authors question whether it might just be window dressing, instead of actually trying to involve stakeholders [39].

By analysing how companies involve stakeholder groups in their decision-making process, Pedersen [37] identifies five factors that influence the level of engagement: (1) inclusion, (2) openness, (3) tolerance, (4) empowerment, and (5) transparency. Together these factors show how engaged stakeholders are in the decision-making process [37]. Furthermore, Pedersen shows that throughout the different stages of stakeholder dialog, where the firm talks to stakeholders, different filters interfere in the process. Whereas the selection filter leads to the selection of invited stakeholder groups, the interpretation filter leads the dialog towards a decision by interpreting stakeholders' desires, and the response filter regards the actual actions that result from the stakeholder dialog [37]. Also working on how firms could implement stakeholder dialog, Kaptein and Van Tudler [36] suggest ten preconditions for an effective dialog: (1) to know and be understood, (2) trust and reliability, (3) clear rules for the dialog, (4) a coherent vision on the dialog, (5) dialog skills, (6) expertise, (7) clear dialog structure, (8) valid information as basis, (9) consecutive meetings, and (10) feedback of results.

Whereas the studies above focus on small parts of stakeholder theory in practice such as the stakeholder dialog, the process contains many steps. Providing a ten-step guide of the stakeholder management process, De Colle [35] proposes that firms follow the following steps: (1) identifying and mapping stakeholders, (2) assess issues at stake, (3) identify corporate values and existing commitments, (4) prioritize issues, (5) review/develop policies, (6) set objectives, (7) measure performance, (8) communicate and report, (9) review commitments and policies, and (10) continued engagement.

While further research remains necessary, the studies discussed provide starting points for what the stakeholder management process could look like in practice.

3.4.2 Does stakeholder management influence profit?

As the TOPPER framework shows, a significant body of literature exist for instrumental research on the stakeholder management process. How it is measured, however, differs widely but often stakeholder theory is measured by looking at corporate social responsibility or performance [44, 45]. While some studies in this field do not explicitly test stakeholder theory, they have stakeholder management embedded within corporate social responsibility and performance.

To comprehend this line of research, it is necessary to understand the concepts of corporate social performance (CSP) and corporate financial performance (CFP), which are commonly employed as measurements in instrumental stakeholder research. Several approaches can be used to measure CSP, including the analysis of CSP disclosures [44]. Additionally, reputation rankings from publications such as Fortune magazine or the engagement of third-party auditors to assess firms' practices and behaviour can serve as indicators of CSP. A final way of measuring CSP consists of assessing a firm's core values and principles [44], although it is important to note that this method does not directly measure actual behaviour. Measuring CFP is relatively more straightforward. It can, for example, be measured by looking at price per share, return on assets or a (subjective) estimate of firms' financial position [44].

In their review, Freeman et al., [7] conclude that there is fairly strong evidence that suggests that developing and maintaining good stakeholder relations is good for the firm's financial performance. This finding is further supported by a meta-analysis examining the impact of CSP on CFP, revealing a positive relationship [44]. Additionally, Orlitzky et al. [44] discovered a reciprocal relationship between CSP and CFP, where they influence each other in a self-reinforcing cycle. Using a different outcome variable, Orlitzky and Benjamen [45] conducted a meta-analysis to study the relationship between CSP and firm financial risk, with CSP serving as an indicator for good stakeholder management. They demonstrated that the higher a firm's CSP, the lower the financial risk of the firm. Notably, corporate social performance reputation emerged as the variable exerting the greatest impact on firm risk. Despite variations in measurements, a substantial amount of research confirms the positive relationship between CSP and CFP [7, 41–49] and thus show the positive effects of implementing stakeholder management.

While research shows the positive effects of stakeholder management, some studies that find a positive connection still exercise caution in drawing strong conclusions as there might be possible difficulties with reliability and validity [42] and because future research needs to confirm the findings [47]. Furthermore, Barnett [40] contends that such a connection is not evident due to the heterogeneity of research results and methods, and the effect of corporate social responsibility on corporate social performance varies depending on firm-specific circumstances. In other words, it is contextually dependent. Barnett [40] argues that the most interesting finding is the heterogeneity of results, emphasizing that context plays a crucial role. While definitive conclusions cannot be drawn, the existing body of literature shows a promising connection between implementing stakeholder management and increasing firms' financial performance. This could serve as a strong incentive for companies to start including stakeholders in their decision-making processes.

