Harm Reduction, Solidarity, and Social Mobility as Target Functions: A Rortian Approach to Stakeholder Theory

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Abstract
Instrumental Stakeholder Theory has begun to suffer from what might be termed “mission drift.” Despite its initial success in creating a foothold for ethics in managerial decision-making, the efficiency arguments which now dominate this research stream have become counterproductive to the original goal of connecting ethics and capitalism. We argue in this paper that the way forward is by re-centering contingency, conversation, and inefficiency in stakeholder theory. To start this process, there needs to be a reckoning of some unintended impacts of the success of the instrumental stream of stakeholder research. For a contrasting approach, we draw on Richard Rorty’s pragmatism and its foundation of ethical “irony,” a state of continuous doubts about the utility of one’s moral vocabulary. We offer a Rortian approach to stakeholder theory, unearthing the possibility for new corporate target functions in the goals of harm reduction, solidarity, and social mobility, the foundational building blocks of an ironist ethical perspective.

Keywords Critical philosophy · Stakeholder theory · Pragmatism

Introduction
From its earliest iterations, stakeholder theory aimed to provide a conceptual framework to shift the focus of discussion in management away from its historical emphasis on the needs of shareholders and toward an emphasis on the ethically and strategically critical relationships a firm has with many diverse stakeholders (Freeman, 1984). As the theory developed, leading researchers became convinced it would not find broad integration into management practice unless there was an explicit link made between the activities of stakeholder management and positive economic outcomes (Freeman et al., 2010; Jones, 1995). Managerial mindsets at the time were locked in a shareholder wealth maximization paradigm (Harrison et al., 2019), and the only way to reach them would be by speaking in the language of “doing well by doing good.” Consequently, instrumental stakeholder theory (IST) emerged as a research stream designed to convert profit-minded managers to stakeholder thinking (e.g., Jones, 1995) and quickly became the dominant approach to stakeholder research (Freeman et al., 2010).

Work in IST has been successful in demonstrating how treating critical stakeholders ethically can, in certain situations, be directly responsible for enhancing a firm’s bottom-line (Bridoux & Stoelhorst, 2014; Jones et al., 2018). IST researchers argue for the inclusion of principles like fairness, trustworthiness, respect, loyalty, care, and cooperation within the managerial calculus (Bridoux & Stoelhorst, 2016; Greenwood & Van Buren, 2010; Hendry, 2001; Jones, 1995; Jones & Harrison, 2019; Phillips, 1997). In fact, IST researchers argued that the ethical treatment of stakeholders not only increases financial opportunities but may also reduce costs associated with negative stakeholder actions such as boycotts, walkouts, strikes, adverse regulation, bad press, and legal suits (Jones & Harrison, 2019; Cornell & Shaprio, 1987; Harrison & St. John, 1996; Shane & Spicer, 1983). Furthermore, IST researchers have pointed out the utility in the development of a reputation of treating stakeholders ethically as more customers will want to buy the products of these firms, more people will want to become employees of these firms, governments will be less likely to closely scrutinize and regulate these firms and communities will find them more attractive as local partners (Jones...
However, despite its initial success in creating a foothold for ethics in managerial decision-making and management vocabulary, over time IST began to suffer from what might be termed “mission drift.” As noted by Mackey et al. (2007) “from a broader theoretical perspective, the entire effort to discover how socially responsible activities can increase the present value of a firm’s future cash flows is problematic.” This type of problematic efficiency argument (Barney & Harrison, 2020; Benlemlih & Bitar, 2018; Freeman et al., 2020; Gambeta et al., 2019; Harrison & Bosse, 2013; Hosmer, 1994; Jensen, 2002; Ketokivi & Mahoney, 2016; Nason et al., 2018; Parmar et al., 2010) is emblematic in the IST warning against “being too good for your own good” (Gambeta et al., 2019). IST provides the caveat that because of cost factors, managers need to be careful to create limits in their efforts to please stakeholders (Harrison & Bosse, 2013) recognizing that the profit maximization objective of the firm and the aggregate wealth creation function of business will sometimes work at cross-purposes (Jones & Harrison, 2019).

Most notably, the efficiency focus steers stakeholder management toward an emphasis on the first half of the stakeholder definition (Freeman, 1984)—those who can affect the value-creating activities of the firm—and away from the more vulnerable constituency captured in the second half of the definition—those who are affected by the firm’s activities. Add to this the growing recognition on the ground that management thought-leaders need to start making the hard arguments that the dominant approaches of contemporary capitalism need to change (Stiglitz, 2019), and efficiency arguments start to appear counterproductive to the original goal of connecting ethics and capitalism (Weitzner & Deutsch, 2019). In fact, leading scholars have concluded that stakeholder research as it currently stands has reached a crossroads (Barney & Harrison, 2020).

We argue in this paper that the way forward is by recentering contingency, conversation, and even inefficiency in stakeholder theory. To start this process, there needs to be a reckoning of some unintended impacts of the success of the instrumental stream of stakeholder research. For a contrasting approach we draw on Richard Rorty’s (1989) pragmatism, following the advice of Freeman et al. (2020) who recognized that stakeholder theory would be well served by a more pragmatist philosophy and a more explicit recognition of the role contingency must play in our theories. Rorty’s (1989) pragmatic approach relies on ethical “irony,” a state of continuous doubts about the utility of one’s moral vocabulary. It insists we always be mindful of the contingencies in our cultural perspectives. Importantly, Rorty (1984) explains that a pragmatist would never use the language of those they disagree with in order to convince.

Rorty’s Ethics of Contingency

Over two decades ago, Wicks and Freeman (1998) made the call for more pragmatist research in the discipline of management, identifying stakeholder research as particularly suited for this effort. Although it is unlikely that they would have predicted the current state of IST at the time, they noted that it was important to be clear that the pragmatic criterion of value is not a pseudonym for utilitarianism (Wicks & Freeman, 1998). Yet, unfortunately, IST’s pragmatic approach has been directly tied to the utilitarian logic that management scholars need to speak in the language of bottom-line thinking if it is to be “palatable” to a significant number of managers (Jones et al., 2019). Recently, Godfrey and Lewis (2019) have picked up on this call to use pragmatism as a moral foundation for contemporary stakeholder theory. And Pouryousefi and Freeman (2021) have brought a renewed focus on the pragmatism of Rorty, reading him as a source of insight into the ethical nature of business practice in contemporary global markets.

