WHAT IS STAKEHOLDER THEORY pdf

1: What is the difference between a shareholder and a stakeholder? | Investopedia

Stakeholder Theory vs. Shareholder Theory. Economist Milton Friedman, whose work shaped much of 20th-century corporate America, was a believer in the free-market system and no government intervention.

Over business professionals from a wide range of industries have used our Stakeholder mapping templates. Learn more Templates included: In the landbook book, Strategic Management: A Stakeholder Approach , published in and reprinted in , R. Edward Freeman set the agenda for what is now known as stakeholder theory. In this video R. Edward Freeman explains Stakeholder Theory. Stakeholder Theory - video transcript "Stakeholder Theory is an idea about how business really works. It says that for any business to be successful it has to create value for customers, suppliers , employees, communities and financiers, shareholders, banks and others people with the money. Their interest has to go together, and the job of a manager or entrepreneur is to work out how the interest of customers, supplier s, communities, employees and financiers go in the same direction. What makes capitalism tick is that shareholders and financiers, customers, suppliers , employees, communities can together create something that no one of them can create alone. Latest edition Strategic Management: A Stakeholder Approach R. Edward Freeman, Stakeholder Management [online] Available at: Edward Freeman Author , Jeffrey S. Harrison Author , Hitt Author. Stakeholder Theory resources Understand the challenges for Stakeholder Theory. In this short video Thomas M. Jones explains what he feels is the key challenge for Stakeholder Theory. Some critics of Stakeholder Theory say that it creates a paradox. This article explains the stakeholder paradox Shareholders or Stakeholders? Watch this video which summarises why the shareholder versus stakeholder debate is missing the point. Freeman answer the key question What are stakeholders?

2: Stakeholder Theory - Edward Freeman

The stakeholder theory was first proposed in the book Strategic Management: A Stakeholder Approach by R. Edward Freeman and outlines how management can satisfy the interests of stakeholders in a business.

