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Pragmatism and pluralism: A moral foundation for stakeholder theory in the 21st century

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ABSTRACT

Donaldson and Preston (1995) defined the three pillars of stakeholder as descriptive, instrumental, and normative. Because of their close alignment between the instrumental and normative pillars and the moral philosophies of utilitarianism and deontology, the latter became the default moral foundations of stakeholder theory. In this chapter, we argue that the moral foundation of the descriptive pillar, pragmatism, provides a moral foundation for twenty-first century stakeholder theory. As we show, pragmatism and its close cousin pluralism fits a stakeholder theory concerned with the descriptive questions that characterize current work in stakeholder theory. Pragmatism and pluralism both see eudemonia, or human flourishing, as the outcome of moral choice. Stakeholder theory also advances an agenda of human flourishing, as positive relationships between businesses and their stakeholders contributes to individual and societal eudemonia.

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In their now-classic mapping of the field, Donaldson and Preston (1995) grouped

questions of interest in stakeholder theory into distinct groups known as the "three pillars:"

descriptive, instrumental, or normative. The descriptive pillar takes up questions about what

managers *actually do* in their interactions with stakeholders, while instrumental and normative

pillars consider what managers *should do* to benefit their organizations and affected stakeholder

groups. The imperative of should, or what managers ought to do, in the instrumental and

normative pillars connected stakeholder theory to two foundational moral theories, utilitarianism

and deontology. These moral foundations gave stakeholder models a set of prescriptive

imperatives that connected beneficent actions towards stakeholders with moral outcomes, either

in terms of greater utility or a world protective of stakeholder rights. Over time utilitarianism and

deontology became the dominant moral paradigms of stakeholder theory (see Hill & Jones, 1992

and Bosse, Phillips, & Harrison, 2009 for the instrumental view; Logsdon & Wood, 2002, and

Phillips, 2003 for the deontological argument).

Utilitarianism and deontology provided a foundation that could not stand the test of time,

nor could they morally ground stakeholder research based on the descriptive pillar. Most lay

people, and many scholars, see utilitarianism and deontology as contrasting, even contradictory

ethical systems; however, the two philosophies share a common origin—the Enlightenment—

and employ the philosophical assumptions of the 18th Century: epistemological objectivity and

ontological unity. 18th Century foundations prove ill-fitted for a 21st century world grounded in

philosophical inter-subjectivity. The premise of an objective world where a single, universally

recognizable moral imperative guided action encountered withering critique during the post-

modern linguistic turn in the twentieth century (Levinas, 1985; Rorty, 1992). Philosophers abandoned objective sources of morality, such as a God or transcendent natural principles, and focused instead on an inter-subjective social and moral sphere where iterative, reasoned discourse provided moral actors with the tools and frameworks that would guide decision making (Heidigger, 2002/1926). No candidate principle holds a pre-eminent position as the unitary, or unifying, morality in this post-modern world. As the 21st century proceeds, contests and conflicts about the definition of the moral action abound, and as societal evolution continues to expand and modify notions of the good life, the philosophical footings of the instrumental and normative pillars continue to erode.

Can we ground stakeholder theory in a moral paradigm that acknowledges, and perhaps embraces, the inter-subjective, fluid nature of post-modern morality? In this chapter we answer Yes! The answer, for us, lies in the forgotten third pillar of stakeholder theory: pragmatism and its cousin, political pluralism. Pragmatism, the notion that moral action is that which meets people's desires, goes beyond the mere hedonism that underpins utilitarianism and includes a process of moral inquiry that accommodates multiple desires and differing views of morally appropriate action. Pragmatist morality deals at the level of individuals, but John Rawls *Theory of Justice* (1971) employs the fundamental moral tools of pragmatism to construct a societal, political philosophy: pluralism. Pluralism envisions a world of actors each seeking the morally good life, what the ancient Greeks referred to as eudemonia, but following moral precepts that sometimes resonate with those of others, but sometimes stand in conflict. In what follows, we argue that pragmatism, pluralism, and eudemonia provide a stronger moral foundation for stakeholder theory in a complex and intersubjective moral world. We also show how stakeholder theory offers a compelling recipe for moral problem solving in a pragmatic, pluralistic world.

Our argument proceeds as follows. We first provide a unique review of the stakeholder literature to illustrate the evolution of stakeholder theory from its foundations, through a phase where instrumental questions dominated work, and now toward more descriptive, pragmatic concerns. We then describe the core arguments of pragmatism, pluralism, and eudemonia. The remainder of our chapter considers the intersection between stakeholder theory and this new moral grounding.

LITERATURE REVIEW

Unlike other literature reviews that systematically survey hundreds of articles at a time, in this chapter we seek to provide a high-level overview of the evolution of stakeholder theory within the broader of field of management. To accomplish this objective, we utilize a bibliometric methodology known as Main Path Analysis (MPA). MPA is a form of citation analysis used to identify and trace the evolution of research within a particular research domain (Hummon & Dereian, 1989; Hummon, Doreian, & Freeman, 1990). While other citation analysis tools have been used to quantify the impact of individual articles or identify cohesive subgroups, MPA focuses on the connections between articles rather than the articles themselves. Implicit in this objective is an assumption that the accumulation of scholarly knowledge flows through citations and that "a citation that is needed in paths between many articles is more crucial than a citation that is hardly needed for linking articles" (de Nooy, Mrvar, & Batagelj, 2011, p. 281). MPA thus provides a concise way of visualizing incremental advances along the most commonly traversed path (i.e. the main path) helping scholars to identify important scholarly contributions as well as the likely direction and trajectory of future work within the focal research domain.

Main Path Analysis

      To begin our MPA of the stakeholder literature, we identified a set of source articles and

books from which we could generate a citation network. Seeking to be as objective as possible,

we utilized a list of ten journal articles and five books that were identified by members of the

Stakeholder Strategy Interest Group of the Strategic Management Society to be "classic works"

within stakeholder literature.[1] These articles and books are listed in Appendix 1.

      From this initial source list, we utilized the ISI Web of Science database to identify and

download all articles (and their corresponding reference lists) that cited at least on article or book

on the source list. This step generated an initial list of 14,327 publications and 114,356 citations.