Pragmatists like Rorty talk about usurping the central role once occupied by “truth” and replacing it with the pragmatic notion of “hope”. Wicks and Freeman (1998) explain:

In the service of this revised agenda, pragmatists shift the objective of philosophy from the quest for foundational knowledge to the generation of hope: hope as an optimism about the possibilities for the future and a disposition to experimenting with alternative ways of
living that hold some promise to better realize human aspirations. (p.130)

In the past, and certainly in many philosophical schools of thought today, the highest goal of philosophical inquiry is situated in attaining knowledge of objective truths. This intellectual legacy can be traced back to Plato and his theory of the Forms. To pragmatists, the Platonic legacy has haunted Western academic research, creating boundaries that tend to hinder progress. Rather than experimenting with the aim of discovering truth, pragmatists believe that society needs to experiment in the name of hope: hope of finding new ways to create greater levels of value for broader groups of individuals with divergent agendas.

Rorty (1989) defines the pragmatist approach to inquiry as the search for adjustment. These adjustments include new vocabularies that can make our future better than our present. If this mission sounds a lot like the original goal of stakeholder theory (Freeman, 1984), that is no accident (Freeman, 2004). Rorty argues that because ethical viewpoints and guiding principles can be divergent both across and within populations, the ability to justify one’s actions to those around them is the best one can hope for in a discussion of ethics. As such, individual moral agents must choose a vocabulary that is most likely to resonate with as many other individuals in their shared society as possible. Stakeholder theory (Freeman, 1984) began as a thought experiment interested in seeing the implications of switching out the word “shareholder” for “stakeholder” in managerial vocabularies. The results were an important shift in widening the discussion of ethical considerations alongside strategic ones.

Rorty (1989) explains that “all human beings carry about a set of words which they employ to justify their actions, their beliefs, and their lives... I shall call these words a person’s ‘final vocabulary’” (p.73). A key characteristic of the private vocabulary is the particular sense of “final” Rorty (1989) uses:

It is “final” in the sense that if doubt is cast on the worth of these words, their user has no noncircular argumentative recourse. Those words are as far as he can go with language; beyond them there is only helpless passivity or a resort to force. (p.73)

That is to say, if the words that make up an individual’s final vocabulary do not succeed in creating empathy for their ethical decisions or if those around them are not convinced by the words they have chosen to elicit tolerance for the views expressed, they are left with little rational recourse. To Rorty, it is incoherent to speak of differentiating ethical perspectives based on their rational basis, to the extent that “rational” means any individual with intellectual faculties can be persuaded to come to an identical conclusion, regardless of cultural background. Either one sympathizes with the views expressed because they resonate within a shared cultural or historical experience or one does not a. In a pragmatic approach there is no universal ethical language that can be appealed to. For example (1999):

From a pragmatist’s point of view, the notion of ‘inalienable human rights’ is no better and no worse a slogan than that of ‘obedience to the will of God’. Either slogan, when invoked as an unmoved mover, is simply a way of saying that our spade is turned—that we have exhausted our argumentative resources. (p. 83)

and

The language of human rights is no more or less characteristic of our species than language which insist on racial or religious purity. Pragmatists suggest that we simply give up the search for commonality. (p. 86)

Which is why stakeholder theory’s mission drift is so concerning. Instrumental language is failing to convince a growing number of actual, real-world stakeholders to continue in their support of corporate capitalism (Stiglitz, 2019). Rorty argues that morality begins only “when controversy arises” (1999, p. 73), when we have to justify our behaviors to those around us. As he (1991) explains:

Publicly discussable compromises require discourse in a common vocabulary, and such a vocabulary is required to describe the moral identities a liberal society asks its citizens to have. They are asked to have this moral identity for public purposes, and to have it irrespective of whatever other, private identities they may also have. (p.196)

The public vocabulary, therefore, is a compromise of sorts that enables coexistence in a diverse society. And as controversies continue to arise, increasing numbers of people, especially within the Millenial and Gen-Z cohorts, are not being convinced by capitalist arguments. They no longer believe in the possibilities of corporations working toward a social good, seeing firms accumulate wealth that is generally deployed for exploitive ends (Weitzner, 2021).

Ethical Irony

A manager embracing IST thinking is committed to a final vocabulary of “doing well by doing good,” meaning that ethical considerations are decidedly secondary to economic ones. In contrast, Rorty (1989) offers the persona of the ethical “ironist”:
I shall define an ‘ironist’ as someone who fulfills three conditions: 1) She has radical and continuing doubts about the final vocabulary she currently uses, because she has been impressed by other vocabularies, vocabularies taken as final by people or books she has encountered 2) she realizes that arguments phrased in her present vocabulary can neither underwrite nor dissolve these doubts; 3) insofar as she philosophizes about her situation, she does not think that her vocabulary is closer to reality than others, that is in touch with a power not herself. (p. 73)

The conditions of the “ironist” can be seen as the logical outflow of our earlier discussions. The ironist carries a continuous skepticism in regard to the finality of a guiding vocabulary, thus creating space for public compromise and continued experimentation. This is an important differentiation from an IST manager who is committed without skepticism to bottom-line considerations and would never harm the economic position of the firm in pursuit of a novel ethical vision. They would never “be too good for their own good” (Gambeta et al., 2019) and know which side to land on when the profit maximization objective of the firm and the aggregate wealth creation function of business work at cross-purposes (Jones & Harrison, 2019).

