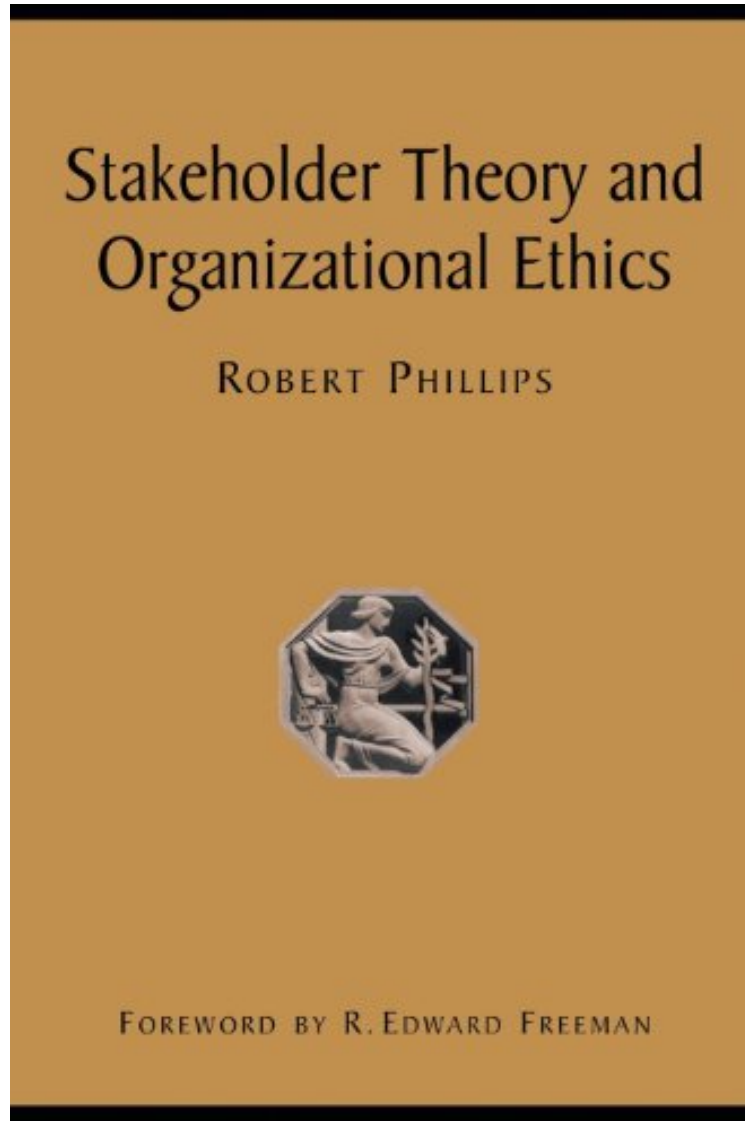


Stakeholder Theory and Organizational Ethics

Robert Phillips

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Robert Phillips : Stakeholder Theory and Organizational Ethics before purchasing it in order to gage whether or not it would be worth my time, and all praised Stakeholder Theory and Organizational Ethics:

0 of 0 people found the following review helpful. Five StarsBy StrategyProfessorA classic6 of 6 people found the following review helpful. Sound coverage of organizational ethics.By Bill GodfreyThis book is a very thorough scholarly work on organizational ethics that also contains practical advice for the manager. The specific question addressed is whether and in what way organizational ethical responsibilities extend beyond stockholders to other stakeholders.The first and last chapters provide an overview of the issues and the implications for a practical manager:

the other chapters provide thorough coverage of the range of alternative theories offered as to the ethical duty of an organization and the detailed arguments for the author's stakeholder theory. The author's practical conclusions are that:

- * The obligations to all stakeholders are fairness based and that the corporation, being recognized as a separate entity and capable of bearing legal obligations is also capable of bearing moral obligations;
- * At minimum, stakeholders are those groups from whom the organization has voluntarily accepted benefits. On this definition stakeholders include financiers, employees, customers, suppliers and local communities. The author describes these as normative stakeholders and distinguishes them from derivative stakeholders, groups such as interest groups, the media and competitors who have an ability to exert influence over the organization but to whom it owes no moral obligation. He argues (perhaps controversially, as it is difficult to argue that any organization does not 'voluntarily accept benefits' from the environment) that the natural environment is not a stakeholder, but that normative stakeholders may care deeply about it, thereby making it managerially legitimate to include it;
- * In answer to the question 'what do stakeholders want?', he argues that many stakeholders want some voice in organizational decision making, and should have it. Their desires can not be assumed but must be identified, which implies an obligation for open communication (without specifying any particular structures for doing so);
- * The issue of priority, particularly as between normative stakeholders is a somewhat intractable issue with no clear quantitative guidelines, other than an aim at equity (rather than necessarily equality);
- * The theory dismisses the idea that the ethical obligations of business are lower than those of persons and argues the exact reverse, that the nature of organizations is such that obligations are added, being to a wider range of stakeholders.

2 of 2 people found the following review helpful. Grounding stakeholder theory on a moral foundation

By Millicent Danker

This is a book that is just right for its time. Robert Phillips (not R. Edward Freeman, who wrote the foreword to the book) has taken stakeholder theory into a new dimension by grounding it in theories of organizational ethics. He makes a strong case for managing for stakeholders rather than shareholders, but more than that, discusses relevant issues such as stakeholder identity, stakeholder legitimacy and stakeholder fairness. Given the intense global interest in good corporate governance and renewed scholarly interest in business ethics, Phillips makes a meaningful contribution to the debates and to management practice by suggesting that stakeholder theory be grounded in a moral foundation. His notion of business ethics is drawn from the work of John Rawls, which suggests that companies have obligations to stakeholders based on the principles of fairness and reciprocity. An excellent and well-researched work which should help business move forward with greater confidence to create more value.