To ensure that the final citation network included only relevant articles (and to reduce the risk of

ceremonial citations), we excluded all articles that had less than 3 direct citations to the source

list utilizing CitNetExplorer, a free software tool for visualizing and analyzing citation

networks.[2] This procedure reduced the overall network size to 909 articles and 8,964 citations.

      We then uploaded this citation network into Pajek 5.01, a free software program used to

perform the MPA. The underlying objective of MPA is to "calculate the extent to which a

particular citation is need for linking articles" (de Nooy et al., 2011, p. 282). This calculation is

known as the traversal weight and is performed for each citation link between the "source" and

"sink" vertices. Every citation network contains a set of source vertices (early or foundational

articles or publications) that do not cite other articles within the network and set of sink vertices

(recent) articles that are not cited by other articles in network. While there exist a variety of

algorithms for calculating the traversal weight of a citation, we utilize an algorithm known as the

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[1] The methodology for identifying these articles and books is outlined in the Stakeholder Strategy Interest Group
Summer 2016 Newsletter (see https://www.strategicmanagement.net/ig-stakeholder-strategy/publications).
[2] See http://www.citnetexplorer.nl/

Search Path Count (SPC) which reduces bias in the transversal weights for early and later articles (Batagelj, 2003; de Nooy et al., 2011).

Once the traversal weight for each citation was calculated, we then determined the global key route path within the citation network which ensures that the citation link with the largest transversal count is included on the main path and that the determined main path is path with the overall highest sum of transversal weights in the network (Liu & Lu, 2012). We display the resulting main path in Figure 1 and Table 2 illustrates its trajectory.

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Insert Table 1 and Figure 1 about here
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Results

Our main path analysis reveals a stream of work that can be categorized into five distinct phases of theoretical and empirical development. Articles represented within each phase, while important contributions in their own right, should be not be construed as the only significant scholarly contributions within each category, but rather as exemplary works that highlight the flow of knowledge within the stakeholder literature. Furthermore, the phases we review should not be interpreted as having specific start and end points but rather trends in scholarly conversations that wax and wane over time.

Phase 1. Foundations. The first phase begins with Freeman's (1984) seminal book and is then followed by a series of theoretical articles, mostly published in Academy of Management Review, which lay the conceptual foundation for stakeholder theory as we know it today. Unsurprisingly, we find that this phase includes seven of the nine "Classic Works" journal articles as identified by the Stakeholder Strategy interest group providing strong face validity to our empirical approach. Donaldson and Preston's (1995) three pillars appears in this group of

foundational works. In terms of the moral foundations of stakeholder theory, a close reading of

Freeman's (1984) work reveals his strong pragmatist foundation. Within a decade, however,

Donaldson and Preston had incorporated both a utilitarian/ consequentialist (instrumental

stakeholder theory) and deontological/intentionalist (normative stakeholder theory) moral

underpinning.

The development of the Clarkson Principles for stakeholder engagement in the late

1990's and codified in 2002 represents one of the few extensions of the normative pillar[1]. Each

of the seven principles incorporates a "should" statement of moral authority; none of the seven

principles allow managers to prioritize their own, or their organizations, financial rewards in

considering how to approach issues regarding stakeholders. Perhaps because of their finality and

authoritative content, or the lack of trained philosophers working in the field, business and

society scholars have largely taken the normative position for granted and little work has been

done in this area.

Phase 2. Meta-Analyses. With the emergence of stakeholder theory as a legitimate

conceptual framework, scholars interested in exploring the instrumental outcomes of corporate

responsibility now had a solid theoretical foundation to reference and build upon. Utilizing

stakeholder theory as "theoretical lens" (Whetten, 2002), these works explained the disparate

findings and justified the need for further scholarly inquiry. Margolis and Walsh (2003), in

particular, suggested that scholars pursue a normative and descriptive research agenda untethered

from instrumental concerns and embrace the apparent tension that exists between social and

economic objectives rather than explain it away. Once again, we see Margolis and Walsh (2003)

highlighting the limitations of consequentialist moral foundations on the types of questions

stakeholder theorists could and should ask.

Phase 3. Theoretical Refinements to Instrumental Stakeholder Theory. Ironically some of the most influential articles to follow Margolis and Walsh (2003) were nevertheless instrumental in their approach, despite their efforts call to shift the focus from the instrumental to normative and descriptive perspectives. Godfrey (2005), for example, proposed that corporate philanthropy, and more generally corporate social responsibility, could be seen as a form of reputation insurance that would preserve a firm's after experiencing a negative event. A central assumption of his theory was the notion of pluralism, the idea that firms engage and interact with "multiple communities, each representing different ethical values and value systems" (2005, p. 779). While perhaps less direct in their approach, Mackey, Mackey, and Barney (2007) likewise drew upon the stakeholder literature to explain both why and when firms would engage in socially responsible activities even if those activities to did little to increase the present value of a firm's cash flows.

Phase 4. Empirical Examinations of Descriptive Stakeholder Theory. Although scholarly interest in the instrumental perspective continued, the focus of this phase shifted away from justification (a normative perspective) to description; from what managers should do to what they actually do. In moral terms, the ship of stakeholder theory began to change course from a consequentialist direction and agenda and back toward stakeholder theory's pragmatist roots. Researchers worked to resolve the paradox that external stakeholders, seemingly powerless as individuals or diverse groups, could nevertheless bring about organizational change. King and Soule (2007), for example, examined the conditions under which a protest would influence a firm's stock price. While claims made by protesters were rarely urgent, the authors nevertheless explained how many of their claims were legitimate and how they could use the media as leverage to achieve their desired objectives. Following this study, King (2008) sought to explain

when firms would concede to the demands of a social or environmental boycott. Central to his theory was the notion that firms experiencing declines in their reputation would be particular susceptible to the demands to external stakeholders. Likewise, Reid and Toffel (2009) explored the conditions under which a firm would respond to direct appeals to management by concerned shareholders and found that direct appeals not only influenced the actions of the target firm, but could also influence other firms within the same institutional fields.