In contrast to an IST manager, the ironist expresses continuous doubts about the utility of a final vocabulary, is always mindful of the contingencies in cultural perspectives and hopeful that ongoing re-descriptions of both the self and community will result in a better world. The ironist is the example of the exception to the sort of moral perspective that is efficient, rigid, and dogmatic. The ironist knows that anything can be re-described to appear more persuasive or appealing to a given audience and consequently does not seek society-wide buy-in. They engage in repeated micro-conversations, a time consuming and inefficient approach. And that’s what stakeholder theory requires if it is to move beyond the instrumental logics holding it back—an infinite amount of conversations between individual firm decision-makers and stakeholders that lead to idiosyncratic solutions, not universal instrumentality.

Pragmatists are weary of privileging any singular moral language, not just the language of instrumentality. In fact, at the Society of Business Ethics Annual Meeting of 2005 Richard Rorty came to offer a humbling rebuke to stakeholder researchers operating in the normative tradition. Rorty (2006) opined:

Although an acquaintance with moral theory may sometimes come in handy, you can usually get along quite well without it. The principles formulated by thinkers like Kant, Mill, and Rawls provide handy little summaries of various subsets of our moral intuitions. Invoking such principles speeds deliberation, but it does little to help with the tough cases, the ones where intuitions conflict. (p. 376)

The moral language of normative philosophers embraced by early stakeholder theorists is what Rorty would call a conversation stopper. Well-intentioned normative arguments run the risk of having an aversive effect when perceived as attempts to delegitimize a different “final vocabulary” by misrepresentation through re-description. Because it is the public vocabulary that allows individuals to be taken seriously, it is not surprising that the attempt by normative stakeholder theorists to use their private vocabularies had only limited utility in the forwarding of ethical ideals to the economic oriented manager.

By their own admission, IST researchers seek a language that will allow them to be heard by the managerial elite, to make the stakeholder view palatable to those focused on the bottom-line (Jones et al., 2019). But they went from one limiting language (philosophy) to another language (economics) that impairs progress. As enumerated by Parmar et al. (2010), early stakeholder research embraced the lens of Kantian Capitalism (Evan & Freeman, 1983), Fairness (Phillips, 1997), Integrative Social Contracts Theory (Donaldson & Dunfee, 1999), Feminist Theory (Burton & Dunn, 1996; Wicks et al., 1994) Habermas (Reed, 1999) and Derridian deconstruction (Weitzner, 2007). As time went on, stakeholder researchers became widely convinced that the theory would not find broad integration into management practice unless there was an explicit link made between stakeholder management and shareholder outcomes (Freeman et al., 2010), because managerial mindsets were locked in a shareholder wealth maximization paradigm (Harrison et al., 2019). And in the desire to convert the profit-minded to stakeholder thinking, embraced a new privileged moral language. While this language was successful in reaching managers and quickly became the dominant approach of stakeholder research (Freeman et al., 2010), it lacks the required vocabulary required to further advance ethical motivations. IST enabled stakeholder researchers to resolve the tension of doing well versus doing good by embracing a language that suggests there need not be tension. But despite their best efforts, the tensions remain (Barney & Harrison, 2020).

The persona of Rorty’s ironist reminds us that our only hope for integrating business and ethics is through open discussion and deliberation. But these discussions are not without boundaries. At the heart of Rorty’s ironist project are three building blocks—harm reduction, solidarity, and social mobility. Rorty’s ironist is committed to harm reduction, even though “there is no neutral noncircular way to define the liberal’s claim that cruelty is the worst thing that we do” (1989, p. 197). Further, the ironist is committed to
solidarity, defined as “the ability to see more and more traditional differences as unimportant when compared to our similarity in respect to pain and humiliation—the ability to think of people wildly different from oneself as included in the range of ‘us’” (1989, p. 192). Finally, and perhaps most importantly for our purposes of crafting a Rortian approach to stakeholder theory, an ironist must be committed to the advancement of social mobility. Rorty (2006) made it clear that business ethics must strive for this no matter how difficult:

Justified resentment at this unfairness is quite likely to produce social and political chaos... Nothing that has happened in the last hundred years would lead Marx to revise his dictum that the history of the human race is the history of class struggle... These men and women are the people with the best sense of the directions in which economic forces are presently driving the nations, of where the real levers of power are to be found, and of the possibilities that remain open for both governments and business enterprises. If none of them are dreaming up idealistic, utopian scenarios for the formation of a morally decent global society, it is unlikely that such a society will ever come into existence. Perhaps the business ethics community will provide an environment in which such dreams are encouraged. (p. 379)

We will now look at how these ideas can inform a superior approach to stakeholder theory.

Stakeholder Theory’s Mission Drift

The shift in emphasis away from the narrow vocabulary of “shareholders” and their needs and toward the more expansive vocabulary of “stakeholders” was motivated by a desire to change the way managers thought about business, rooted in a search for new vocabularies that would expand managerial options to include a robust conception of ethics (Wicks & Freeman, 1998). Early stakeholder theorists sought to unseat the dominant norm in management thinking perhaps best typified by a crass interpretation of Milton Friedman’s (1970) famous dictum that “the social responsibility of business is to increase profits.” They were very mindful of the role a pragmatic “final vocabulary” could play and sought to make it easy for business leaders to expand their own. Yet, advocates for a stakeholder-based alternative to shareholder wealth maximization failed to find acceptance due to the perception of a necessary trade-off between that which is morally sound and economically profitable (Freeman et al., 2010; Jones, 1995). But as the evidence that firms who treat a broad group of their stakeholders well will have higher financial performance grew, mainstream strategic management scholars became very interested in IST (Harrison et al., 2019).

Elite practitioners began to embrace a broader mindset about which stakeholders should matter. IST researchers even argued that when profit maximization leading to high shareholder returns and aggregate wealth creation for all stakeholders come into conflict, the latter should prevail (Jones & Harrison, 2019). But relying on instrumental language prevents meaningful advancement. There is very little real-world evidence of managers following this advice. And why should they? Only by embracing the language of solidarity, harm reduction, and social mobility is there a compelling reason to put stakeholder concerns first. While members of The Business Roundtable had committed in 2019 to re-defining the purpose of the corporation in broader stakeholder terms, making bold promises indicating a reversal of earlier mindsets which focused on shareholders (Harrison et al., 2019), we saw in the aftermath of the global COViD-19 pandemic these same corporate signatories abandoning the noble principles during tough economic times.

