The Cambridge Handbook of Stakeholder Theory

In the decades since R. Edward Freeman first described stakeholder theory, which views firms in terms of their relationships to a broad set of partners, the stakeholder approach has drawn increasing attention as a model for ethical business. Edited by Freeman alongside other leading scholars in stakeholder theory and strategic management, this handbook provides a comprehensive foundation for study in the field, with 18 chapters covering some of the most important topics in stakeholder theory written by respected and highly cited experts. The chapters contain an overview of the topic, an examination of the most important research on the topic to date, an evaluation of that research, and suggestions for future directions. Given the pace of new scholarship in the field, this handbook will provide an essential reference on both foundational topics as well as new applications of stakeholder theory to entrepreneurship, sustainable business, corporate responsibility, and beyond.

Jeffrey S. Harrison is a University Distinguished Educator and the W. David Robbins Chair of Strategic Management at the Robins School of Business, University of Richmond.

Jay B. Barney is a Presidential Professor of Strategic Management and the Pierre Lassonde Chair of Social Entrepreneurship at the Eccles School of Business at the University of Utah.

R. Edward Freeman is University Professor and Olsson Professor of Business Administration at the Darden School of the University of Virginia.

Robert A. Phillips is Professor of Strategic Management and Public Policy and the George R. Gardiner Professor in Business Ethics at the Schulich School of Business, York University, Canada.
The Cambridge Handbook of Stakeholder Theory

Edited by

JEFFREY S. HARRISON
University of Richmond

JAY B. BARNEY
University of Utah

R. EDWARD FREEMAN
University of Virginia

ROBERT A. PHILLIPS
York University
Contents

List of Contributors  page vii
Chapter Summaries xiv

PART I THEORETICAL FOUNDATIONS OF STAKEHOLDER THEORY

1 Stakeholder Theory  3
    Robert A. Phillips, Jay B. Barney, R. Edward Freeman, and Jeffrey S. Harrison

    Paul C. Godfrey and Ben Lewis

3 Critical Management Studies and Stakeholder Theory: Possibilities for a Critical Stakeholder Theory  35
    Michelle Greenwood and Raza Mir

4 Stakeholder Identification and Its Importance in the Value Creating System of Stakeholder Work  53
    Ronald K. Mitchell and Jae Hwan Lee

PART II STAKEHOLDER THEORY AND SOCIETY

5 Sustainable Wealth Creation: Applying Instrumental Stakeholder Theory to the Improvement of Social Welfare  77
    Thomas M. Jones and Jeffrey S. Harrison

6 Connecting Stakeholder Theory to the Law and Public Policy  97
    Andrew C. Wicks, F.A. Elmore, and David Jonas

7 Shareholder Primacy vs. Stakeholder Theory: The Law as Constraint and Potential Enabler of Stakeholder Concern  117
    David Rönnegard and N. Craig Smith
Contents

PART III STAKEHOLDER THEORY IN THE BUSINESS DISCIPLINES

9 Motivating Boundary-Spanning Employees to Engage External Stakeholders: Insights from Stakeholder Marketing 147
CB Bhattacharya and Daniel Korschun

10 Stakeholder Value Equilibration and the Entrepreneurial Process 163
S. Venkataraman

11 Stakeholder Theory and Accounting 173
Samantha Miles

12 The Stakeholder Perspective in Strategic Management 189
Douglas A. Bosse and Trey Sutton

PART IV STAKEHOLDER THEORY IN EDUCATION AND PRACTICE

13 Stakeholder Theory in Management Education 211
Irene Henriques

14 The Practice of Stakeholder Engagement 227
Johanna Kujala and Sybille Sachs

PART V NEW VOICES IN STAKEHOLDER THINKING

15 Considering a Behavioral View of Stakeholders 245
Jonathan Bundy

16 Behavioral Stakeholder Theory 250
Donal Crilly

17 Sketches of New and Future Research on Stakeholder Management 256
Sinziana Dorobantu

18 Contextual Richness at the Core of New Stakeholder Research 264
Lite J. Nartey

Index 272
Contributors

Jay B. Barney is Presidential Professor of Strategic Management and the Pierre Lassonde Chair of Social Entrepreneurship at the Eccles School of Business at the University of Utah. He previously served as a Professor of Management and held the Chase Chair for Excellence in Corporate Strategy at the Max M. Fisher College of Business, The Ohio State University. Much of his research focuses on the relationship between costly-to-copy firm skills and capabilities and sustained competitive advantage. He has served as an officer of both the Business Policy and Strategy Division of the Academy of Management and the Strategic Management Society, and has served as an associate editor at the Journal of Management, senior editor for Organization Science, and co-editor at the Strategic Entrepreneurship Journal. He currently serves as the editor-in-chief of the Academy of Management Review. His work has been published in numerous leading outlets, including Strategic Management Journal, Academy of Management Journal, and Management Science, and is among the most cited work in the fields of strategic management and entrepreneurship. Jay Barney is an SMS Fellow as well as a fellow of the Academy of Management.