3.4.3 What should stakeholder management look like?

Drawing on Kantian theory, Evan and Freeman [50] emphasize the right of stakeholder groups not to be treated as a means to an end: "Each person has the right to be treated, not as a means to some corporate end, but as an end in itself" [50] (p. 100). Building on this premise, they propose that the stakeholder theory of a firm should adhere to two fundamental principles: the Principle of Corporate Rights and the Principle of Corporate Effects. The Principle of Corporate Rights holds that "The corporation and its managers may not violate the legitimate rights of others to determine their own future" [50] (p. 100). And the Principle of Corporate Effects holds that "The corporation and its managers are responsible for the effects of their actions on others" [50] (p. 100). To ensure these Kantian rights in practice, the authors propose that corporations should create a stakeholder board of directors, including the representatives of all stakeholder groups and a representative from the firm. How this exactly works is left open for further research and experimentation, however, it is a great example on how to use normative theory to describe the design of a stakeholder management process.

4. Challenging stakeholder theory

With the increased popularity of stakeholder theory, it has also faced growing scrutiny and critique from various perspectives. A general critique is focused on the theory's alleged vagueness and broadness [59], but more specific points focus on the different topics as discussed in the TOPPER framework. This section addresses the most substantial points of critique to stakeholder theory by categorizing it in the various TOPPER categories (**Table 3**).

	Descriptive	Instrumental	Normative
Stakeholder importance			[59–63]
Stakeholder identification			[4, 62, 64, 65]
Stakeholder prioritization			
Stakeholder theory in practice	[46, 59, 60, 62–64, 66, 67]	[4, 7, 68]	

Table 3.
TOPPER framework challenging stakeholder theory.

4.1 Challenging stakeholder importance: Normative

According to Friedman [59], one of the most prominent critics, companies should not implement stakeholder theory and instead return to a shareholder model of business ethics. Friedman argues that the firm is private property of the shareholders and that by implementing stakeholder theory their right to own private property is violated. According to Friedman, stakeholder theory gives managers the task to serve the interest of multiple groups, with the money that belongs to the shareholders [59, 62]. This view is rooted in the agency theory framework, which posits that the shareholder is the principle and the manager is the agent that should manage the company in their best interests [60, 62]. By forcing the agent to no longer manage in the best interest of the principle, the consent of shareholders is violated [61]. This criticism supports the rights of shareholders and disagrees with the shift of focus that stakeholder theory proposes.

An additional critique that argues against the importance of implementing stakeholder theory involves the argument that stakeholder theory makes companies cover tasks of government [63]. This is objected against on grounds of democratic principles; a manager is not democratically chosen and should thus not address social issues [59, 60, 63]. According to Friedman [59], by assuming the task of allocating resources and making decisions on how those resources are utilized, managers essentially impose a form of taxation, a task that belongs to the government.

4.2 Challenging stakeholder identification: Normative

Regarding the question who should be considered the legitimate stakeholders of a firm, critics have simultaneously argued that both too many and too few stakeholders are considered. For instance, the definition of stakeholders is often criticized for being imprecise and overly encompassing [62, 64, 65]. Consequently, the term "stakeholder" has become devoid of substantive content, allowing authors to interpret and apply it in a manner that aligns with their individual perspectives [65]. On the other side, McVea and Freeman [4] argue that stakeholder identification has remained too limited and has not sufficiently expanded beyond the conventional stakeholder groups of customer, suppliers, and shareholders. The topic of stakeholder identification is thus an ongoing debate in the field.

4.3 Challenging stakeholder theory in practice: Descriptive

The critique on descriptive stakeholder theory in practice discusses the challenges for firms implementing stakeholder theory.

Critics contend that managers should not be trusted with the unrestricted power that stakeholder theory gives them and are worried about the possible misuses of power by managers [59, 60, 63, 67]. In addition to the concern of managerial trustworthiness, there is the apprehension that effective management necessitates a singular, clearly defined objective [66, 67]. While expressing concern regarding managerial inefficiency, Argenti [66] also raises concerns about the potential situation where stakeholder groups can use their power to influence managers in their own preferred direction, especially worrisome when stakeholder groups have "evil interests" [64].