Because at the end of the day, IST has imprinted logics in the final vocabulary of most management practitioners which impede meaningful progress in stakeholder thinking. For example, by and large IST has replaced the idea that the most useful unit of analysis for management theory is the shareholder relationship with the new idea that it is in fact the stakeholder relationship. But the IST stream also embraced the logic that the most common, and therefore important, unit of analysis is the economic transaction (Freeman et al., 2020), leading to the implication that managers should only engage with stakeholders if long-term shareholder value is created through this engagement (Aguilera & Jackson, 2010).

And while even IST researchers argue that stakeholder relationships are not the summation of a group of economic transactions (Freeman et al., 2020), the ongoing dominance of economic language in the final vocabulary of IST advocates has some severely negative implications, including a surprising emphasis on giving shareholder concerns disproportionate weight within the stakeholder management calculus (Margolis & Walsh, 2003). Positively for the furtherance of ethics in management, stakeholder researchers institutionalized a worldview of business that reflects a higher state of consciousness about its short- and long-term role in and impact on society (Freeman et al., 2020). But negatively for ethics, IST has normalized three problematic logics that are antithetical to advancing harm reduction, solidarity, and social mobility.
Contrary to IST, the Underlying Motivations do Matter

Understanding the motivations behind choosing to attend to stakeholder claims is of critical importance to reducing harm, building solidarity, and advancing social mobility. While IST researchers successfully mainstreamed the paradigm that business needs to be understood as human actors cooperatively engaged in value creation, with it came the problematic logic that motivations were unimportant. The argument to managers was that the IST paradigm showed a path for “doing well by doing good”—meaning researchers could assume an instrumental motivation and still preach for the application of ethical principles in stakeholder interactions. In the early days of stakeholder research, as scholars worked to replace the logic of shareholder wealth maximization as the sole corporate objective, there was a healthy debate between the normative and instrumental schools of thought about the place for diverse motivations in managerial action (Donaldson & Preston, 1995). For example, Margolis and Walsh (2003) expressed deep concern about the emerging trend to discount the difference between instrumental and normative motivations for engaging with stakeholders, fearing that stakeholder theory was landing on a decidedly more instrumental prescriptive footing than normative.

Margolis and Walsh (2003) were prophetic in sensing that a problematic logic was taking root because of the IST revolution. The non-instrumental motivations of managers engaging with stakeholders no longer seemed to matter very much to stakeholder scholars. For example, in a review of the evolution of stakeholder thinking, Parmar et al. (2010) acknowledge that stakeholder researchers have not been interested in understanding the different motivations behind stakeholder engagement, but shrug it off, concluding that “it is hard to separate out instrumental from normative logics.” Or, as acknowledged by Harrison et al. (2010), while they do not mean to imply that the differences in motivation are trivial, their focus is on understanding the outcomes of managing with an IST strategy rather than on the motivations for doing so. For while IST researchers acknowledge that firms may adhere to ethical practices regardless of the instrumental value, they also assume that such behavior is improbable (Jones et al., 2007).

To see why downplaying the underlying motivation of human actors engaging in stakeholder value creation is so problematic, it is worthwhile spending a moment unpacking the taken-for-granted motivation. Instrumental logics are based on the desire to obtain a specific reward or to avoid a specific punishment that is under the control of another (Kelman, 1958). It is the presumed motivation of actors in IST, which examines relationships between the practices of stakeholder management and the achievement of corporate financial performance-related goals (Donaldson & Preston, 1995), where stakeholders are viewed as the means to accomplish strategic objectives (Parmar et al., 2010). Instrumentally motivated individuals seek to maximize gains and minimize losses, so managers might be motivated to accept higher ethical standards only after engaging in a calculative assessment (Cropanzano et al., 2001).

Under an instrumental motivation, individuals influenced by stakeholders expect to obtain a reward or avoid punishment by following the rules established by the relationship—they want to “do well by doing good.” This type of motivation exhibits the pre-conventional level of moral reasoning because moral principles are irrelevant to an instrumentally motivated decision maker (Kelman, 2006). And this is the critical flaw. Because IST researchers have gone to great lengths to include principles like fairness, trustworthiness, respect, loyalty, care, and cooperation (Bridoux & Stoelhorst, 2016; Greenwood & Van Buren, 2010; Hendry, 2001; Jones, 1995; Jones & Harrison, 2019; Phillips, 1997). But the truth is, these principles are irrelevant to a decision maker acting under an instrumental motivation (Kelman, 2006; Weitzner & Deutsch, 2015).

Remember, according to Rorty moral dilemmas are solved by how we justify the position taken. Motivations matter because those motivated by an instrumental logic do not demonstrate concern for their stakeholders when it is economically difficult to do so, and therefore most critical that they do. Rortian pragmatism is a search for adjustments, new vocabularies that can make the future better in terms of harm reduction, solidarity, and social mobility than the present. Instrumental language and motivations have run their course of usefulness in this regard, as instrumentally motivated firm decision-makers offer the minimal compliance required to maintain the firm-stakeholder relationship and invests only what is necessary to protect the firm’s interests in the relationship (Kelman, 2006). For firm decision-makers, the responsibility to the stakeholder in this type of relationship is limited to the estimated cost of sanctions for non-performance (Kelman, 2006). This thinking leads to morally problematic prescriptions, like the recent IST arguments to frame ethical actions as an efficiency threat given the costs and the uncertain financial benefits of pro-social activities (e.g., Garcia-Castro & Francoeur, 2016; Nason et al., 2018; Gambeta et al., 2019). The framing of positive social performance in terms of potential threats to the firm’s financial bottom-line reflects an alarming focus on the calculus of the instrumentally motivated manager. This type of instrumental logic rejects the possibility that the goal of engaging in social performance may, in fact, be to enact a more humane approach to enterprise (Bacharach et al., 1996) with its own merits, where firms have multi-objective missions (Mitchell et al., 2016) and are driven by multiple motivations (Aguilera et al., 2007). It discourages as unnecessary
the costs of pro-social actions that lack direct instrumental financial value (Garcia-Castro & Francoeur, 2016; Gambeta et al., 2019).