Business ethics is a staple in the news today. One of the most difficult ethical questions facing managers is, To whom are they responsible? Organizations can affect and are affected by many different constituencies—these groups are often called stakeholders. But who are these stakeholders? What sort of managerial attention should they receive? Is there a legal duty to attend to stakeholders or is such a duty legally prohibited due to the shareholder wealth maximization imperative? In short, for whose benefit ought a firm be managed? Despite the ever growing importance of these questions, there is no comprehensive, theoretical treatment of the stakeholder framework currently in print. In *Stakeholder Theory and Organizational Ethics*, Robert Phillips provides an extended defense of stakeholder theory as the preeminent theory of organizational ethics today. Addressing the difficult question of what the moral underpinning of stakeholder theory should be, Phillips elaborates a "principle of stakeholder fairness" based on the ideas of the late John Rawls—the most prominent moral and political philosopher of the twentieth century. Phillips shows how this principle clarifies several long-standing questions in stakeholder theory, including: Who are an organization's legitimate stakeholders? What is the basis for this legitimacy? What, if any, are the limits of stakeholder theory? What is the relationship between stakeholder theory and other moral, political, and business ethical theories? Applying research from many related disciplines, *Stakeholder Theory and Organizational Ethics* is an overdue response to several long-standing and fundamental points of contention within business ethics and management theory.

About the Author

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As 2003 commences, little argument is necessary to convince most people of the prominence of discussions of business ethics. Recent events mark a watershed in the centrality and popularity of the discourse of business ethics. The popular and academic currency of stakeholder theory as a way of thinking about business ethics and strategy is unquestionable. Business organizations have become more and more powerful and pervade ever more significantly upon the lives of everyone on earth. Naturally, concern and discussion about this power and how it is wielded has increased, and much of this discussion has taken place in terms of organizational ethics. Stakeholder theory has emerged as preeminent among the terms used in this discussion. Not only has attention to the stakeholder concept been on the rise for the past 15 years, but, more tellingly, the rate of growth in attention to the concept has itself been on the rise. The amount of scholarship on stakeholder theory has been increasing at an increasing rate. Despite this phenomenal rise in interest, there have been relatively few book-length academic treatments of the subject. Rather, academic attention has come largely in the form of scholarly articles in

which the authors attend to one small piece of the theory while glossing over or merely assuming issues of central importance to their arguments. On the other hand, the past couple of years have witnessed the publication of a number of trade books on the subject of stakeholder management. Though widely discussed in the United States, the concept has received even more attention in the U.K. and Canada. Books on the practical aspects of stakeholder management have come from consultants and journalists from these regions and are becoming available in the U.S. Again, as is common in trade books, the academician's attention to conceptual and theoretical detail is largely absent in these treatises. Given that the majority of scholarly attention to the concept has come in the form of journal articles and that the vast majority of the book-length treatments are both non-academic and derived from non-U.S. experience, a need exists for this book. *Stakeholder Theory and Organizational Ethics* provides an extended defense of stakeholder theory as the preeminent theory of organizational ethics today. It is based in the fields of moral and political philosophy, strategic management, business ethics, and organization theory but also addresses such areas as social psychology, economics, and business law. The book consists of three main arguments. The first is a defense of organizational ethics as an independent area of scholarship — independent, that is, from moral and political philosophy. It is argued that, just as the subject matter of political philosophy requires distinct methods of thought from more general moral philosophy, so too does the study of organizational ethics demand more from scholars than merely applied versions of the classics of moral and political philosophy. The second central argument of the book is that stakeholder theory is a leading candidate for such a theory of organizational ethics but that it is hamstrung in this candidacy by the absence of normative foundations. A widely held criticism of stakeholder theory among business ethicists is that the theory has no moral underpinning. The only answer to the question, "Why should managers consider the well-being of groups other than shareholders in their decision-making?" is that it will make the organization more successful in some usually undefined way. In *Stakeholder Theory and Organizational Ethics*, author Robert Phillips argues in depth for a "principle of stakeholder fairness" as a moral grounding for stakeholder theory. The central ideas are derived from the work of the late John Rawls — the most prominent and widely cited moral and political philosopher of the 20th century. Rawls's primary concern is with political philosophy, and as such his main interest is in political institutions at the level of the nation-state. However, he does briefly discuss the obligations that would exist between parties at the level of private associations. He describes these obligations as arising from a "principle of fairness." Taking this brief discussion as his point of departure, the author derives a stakeholder theory with a Rawlsian conceptual foundation. The final component of the argument suggests implications of this justification for stakeholder research. One long-standing theoretical problem in stakeholder theory is what author Robert Phillips terms the problem of stakeholder identification. Without reference to an adequate normative framework, stakeholder theory is unable to determine, most fundamentally, which groups are or are not legitimate stakeholders. Hence a debate that continues unresolved as of this writing is whether or not such groups as competitors, the media, social activists, or the natural environment are even stakeholders at all. The book defends a resolution to this debate. The theory in the book is able to provide a justified resolution to this debate due to a more coherent and consistent understanding of the concept of stakeholder legitimacy. Universally invoked, the term stakeholder legitimacy has, until now, been ill conceived and misunderstood, thus leading to unnecessary conflict among scholars. The book distinguishes between normative and instrumental legitimacy. It thereby provides an answer to the controversy over broad versus narrow construal of the term stakeholder as well as providing a preliminary means for rank ordering stakeholder groups. Applying research from many related disciplines, *Stakeholder Theory and Organizational Ethics* is an overdue response to several long-standing and fundamental points of contention within business ethics.