CB Bhattacharya is the H.J. Zoffer Chair in Sustainability and Ethics at the Katz Graduate School of Business, University of Pittsburgh. He is a world-renowned expert in business strategy innovation aimed at increasing both business and social value. Professor Bhattacharya has published over 100 articles, is co-author of the book Leveraging Corporate Responsibility: The Stakeholder Route to Maximizing Business and Social Value (2011) and co-editor of the book Global Challenges in Responsible Business (2010) both published by Cambridge University Press. He has served on the editorial review boards and served as editor of special issues of many leading international publications. He is the founder of the Center for Sustainable Business as well as the ESMT Sustainable Business Roundtable, a forum with more than twenty-five multinational members. In 2007, he started the Stakeholder Marketing Consortium with support from the Aspen Institute. Professor Bhattacharya is part of a select group of faculty that has been named twice to Business Week’s Outstanding Faculty list. He has won several best paper awards, teaching awards and research prizes, including the Emory Williams Distinguished Teaching Award.

Douglas A. Bosse is Professor of Strategic Management and the David Meade White Jr. Chair in Business at the Robins School of Business, University of Richmond. His research examines how firms manage key stakeholder relationships to improve firm-level performance. Doug’s work appears in Academy of Management Review, Strategic Management Journal, Journal of Management Studies, Journal of Business Venturing, Strategic Entrepreneurship Journal, and Technovation, among others. He is a two-time winner of The International Association for Business and Society’s Best Paper Published Award and on the editorial board of Long Range Planning. Doug is a past chair and founding member of the Stakeholder Strategy Interest Group at the Strategic Management Society. He is a University Distinguished Educator, Chair of the Management Department, and Past-President of Richmond’s Faculty Senate. Doug often facilitates strategic planning and leadership alignment activities for executive teams.

Jonathan Bundy is Assistant Professor of Management in the W. P. Carey School of...
Business at Arizona State University. He received his PhD from the University of Georgia. His research investigates the social and cognitive forces that shape organizational behavior, with a focus on social evaluations, crisis management, stakeholder management, and corporate governance. His research has been featured in *Academy of Management Review*, *Administrative Science Quarterly*, *Journal of Management, Personnel Psychology*, and *Strategic Management Journal*. He has also served in leadership for the Stakeholder Strategy Interest Group at the Strategic Management Society.

**Donal Crilly** is Associate Professor of Strategy and Entrepreneurship at the London Business School. His research focuses on how managers make sense of corporate purpose and stakeholder pressures, as well as how they balance requirements for short- and long-term performance. In his research, he uses textual analysis, configurational analysis, and experiments. He serves as associate editor at the *Strategic Management Journal* and sits on multiple editorial boards. His work has been published in journals such as the *Strategic Management Journal, Academy of Management Journal, Organization Science*, and *Journal of International Business Studies*. He holds a PhD from INSEAD in strategy and a second PhD from University College London in comparative linguistics.

**Sergiy Dmytryev** is a Doctoral Candidate in Management, specializing in Strategy and Business Ethics, at the University of Virginia–Darden School of Business. As of Fall 2019, he will be Assistant Professor at James Madison University. His research focuses on stakeholder theory and supererogation (going beyond duty) in organizations and he has published over ten articles, books, and book chapters on these topics. His last co-edited book was on *Research Approaches to Business Ethics and Corporate Responsibility* (2017) by Cambridge University Press. He also holds an MA in Economics from Michigan State University and an MBA from IESE Business School. Prior to joining Darden, Sergiy worked for Procter & Gamble, Bain & Company, and Bayer/Monsanto.

**Sinziana Dorobantu** is Assistant Professor of Management and Organizations at the Leonard N. Stern School of Business of New York University. Her research spans the areas of nonmarket strategy, stakeholder governance, and global strategy, and focuses on understanding the financial value and evolution of stakeholder engagement strategies, particularly in energy and infrastructure industries. Her research has been published in *Administrative Science Quarterly, Journal of Corporate Finance, Strategic Management Journal*, and *Strategy Science*. Prior to joining Stern, she completed a PhD at Duke University and a two-year postdoctoral fellowship at The Wharton School of University of Pennsylvania.

**F.A. Elmore** is a J.D./M.B.A. candidate at the University of Virginia, where he serves as the review editor of the *Virginia Law & Business Review*. Prior to his graduate studies, he worked as a senior research associate at Hanover Research, providing clients with strategic advice including best practices in stakeholder engagement.

**R. Edward Freeman** is University Professor and Olsson Professor of Business Administration; Academic Director of the Business Roundtable Institute for Corporate Ethics; and an Academic Director of the Institute for Business in Society at the Darden School, University of Virginia. He is also Adjunct Professor of Stakeholder Management at the Copenhagen Business School in Denmark, Visiting Professor at Nyenrode Business School (Netherlands), Adjunct Professor of Management at Monash University (Melbourne) and Visiting Professor at the International Center for Corporate Social Responsibility at Nottingham University. Professor Freeman is the author or editor of over twenty volumes and one hundred articles in the areas of stakeholder management, business strategy, and business ethics. He is perhaps best known for his award-winning book, *Strategic Management: A Stakeholder Approach* (Cambridge, 2010), originally published in 1984. Among his many awards, he has received Lifetime Achievement Awards from the World Resources Institute and Aspen Institute, the Humboldt University Conference on Corporate Social...
Responsibility, and the Society for Business Ethics. He currently serves as co-editor-in-chief at *Journal of Business Ethics*. In addition, Professor Freeman was recently awarded an honorary doctorate (DHC) in economics from Comillas University in Madrid, The Hanken School of Economics in Helsinki, and an honorary doctorate in Management Science from Radboud University in Nijmegen, Netherlands, for his work on stakeholder theory and business ethics.