Phase 5. Theoretical Refinements to Descriptive Stakeholder Theory. Perhaps driven by a need to organize the burgeoning literature on firm responsiveness to stakeholders, Bundy and colleagues (2013) developed a new framework for understanding how firms respond to stakeholder concerns. Central to their theory was the notion of issue salience and strategic cognition. Although prior work had acknowledged the importance of issue characteristics (Mitchell, Agle, & Wood, 1997; Reid & Toffel, 2009), scholars lacked a model for understanding how managers cognitively interpret issues and determine whether a stakeholder's concern is worthy of response. Building upon this work, a series of papers in a recent Special Issue of the *Journal of Management* highlighted the need for understanding how stakeholder issues are prioritized, accounted for, and reported (Hall, Millo, & Barman, 2015; Mitchell, Van Buren, Greenwood, & Freeman, 2015). Understanding that the concept of social welfare is likely multidimensional and pluralistic, Mitchell and colleagues (2016) propose one plausible solution for understanding how firms prioritize potential tradeoffs. Central to their theory is the notion that a firm and its stakeholder interact within an intra-corporate market where trade-offs among competing interests and actors can be "bought" and "sold" transparently. Such a market, the authors maintain, allows a multi-objective corporation to thrive in a world characterized by competing values and interests.

As we have shown above, the stakeholder literature has evolved substantially over the last 30 years. The foundational works gave scholars interested in stakeholder management a vocabulary and set of constructs upon which to build. While understanding what managers actually do in regards to stakeholders has always been a key question within the literature (Donaldson & Preston, 1995; Parmar et al., 2010), work in stakeholder theory has only recently exhibited a renewed interest in understanding the practical nature of how managers decide to whom and to what issues they will respond and how they will manage the competing interests and values that they encounter. The empirical focus on the descriptive pillar in recent work invites an exploration of the moral foundation of the descriptive pillar, the topic to which we now turn.

THE THREE P'S: PRAGMATISM PLURALISM, AND PERMA

As we noted in the introduction, the instrumental and normative pillars rest on the foundations of epistemological objectivity—there is a real world "out there" that everyone can observe and agree upon—and ontological unity—competing prescriptions for moral action can be rank ordered, with the one listed first acting as the unitary, or unifying moral good. These Enlightenment assumptions fell out of favor with philosophers in the early to mid-20th century. Globalization, a latter-20th century phenomenon, puts an exclamation point on the lack of objectivity and moral unity among social actors; we now live in a world with different, often competing, assumptions about the world "out there," and accompanying moral codes or rules. Utility maximization, or attention to rights and duties, become increasingly difficult moral groundings because, as the 21st century rolls on, debate and disagreement about the what constitutes utility, or the nature of rights and duties, and which rights might take precedent.

In what follows, we outline the moral thinking of the American pragmatist philosophers, who present a moral theory unburdened by requirements for objectivity or rank ordered moral principles or rules. We then identify linkages between an individual level pragmatic moral system to a pluralistic social morality. The idea that individuals, and by extension groups, live a moral life when they flourish, or reach a state of eudemonia, acts as one tie that binds pragmatism and pluralism. The last part of this section describes the concept of eudemonia.

Pragmatism: individual moral philosophy

James and individual moral groundings. William James articulated the first article of faith for pragmatists: "there is no such thing possible as an ethical philosophy dogmatically made up in advance (James, 1891: 330)." Morality and ethics begin with individuals, and individuals have desires or interests that motivate what people actually do. James presumes that people act with an eye toward meeting those desires and interests, which imbue those desires, for that individual, with the characters of goodness: "So far as he feels anything to be good, he *makes* it good. It is good, for him; and being good for him, is absolutely good, for he is the sole creator of values in that universe, and outside of his opinion things have no moral character at all (James, 1891: 335)."

A group of individuals, each with highly customized notions of the morally good, make up a society; because those individual moral goods are non-transferrable (your good may not be my good), and unless an external arbiter exists (e.g., God), then those non-transferrable moral goods each enjoy equal standing as a guide for action. This fact leads James to offer his only universal moral rule: "since everything which is demanded is by that fact a good, must not the guiding principle for ethical philosophy . . . be simply to *satisfy at all times as many demands as we can?* That act must be the best act, accordingly, which makes for the *best whole*, in the sense

of awakening the least sum of dissatisfactions (Italics original, Talisse & Aiken, 2008: 112)."

Moral action is a tough business because individuals have multiple desires and demands that

compete for attention. James (1891: 344) accepts the core principles of opportunity costs that

choosing to satisfy one demand leaves another unfilled. He explains:

> There is always a *pinch* between the ideal and the actual which can only be got
> through by leaving part of the ideal behind. There is hardly a good which we can
> imagine except as competing for the possession of the same bit of space and time
> with some other imagined good. . . Some part of the ideal must be butchered, and
> he needs to know which part. It is a tragic situation, and no mere speculative
> conundrum, with which he has to deal.

Dewey and moral processes. If William James identified the difficulties of moral

decision making for a pragmatist, John Dewey provided a way out and a path to moral decision

making. Dewey agreed with James that, at the end of the day, a pragmatic view provides no easy

or obvious right answer. He saw the world in similar terms as James as a set of individuals with

their own moral codes; however, for Dewey those codes came from the influences of social

upbringing and context as much as from the core self (Field, 2017). Moral decision making

invites actors to sort out and clarify moral priorities in a particular case and context, and the way

individuals come to a knowledge of how to act entails the same process they use to come to

knowledge of any other thing: ethical inquiry.

Ethical inquiry represents philosophy reinforced by history. Dewey (1859-1952) grew up

during the civil war and spent the last of his days in the emerging cold war; he lived through

technological, economic, and social change on a scale and magnitude that few of us can imagine

(Anderson, 2014—Stanford Encyclopedia of philosophy). Dewey witnessed increasing

complexity in the physical and social world and that complexity led him, like James, to eschew

any substantive rule to guide ethical action. Instead, ethical inquiry laid out a process for

decision making that mimicked scientific inquiry in the natural world. The only path to making

the best decision, in a particular context, involved a deep examination of the problem at hand,

collection of relevant facts (about antecedents, motivations, and potential outcomes), imagination

of potential solutions, and the development of a plan of action (Field, 2017).