Should companies seek only to maximize shareholder value or strive to serve the often conflicting interests of all stakeholders? Scandals at Enron, Global Crossing, ImClone, Tyco International and WorldCom, concerns about the independence of accountants who are charged with auditing financial statements, and questions about the incentive schema and investor recommendations at Credit Suisse First Boston and Merrill Lynch have all provided rich fodder for those who question the premise of shareholder supremacy. Before attempting to declare a victor, however, it is helpful to consider what the two theories actually say and what they do not say. The objective is to balance profit maximization with the long-term ability of the corporation to remain a going concern. The fundamental distinction is that the stakeholder theory demands that interests of all stakeholders be considered even if it reduces company profitability. Third, it is sometimes claimed that the shareholder theory prohibits giving corporate funds to things such as charitable projects or investing in improved employee morale. In fact, however, the shareholder theory supports those efforts â€” insofar as those initiatives are, in the end, the best investments of capital that are available. It is sometimes claimed that the stakeholder theory does not demand that a company focus on profitability. As many observers have pointed out, the stakeholder view does have a historical tradition in the U. As long as the firm made a decent profit every year and raised the dividend it paid its stockholders, this was considered good enough. One force was the pointed arguments of free-market economists. However, the prospect of such takeovers seemed to have made it, for a time, more dangerous for executives to acknowledge publicly anything other than the shareholder theory 14 or to behave in any fashion that could suggest a nonoptimal return to shareholders. Sign up Please enter a valid email address Thank you for signing up Privacy Policy To be sure, many would prefer that the shareholder-stakeholder dispute simply go away. However, none of these assertions can withstand logical scrutiny. First, consider the assertion that the theories converge â€” that if managers take care of the stakeholders, they will wind up maximizing profits and shareholder returns in the long run. Consider a business with many long-term employees that has manufactured its products for more than 30 years in a small Mid-western town. Those products have been sold in many foreign markets â€” but for the past 10 years, not in the United States. Its executives have recently concluded that they can no longer afford to manufacture the products domestically, and the most cost-effective solution is to outsource the manufacturing to another country. The shareholder theory would support closing the plant and would direct the executives to provide only what the law requires to the community and the employees, since there is little possibility of a backlash against the company due to a plant closing because the products are solely for export. However, the stakeholder theory would infer a normative obligation to both the community and the employees; while it might not demand that the company continue to operate the plant, it would expect some attempt to retrain the employees, help the community attract new industry and so on. In many cases, though, the linkage between such actions and the profit and loss statement is either nonexistent or so indirect as to strain credulity. The stakeholder theory demands that stakeholder interests be considered as an end in themselves. If stakeholder interests are being considered only as a means to the end of profitability, then managers are using stakeholders to effect the results dictated by the shareholder theory. These are two very different concepts. Second, consider the assertion that U. To be sure, most U. However, it is startling to note that there is evidence that public perceptions may not comport with those of economists and the financial community. Note that the study did not ask the managers about their own views on the question. Finally, consider the assertion that companies have no choice but to follow the shareholder theory, on the basis of law and market forces. Although some people claim that U. The duty of care simply means that directors should gather necessary information before making decisions; the duty of loyalty means that directors should be careful to act appropriately when there are conflicts of interest. One obvious way in which this can be done is for the board of directors to dismiss senior executives who do not maximize profitability. However, research indicates that the forced departure of executives who do not maximize profits is by no means assured, showing it to be more likely when there is an outsider-dominated rather than an insider-dominated board. For a similarly weak performance, a CEO is two to three times more likely to be dismissed during the first four years on the job or after having been on the job 10 years or more than in the period in between. However, based on economic theory, there is still a way in which managers who do not maximize profits, and whose boards do not remove them, will wind up unemployed: Some have argued that the large number of mergers and acquisitions in the late s provides evidence that this assumption is accurate. In fact, a seminal study by Julian Franks and Colin Mayer concluded that we cannot rely on hostile takeovers to perform such a disciplinary function. But since Franks and Mayer found that hostile bidders do not even distinguish significantly between the companies within an industry, we should view predictions that the market will punish managers who do not follow the shareholder theory more as a statement of religious conviction than as an empirical observation that has withstood rigorous scrutiny. Therefore, the dispute seems to be with us for the time being and the suggestions that recent financial scandals prove the failure of the shareholder theory deserve careful scrutiny before they can be accepted. The year saw a good deal of corporate executive behavior that was at best disruptive to the free flow of commerce and, at worst, illegal. Few would dispute that such behavior should be discouraged rather than rewarded. The real question, of course, is whether the shareholder theory prescribes, and therefore rewards, behaviors that are actually detrimental to society. Many of the more strident critics of shareholder theory seem to claim that as executives are charged with maximizing shareholder value and are given large incentives to do so through stock options or other schema, they will respond by embracing whatever manipulations are necessary to achieve that goal. It is further suggested that if those manipulations include setting up illegal partnerships and then shredding incriminating evidence, shareholder theory will encourage the behavior, as long as the executives do not get caught. Since society deems these behaviors reprehensible and since it is suggested that the shareholder theory drove executives to behave that way, these commentators conclude that the theory is bankrupt and must be jettisoned. The argument relies, however, on an incomplete and somewhat misrepresentative interpretation of the shareholder theory. First, while the mantra of maximizing shareholder value was indeed chanted by many in the economic and financial communities in the late s until the scandals hit in , it is not at all clear that such a goal is completely consistent with the intent of the shareholder theory. It must be remembered that shareholders get a return from their invested capital in two different ways: Yet those who criticize the mantra of maximized shareholder value seem to be most disturbed by the recent fixation on market returns, which the theory never viewed as the primary end state to begin with. Second, the argument seems to suggest that the shareholder theory prescribes any action in pursuit of shareholder returns. But the theory clearly dictates that the pursuit of profits should be done legally and without deception, and there is little wiggle room for the kinds of overtly illegal behavior alleged in many recent financial scandals. Thus, the executives who broke the law were not operating according to the shareholder theory. Third, it must be remembered that many of the executives undertook actions that, from all outward appearances, were more for their own benefit than for that of the shareholders. For example, Enron Corp. Thus, the strident line of argument does not appear terribly compelling, since it seems to misinterpret the shareholder theory even as it indicts the theory. However, others who also argue that recent financial scandals augur a move to the stakeholder theory take a less hostile, more compelling tack. That argument is more compelling. In this context, we can see that the dispute between the shareholder and stakeholder theories in the United States, in which it appeared for several years that the shareholder theory was emerging as a victor, is now best viewed as a standoff. Rightly or wrongly, the theory is being tarnished by association. Still, even if one generously concedes that many recent linkages of executive misbehavior to the theory are misplaced, it is hard to claim that the shareholder theory has done anything to help the situation. Against this backdrop, U. Third, whichever theory is embraced, executives need to be clear about the choice in organizational communications. About the Author H. Contact him at jeff. University of Chicago Press, , Note that I am considering only the normative version of the theory, which states how managers ought to behave. There are also descriptive versions of the stakeholder theory, which describe actual behavior of managers, and instrumental versions, which predict outcomes for example, higher profits if managers behave a certain way. These distinctions are drawn crisply in

