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### Infografik

# PPT - The Stakeholder Approach to Business, Society, and Ethics ... "Clarkson Principles" of Stakeholder Management

Principle 1	Managers should acknowledge and actively monitor the concerns of all legitimate stakeholders, and should take their interests appropriately into account in decision making and operations.
Principle 2	Managers should listen to and openly communicate with stakeholders about their respective concerns and contributions, and about the risks that they assume because of their involvement with the corporation.
Principle 3	Managers should adopt processes and modes of behavior that are sensitive to the concerns and capabilities of each stakeholder constituency.
Principle 4	Managers should recognize the interdependence of efforts and rewards among stakeholders, and should attempt to achieve a fair distribution of the benefits and burdens of corporate activity among them, taking into account their respective risks and vulnerabilities.
Principle 5	Managers should work cooperatively with other entities, both public and private, to ensure that risks and harms arising from corporate activities are minimized and, where they cannot be avoided, appropriately compensated.
Principle 6	Managers should avoid altogether activities that might jeopardize inalienable human rights (e.g., the right to life) or give rise to risks that, if clearly understood, would be patently unacceptable to relevant stakeholders.
Principle 7	Managers should acknowledge the potential conflicts between (a) their own role as corporate stakeholders, and (b) their legal and moral responsibilities for the interests of stakeholders, and should address such conflicts through open communication, appropriate reporting, incentive systems and, where necessary, third-party review.

Figure 3-10

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### The Clarkson Principles of Stakeholder Management

- Acknowledge: and monitor concerns of legitimate stakeholders.
- 2. Listen and communicate with stakeholders,
- Adopt mechanisms sensitive to stakeholders' claims and requirements,
- Interdependence and distribution: recognise the interdependence of interests, and distribute benefits accordingly.
- Cooperate with other public and private entities to reduce any negative impacts of the business, and to pay compensation,
- Avoid activities that infringe rights of stakeholders, e.g. right to life, property, and clean environment.
- Transparency of activities, reporting of actions taken to address stakeholders' requirements.

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## The Clarkson 7-Principles of Stakeholder Management

The Clarkson Principles of Stakeholder Management are a set of ethical guidelines developed to assist organizations in managing their relationships with stakeholders responsibly. Formulated by Professor Max Clarkson and his colleagues at the Clarkson Centre for Business Ethics and Board Effectiveness at the University of Toronto, these principles emerged from a series of conferences between 1993 and 1998, focusing on corporate social performance and stakeholder theory .Stephen's

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### The Seven Clarkson Principles

### 1. Acknowledgment and Monitoring

Managers should recognize and actively monitor the concerns of all legitimate stakeholders, ensuring their interests are appropriately considered in decision-making and operations.

### 2. Open Communication

Engage in open dialogue with stakeholders about their concerns, contributions, and the risks they assume due to their involvement with the organization.

### 3. Sensitivity to Stakeholder Concerns

Adopt processes and behaviors that are sensitive to the concerns and capabilities of each stakeholder group.

### 4. Fair Distribution of Benefits and Burdens

Recognize the interdependence among stakeholders and strive for a fair distribution of the benefits and burdens resulting from corporate activities, considering their respective risks and vulnerabilities.

### 5. Cooperation with Public and Private Entities

Work collaboratively with other organizations to minimize risks

and harms from corporate activities, and ensure appropriate compensation when such risks and harms cannot be avoided.

# 6. Avoidance of Activities Jeopardizing Human Rights Refrain from activities that could compromise inalienable human rights or introduce risks that would be clearly unacceptable to stakeholders if fully understood.

### 7. Addressing Conflicts of Interest

Acknowledge potential conflicts between managers' roles as corporate stakeholders and their legal and moral responsibilities to other stakeholders, addressing such conflicts through transparent communication, appropriate reporting, incentive systems, and, when necessary, third-party review.