When acting under a predominantly instrumental logic, the guiding principle is the potential to improve the financial bottom-line performance of the firm even when this requires a social cost. But, when a social/ethical logic outweighs the commercial logic—and at varying times it will with decision-makers at most firms—the goal becomes changing society (Bacharach et al., 1996). Therefore, this framing of an exclusively instrumental underlying logic is unlikely to accurately describe the mindset of most firm decision-makers (Weitzner & Deutsch, 2015). Non-instrumental motivations, including moral and relational motivations will lead to different frames, different behaviors and different strategic responses and should not be assumed away (Aguilera et al., 2007; Weitzner & Deutsch, 2015).

For example, the actions of morally motivated decision-makers are guided by principles rather than material rewards (Argandona, 1998; Wicks et al., 1994). The type of thinking underlying an assessment based on the anticipation of a reward or punishment exhibits conventional instrumental reasoning, whereas morally motivated decision-makers exhibit post-conventional reasoning (Kelman, 2006). As such, it is highly unlikely that morally or relationally motivated firms would adopt an efficiency calculus in determining their level of social performance. It is, therefore, unlikely and certainly undesired that instrumental motivations will be the sole determinant of how firms assess their social performance. In fact, it is the constant interplay between all three motivations that are the essence of being human (Cropanzano et al., 2001). Human decision-making is complex—we are not machines following a simple algorithm. Exhibiting a calculus rooted solely in an instrumental logic could be aversive and prevent further normative commitments from stakeholders (Etzioni, 1965; Weitzner & Deutsch, 2015).

Relationally motivated decision-makers, for example, are open to social influence not because it enhances firms’ financial performance, but because of the decision-makers’ interest in a relationship with stakeholders whose needs have been found to be worthwhile (Colombetti & Torrance, 2009) and because of the desire to establish or maintain satisfying relationships (Kelman, 1958). Although relationships based on an economic cost/benefit calculus can be established, relationally motivated decision-makers seek human relationships not for their usefulness in terms of a cost/benefit calculation but for their own sake (Kelman, 1958). A relationship based on calculus rather than reciprocal social connections may negatively influence stakeholders because it is antithetical to their motivation for entering the relationship in the first place (Kelman, 1958).

A good illustration of why motivations matter can be found in the example of BP. Oliver and Holzinger (2008) laud the strategic value of BP’s instrumentally motivated push for more restrictive and costly environmental regulations in the 1990’s, noting that “by departing from shared industry rules and beliefs and going well beyond regulatory requirements to establish more laudable and stringent guidelines and practices, BP redefined the norms of acceptable standards in such a way as to place it in the most advantageous position to meet the very regulations it had sought to define.” BP’s pro-regulatory stance increased costs for its rivals, which is what the company hoped to achieve. Yet the Deepwater Horizon oil spill in 2010 shows how their commitment to these principles was contingent on it being financially advantageous to the firm. When it was no longer beneficial, all the prior commitments were discarded. Over the next few years, it would be revealed that BP was responsible for the oil spill because of deliberate misconduct and gross negligence. Further, they offered a cosmetic solution to the clean-up, using Corexit to visually cover-up the damage, a far cry from engaging in the substantive clean-up that an authentic commitment to environmental responsibility, or even honoring the regulatory requirements, would demand (Berenshtein et al., 2020).

Stakeholder theory emphasizes all the ethically and strategically critical relationships a firm has with many diverse stakeholders (Freeman, 1984). Although stakeholder theory researchers recognize the difficulties faced by firms concerned with their social performance, they caution that boundedly rational managers who are using only an economic lens and limit assessments to the particular claims of a select group are vulnerable to moral myopia and poor decision-making (Freeman et al., 2004). They will not be engaged in the sort of imaginative projects described by Rorty (2006) as necessary in turning the tide of anti-capitalist resentment. And this is our point: while IST researchers include discussions of ethics in their managerial prescriptions, the instrumentally motivated don’t pay much attention to them. What they hear is that there is the potential to “do well by doing good.” When they cannot do well by doing good, the instrumental motivation leads many to question the value of doing good and ultimately cease doing so.

To more fully illustrate the difference in impact between an instrumental motivation and a Rortian commitment to minimizing harm and increasing solidarity, consider some of the challenges around programming the AI behind self-driving cars. Data gathered from 16 crashes has raised concerns over the possibility that Tesla’s AI may be programmed to automatically shut off when a crash is imminent so the car’s driver, not the manufacturer, would be legally liable at the moment of impact (Hetzner, 2022). And it’s not just Tesla who appear to be putting instrumental concerns around legal liability first. The problem seems to be industry wide. For example, Uber’s self-driving car hit and killed a woman despite detecting her six seconds before impact. The
AI was not programmed to recognize pedestrians outside of designated crosswalks because jaywalking is illegal, and prosecutors absolved Uber of criminal liability (Marshall & Davies, 2019). Some researchers argue for changes in the liability system to support more AI innovations and adoption (Malíha et al., 2021), but their vocabulary is still instrumental. Instead, a Rortian approach using the language of harm reduction would be much more helpful, opening doors to truly radical thinking like making life-saving self-driving algorithms open source. Which leads to our next discussion on rethinking the scope of competitiveness.

**In a Stakeholder Paradigm, Ethical Postures Should be a Source of Competitive Parity not Advantage**

What do stakeholder theorists mean when they refer to the pursuit of a “competitive advantage”? While not inconsistent with each other, competitive advantage as a concept has been presented in the literature as a function of strategic behaviors in some instances (Porter, 1996), while in other contexts as a function of efficiency (Peteraf & Barney, 2003). The former approach identifies competitive advantage as emerging from a unique competitive position within an industry, born of activities tailored to the unique strategy of a particular firm, with clear trade-offs and choices regarding competitors (Porter, 1996). We see this approach to competitive advantage in efforts to position effective stakeholder management as a source of competitive advantage as the firm is presented with a larger number of better business opportunities from which to select (Harrison et al., 2010) and shifting the emphasis in stakeholder research to explain competitive performance (Hillman & Keim, 2001).