WHAT IS STAKEHOLDER THEORY pdf

T. Bowie Englewood Cliffs, New Jersey: Prentice-Hall, , 97â€” It is to this version of the normative stakeholder theory that the following description refers. Note, however, that Post, Preston and Sachs, who take a more instrumental than normative view of stakeholder theory, embrace a wider enumeration of stakeholders, including regulatory authorities, governments and unions. Note that these are ethical rights. Some authors â€" for example, see J. However, the most recent writings by the leading proponents of the social contract theory â€" including T. Oxford University Press, , 3â€" Stanford University Press, Free Press, , 30â€" Harvard Business School Press, , 7â€"8. Blackwell, ,

3: What is a stakeholder? definition and meaning - www.enganchecubano.com

The opposite theory is the broader model of corporate social responsibility. An example of this argument has been advanced by Thomas Donaldson and Lee Preston, who argue that stakeholder groups.

In management[edit] In the last decades of the 20th century, the word "stakeholder" became more commonly used to mean a person or organization that has a legitimate interest in a project or entity. In discussing the decision-making process for institutionsâ€”including large business corporations , government agencies , and non-profit organizations â€”the concept has been broadened to include everyone with an interest or "stake" in what the entity does. This includes not only vendors, employees , and customers , but even members of a community where its offices or factory may affect the local economy or environment. In this context, a "stakeholder" includes not only the directors or trustees on its governing board who are stakeholders in the traditional sense of the word but also all persons who paid into the figurative stake and the persons to whom it may be "paid out" in the sense of a "payoff" in game theory , meaning the outcome of the transaction. Other stakeholders would be funders and the design-and-construction team. In that usage, "constituent" is a synonym for "stakeholder". Proponents in favour of stakeholders may base their arguments on the following four key assertions: There is evidence that the combined effects of such a policy are not only additive but even multiplicative. For instance, by simultaneously addressing customer wishes in addition to employee and stockholder interests, both of the latter two groups also benefit from increased sales. The argument is that debt holders, employees, and suppliers also make contributions and thus also take risks in creating a successful firm. However, many believe that due to certain kinds of board of directors structures, top managers like CEOs are mostly in control of the firm. By attempting to fulfill the needs and wants of many different people ranging from the local population and customers to their own employees and owners, companies can prevent damage to their image and brand, prevent losing large amounts of sales and disgruntled customers, and prevent costly legal expenses. While the stakeholder view has an increased cost, many firms have decided that the concept improves their image, increases sales, reduces the risks of liability for corporate negligence , and makes them less likely to be targeted by pressure groups, campaigning groups and NGOs. Stakeholder theory Post, Preston, Sachs , use the following definition of the term "stakeholder": Some examples of key stakeholders are creditors, directors, employees, government and its agencies , owners shareholders , suppliers, unions, and the community from which the business draws its resources. Not all stakeholders are equal. Robert Allen Phillips provides a moral foundation for stakeholder theory in Stakeholder Theory and Organizational Ethics. There he defends a "principle of stakeholder fairness" based on the work of John Rawls , as well as a distinction between normatively and derivatively legitimate stakeholders. Real stakeholders, labelled stakeowners: Stakeowners own and deserve a stake in the firm. Stakeholder reciprocity could be an innovative criterion in the corporate governance debate as to who should be accorded representation on the board. Corporate social responsibility should imply a corporate stakeholder responsibility.

