Stakeholder Theory and Organizational Ethics

By Robert Phillips

• Business ethics, including corporate responsibility, has become a very hot area in the popular as well as the academic literature

• Stakeholder theory is a prominent popular and academic way of understanding business ethics, however no full-scale defense of stakeholder theory exists

• Examines stakeholder theory from the perspective of several fields of study including strategic management, economics, moral and political philosophy, social psychology, and environmental ethics

A look at recent headlines proves that business ethics has never been more prominent than it is today. As scandal after scandal emerges in the American business world, we are forced to ask: Is there no ethics in business? Haven’t the last 25 years of teaching and research in business ethics by philosophers and management thinkers made a difference? For whose benefit should a business organization be managed?

Author Robert Phillips cuts through many vexing questions to propose a theory of organizational ethics that takes two important ideas seriously. The first is that organizations are dependent on their stakeholders for their successes and their failures. The second idea is the multifaceted theory of ethics from philosopher John Rawls—the most prominent moral and political philosopher of the twentieth century—and his followers. The heart of Rawls's view is his theory of justice articulated in the principle of equal liberty.

Stakeholder theory is unquestionably the most popular framework for discussing business ethics. With the exception of R. Edward Freeman’s classic, Strategic Management: A Stakeholder Approach, which has been out of print for a decade, there is a dearth of books that provide a detailed defense of the actual “theory” behind stakeholder theory. Thus, Phillips’ Stakeholder Theory and Organizational Ethics is not only a natural outgrowth of this earlier work, but also one that is long overdue for publication.

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Addressing the difficult question of what the moral underpinning of stakeholder theory should be, Phillips elaborates a “principle of stakeholder fairness” based on Rawls's ideas. Phillips shows how this fairness principle clarifies several long-standing questions in stakeholder theory, including: Who are an organization’s legitimate stakeholders? What is the basis for this legitimacy? What, if any, are the limits of stakeholder theory? What is the relationship between stakeholder theory and other moral, political, and business ethical theories? Applying research from many related disciplines, Stakeholder Theory and Organizational Ethics is an overdue response to several long-standing and fundamental points of contention within business ethics and management theory.

“Finally!: A new book-length treatment of the hottest big topic in business ethics: stakeholder theory. The focus on corporate stakeholders has become the symbol of the modern effort to redefine the corporation. In recent years scores of journal articles and conferences have provoked excitement and controversy. In Stakeholder Theory and Organizational Ethics, Phillips summarizes and advances the thinking around stakeholders. His well-written book lifts the stakeholder concept to a new level.”
-Thomas Donaldson, Mark O. Winkelman Professor, The Wharton School, University of Pennsylvania

“Phillips has written a timely, smart, well-researched book. On the crucially important topic of stakeholders this is the best work available.”
-Edwin Hartman, Director, Prudential Ethics Center at Rutgers

Robert Phillips received his PhD. from the University of Virginia’s Darden School where he studied with premier business ethicists R. Edward Freeman and Patricia Werhane. He has held faculty positions at Georgetown and the Wharton School prior to coming to the University of San Diego where he now holds a joint appointment in the Management and Social/Legal areas of the School of Business as an Assistant Professor.

The dissertation upon which the book is based was a finalist for Best Dissertation at the Academy of Management Social Issues in Management division and the material that forms the foundation of Chapter Two in the book was co-winner of the Best Paper award at the Society for Business Ethics Annual Meeting in 1997.

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