**Paul G. Godfrey** currently serves as the William and Roccil Low Professor of Business Strategy in the Marriott School of Management at Brigham Young University. Paul has long focused on the social impact of business organizations. His research has appeared in *Academy of Management Review, Strategic Management Journal, Journal of Business Ethics, and Journal of Management Inquiry*. Paul’s most recent book, *Management, Society, and the Informal Economy* (2015), collects essays and research from top management scholars working to understand the role of the informal economy in global poverty reduction. He received his MBA and PhD degrees from the University of Washington and a Bachelor of Science in Political Science from the University of Utah.

**Michelle R. Greenwood** is Associate Professor in the Department of Management at Monash University. Her research focus is, broadly speaking, critical business ethics. In this context she has developed critical and ethical approaches to a number of distinct areas: ethics and HRM (critiquing ideology and consensus in HRM); stakeholder theory (developing critical and relational understandings of stakeholder theory); CSR (developing political approaches to nexus between CSR and employment); and corporate accountability (analyzing CSR reporting and visual rhetoric in corporate reports). She also has an ongoing interest in publication ethics. Her research has been published in a variety of high-quality outlets, including *Journal of Business Ethics, Journal of Management Studies,* and *Organizational Research Methods*. Michelle is active in critical management studies and business ethics scholarly communities, and works to build links between these fields of scholarship. She currently serves as co-editor-in-chief at *Journal of Business Ethics*.

**Jeffrey S. Harrison** is a University Distinguished Educator and the W. David Robbins Chair of Strategic Management at the Robins School of Business, University of Richmond. Prior to his current appointment, he served as the Fred G. Peelen Professor of Global Hospitality Strategy at Cornell University. Dr. Harrison’s research interests include stakeholder theory and strategic management. Much of his work has been published in high-impact journals such as *Strategic Management Journal, Business Ethics Quarterly, Journal of Business Ethics, Academy of Management Review,* and *Academy of Management Journal*. He has published eleven books with a variety of co-authors, including *Managing for Stakeholders: Survival, Reputation and Success* (2007); *Stakeholder Theory: The State of the Art* (Cambridge, 2010); and *Foundations of Strategic Management* (2014). Professor Harrison currently serves on the editorial boards at *Strategic Management Journal, Academy of Management Review,* and *Business Ethics Quarterly*. He is also a section editor at *Journal of Business Ethics*. He has served as chair of the Stakeholder Strategy Interest Group at the Strategic Management Society, a group he helped organize.

**Irene Henriques** is Professor of Sustainability and Economics at the Schulich School of Business, York University in Toronto, Distinguished Visiting Star Professor at the EGADE Business School, Tecnologico de Monterrey, Mexico, and co-editor of *Business & Society*. Her research interests span economics, stakeholder management and sustainability. She has published numerous articles in leading economic and management journals including *American Economic Review, Academy of Management Journal, Strategic Management Journal,* and *Journal of Management Studies*. Irene has served as chair of the Organizations and the Natural Environment Division of the Academy of Management and the Strategy Division of Administrative Sciences Association of Canada. She has also served as chair of the Joint Public Advisory Committee to the US, Canadian, and Mexican Environment Ministers.
under NAFTA (the Commission for Environmental Cooperation).

Jacob Hörisch holds the Junior-Professorship for Sustainability Economics and Management at the Centre for Sustainability Management, Leuphana University Lüneburg. His main research interests are in the fields of stakeholder theory, sustainability management, sustainable entrepreneurship and sustainability economics. He has published various articles on these topics in internationally renowned journals, including *Business Strategy and the Environment, Ecological Economics, Journal of Business Ethics, Organization and Environment*, and *Small Business Economics*. He was awarded with best-paper awards at international conferences, the Leuphana Best Young Researcher Award, and the Schöller Fellowship of the Dr. Theo and Friedel Schöller Research Center for Business and Society.

David Jonas is a policy analyst who conducted this research as an assistant at the University of Virginia-Darden School of Business. David holds a Master of Public Policy degree from the University of California-Berkeley and a Bachelor of Arts in Creative Writing from Macalester College. David has served as an economic policy aide to Senator Al Franken, an ethics reform aide to Governor Terry McAuliffe, and a policy director to former Congressman Tom Perriello during his run for Governor in 2017.

Thomas M. Jones retired in 2014 as the Boeing Professor of Business Management at the University of Washington’s Foster School of Business. His PhD is from the University of California–Berkeley. His current research interests include stakeholder theory, alternative objective functions for corporations, and business ethics. He has published in *Academy of Management Review, Academy of Management Journal, Organization Science*, and *Business Ethics Quarterly*. He was the Connelly Visiting Scholar at Georgetown University in 1999 and the Rust Visiting Professor at the Darden School–University of Virginia in 2010. He won the UW Dean’s Research Award in 2000 and the Dean’s Citizenship Award in 2003. He won the 2007 Best Paper Award from the International Association for Business and Society (IABS). In 2005, he received the Sumner Marcus Award, a “lifetime achievement” award, from the Social Issues in Management Division of the Academy of Management.