The efficiency approach to competitive advantage is typified by the resource-based theory (RBT) of the firm. RBT’s defining feature is an efficiency-based explanation of performance differences (Peteraf & Barney, 2003), as opposed to being built on strategic behaviors like Porter (1996). In RBT, competitive advantage derives from firm-specific resources that are rare and superior in use, relative to others, where the benchmark for comparison is the marginal competitor so that a competitive advantage may be held by several firms in a given industry (Peteraf & Barney, 2003). The influence of this approach perhaps reached a pinnacle recently as Jones et al. (2018) rigorously applied the resource-based criteria to an evaluation of how the strategy of interacting ethically with stakeholders relates to the sustainability of competitive advantage.

Yet both of these approaches to the pursuit of competitive advantage are problematic to the future development of stakeholder theory. By emphasizing that the ability to enact this type of ethical strategy is rare and difficult to imitate or born of strategic behaviors that only certain firms can enact, IST research supports the normalization of the idea that the work of stakeholder value creation is meant to be a function of competitive one-upmanship and not parity. In the early days of stakeholder thinking, such an idea would have been inconceivable. In fact, as recently as 2010 leading thinkers in stakeholder research suggested that “the focus on ‘competitive advantage’ may well be too narrow to be useful in the current business environment” (Parmar et al., 2010). Instead, we believe that ethical postures should be a source of competitive parity, not competitive advantage, when explored in the context of the stakeholder research tradition. In contrast to the prescriptive guidance of RBT approaches to competitive advantage (Barney, 1991) where firms protect their unique resources and capabilities from imitation, ethical stakeholder engagement practices should be encouraged to be widely imitated across an industry as stakeholder theory seeks to achieve the objective of helping managers to better address ethics.

Indeed, Parmar et al. (2010) hesitantly recognize that the focus on competitive advantage may be too narrow to be useful as capitalism is ultimately a scheme for social cooperation and while firms are sometimes engaged in the competition for resources, they are also engaged in a cooperative exercise to jointly create value for their stakeholders. More importantly, as noted by Stiglitz (2019) “economic theory and evidence have laid waste to claims that most markets are by and large competitive” because in the real-world firms use market power to “persist unchecked in their dominant position for years.” The logic that the ethical initiatives behind stakeholder value creation need to contribute to the pursuit of a competitive advantage IST hobbles itself in the undertaking of trying to convert a wide array of firms to stakeholder thinking because it emphasizes that if a firm wants to use its ethical practices as a source of competitive edge it needs to entrench its ethical posture in a non-cooperative, non-collaborative manner by holding back others from imitating it. This is in opposition to furthering harm reduction, solidarity and social mobility.

With this logic in place, IST instead preaches to, what we imagine to be, the small group of firms who have already adopted high ethical standards in their treatment of stakeholders because they currently possess the rare resources or have the power to stake an industry position that would afford them an economic advantage from these initiatives and will turn off those with a more cooperative mindset. Even worse, by emphasizing how difficult it is to imitate these sorts of sincere ethical approaches, the IST theorists are essentially telling the vast majority of firms to not even try (Weitzner & Deutsch, 2019).

For example, Jones et al. (2018) explicitly state that relatively few firms will be able to implement this type of strategy successfully. Harrison et al. (2007) argue that the benefits of managing for stakeholders must exceed the costs if taking a stakeholder approach so that it results in a
competitive advantage. Further, IST researchers encourage firms to capture customers or other stakeholders by targeting their utility functions in order to lock-out their rivals from exploiting these advantages with the same stakeholders (Ghemawat & Del Sol, 1998). IST research has institutionalized the logic that all managerial actions, including ethical actions, need to contribute to a sustainable competitive advantage. We need to break free of this idea if we are to encourage the building of both ethically meaningful and profitable stakeholder relationships.

Rorty’s focus on harm reduction and solidarity are helpful here. Invariably, anti-trust concerns may be raised. Our current system is designed in a way that companies cannot cooperate and share knowledge, because there is this risk of price fixing, for instance. They would not even be allowed to sit in same room with competitors and share information. This has to change as well for social and environmental problems. But, as Rorty reminded business ethics scholars, if it is not businesspeople bringing up utopian visions for a future version of capitalism change is unlikely to happen. Solidarity in Rorty means trying to expand the “us” in every situation. Rather than viewing these efforts through the cynical lens of collusion, a Rortian approach to stakeholder theory would advocate for a move from a stakeholder network centered around the company to one centered around a particular challenge, like the challenge of self-driving cars discussed earlier. Companies should not be competing for customers based on whose autopilot algorithm is less likely to kill. They should compete on other variables, like comfort, customer service, product life, etc. It’s the misguided pressures of competition that pushed Tesla and Uber to release their incomplete AI too soon. These firms rushed to market, primarily concerned with the costs of legal liability versus the costs of lagging behind competitor.

Another example to consider is the challenge of CO₂ reduction. Under the Rortian paradigm, firms would not seek to develop a proprietary or secretive approach to CO₂ reduction in, say, their manufacturing. The motivation toward harm reduction and solidarity would override the classic instrumental inclination of using all innovation to support competitive advantage. Instead, these firms would want to see competitors reduce their own emissions in a similar way. Ironist firms would share their knowledge so that everybody can reduce their emissions efficiently, everybody can reduce plastic packaging, etc. It’s a shift from a firm-based to an issue-based stakeholder theory, guided by the commitment to reducing harm and increasing solidarity and social mobility. And this shift may already be happening. For example, after the recent Rogers outage that left a majority of Canadian businesses and citizens without internet or cellular service the Minister of Innovation, Science and Industry François-Philippe Champagne insisted the telecommunications industry come with a plan that ensures companies offer mutual assistance during outages (Major, 2022). This is evidence of a growing recognition that healthy competition is not without limits, and that solidarity and harm reduction need to trump competitive concerns.