The acid test for moral action was, in the pragmatist tradition, whether a proposed course

of action would solve the problem at hand. In the social and moral realm, problem solving means

at least two things: enabling individuals to live together in productive and harmonious

relationships with each other, and facilitating the development, flourishing, and growth of the

individual. The first objective gives rise to political pluralism, the moral premise upon with John

Rawls built his *Theory of Justice*. The focus on human flourishing connects pragmatism back to

Aristotle, and his notion of eudemonia. We describe pluralism first.

Pluralism as a political morality

Pluralism, as envisioned by Rawls, takes two facts as axiomatic. First, individuals or

collectives orient their lives according to sometimes irreconcilable visions of what constitutes

moral goodness and the morally desirable life. Second, those individuals must live with each

other in social groups and societies. Rawls (2001: 3) articulates the core issue:

> A democratic society is not and cannot be a community, where by a community I
> mean a body of persons united in affirming the same comprehensive, or partially
> comprehensive, doctrine. The fact of reasonable pluralism which characterizes a
> society with free institutions makes this impossible. This is the fact of profound
> and irreconcilable differences in citizens' reasonable comprehensive religious and
> philosophical conceptions of the world, and in their views of the moral and
> aesthetic values to be sought in human life.

The reality of pluralism makes a simple homogenous community impossible, and

requires a different plan of social organization than a monopoly of a unified moral code, or even

a hegemony of the strongest among competing codes. In Rawls' work, the optimal organization

of a pluralistic society arose from a set of moral actors creating social arrangements behind a veil of ignorance through a process of reflexive equilibrium (Rawls, 1971). An intelligent group of rational moral actors, equipped with a complete knowledge of the different pluralistic values and possible social outcomes, but without a knowledge of which value system or social position they would in fact occupy, would design a set of social and political systems that optimized the basket of potential social outcomes.

For Rawls (1971), decisions behind the veil of ignorance result in a polity organized around a set of processes, rights, and systems set up to protect the ability of each individual to pursue his or her foundational, inviolate moral principles and vision of the good life. These rights and systems, socially negotiated rather than transcendently given, would form the skeletal architecture of an actual political constitution. For Rawls the interests of all should be looked after and the "whole strand is tied together;" the good society includes rather than excludes diverse beliefs and moral codes (Rawls, 1971: 129). Optimal social arrangements center on communication, cooperation, and coexistence rather than conversion, conflict, and conquest. The oft-used phrase "unity in essentials, liberty in non-essentials, charity in all"[3] articulates the core principles of a pluralistic society.

Rawls posits two concrete principles as essential: equality should serve as the default distributive principle, and any unequal distributions should protect the position of the least advantaged, broadly defined (Rawls, 1971). Sustainable social institutions leverage areas of agreement or joint concern, respect and accommodate areas of irreconcilable differences, employ and promote an attitude of humility and equality rather than arrogance or domination. Social

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[3] The origins of this phrase date back to early 17th Century Europe, a continent plagued by the schisms of the Reformation and the warfare of budding nation states. The exact origin of the statement is subject to debate, which readers will find available at http://faculty.georgetown.edu/jod/augustine/quote.html (accessed 21 Feb, 2017).

mechanisms should facilitate communication and exchange between and across groups to negotiate the innumerable transactions where moral visions overlap and may stand in conflict. Sustainable pluralistic societies need to create and institutionalize organizations and process that honor and perpetuate the two principles. These institutions and principles allow individuals and groups to pursue their interests and self-defined moral goods. The good society protects the rights of individuals against negative intrusion, but it also facilitates human welfare, well-being, flourishing, or eudemonia.

PERMA as a desired moral outcome

Aristotle (1941) outlined the core concept of eudemonia in the Nicomachean Ethics when answering the question of what constitutes a moral life:

> Both the general run of men and people of superior refinement say that it is happiness, and identify living well and doing well with being happy; but with regard to what happiness is they differ. . . (ethics, Bk 1, 4), any action [good] when it is performed in accordance with the appropriate excellence: if this is the case, human good turns out to be activity of soul in accordance with virtue, and if there are more than one virtue, in accordance with the best and most complete. But we must add 'in a complete life.' (bk 1, 7).

The good life, then, comes about both through a life of excellent action, but also a completely excellent life. An excellent life is eudemonia, interpreted today as flourishing. Individuals may flourish, but so might families, groups, or polities; the aim of the individuals behind the Rawlsian veil of ignorance lies in constructing a society where all can flourish according to their own definitions of what it means to flourish. Flourishing, or reaching ones full potential, represents, for Aristotle, an end in itself; no one hopes to flourish so they can earn more money, but earning more money may provide an individual with more opportunities to flourish.

In the late twentieth Century, psychologist Martin Seligman (2011) defined flourishing as the purpose of positive psychology. He noted that extant psychological models and practice

equated the eradication of mental challenges, neuroses, or problems with a happy life. Seligman

saw these as merely the absence of unhappiness and his concept of positive psychology held that

an individual needed positive, good things to occur in their life in order to be happy. The absence

of disease did not equal health. As Seligman's work matured, the positive psychology movement

came to describe flourishing, or eudemonia, as the presence and combination of five elements,

captured under the acronym PERMA. We outline these below.

- *Positive emotion*. This is pleasure, a state of peace, well-being, or ease. Positive emotion captures what utilitarians and economist would classify as utility.

- *Engagement*. Engagement captures the notion of flow as defined by Mihaly Csikszentmihalyi. Flow occurs when individuals operate at the limit of competence, when they stretch in an activity, but not so much that they fail. There must be some risk involved, but also a very reasonable chance of success. When in a state of flow, an individual feels absorbed by or "lost in" the activity itself. Positive emotion and engagement capture many elements of traditional utilitarian philosophy.

- *Relationships*. Living a life with others in deep and lasting relationships, leaning on, and learning from others represents an essential element of the good life. By focusing on relationships and their role in human excellence or flourishing, eudemonia goes beyond the selfish hedonism that utilitarianism may devolve into, and the self-righteous isolation that might arise from deontological reflection.