Daniel Korschun is an Associate Professor of Marketing at Drexel University’s LeBow College of Business and a fellow of both the Center for Corporate Reputation Management and the Center for Corporate Governance at LeBow. His research examines employee and consumer reactions to companies that take controversial political stands. His research on stakeholder responses to corporate social responsibility is published in premier journals such as *Journal of Marketing, Academy of Management Review, MIT-Sloan Management Review, Journal of the Academy of Marketing Science, Journal of Public Policy & Marketing, Journal of Business Research, and Journal of Business Ethics*. He is co-author of two books: *We Are Market Basket* (2015) and *Leveraging Corporate Responsibility: The Stakeholder Route to Business and Social Value* (Cambridge University Press, 2011). He works with companies to develop innovative CSR practices that generate value for both the company and society.

Johanna Kujala is Professor of Management and Organization at the Tampere University. She is a docent of Business Administration (Stakeholder Management and Business Ethics) and a director of the RESPMAN (Responsible Management) Research Group. Her research focuses on stakeholder theory, entrepreneurship and sustainability economics. He holds the Junior-Professorship for Sustainability Economics and Management at the Centre for Sustainability Management, Leuphana University Lüneburg. His main research interests are in the fields of stakeholder theory, sustainability management, sustainable entrepreneurship and sustainability economics. He has published various articles on these topics in internationally renowned journals, including *Business Strategy and the Environment, Ecological Economics, Journal of Business Ethics, Organization and Environment*, and *Small Business Economics*. He was awarded with best-paper awards at international conferences, the Leuphana Best Young Researcher Award, and the Schöller Fellowship of the Dr. Theo and Friedel Schöller Research Center for Business and Society.
Jae Hwan Lee earned a PhD from Texas Tech University and is currently an assistant professor of management at Hamline University in Saint Paul, Minnesota. He takes a stakeholder approach to strategic management. He is specifically interested in stakeholder work and corporate citizenship. His work has been published in various management journals, including *Journal of Business Ethics* and *Business & Society*. He is an active member of the Social Issues of Management Division, and currently serves as the co-editor of the Division’s newsletter (The SIMian).

Ben W. Lewis is Assistant Professor of Strategy in the Department of Management at the Brigham Young University Marriott School of Business. Ben’s research explores how firms strategically manage their reputation, particularly within the domains of corporate social and environmental responsibility. His recent projects have addressed how corporations strategically respond to social evaluations such certifications, ratings, and rankings. His work has been published in leading management journals, including *Administrative Science Quarterly* and the *Strategic Management Journal*. In 2017, he received the William H. Newman Award, a prestigious recognition from the Academy of Management for solo-authored work based on a dissertation. Ben received his PhD in Management from the Johnson College of Business at Cornell University in 2013, and a MAcc and BS in Accounting and Economics from Brigham Young University in 2008.

Raza Mir is the Seymour Hyman Professor of Management at William Paterson University, USA. He is the co-editor of the journal *Organization*, and of *The Routledge Companion to Philosophy in Organization Studies* (2015). His research primarily deals with the transfer of knowledge across national boundaries in multinational corporations, issues relating to power and exploitation in organizational settings and their link to broader social and economic regimes. He is also interested in poetry, and is the author of *The Taste of Words: An Introduction to Urdu Poetry* (2014).

Samantha V. Miles is Associate Professor in Accounting and Finance, at the Oxford Brookes Business School, Oxford Brookes University, UK. She is the co-author of *Stakeholders: Theory and Practice* (2006) and has published widely in the areas of stakeholder management, stakeholder theory, corporate social responsibility reporting, socially responsible (ethical) investment and how SMEs deal with environmental challenges. Her articles have been published in high-ranking journals such as the *Journal of Management Studies*, *Journal of Finance and Accounting*, *British Accounting Review*, *Accounting Forum* and *Business Strategy and the Environment*. Pedagogically, she specializes in post graduate and doctoral education.

Ronald K. Mitchell earned his PhD from the University of Utah and is currently Professor of Entrepreneurship and holds the JA Bagley Regents Chair in Management in the Jerry S. Rawls College of Business at Texas Tech University. He is also a Wheatley Institution Fellow at BYU, and a Distinguished Visiting Professor and Distinguished Educator at the University of Victoria, BC, Canada. His research interests include both stakeholder theory and entrepreneurship. His articles have appeared in such journals as *Academy of Management Journal*, *Academy of Management Review*, *Business & Society*, *Business Ethics Quarterly*, *Entrepreneurship Theory & Practice*, *Journal of the Academy of Management*, *Journal of Business Ethics*, *Journal of Business Venturing*, *Journal of Human Organization & Community*, *Journal of Management Studies*, *Journal of Small Business Management*, and *Strategic Entrepreneurship Journal*. His academic mission focuses on problems and possibilities in opportunity emergence: understanding the core systems and institutions of society that enable greater human capacity. He researches, consults, and lectures worldwide.

Lite Nartey is Assistant Professor of International Business in the Sonoco International Business Department at the Darla Moore School of Business, University of South Carolina. Her research focuses on various aspects of stakeholder engagement, and examines the relationships, contingencies, and dynamics among multinational firms, multilaterals, governments, and civil society.
actors, and the implications of these dynamics on both firm performance and societal value. She is especially interested in stakeholder engagement in unique contexts, specifically within the extractive industries (oil, gas and mining) in developing country/emerging market environments, and draws insights and lessons for her research and teaching from in-depth field studies. Dr. Nariey’s work has been published in leading outlets including Administrative Science Quarterly, Strategic Management Journal, and Strategy Science. She received her PhD in management from The Wharton School, University of Pennsylvania.