Stakeholder Theorists Should not be Bending to the Moral Language of Business Elites

The third problematic logic that can be attributed as an outcome of IST’s rise to dominance is that stakeholder theorists need to bend to the moral language of business elites, rather than encouraging them to encounter and wrestle with a diverse plurality of moral vocabularies, as most of us do constantly in our day-to-day cooperative interactions. As Rorty (1984) emphasizes, a pragmatist would never use the language of those they disagree with in order to convince them.

Jones (1989) observes that language plays a significant role in individual morality as human beings make sense of their environment through the language that they have available to interpret it, the ready availability of moral or opportunistic language within the organization’s lexicon will lead individuals to make decisions along moral or opportunistic lines. Similarly, Ferraro et al. (2005) warn that theories can become self-fulfilling because they provide a language for comprehending the world. Language affects what people see, how they see it, and the social categories and descriptors they use to interpret their reality. It shapes what people notice and ignore; what is viewed as important or not. Reality is socially constructed, and language plays an important role in these constructions (Ferraro et al., 2005).

Ferraro et al. (2005) warn about the power in the language of self-interest. They rue the fact that people often account for even altruistic acts using instrumental language to justify their behavior. In their work, they describe how the dominant assumptions, language, and ideas of economics can exercise a subtle but powerful influence on behavior, including behavior in organizations, through the formation of beliefs and norms about behavior that affect what people do and how they design institutions and management practices. They note that it would be informative to trace how the rise and decline of a particular language affect the adoption and abandonment of management practices that would be ideologically consistent, or inconsistent, with that dominant language (Ferraro et al., 2005), which is part of what we have done here. Further, there is empirical research on the power of language to frame decisions. Liberman et al. (2004) have shown that if we call an interaction a “Wall Street Game” people will compete; but
if we call the same game with the same rules and the same
explanation a "Community Game" they will cooperate.

As leading stakeholder scholars Jones and Harrison
(2019) conclude: “the objective of the firm should be to
‘maximize’ the wealth of corporate shareholders without
making any other stakeholders worse off… striving for social
welfare improvements with shareholders being the primary
beneficiaries and other stakeholders either benefitting or, at
minimum, being held harmless” (p. 85). Why are we holding
on to the language of corporate shareholder wealth maximizing
in an era of social justice reckoning?

Rorty (1989) argues that the substance of any coherent
ethical discourse among members of a given society would
be contingent on the vocabulary which the participants
have chosen to utilize. Seeing as most ethical viewpoints
and guiding principles are generally divergent across any
given population, the ability to justify one’s actions to those
around him/her is the best one can hope for in discussions
of ethics and principles. As such, individual moral agents
must choose a vocabulary to express their ideas so that they
resonate with other, unique and diverse individuals in their
shared society. While the viewpoints may differ across indi-
vidual moral agents, there is the hope of attaining a com-
promise by reaching a consensus on what sort of moral
vocabulary will or will not be tolerated within that particular
pluralistic society.

Rorty (1991) believes that while individuals choose a
vocabulary based on their guiding moral principles, and
which can be borrowed from any source the individual agent
feels an intellectual or emotional kinship to, public discus-
sions are based on compromise and consist of the elements
that are sometimes common to the varying moral vocab-
ularies, even though the values may differ radically from
their own. IST aims to make ethically based relationship-
building palatable to managers (Jones et al., 2019). In other
words, while IST researchers problematized the idea that
only shareholder concerns should matter, they institutional-
ized the perhaps equally unhelpful idea that we must use the
instrumental language of economics in order to persuade this
class of powerful decision-makers to come to the table and
join the discussion of business ethics. But this logic severely
limits the mission of stakeholder theory: expanding the cor-
porate objective so that attention is paid to the claims of a
multitude of stakeholders, while enshrining the privileged
position of shareholders on top, is a small move forward.

To be fair, we can understand that the incremental change
from shareholder exclusivity to shareholder primacy was
itself an important achievement during the early period of
transition. However, today the continuation of adopting the
instrumental language of economics in ethical discussions is
self-defeating. Early researchers like Jones and Wicks (1999)
argued that stakeholder theory represented a bridge between
the normative analysis of the philosopher and the empirical/
instrumental investigation of the management scholar. By
being at once explicitly moral and requiring support from
instrumental analysis, stakeholder theory would offer a new
way to think about management theory. This idea got lost
along the way, as the instrumental analysis advanced from a
supportive to featured role.

In fact, the stakeholder salience framework (Mitchell
et al., 1997) has provided the most influential explanation
to date of how managers decide which individuals or enti-
ties to prioritize when facing multiple claims and influence
attempts (Neville et al., 2011), and unsurprisingly it is cen-
tered on the language of economic maximizing. The key
attribute required to identify a stakeholder as salient is the
power to influence a firm’s behavior. Mitchell et al. (1997).
In limiting the focus to instrumental concerns (Weitzner
& Deutsch, 2015), the salience framework contributed to the
freezing of this new norm. Mitchell et al. (1997) argue that
influencers must have power to be of instrumental value. But
the reality is, and ethics demands, that individuals or groups
without power can be regarded as influencers (Weitzner
& Deutsch, 2015).