- *Meaning*. Eudemonia requires one to adopt a teleological orientation where life's activities lead to purposeful ends beyond sustenance or pleasure. To have meaning is to find a transcendent connection to one's life, to become involved with activities or causes larger than one's self or one's narrow interests. Eudemonia is as much about the process of finding personal meaning (both in isolation and with groups) as it is about reaching that end.

- *Achievement*. To flourish and attain excellences requires growth, the accrual of new skills and knowledge, the attainment of goals, and the nurturing of new and valuable elements of one's life. Achievement, like engagement and relationships, accepts that disutility must often be endured in the pursuit of larger goals. Achievement suggests a life lived beyond the mere performance of obligation and in pursuit of filling the measure of one's potential.

Pragmatism holds that the moral life for an individual involves fulfilling their unique individual desires. Pluralism extends that search to the larger social sphere and describes a set of social processes that provide the space and institutional context where individuals living with one another can pursue their own vision of the morally good life. PERMA and flourishing provides a framework for thinking about the activities individuals and groups actually engage in to live an excellent life. In what follows, we argue that these paradigms and theories provide the best moral foundation for stakeholder theory and that stakeholder theory, when put into practice, creates social structures and processes that encourage human flourishing.

STAKEHOLDER THEORY AND THE THREE P'S

We begin our discussion with Table 2, which shows areas of convergence between stakeholder theory and the three Ps of pragmatism, pluralism, and PERMA. The rows capture the important dimensions of each of the Ps, and the columns describe each dimension in the different theories and provide examples of each dimension in practice. We believe the table identifies clear and compelling overlaps and linkages between stakeholder theory and the three P's, so rather than reviewing the elements of the table we focus here on some larger issues raised by this strong overlap.

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Insert Table 2 about here
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The moral basis of stakeholder theory. The table makes clear that stakeholder theory fits hand-in-glove with pragmatism's central ontological assumption that individual stakeholders hold heterogeneous desires. James' assertion that the moral imperative for a pragmatist lies in filling as many desires as possible resonates with stakeholder theory's *a priori* refusal to prioritize any group's interest; both theories support the belief that managers should include as

many stakeholders as necessary in each issue that touches their interests (Freeman, 1984; Freeman, Harrison, Wicks, Parmar, and de Colle, 2010). Freeman, Harrison, and Wicks (2007) go so far as to argue that managers should consider the interests and desires of individual stakeholders (individuals or organizations) rather than defining interests by groups, such as customers or suppliers. We believe James would approve of such a prescription in order to identify the concrete desires at stake in any decision. Importantly, neither pragmatism nor stakeholder theory offers moral actors an easy way out of difficult decision making by offering decision makers a preset ranking of the moral worth of any particular desire or interest,

James' notion of the "pinch," or the reality that any decision involving conflicting demands will fall short of the ideal of satisfying all interests, helps resolve a key puzzle for stakeholder theorists: how to resolve tradeoff conflicts between various stakeholder interests. The pinch reminds us that in *most* cases *all* stakeholders won't walk away completely satisfied, but if interests are earnestly weighed within the particular context of the decision to be made, then "doing the best one can" under the circumstances leaves the *most* stakeholders with *some* degree of their desires met. James' pinch provides a reality check for managers that attunes them to the difficulty of the decisions they face, but also some comfort in arguing that, in many cases, the nature of the situation and the interests involved preclude an ideal solution where all needs get met.

The pinch highlights the important role of Dewey's process of ethical inquiry in making ethical choices as well as effectively managing stakeholder relationships. Unlike utilitarianism, which places the morality of an action exclusively on its consequences, or deontology, where morality depends solely on the actor's intent, pragmatic stakeholder theory seats the morality of the action in the process of decision making as well as the eventual outcomes or motivational

inputs. Stakeholder theory justifies its final decisions on the grounds of procedural, if not distributive, justice (Kim and Mauborgne, 1998).

Stakeholder theory as organization-level moral pragmatism. As we noted earlier, pragmatism provides guidance for individuals making moral decisions in a complex world and pluralism extends that moral logic to the societal level. Neither theory, however, addresses the moral challenges facing actors within organizations, driven by their own competing desires but also forced to factor in the competing desires and interests of their organization's stakeholders. An organizational level account of moral action matters for two reasons. First, organizational decision making involves more than the mere summation of the moral arithmetic employed by the various individuals who constitute a decision making group, for instance a top management team. Optimal organizational decision making accounts for the interest of the organization as a whole, a distinct social entity that has its own unique desires and interests. Some interests may converge cleanly with those of its individual members, such as a desire for greater revenues and wages; however, those interests may also diverge. For example, translating all revenue gains into wage gains (the desires of employees) jeopardizes the organization's viability by leaving no reserve for future contingencies (a desire of bondholders and shareholders).

Second, most people spend the substantial number of hours in settings impacted by organizations. We all spend the majority of our day playing roles in various organizations, from our families, to our jobs, to organized leisure activities such as sporting organizations, charitable work, or being a part of the PTA. As citizens and consumers, we live in an institutional environment defined by organizational decision making (e.g., the political regulatory environment), and we use products and services that came about through processes of organizational decision making. Pragmatists such as James, Dewey, and Freeman would all note

that each of those organizational decisions, ones that accounted for and considered interests and desires of at least some stakeholder groups, constitute moral decisions.

Whether as consumers, employees, or affiliates, we all face moral decisions in our organizational roles and we all accept the assumption of organizational membership that when making moral decisions that affect the organization, we should not merely decide on our personal desires and interests. The notion of organizational citizenship demands that we place the demands of the organization above our own, for good or for ill (Umpress, Bingham, and Mitchell, 2010). Models of stakeholder engagement that build upon the foundations of Dewey's process of ethical inquiry provide organizational actors with a framework and system for effectively enacting their moral duties as organizational citizens (Noland and Phillips, 2010).

