

Implications of Stakeholder Theory as a Critical Theory

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Abstract : Stakeholder theory is a powerful conception of the firm based on the notion that a primary focus on shareholders is inadequate and, in fact, detrimental to the long-term health of the firm. As such it represents a departure from prevalent business school teachings with their focus on accounting and cost controls. Herein, it is argued that stakeholder theory can be better conceptualized as a critical theory, or one which represents a fundamental change in business behavior and can transform the behavior of businesses if accepted. By arguing that financial interests underdetermine the success of the firm, stakeholder theory further democratizes business by endorsing an increased awareness of the importance of non-shareholder stakeholders. Stakeholder theory requires new, non-financial, measures of success that provide a new consciousness for management and businesses when conceiving their actions and place in society. Thereby, stakeholder theory can show individuals through self-reflection that the capitalist impulses to generate wealth cannot act as primary drivers of business behavior, but rather, that we would choose to support interests outside ourselves if we made the decision in free discussion. This is due to the false consciousness embedded in our capitalism that the firm's finances are the foremost concern of modern organizations at the expense of other goals. A focus on non-shareholder stakeholders in addition to shareholders generates greater benefits for society by improving the state of customers, employees, suppliers, the community, and shareholders alike. These positive effects generate further positive gains in well-being for stakeholders and translate into increased health for the future firm. Additionally, shareholders are the only stakeholder group that does not provide long-term firm value since there are not always communities with qualified employees, suppliers capable of providing the quality of product needed, or persons with purchasing power for all conceivable products. Therefore, the firm's long-term health is benefited most greatly by improving the greatest possible parts of the society in which it inhabits, rather than solely the shareholder.

Keywords : capitalism, critical theory, self-reflection, stakeholder theory

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