Ro버k A. Phillips is George R. Gardiner Professor in Business Ethics and Professor of Strategic Management and Public Policy at the York University’s Schulich School of Business. Prior to joining Schulich, he held faculty positions at the University of Richmond, Cheung Kong Graduate School of Business (Shanghai), University of San Diego, The Wharton School, and Georgetown University. He was also the Gourlay Professor of Ethics in Business, at Trinity College, University of Melbourne. His research interests include stakeholder theory, historic corporate responsibility, and ethics in network organizations. He is the author of Stakeholder Theory and Organizational Ethics (2003). His work has also appeared in Business Ethics Quarterly, Strategic Management Journal, and Academy of Management Review, among others. He is special issues editor at Journal of Business Ethics and was previously associate editor at Business & Society. He has held leadership positions in the Academy of Management, the Strategic Management Society, the International Association for Business and Society, and is past president of the Society for Business Ethics. He was awarded the title of Master Teacher in Ethics by The Wheatley Institution at Brigham Young University.

David Rönnegard is a philosopher and economist (PhD, London School of Economics), affiliated with INSEAD and the University of Gothenburg. David specializes on corporate social responsibility (CSR), with a focus on political, moral, and strategic justifications for CSR. His current research concerns financial ethics, in particular the moral responsibilities of investors. He is the author of The Fallacy of Corporate Moral Agency (2015), as well as several journal articles.

Sybille Sachs (Dr. oec. publ. habil., University of Zurich) is founder and head of the Institute for Strategic Management: Stakeholder View at the HWZ University of Applied Sciences in Business Administration in Zurich (Switzerland) and is Adjunct Professor at the University of Zurich (Switzerland) and the University of Southern Queensland (Australia). Her research interests are in strategic management and stakeholder theory. She is the author or co-author of several books on stakeholder management in publishing houses such as Cambridge University Press, and has published over thirty scholarly articles in international peer-reviewed journals. Also, she currently serves on the editorial board at Business & Society, helped to organize the Stakeholder Strategy Interest Group at the Strategic Management Society, and served in the leadership group of the Social Issues in Management Division at the Academy of Management.

Stefan Schaltegger, PhD, is Professor for Sustainability Management and head of the Centre for Sustainability Management and the MBA Sustainability Management at Leuphana University Lüneburg. His main research interests are in the fields of sustainability management, stakeholder theory, sustainability accounting and reporting, and sustainable entrepreneurship. Professor Schaltegger’s highly cited work covers more than 450 articles and books, including in leading management, sustainability, interdisciplinary, and accounting journals. He serves as associate editor and member of editorial boards of sixteen international journals.

N. Craig Smith is the INSEAD Chaired Professor of Ethics and Social Responsibility at INSEAD, France. He was previously on the faculties of London Business School, Georgetown University, and Harvard Business School. His research is at the intersection of business and society, encompassing business ethics, corporate social responsibility, and sustainability. As well as a broad interest in organizational or managerial good and bad
conduct, at the core of much of his research is a focus on developing understanding of corporate accountability. His current research examines the purpose of the firm, social contract theory, corporate governance and sustainability, stakeholder theory and stakeholder value, marketing ethics, and strategic drivers of CSR/sustainability. He is the author, co-author or co-editor of eight books and forty journal articles. His latest books are *The Moral Responsibility of Firms* (with Eric Orts; 2017) and *Managing Sustainable Business* (with Gilbert Lenssen, 2018).

**Trey Sutton** is Assistant Professor of Management in the Robins School of Business at the University of Richmond. His research examines how firms interact with, and are affected by, influential stakeholders, especially non-market stakeholders such as governments and social movement organizations. His work has been published in *Academy of Management Perspectives* and *Long Range Planning*, among other outlets. Trey is currently serving on the editorial review board for *Africa Journal of Management*. He teaches strategic management and environmental management at the University of Richmond. Prior to his academic career, Trey worked as a management consultant, leading projects related to post-merger integration, performance management, and process change.

**Sankaran Venkataraman** ("Venkat") is the MasterCard Professor of Business Administration and the Senior Associate Dean for Faculty & Research at the Darden School, University of Virginia. He teaches MBA and executive level courses in strategy, entrepreneurship, and ethics. He is an internationally renowned scholar and educator in the field of entrepreneurship. He has published extensively and has lectured around the world. He has earned the "Outstanding Faculty Award" at Darden. The Academy of Management, the largest professional body of management educators in the world, has recognized his research by awarding him the inaugural IDEA award for Foundational Research in entrepreneurship and in 2010, *Academy of Management Review*, a leading journal of the academy, cited one of his papers as the most influential in the past decade from among the papers published in that journal.