Stakeholder theory as dynamic pluralism. Rawls (1971) emphasized the role of social institutions, processes, and structures in protecting pluralistic visions of moral action and the morally desirable life. The two principles of equality, if properly implemented, work to assure that differing versions of the good do not result in social inequities of opportunity or outcomes. The two principles serve as anchors, or static foundations, upon which the institutions of daily life can build; however, that foundation fails to account for dynamic changes, either through the exogenous impact of interaction with other social groups or the endogenous evolution of interests within a social group. The process of globalization that increases the number of actors holding differing moral codes within a social group provides an example of exogenous changes; the evolution of concepts such as equality and liberty illustrate endogenous change (Fukayama, 1996; Wilson, 1997).

Processes such as stakeholder identification and engagement that build on these pluralistic foundations provide a recipe for organizational adaptation in the face of dynamically

changing moral codes and prescriptions (Mitchell, Agle, and Wood, 1997; Greenwood, 2007). If Rawls presents a system of protection against coercion and conflict, stakeholder theory offers one of possible cooperation and coordination. A vibrant social life requires both a set of negative moral prescriptions (e.g., don't violate the rights or norms of diverse groups) and positive ones (for example, seek out and leverage areas of common interest). To the extent that stakeholder theory focuses on finding areas of cooperation, we believe it extends the moral reach of Rawlsian pluralism and, in this sense, offer a more powerful moral anchor than the preservation of differences. Stakeholder theory offers managers more than a mere moral justification for finding opportunities for positive engagement, it gives them a set of tools to implement that moral vision in everyday decisions.

Unfortunately, the fundamental irreconcilability of moral paradigms leads to conflict, sometimes intermittent and sometimes chronic. Cooperation between stakeholders may prove the exception rather than the rule (Godfrey and Hatch, 2006). What becomes of pluralism and its operating principles in the face of such conflict? We believe that pluralism, rather than consequentialist or intentional moral foundations, provides a better way forward. Instrumentalism allows organizational leaders to retreat during conflict to a position of "at the end of day, we have to look out for ourselves." Intentionalism, on the other hand, provides little actual guidance for resolving conflict other than treating others as we'd like to be treated. Pragmatism, as advocated by Dewey, reminds managers that conflict, like all moral choices, involves a process of moral resolution: Listening, discussion, and lively disagreement are the foundations of such a process. Pluralism reminds us that there will be no ultimate vanquishing victory for our side and that tomorrow we'll all be linked in the same social situation.

A stakeholder focus encourages eudemonia. The pragmatic, and stakeholder theory, imperative to meet as many desires as possible brings about positive emotion, as stakeholders realize the satisfaction of met needs. If it provided nothing more, then stakeholder theory would devolve to a focused form of utilitarian consequentialism. A pragmatically grounded stakeholder theory, however, extends it reach far beyond the view of positive emotional outcomes as eudemonia. The emphasis on stakeholder engagement acts as more than an accidental linguistic overlap. As managers and stakeholders work together to find solutions to issues, often thorny and enduring ones such as environmental pollution or economic inequality, they push beyond the comfort zone of know recipes. They establish a foundation for eudemonistic engagement, or creating a state of flow, even if the sought after solutions fail to appear. The process of stakeholder engagement and dialogue represents its own form of flow.

If either managers or stakeholders cling to positions that preclude any joint solution, then stakeholder engagement breaks down and eudemonistic engagement never occurs. If, however, both stakeholders and managers remember "the pinch" and that any practical, workable outcome will fall short of the ideal, then the exit from the comfort zone of known solutions may reveal new approaches to old problems and a deepened sense of commitment by all parties to implement that solution. That emotional commitment certainly increases the likelihood that concerned stakeholder groups, including organizational leaders, will continue to work in concert to achieve better outcomes.

Concerted effort requires, but also strengthens, positive relationships among stakeholder groups and between stakeholders and firms. Those positive relationships contribute to eudemonia for all. Differences in moral visions may never disappear and parallel lines will never meet; however, effective processes of stakeholder engagement can lead to relationships of mutual

respect, open communication, and even admiration between diverse, and potential divisive, stakeholders. Positive relationships help produce better instrumental outcomes as trust and respect allow parties to identify areas where joint action may produce results. Relationships of trust also encourage each party to make the sometimes risky investments needed to realize those results.

Finally, a pragmatically grounded stakeholder theory improves the odds that stakeholders, as individuals, will find a sense of transcendent meaning. That meaning comes as all stakeholders see the possibilities for satisfying desires and interests beyond the merely material or monetary. For example, when stakeholder groups and firms work to together to combat environmental degradation or improve social conditions in their home communities, everyone involved connects to something beyond, and larger than, themselves. Effective stakeholder engagement processes can help business produce more than just widgets and profits; organizations, and their members can contribute to causes with impacts beyond product and financial markets. Working together with their stakeholders, business, employees, and managers can contribute to a better world.

CONCLUSION

Stakeholder theory has moved from the margins to the mainstream of business conversations, both among academics and practitioners. As the reach of stakeholder theory increases, we see a distinctive turn in theory, research, and practice to the pragmatic and practical issues of effective stakeholder management such as how to mangers clearly identify stakeholders, engage with them, and work through the challenges of organizations operating with multiple decision criteria. We applaud this return to the descriptive pillar of the theory. Our goal in this chapter has been to show that a focus on descriptive stakeholder theory has its own moral

underpinning in the moral theory of American pragmatism. We believe that moral underpinning

results in a stronger, more robust version of stakeholder theory that can help managers and other

organizational leaders effectively navigate in an increasingly pluralistic world.

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Appendix 1: Foundational works in stakeholder theory

Author(s)	Year
Articles	
Carroll	1991
Donaldson & Preston	1995
Clarkson	1995
Jones	1995
Mitchell et al.	1997
Rowley	1997
Frooman	1999
Berman et al.	1999
Hillman & Keim	2001
Jensen	2002
Books	
Freeman	1984
Post, Preston, & Sachs	2002
Friedman & Miles	2006
Freeman et al.	2007
Freeman et al.	2010

Source: Stakeholder Strategy Interest Group Summer 2016 Newsletter (see

https://www.strategicmanagement.net/ig-stakeholder-strategy/publications).