A further critique concerns the diversity within stakeholder groups. Due to the broad nature of stakeholders, the diversity within groups can lead to complicated conflicts of interest [46, 62, 66]. To illustrate, consider an employee working at a large data centre. While this employee may benefit from the centre's growth in terms of job stability, they may also be a member of the local community expressing concerns about the centre's excessive consumption of water resources. Another complication arises when a legitimate stakeholder lacks a human representative, as is the case for complex issues such as climate change [64]. Whereas it is considered obvious that certain firms affect the environment, stakeholder theory remains vague on who should be the spokesperson for the environment in such a case. These points underscore the complexity of introducing stakeholders in the management process.

4.4 Challenging stakeholder theory in practice: Instrumental

A final challenge regards the instrumental work on stakeholder theory, especially the large body of literature concerning the connection between implementing stakeholder management and making profit. Freeman et al. [7] describe this emphasis on profit within the management field as an obsession. Furthermore, Walsh et al. [68] eloquently illustrate how this field of research sees stakeholder theory as a means to an end: "In looking for such a link, researchers most often seek to establish an economic rationale for companies to pursue social objectives, taking economic performance as the outcome of interest" [68] (p. 867).

According to Freeman and McVea [4], this focus on the instrumental side of stakeholder research establishes a type of stakeholder theory that is not distinct enough from the shareholder theory that Freeman envisioned to replace. Furthermore, they are concerned that the large body of literature on instrumental research shows a weakness of the distinction between descriptive, instrumental, and normative research. As they observe that ethical considerations are lacking in the instrumental research, they fear that the separation thesis will not be solved [7].

5. Discussing challenges to stakeholder theory

The preceding section discussed the critiques that stakeholder theory has received over time. In this section, we will unpack their arguments, take some to heart, and rebut others.

5.1 Stakeholder importance: Normative

The critique from Friedman as summarized in the previous section centres around the argument that the primary goal of the firm is to maximize shareholders' profit. Offering a compelling reaction to this, Ghoshal [69] argues that shareholders do not actually own the company and only have the right to the residual cash flow. Additionally, while shareholders invest financial capital, employees and managers invest human capital. Whereas Friedman [59] assumes that the first type of capital is more important than the others, Ghoshal [69] questions this hierarchy. It is often assumed that an employee will simply leave when they do not like their working conditions. However, this argument overlooks the reality where the labour market is not perfectly efficient, and employees do not always have the freedom to find new employment. In fact, employees are less flexible than shareholders: "Most shareholders can sell their stocks far more easily than most employees can find another job" [69] (p. 80). Furthermore, current day companies no longer resemble the ideal of a family-owned business with a handful of shareholders, but are instead owned by thousands of investors [70].

While Friedman is worried that the shareholders are forgotten, this is not the case. The shareholder is still one of the stakeholder groups a firm serves [10]. While the section on instrumental stakeholder theory did not provide a uniform answer to the question if stakeholder management is good for firm profit and thus for shareholders, there was no research that showed a negative outcome for shareholders [42].

The second critique suggested that stakeholder theory is undemocratic. Whereas in an ideal situation governments would solve all social issues, reality shows that they are lacking, leaving responsibility to companies [71]. By implementing stakeholder theory, firms do not increase their influence and take over tasks from government, and they merely take responsibility for the influence they have.

Furthermore, companies could take steps beyond what the law prescribes. With the increasing importance of being socially responsible as a company [72], they are motivated to do well by doing good. An alternative motivation for firms to take responsibility and to go beyond law is the prospect that in the absence of such proactive measures, government intervention and regulation become inevitable [41, 73, 74]. Embracing responsibility now can potentially avoid stringent regulations in the future.

5.2 Stakeholder identification: Normative

Regarding the critique faced by normative stakeholder identification, it was argued to be both too broad and too narrow. Whereas we agree with McVea and Freeman [4] that we must not limit ourselves to the conventional stakeholder groups of customers, suppliers, and shareholders, we also recognize that we cannot manage for unlimited stakeholder groups. The critique shows that an important area for future research is the question of how to identify stakeholders.

5.3 Stakeholder theory in practice: Descriptive

There are multiple challenges for the descriptive research on stakeholder theory in practice, ranging from misuse of power to how to manage for stakeholders that cannot speak for themselves.