**Andrew C. Wicks** is the Rufin Professor of Business Administration at Darden. His leadership roles across the school include director of the Olsson Center for Applied Ethics, academic director of the Institute for Business in Society, academic advisor for the Business Roundtable Institute for Corporate Ethics, and director of Darden’s Doctoral Program. Wicks is a member of the leadership track for the Academy of Management, serving in a variety of leadership roles, including program chair of the Social Issues in Management (SIM) Division. Co-author of five books, Wicks has published extensively in journals in business ethics, management, health care, and the humanities, and served as guest editor of *Business Ethics Quarterly* and *Journal of Management, Spirituality and Religion*. He has received awards for both his research and teaching, and is frequently quoted in mainstream media such as *Bloomberg Businessweek*, *Financial Times*, *Fortune*, *NPR*, *Poets & Quants*, *Time Magazine*, and *The Washington Post*. 
Chapter Summaries

Prepared by SERGIY DMTRIYEV

Chapter 1

The first chapter in this Handbook, written by co-editors Robert Phillips, Jay Barney, Edward Freeman and Jeffrey Harrison, sets the stage for the stakeholder work to come, both in this volume and beyond. They examine some of the most important lingering questions found in the stakeholder literature. The first deals with implications regarding the boundaries of the firm. Stakeholder scholars often assume their existence, and use terms such as “internal” and “external” without really accounting for how boundaries are defined. How boundaries are conceived plays a significant, even determinative, role in what is measured and reported in accounting statements, and also have profound behavioral consequences. The role of norms, values, and ethics in stakeholder theory, as well as its pragmatic side, are also discussed. Moving forward, fruitful research topics also include stakeholder-oriented objective functions, multinational comparisons, interdisciplinary work, and integration of behavioral theory. The editors also provide advice regarding empirical stakeholder work and a list of interesting research questions.

Chapter 2

In Chapter 2, Paul Godfrey and Ben Lewis explore the moral foundations of stakeholder theory. Five main trends (or temporal phases) in the development of stakeholder theory scholarship are identified over the last thirty years. Early works tended to examine stakeholder theory from an instrumental (utilitarian) and/or normative (deontological) perspective, while the recent growing body of literature tends to look at stakeholder theory from a descriptive, practical perspective. The emphasis on descriptive stakeholder theory has its ground in the moral premises of pragmatism and pluralism. Contemporary moral philosophy challenges the presence of objective sources of morality as the world is too complex to be governed by universal moral rules, which leads to comprehending the domain of morality as intersubjective. As such, pragmatic and pluralistic perspectives on moral decision-making are the necessary underpinnings for stakeholder theory. At their very core, pragmatism and pluralism aim at achieving individual and societal flourishing, and stakeholder theory helps advance the desired outcomes by enabling constructive and sustainable relationships among stakeholders.

Chapter 3

Michelle Greenwood and Raza Mir take a critical look at stakeholder theory in Chapter 3, arguing that it has become overly conservative over the years such that it does not reflect some of the recent trends in business and society. Among other things, stakeholder theory needs to consider how race, class, culture, and gender shape individuals’ decisions and behaviors. Stakeholder theory can be improved by better describing how business functions and how it interacts with our lives. Four key tenets of critical management studies are relevant: the salience of economic class, the power of non-class identity formations, the imperialist nature of global relations, and the intersubjective constituency. Although these tenets pose structuralist challenges for stakeholder theory that might prove to be insurmountable, their humanist challenges hold much promise for stakeholder theory to address many of its limitations by embracing the political and intersubjective
constitution of relationships in society. Rethinking capital and property, stakeholder identification, stakeholder engagement, stakeholder governance, and stakeholder relationships could make stakeholder theory more engaged, more analytic, and more emancipatory.

Chapter 4

In Chapter 4, Ronald Mitchell and Jae Lee argue that stakeholder identification is a key element of “stakeholder work” – a system of value creation. Five consequential phases in stakeholder work are identified: from stakeholder awareness work, to stakeholder identification, to stakeholder understanding, to stakeholder prioritization, and, as a culminating outcome of the successful accomplishment previous stages, to stakeholder engagement. The chapter explains in detail how stakeholder identification contributes to the creation of value, namely, through the consonance (mutual support) of stakeholder identification with other phases of stakeholder work. As such, value becomes created only if there are dynamic and inter-supportive interactions across all phases of stakeholder work.

Chapter 5

Chapter 5 explores the role of corporations in society. Thomas Jones and Jeffrey Harrison examine whether, and under what conditions, it might be reasonable for corporations to establish an objective that simultaneously enhances social welfare and increases shareholder wealth, thus leading to sustainable wealth creation in society. First, the origins and key pillars of instrumental stakeholder theory are examined. Then, the authors question the common assumption that corporate profit maximization inevitably leads to maximum social welfare, and demonstrate that a single-valued corporate objective (total shareholder returns) is not the right goal from a societal perspective. Furthermore, aggregate social wealth creation should prevail over shareholder returns if these two goals come into conflict. The authors also propose a solution to resolve this tension: the corporate objective should be to increase shareholder wealth without making any other stakeholders worse off, which can be achieved by applying Kaldor improvements with compensation. In doing so, it is important to distinguish between wealth creation and wealth transfer, where the latter should either involve compensation to offset the losses of some stakeholders or be avoided.