4: What Are the Fundamentals of Stakeholder Theory?

Stakeholder Theory is a widely understood concept in Business today. Stakeholder theory states that the purpose of a business is to create value for stakeholders not just shareholders. Business needs to consider customers, suppliers, employees, communities and shareholders. www.enganchecubano.com This.

Andres Rodriguez Stakeholder theory has been articulated in a number of ways, but in each of these ways stakeholders represent a broader constituency for corporate responsibility than stockholders. One very broad definition of a stakeholder is any group or individual which can affect or is affected by an organization. A more narrow view of stakeholder would include employees, suppliers, customers, financial institutions, and local communities where the corporation does its business. But in either case, the claims on corporate conscience are considerably greater than the imperatives of maximizing financial return to stockholders. Stakeholder theories have grown in number and type since the term stakeholder was first coined in Edward Freeman, whose work in stakeholder theory is well known, the stakeholder concept was originally defined as including "those groups without whose support the organization would cease to exist. This gives rise to a number of studies on how managers, firms, and stakeholders do in fact interact. Normatively, other management studies and theories will discuss how corporations ought to interact with various stakeholders. From an analytical perspective, a stakeholder approach can assist managers by promoting analysis of how the company fits into its larger environment, how its standard operating procedures affect stakeholders within the company employees, managers, stockholders and immediately beyond the company customers, suppliers, financiers. Freeman suggests, for example, that each firm should fill in a "generic stakeholder map" with specific stakeholders. General categories such as owners, financial community, activist groups, suppliers, government, political groups, customers, unions, employees, trade associations, and competitors would be filled in with more specific stakeholders. In turn, the rational manager would not make major decisions for the organization without considering the impact on each of these specific stakeholders. As the organization changes over time, and as the issues for decision change, the specific stakeholder map will vary. To this extent, stakeholder theory participates in a broader debate about business and ethics: Those who claim that corporate managers are imprudent or unwise in ignoring various non-stockholder constituencies would answer "yes. Inevitably, fundamental questions are raised, such as "What is a corporation, and what is the purpose of a corporation? The corporation is not so much a "natural" individual, in this view, but is rather constructed legally and politically as an entity that creates social goods. Robert Reich has noted that for many years, the tacit assumption of both corporate chiefs and U. Moreover, the assumption that the corporate pursuit of profit would inevitably lead to social gain is a fairly recent one. In the first century of the United States, it was widely assumed that the corporate form could only be used for public purposes. Charters were not given out by legislatures as a matter of right, but only for public convenience or necessity. Sometime in the s, states such as New Jersey and Delaware began to grant charters for nonpublic purposes, enhancing state revenues in the process. For most of the 20th century, the assumption has been that what is good for corporate America is also good for America. But, as Reich has noted, that assumption is being reconsidered. Half the states in the United States have put into law "corporate constituency statutes" that make it permissible but not mandatory for corporate managers to take non-stockholder constituencies stakeholders into account. The legal effect of such laws may be to insulate officers and directors from liability for failing to maximize profits to shareholders, though it may be too early to predict the impact of such statutes. Moreover, such statutes are fairly open-ended, as they do not specify the weights that managers ought to assign to various corporate stakeholders. In this respect, the statutes are much like stakeholder theory itself: On an even more general level, there are various proposals and studies on reinventing the corporation, requiring federal charters for corporations, or adding a social responsibility amendment to the U. Constitution to require corporations to prove that their activities serve the common good. Legally, such proposals will have little momentum as long as corporate activities are perceived to provide social goods jobs, new and useful products without excessive social harms pollution, socially suspect messages, harmful products. The public perceptions of the ethics or business in general and corporations in particular have gone through several cycles in U. In the meantime, business managers may beneficially consider non-shareholder constituencies. The motivation for doing so may be pragmatic for the long-term well-being of the company or normative for moral reasons , but the law does not currently require corporations or their managers to implement stakeholder theory. Imperial Corporations and the New World Order. Concepts, Evidence, and Implications. One World, Ready or Not: The Manic Logic of Global Capitalism. Simon and Schuster, Business, Government, and Society: Other articles you might like:

5: Stakeholder Theory

The stakeholder theory is a theory of organizational management and business ethics that addresses morals and values in managing an organization.

6: Stockholder Theory Vs. Stakeholder Theory | Bizfluent

Stakeholder Theory. Stakeholder Theory is a view of capitalism that stresses the interconnected relationships between a business, its customers, suppliers, employees, investors, communities and others who have a stake in the organization.

7: The Shareholders vs. Stakeholders Debate

Stakeholder Decisions - This element of the stakeholder theory is the element that could make or break a project. For example, what if an external stakeholder that was responsible for the rotating heads on the electric razor found a flaw, but did not reveal it?

8: What is stakeholder theory? definition and meaning - www.enganchecubano.com

R. Edward Freeman on Stakeholder Theory - 1. ðŸ”´ Autumn JAZZ For Work & Study - Music Radio 24/7 Live Stream - Relaxing Piano & Sax JAZZ Music Relax Music watching Live now.

9: Stakeholder Theory Definition from Financial Times Lexicon

Stakeholder theory suggests that the purpose of a business is to create as much value as possible for stakeholders. In order to succeed and be sustainable over time, executives must keep the interests of customers, suppliers, employees, communities and shareholders aligned and going in the same direction.

WHAT IS STAKEHOLDER THEORY pdf

What are fifty and one hundred dollars? 3. Sheep on a Ship to Scotland Android application development basics Sounds of our times The 21st Century Teachers Guide to Recommended Internet Sites (Neal-Schuman Net-Guide Series (Neal-Schuma General knowledge questions and answers in marathi book Chevy Blazer 1969-1981 V. 1. The family and property Srpsko ruski recnik The beastly beatitudes of Balthazar B The U.S. Market for Infant, Toddler and Preschool Clothing (U.S. Market for Infant, Toddler and Preschool Sharks! (Planet Reader, Level 2) V. 7. Flowerpecker golden mole Songs of courage, and other poems Dust collector design calculation Youre worth more than you think! Lois Walfrid Johnson. Solar Water Heating Systems Tales of a new America Sbi annual report 2017 Mechanical measuring instruments list file Essential Infectious Disease Topics for Primary Care (Current Clinical Practice) St. Agnes and its band Santal (Sun and Moon Classics) Hardy Boys Mystery Stories (Hardy Boys) The what it cost the day before yesterday book Roster of the loyalists in the Battle of Kings Mountain Reliance life insurance plans Programming collective intelligence latest edition Medical and Psychiatric Issues for Counsellors (Professional Skills for Counsellors series) Certain difficulties felt by Anglicans in Catholic teaching considered. 173rd Airborne Brigade (Sep) Memoirs of John Abernethy, F.R.S. The insects an outline of entomology 5th edition Victorian Antigone : classicism and womens education in America, 1840-1900 Caroline Winterer The Journal of Christian Reconstruction, 1974-1999 Dinosaurs, Dinosaurs Big Book Explorations, deeds, and rituals : what we mathematize for Legendary Kweku Ananse stories The violoncello of Juffrouw Rosenboom Effective interaction in contemporary nursing.