Regarding the concern that managers would abuse their power, Preston and Sapienza [46] did not find any empirical proof that confirms this concern. According to Ferraro et al. [75] this idea of the self-interested manager is a self-fulfilling prophecy. Moreover, the apprehension about managerial trustworthiness is not unique to stakeholder theory. Regardless of the management approach adopted, there is always a risk of individuals misusing their power. Regarding the concern about multiple corporate objectives leading to a lack of management focus, stakeholder theory does acknowledge that there is no singular goal. However, corporations are currently situated in a complex and interconnected environment, where the focus on a singular goal is unrealistic when looking at long-term sustainability of the firm. Regarding the critique that stakeholders could try and influence managers, we must recognize that this is not different from shareholders in a shareholder model. Stakeholder theory, however, can make this process more transparent, both for the stakeholders and for the public.

A further challenge considers the way that stakeholders are categorized into groups. While it is true that categorizing stakeholders can create challenges for stakeholder theory, it is important to recognize that these challenges can be addressed through thoughtful implementation and adaption of the theory. For example, to honour the diversity within groups, active stakeholder engagement will be necessary. Furthermore, setting clear ethical boundaries will prevent stakeholder groups with questionable motives from influencing the firm. For example, Crane and Ruebottom [76] propose to categorize stakeholders based on both economic and social identity introducing intersectionality. Regarding the representation of stakeholders who do not have a natural representative (i.e. the environment), there is the option of involving non-governmental organizations who can represent the interests of these stakeholders. Interesting work regarding the environment as a stakeholder has been done by Phillips and Reichart [77].

What we must take away from the discussion of the critique is that we should not characterize managers as untrustworthy, the stakeholder management process should be transparent, and intersectionality within groups needs to be further examined and integrated into the process.

5.4 Stakeholder theory in practice: Instrumental

The final critique, put forth by McVea and Freeman [4] regarding the failure of stakeholder theory to address the separation thesis, is a valid point, providing valuable insights into the limitations of the theory and highlighting areas of improvement. To overcome this limitation, we must search for ways to bridge the gap between normative, descriptive, and instrumental stakeholder studies. In this way, we can develop a more holistic approach, one that recognizes the ethical implications of managerial decision-making.

6. Conclusion

This article discussed the extensive body of literature regarding stakeholder theory and introduced a novel way of organizing it into the TOPPER framework. As the TOPPER framework proved useful in categorizing stakeholder theory, future research on other theories might consider adopting the framework to survey the existing literature. Descriptive research on stakeholder importance and instrumental research on stakeholder prioritization constitute the largest research gaps. This means that the question why companies find stakeholders important and how the prioritization of stakeholders affect profit are promising areas for future empirical research. Overall, however, this chapter showed that the normative field contains the least scholarly work and is therefore an important area for the further development of stakeholder theory. Especially when we consider Freeman's [9] argument that the theory cannot exist without a normative core. Furthermore, while there has been research done in the normative domain on all topics, distinct theories have been used; a normative core that could cover all topics of the TOPPER framework would be a valuable contribution.

The extensive debate on the criticism directed at stakeholder theory has proven valuable for gaining a deeper insight into the theory. A key take-away is the pressing need to improve the clarity of the theory and established well-defined boundaries for definitions. Regarding stakeholder identification, a key take-away is that a balance needs to be established between including too many or too little stakeholders. Furthermore, we need to consider the intersectionality of stakeholder groups, as one person may belong to multiple groups, and consider those stakeholders that do not have a spokesperson. Additionally, we must ensure transparency in the stakeholder management process. We also need to be considerate about how we stereotype certain roles within a company, as by stereotyping managers as untrustworthy, this becomes a self-fulfilling prophecy. Finally, we must include the normative domain in the other fields of research, for example, by defining ethical goals for a company in the instrumental realm that go beyond making profit.

As we hurtle towards a digital-centric future for firms, there needs to be a re-evaluation of business ethics—asking whether it stands resilient and future proof. After all, as the digital challenges faced by firms evolve and become increasingly critical, our ethical frameworks must not only be adaptive, but visionary.

Acknowledgements

This work was funded by NWO (The Dutch Research Council) (grant number NWA.1215.18.008) and is part of the Dutch Research Agenda 2018: Cyber security – towards a secure and reliable digital domain.

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