Chapter 6

Chapter 6 is devoted to investigating the interconnection between stakeholder theory and the disciplines of law and public policy. Andrew Wicks, F. A. Elmore, and David Jonas explore opportunities to deepen and make more overt the connections with stakeholder theory in those fields, aiming to strengthen the quality of their scholarly discussion on the relevant topics, for instance, in corporate governance or government programs. Currently, the law and public policy fields stand at a crossroads and further research developments in both fields could either embrace the ideas of stakeholder theory or discourage their adoption. In their review of the law literature, the authors focus on the areas of corporate governance (including board of directors, management, fiduciary duties, and the business judgment rule), corporate constituency statues and non-shareholder rights, and benefit corporations. In the survey of the public policy scholarship, the authors pay a special attention to such areas as new governance theory, participatory democracy, and public-private partnerships.

Chapter 7

Chapter 7 provides another perspective on stakeholder theory and the law. David Rönnegard and Craig Smith discredit the common belief that shareholder primacy is a legally binding norm in the USA and UK, and suggest that managers can largely run their businesses according to the principles of stakeholder theory without significant legal constraints. At the same time, their analysis shows that corporate law favors shareholders when it
comes to corporate governance since shareholders enjoy sole voting rights on corporate boards. In practice, this makes business executives believe they are accountable mainly to shareholders. The authors also demonstrate that shareholder priority is a strong social norm taught in business schools and popularized among managers. To correct the imbalance between shareholder interests and the interests of other stakeholders, they suggest two solutions: strive for a more inclusive governance structure by granting voting rights to other stakeholders and emphasizing that managers’ fiduciary duties extend beyond shareholders, and include other stakeholders as well.

Chapter 8

Jacob Hörisch and Stefan Schaltegger apply a stakeholder perspective to an interdisciplinary body of literature dealing with natural environment and sustainability in Chapter 8. They explain why the natural environment is essential to the successful application of stakeholder theory and then they explore in detail two alternative but profoundly different possibilities for adding the natural environment to the theory. The first approach for integrating the environment into stakeholder theory is to make it an additional stakeholder. The second approach makes the environment an important shared concern among human stakeholders. They analyze pros and cons for both alternatives, bringing up supporting arguments from the literature and those of their own. This chapter also explores how a stakeholder perspective can contribute to solving environmental problems. In turn, stakeholder theory can benefit from developments in sustainability management such as understanding that business is embedded in ecological systems and putting more of an emphasis on future stakeholders.

Chapter 9

In Chapter 9, CB Bhattacharya and Daniel Korschun integrate stakeholder theory with developments in the area of marketing. They explain that the quality of engagement between employees and other stakeholders is largely dependent on the quality of the relationships between the employees and the company they work in. The key to understanding when, why, and how positive interactions between internal and external stakeholders take place lies in the nature of benefits that the company provides to its employees: transactional benefits (gaining attractive job features: role requirements, incentives, supervisor support, etc.) and ideological benefits (applying a stakeholder approach in company’s marketing practices). The more prosocial motivation employees have, the more stakeholder-based ideological benefits resonate with them. Furthermore, ideological benefits play a major role in employees’ willingness to exhibit cooperative behaviors toward other firm’s stakeholders and a broader society.

Chapter 10

This chapter investigates the relationship between stakeholder theory and entrepreneurship. Sankaran Venkataraman argues that the fields of entrepreneurship and business ethics, though they have been developing mainly independently, have much to gain from each other. Stakeholder theory is a link that has the potential to bridge both fields. Stakeholder theory can provide a perspective of the firm as an equilibrating system by promoting fairness and efficiency. Three alternative mechanisms for doing so are the moral manager, the bargaining process, and the visible hand. Also, the entrepreneurial discovery process can help reconcile conflicting stakeholder claims. In addition, the weak and strong equilibrating forces in the marketplace are analyzed, resulting in important implications for both entrepreneurship and stakeholder theory scholarship.

Chapter 11

In Chapter 11, Samantha Miles analyzes how stakeholder theory has been used in the accounting literature, focusing on management accounting, financial accounting, and sustainability reporting. Based on the survey of twenty-eight accounting
and special issue journals, she found out that accounting is behind other fields in embracing innovative ideas of stakeholder theory. Use in accounting is mainly limited to explaining firm’s voluntary disclosure and exploring how reporting can help fulfill stakeholder needs. Lack of attention to stakeholder theory may be explained by the dominance of the shareholder primacy paradigm and the sociocultural characteristics of accounting. Accounting is focused on direct business operations and mostly ignores medium- and long-term indirect impacts on various firm’s stakeholders, ecosystems, and society at large. The current challenges associated with embracing the tenets of stakeholder theory in accounting represent an opportunity for much-needed scholarship in the field.

Chapter 12

In Chapter 12, Douglas Bosse and Trey Sutton describe the results of a detailed search of premier management journals to identify a representative set of research articles that address the intersection of stakeholder theory and strategic management. Seventy-one articles were divided into an organizing framework by grouping the papers based on the construct relationships each attempted to explain. Our understanding of stakeholder management has improved with the numerous recent applications of stakeholder theory to strategic management. However, there are opportunities to broaden our collective understanding in important areas. Many constructs that are found in the strategy literature have not yet been given adequate attention through a stakeholder lens, such as the nature of knowledge, firm capabilities, competitive context, organizational form and the boundaries of organizations, and institutional and legal regimes. As more strategic management scholars begin to explore the potential of stakeholder theory to address their research questions, more of these construct categories should be utilized.