Table 1. List of Scholarly Publications on the Global Key Route Path and Phases of Theoretical Development

Author(s)	Year	Journal	Title
Phase 1. Foundations			
Freeman	1984	Book	Strategic Management: A Stakeholder Approach
Donaldson & Preston	1995	Academy of Management Review	The stakeholder theory of the corporation: Concepts, evidence, and implications
Clarkson	1995	Academy of Management Review	A stakeholder framework for analyzing and evaluating corporate social performance
Jones	1995	Academy of Management Review	Instrumental stakeholder theory: A synthesis of ethics and economics
Mitchell et al.	1997	Academy of Management Review	Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts
Rowley	1997	Academy of Management Review	Moving beyond dyadic ties: A network theory of stakeholder influences
Frooman	1999	Academy of Management Review	Stakeholder influence strategies
Jones & Wicks	1999	Academy of Management Review	Convergent stakeholder theory
Freeman & Phillips	2002	Business Ethics Quarterly	Stakeholder theory: A libertarian defense
Phase 2. Meta-Analyses			
Orlitzky et al.	2003	Organization Studies	Corporate social and financial performance: A meta-analysis
Margolis & Walsh	2003	Administrative Science Quarterly	Misery loves companies: Rethinking social initiatives by business
Phase 3. Theoretical Refinements to Instrumental Stakeholder Theory			
Godfrey	2005	Academy of Management Review	The relationship between corporate philanthropy and shareholder wealth: A risk management perspective
Mackey et al.	2007	Academy of Management Review	Corporate social responsibility and firm performance: Investor preferences and corporate strategies
Phase 4. Empirical Examinations of Descriptive Stakeholder Theory			
King & Soule	2007	Administrative Science Quarterly	Social movements as extra-institutional entrepreneurs: The effect of protests on stock price returns
King	2008	Administrative Science Quarterly	A political mediation model of corporate response to social movement activism
Reid & Toffel	2009	Strategic Management Journal	Responding to public and private politics: Corporate disclosure of climate change strategies
Phase 5. Theoretical Refinements to Descriptive Stakeholder Theory			
Bundy et al.	2013	Academy of Management Review	Strategic cognition and issue salience: Toward an explanation of firm responsiveness to stakeholder concerns

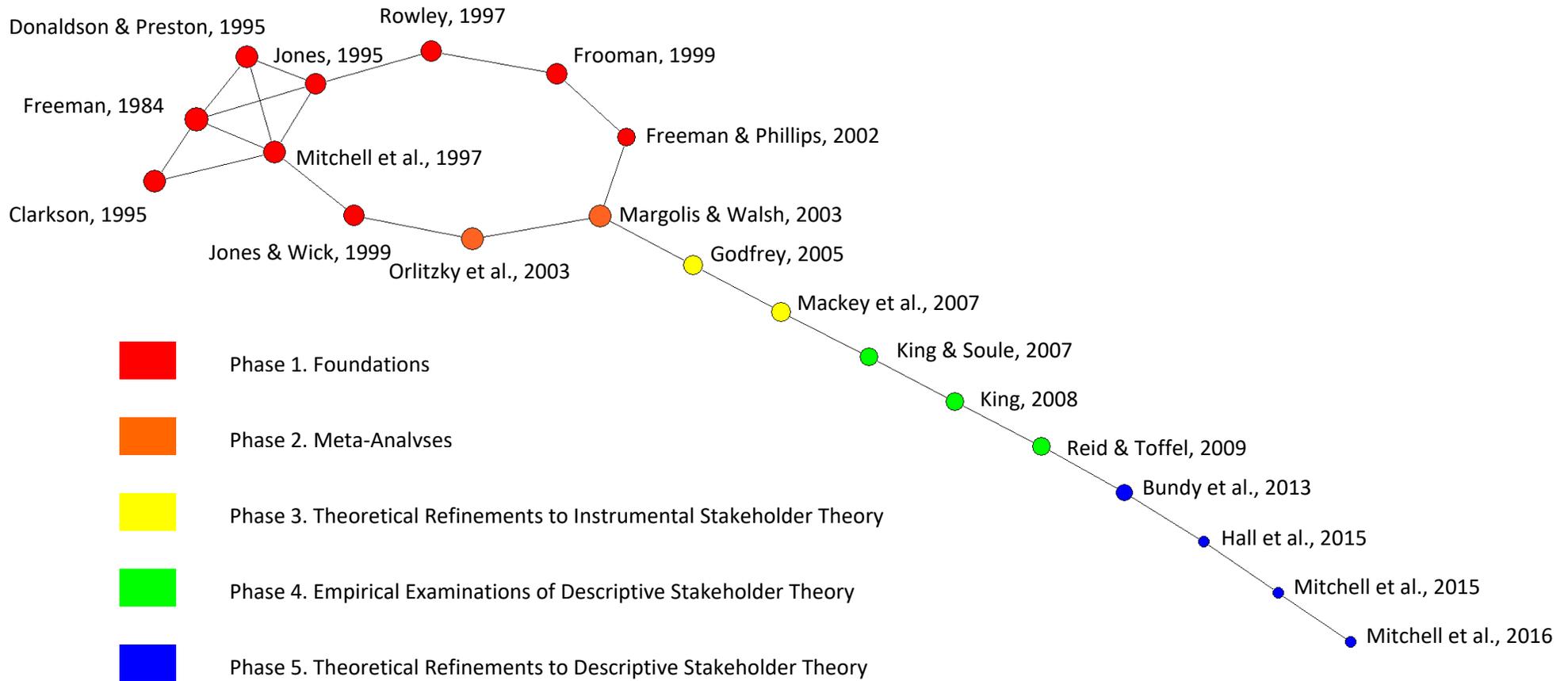|			
Hall et al.	2015	Journal of Management Studies	Who and what really counts? Stakeholder prioritization and accounting for social value
Mitchell et al.	2015	Journal of Management Studies	Stakeholder inclusion and accounting for stakeholders
Mitchell et al.	2016	Academy of Management Review	Stakeholder agency and social welfare: Pluralism and decision making in the multi-objective corporation