At one time, Freeman (1999) explicitly rejected the idea
that we sharply distinguish between the three branches of
stakeholder theory. He argued that all these forms of inquiry
are forms of storytelling and that all three branches have
elements of the others embedded within them. He further
argued that there is no value-free language, nor is there epis-
temological privilege for social science inquiry. At best, we
can make pragmatic distinctions among the parts of stake-
holder theory. The focus of theorizing needs to be about
how to tell better stories that enable people to cooperate and
create more value through their activities at the corporation.
If firms want to engage with all their stakeholders, not only
that can influence the firm but also those who are influenced
by the firm they will need to be open to alternate languages.
It is important to note that we say “privilege;” it is not the
case, as we have demonstrated, that IST research does not
include discussion of lofty principles like fairness, trust and
justice. It is that they are forced to conclude the objective of
the firm should be to “maximize” the wealth of corporate
shareholders without making any other stakeholders worse
off (Jones & Harrison, 2019), a stance which in our current
moment many folks would see as antithetical to the pursuit
of justice and fairness (Stiglitz, 2019). Stakeholder theorists
bending their noble theories to the language of firm level
maximizing is a relic of a frozen institutional logic from
which we need to break free to enjoy further progress.
Conclusion

With this paper, we argue that stakeholder theory needs to embrace Rorty’s ideal of the ethical ironist and work to break free of the dominant instrumental logics that are hobbling progress in the field. While on the surface this may appear to be a radical call, it is actually a natural and important extension to the heart of the very current discussions and a required next step to advance stakeholder theory. As noted throughout this paper, leading scholars have recognized that stakeholder theory has come to a crossroads (Barney & Harrison, 2020). Harrison et al. (2019) quote Alex Gorsky, CEO of Johnson & Johnson and chair of the Business Roundtable Corporate Governance Committee, who recognized that “the fact is, words matter. And our own language was not consistent with the ways our member CEOs strive to run their companies every day.” Indeed, words do matter. And the economic language embraced by IST has led to ideas and prescriptions that are not consistent with the raison d’etre of the stakeholder research tradition.

By insisting on the logic that stakeholders are to be viewed as the means to the accomplishment of economic ends, IST aims to simplify the managerial decision-making process and encouraging firm decision-makers to run their companies with a single objective in precisely the same way that early stakeholder theory sought to replace (Freeman et al., 2004). As we have demonstrated throughout this paper, many proponents of IST logic essentially concur with the notion that organization must aim to achieve a single-valued objective as a precursor to purposeful behavior as all non-shareholding stakeholders (employees, customers, communities, nature, etc.) are, by definition, instrumental means to the accomplishment of a financial goal and the instrumental outcomes are the only basis for making trade-offs among competing interests of multiple actors (Jensen, 2002). Freeman et al. (2004) argue that stakeholder theory pushes managers to embrace a pragmatic approach which rejects any bias toward a single theory approach. They note that the problem with focusing on a single objective is that the world is complex, and by reducing complexity the shareholder view is more susceptible to moral myopia (Freeman et al., 2004). As we have shown, recent research in IST rationalizes questionable practices in the name of efficiency.

The stakeholder ironist demonstrates that we need not simplify executive decision-making by restricting ourselves to the existing vocabulary of bottom-line focused economic elites. Dealing with complex decision-making is what managers already do (Schneider & Scherer, 2019). They need to be innovative and flexible, while showing consistent performance in constantly changing environments (Knight, 1921; Schumpeter, 1942). They consistently need to decide, for example, how to balance between exploration and exploitation (March, 1995), or stability and change (Farjoun, 2010).

Importantly, we do not offer, nor do we strive to construct, a formula for a desired or optimal arrangement between a firm and its stakeholders. As our ironist suggests, that arrangement should depend on the individual compromises reached, which rely on the unique vocabularies brought to the table by the idiosyncratic composition of each firm’s stakeholders. As Freeman (2004) argues, much of management theory eschews individual difference in the search for universal theory, while Rorty instead asks us to produce some fine-grained narratives. Future research might revisit the question of what a human-centric target function might look like as firms embrace final vocabularies built on a commitment to the pillars of harm reduction, solidarity, and social mobility?

It is time to unify around the ironist perspective and the rejection of privileging any single moral vocabulary. Freeman et al. (2020) observe that friction can be beneficial, as it points to further opportunities for value enhancement between stakeholders. This is true only if we are clearly involved in making something new; if instead we embrace conversation stoppers, the other side will walk away. IST is such a conversation stopper. It’s time for those of us interested in the pragmatic possibilities of stakeholder language to break free from their counterproductive institutionalized instrumental logics.

The unease with the current state of stakeholder theory is increasingly widespread and pronounced, leading prominent stakeholder theorists to call for change (Barney & Harrison, 2020). While the founding logic of the stakeholder research tradition was designed to enhance a managerial inclination to do good, current iterations of this research stream are offering prescriptions which encourage managers to view ethics as a means to an end. While a growing stream of research in the last couple of years identified the need to change course in order to move the field forward and to resolve the current mission drift, we are the first to carefully delineate why a necessary starting step is to break free from the dangerous logics IST has created.

As we have argued, human actors cooperatively engaged in value creation hold a multiplicity of diverse motivations. As such, motivations matter and must be recognized and brought to the forefront of stakeholder research. Ethical posture should be a source of competitive parity, not advantage. Unlike in competitive positioning where the strategic priority is preventing imitation, the originator of successful ethical practices should be encouraging widespread adaptation and imitation. And stakeholder theorists should not be privileging the moral language of business elites. The use of instrumental language has led to stakeholder theorists replacing a shareholder wealth maximization paradigm.
with one where shareholders remain an overly privileged stakeholder, and where efficiency is a major consideration.

We have argued for the need to adopt Rorty’s ironist and the centering of a commitment to harm reduction, solidarity, and social mobility as a pragmatic way forward. The “ironist” perspective offers a practical process of stakeholder interaction that can serve the purpose of moving beyond the current logics which have led to homogeneous prescriptions. We offer a process, not a solution, because the unit of persuasion for the ironist is a vocabulary not a proposition (Rorty, 1989). The best we can hope for are more/better conversations between managers and stakeholders. The language of efficiency is not what is most important at this unique point in history. We need to focus on the diverse compromises that will only emerge when we invite all stakeholders into individual discussions of value creation, striving to create new vocabularies born of wider sympathies for harm reduction, solidarity, and social mobility.

Declarations

Conflict of interest The authors have not disclosed any competing interests.

Research involving Human Participants and/or Animals N/A.

Informed consent N/A.

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