Chapter 13

Chapter 13 brings stakeholder theory into the classroom. Irene Henriques explores the methods and techniques used to teach stakeholder theory in management courses. The chapter outlines some interesting practices that stakeholder scholars have employed in management education to challenge future business leaders to develop creative solutions and understand business issues from a more holistic perspective. Teaching of stakeholder theory to business students resonates well with the concept of “stakeholder work” described in detail in Chapter 4 of this Handbook (e.g., stakeholder awareness, identification, understanding, prioritization, and engagement). Methods for bringing stakeholder theory to life in the classroom include video cases, stakeholder negotiation exercises, social protest novels, and issue-based stakeholder town hall exercises. Exercises can enhance learning about stakeholder theory, such as embracing our biases, broadening a notion of value, filtering large arrays of incoming information, understanding the role of social media in amplifying stakeholder influence, and dealing with conflicts between social actors and companies. The chapter also outlines support materials that could serve as helpful resources for teaching stakeholder theory to future business leaders.

Chapter 14

In Chapter 14, Johanna Kujala and Sybille Sachs investigate how the ideas of stakeholder theory are practiced in the real world by specifically looking at stakeholder engagement. The authors review and structure the recent stakeholder engagement literature, the large part of which is based on clinical (real life) case studies, by applying a general framework. The framework, developed jointly with Edward Freeman, consists of four themes: examining stakeholder relations, communicating with stakeholders, learning with and from stakeholders, and integrative stakeholder engagement. Several important issues are identified in each of the four themes. Insights are offered to help advance stakeholder engagement scholarship and identify opportunities for further research on the subject.
Chapter 15

In Chapter 15, Jonathan Bundy examines stakeholder management through topics such as human cognition, emotion, and behavior, based on the premise that all businesses are comprised of humans, and humans are complex. Stakeholder-centered research is helpful in understanding the complexity of human nature on organizational outcomes. For example, in the wake of an expectancy violation, it may be important to consider not only how stakeholders are influenced by their own expectations (based on prior perceptions and experiences with the firm), but also how they are influenced by other stakeholders’ expectations (based on how other stakeholders react to the violation). Considering such factors not only extends our behavioral understanding of firm–stakeholder relationships, but also considers the role of social context. Another critical behavioral topic for researchers to consider is the role of affect and emotions in stakeholder relationships. Future research might also address how the degree of emotional arousal (so called “hot” versus “cold” emotions) influences stakeholder reactions, perhaps in response to issues of fairness and trust. In addition, research might consider how firm leaders’ emotional intelligence influences the depth and breadth of their stakeholder engagement.

Chapter 16

Donal Crilly, in Chapter 16, also examines stakeholder theory through the prism of behavioral research, which aims to bring realistic assumptions about human behaviors, emotions and cognition to understanding how to manage stakeholders. Although a broad stakeholder orientation – engaging with numerous stakeholders in the social/political environment – is associated with positive outcomes for firms in the form of increased collaboration and reduced conflict with actors in their sociopolitical environments, companies are constrained with limited resources. Looking inside the firm, particularly at how interdependencies and trade-offs across stakeholders are viewed and managed, helps to explain why some firms attend to the interests of more stakeholders than others. Also, efforts to appeal to some stakeholders often fail to create value for firms. Behavioral research in stakeholder theory can address two overarching themes: how executives interpret their environment and devise appropriate responses (thus, accounting for heterogeneity across firms) and how stakeholders make sense of corporate data and difficult-to-observe corporate practices (thus, accounting for heterogeneity across outcomes).

Chapter 17

Siniziana Dorobantu observes in Chapter 17 that, although the literature on stakeholder theory provides many innovative ideas for successful stakeholder management, advancements in stakeholder research have opened up more new questions than they have answered. Three areas provide ripe opportunities for future stakeholder theory scholarship. The first is exploring mechanisms (contractual vs. relational), arrangements (dyadic vs. collective), and time horizons for stakeholder governance. The second involves examining the stakeholder landscape in full, especially interactions among stakeholders themselves, and how their differences (e.g., in values, norms, and access to information and skills) influence stakeholder management effectiveness. The third is investigating how broader institutional and physical environments enable or constrain stakeholder interactions. There is a need for a broadening of the scope of stakeholder research beyond its traditional unit of analysis – firm–stakeholder interactions – by studying relationships among stakeholder groups themselves within a broader environment.

Chapter 18

In Chapter 18, Lite Nartey argues that rather than pursuing generalizability, stakeholder scholars may instead consider focusing on contextual richness, especially in those situations where a deeper and more nuanced understanding of stakeholders and their environments is needed. Value creation is
arguably the primary outcome sought from stakeholder engagement strategies by firms and a diverse set of other actors, such as governments, multilaterals, and nonprofit organizations. In addition to variation by actor type, the value created or sought by stakeholders will differ based on political, social, economic, and cultural situational and temporal factors. Value gained or created must also be shared among diverse stakeholders and how that value is shared (e.g., equitably, equally, by actor attribute) will also differ by actor type and situational and temporal factors. Value created may fundamentally change over time and the destruction of value may also depend on time and place. To develop new practice- and policy-relevant stakeholder engagement scholarly work, careful integration of contextual factors within scholarly research design is critical.

Notes
1. Sergiy Dmtriyev is a doctoral student at the Darden Graduate School of Business, University of Virginia.