Figure 1. Global Key Route Path

Donaldson & Preston, 1995

Rowley, 1997

Jones, 1995

Frooman, 1999

Freeman, 1984

Freeman & Phillips, 2002

Mitchell et al., 1997

Clarkson, 1995

Margolis & Walsh, 2003

Jones & Wick, 1999

Godfrey, 2005

Orlitzky et al., 2003

Mackey et al., 2007

King & Soule, 2007

King, 2008

Reid & Toffel, 2009

Bundy et al., 2013

Hall et al., 2015

Mitchell et al., 2015

Mitchell et al., 2016

Phase 1. Foundations

Phase 2. Meta-Analyses

Phase 3. Theoretical Refinements to Instrumental Stakeholder Theory

Phase 4. Empirical Examinations of Descriptive Stakeholder Theory

Phase 5. Theoretical Refinements to Descriptive Stakeholder Theory

Table 2: Pragmatism, Pluralism, Eudemonia, and Stakeholder Theory

Pragmatism and Pluralism	Philosophical description, *examples*	Stakeholder theory interface	*Stakeholder examples*
Core premise			
Actors hold heterogeneous, non-hierarchical values	Individuals and groups bring different heritage, cultural norms, and value sets to society. Value sets cannot be ranked. *Religious denominations/ traditions*	Heterogeneity of backgrounds, interests, and needs at the core of Stakeholder Theory. Heterogeneity valued both instrumentally and intrinsically.	Goldman Sachs CEO criticizes 2017 Travel Ban on Foreign Nationals entering the US, citing both human rights and business concerns[2]
Key processes for moral living			
Leverage shared values	Social interactions build on common values to create structures for peaceable action and co-existence. *Interfaith projects for disaster/ hunger relief[3]*	Firms use their resources and position to serve as aggregators of stakeholder interests and serve as facilitators of exchange.	Real Estate firm Redfin shares proprietary data with others to solve Seattle (and nationwide) housing crisis[4]
Respect divergent values	Social actors and institutions create protected space for divergent values to co-exist and flourish. *Religious Freedom laws, ACLU Religious Liberty work[5]*	Organizations enact policies and procedures that recognize and protect fundamental needs and rights of stakeholders.	McDonald's adapts menus and supply chains to respect employee religious requirements, and certifications/ constraints for food items across the world[6]
Adopt an attitude of humility	Actors recognize limits of their own vision/ values and accept the validity of other views. *Teaching tolerance project[7]*	Companies admit mistakes and work to rectify stakeholder concerns and issues.	Jet Blue's admission of poor customer service leads to passenger bill of rights[8]
Communicate in meaningful ways	Social actors and institutions facilitate open dialogue between different groups. *Cois Tine, Irish interfaith group emphasizing communication for societal integration[9]*	Firms establish formal stakeholder communication processes that bring parties and factions together for dialogue.	Coca-Cola engages local community, business, and NGO partners as part of its source water protection plans in bottling operations.[10]

Table 2: Pluralism, Eudemonia, and Stakeholder Theory (cont.)

Element	Description, *examples*	Stakeholder theory interface	*Stakeholder examples*
Eudemonia (Flourishing)			
Positive Emotion	Pleasant emotional state, described most often as contentment, happiness, or satisfaction. *The feeling after eating a favorite meal, seeing a great movie, or viewing a beautiful sunset*	Organizational policies, products, or processes that improve the quality of life for stakeholders.	EMC creates a suite of HR practices to combine learning, challenge, productivity, and fun in the workplace.[11]
Engagement and flow	A feeling of complete immersion in an activity, forgetting the self, being "in the zone." *A great day skiing, writing, or reading an excellent novel*	Formal activities and strategies that facilitate stakeholder engagement with a company's products or processes.	Lego invites customers to co-design Mindstorm® products, providing them with tools to maximize their creativity.[12]
Positive Relationships	Sustained interactions with other individuals or groups that benefit all. *Marriage or other intimate partnerships, friendships, acquaintances*	Companies encourage and promote strong relationships with stakeholders, but also between stakeholders.	Google's cafeteria design provides space and time for employees to interact, crate, and strengthen relationships.[13]
Meaning	Affiliation with something larger than mere self-interest. May be a cause, ideology, or organization. *Religious affiliation, membership in service group such as Rotary*	Firms provide opportunities and platforms for employees, customers, and other stakeholders to affiliate with a cause or transcendent meaning.	Better World Books allows students and others to donate books for resale as well as projects to promote literacy in the developing world.[14]
Achievement	Reaching goals, obtaining mastery, winning, succeeding in endeavors *Obtaining a PhD degree, earning a Michelin Star*	Companies facilitate stakeholder growth through mastery of new knowledge and skills.	CodeEval creates app building and programming competitions that allow programmers to develop/ exhibit mastery.[15]

[1] These principles can be found at http://www.cauxroundtable.org/index.cfm?menuid=61, accessed 05 July 2017.

[2] Goldman CEO takes lead on Wall Street in slamming Trump travel ban, Reuters, 30 Jan 2017. Available at http://www.reuters.com/article/us-usa-trump-immigration-companies-goldm-idUSKBN15E1H2, accessed 01 Feb 2017

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[4] John Whitley, Redfin Recap: State of the Seattle Real Estate Market, Redfin Real Time. Available at https://www.redfin.com/blog/2016/10/redfin-recap-state-of-the-seattle-real-estate-market.html, accessed 01 Feb 2017

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[6] McDonald's the innovator: fast food and cultural sensitivity, The Economist, 16 June 2011, available at http://www.economist.com/blogs/schumpeter/2011/06/fast-food-and-cultural-sensitivity, accessed 01 Feb 2017.

[7] Teaching tolerance project is run by the Southern Poverty Law Center, see http://www.tolerance.org/

[8] Matthew Jaffe, JetBlue offers passengers bill of rights. 20 Feb, 2007. ABC News. Available at http://abcnews.go.com/Politics/story?id=2889582, accessed 01 Feb 2017

[9] For more information, see http://www.coistine.ie/about-cois-tine

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[14] See http://www.betterworldbooks.com/ for more information.

[15] See http://blog.codeeval.com/about/ for more information.