### Academic Significance and Application

The Clarkson Principles are foundational in the field of stakeholder theory, emphasizing that businesses have ethical obligations not only to shareholders but also to a broader group of stakeholders, including employees, customers, suppliers, communities, and the environment. This perspective aligns with the concept of **corporate social responsibility (CSR)**, advocating for businesses to operate in a manner that is ethical and beneficial to all stakeholders.

In practice, these principles encourage organizations to integrate stakeholder considerations into their strategic planning and daily operations. For instance, a company might implement regular stakeholder consultations to inform its policies, ensuring that the voices of various stakeholder groups are heard and addressed. Stephen's Lighthouse+4JSTOR+4www.slideshare.net+4

### ★ Case Study: Application in the Mining Industry

Consider a mining company operating in a region with indigenous communities. Applying the Clarkson Principles, the company would: JSTOR+4Amazon+4Transnational Dispute Management+4

- Acknowledge and Monitor: Recognize the indigenous communities as legitimate stakeholders and monitor their concerns regarding environmental and cultural impacts. www.slideshare.net+8sustainabilitydictionary.com+8UBC Blogs+8
- **Open Communication:** Engage in transparent dialogues with community leaders about mining activities and associated risks.
- Sensitivity: Adapt operations to respect cultural sites and practices.
- Fair Distribution: Ensure that the communities benefit from the mining activities, perhaps through employment opportunities or community development projects.
- Cooperation: Work with local and national governments to address broader social and environmental concerns. stakeholdermap.com
- Avoid Harm: Implement measures to prevent environmental degradation that could harm the community's health and livelihood.
- Address Conflicts: Establish mechanisms to resolve disputes and address any conflicts of interest transparently.

### **®** Relevance in Contemporary Management

In today's globalized and socially conscious market, the Clarkson Principles remain highly relevant. They provide a framework for organizations to navigate complex stakeholder relationships ethically and sustainably. By adhering to these principles, businesses can build trust, enhance their reputations, and contribute positively to society. <a href="https://doi.org/10.1001/journal.org/">Transnational Dispute Management+2Amazon+2JSTOR+2</a>

For educators and practitioners, especially in the fields of management and business ethics, the Clarkson Principles offer valuable insights into the importance of stakeholder engagement and the ethical considerations inherent in corporate decision-making.

Let's dive even deeper, adding more academic depth, critical reflection, and applied strategic insights into the Clarkson Principles of Stakeholder Management.

This expanded explanation is structured as following:

- 1. Philosophical Foundations
- 2. Practical Application in Business Strategy
- 3. Case Reflections Across Industries
- 4. Strategic Tensions and Criticisms
- 5. Evolutionary Trends and Future Outlook
- 6. Summative Discussion

### 1. Philosophical Foundations of the Clarkson Principles

At their core, the Clarkson Principles are **grounded in deontological ethics** — the idea that certain duties and rights must be respected *regardless* of outcomes. Clarkson's view shifts away from a utilitarian "greatest profit for the greatest number" toward an **ethics of duty** to all legitimate stakeholders.

Two deep philosophical assumptions underlie these principles:

### • Intrinsic Respect for Persons:

Stakeholders are not merely means to an end (profits), but ends in themselves (echoing Kantian ethics). Every stakeholder relationship carries inherent moral obligations.

### • Interconnectedness of Society:

Corporations do not exist in a vacuum; they are part of a wider social fabric. Their decisions ripple across communities, environments, economies, and future generations.

Thus, Clarkson sees corporate management not just as *financial stewards* but as *moral agents* embedded in society.

### 2. Practical Application in Business Strategy

The Clarkson Principles are not mere abstract ideals — they **translate into concrete strategic practices** in progressive organizations. Here's how:

Clarkson Principle	Strategic Business Practice
Acknowledgment and Monitoring	Regular stakeholder mapping, risk assessment, social audits.
Open Communication	Stakeholder engagement programs, sustainability reporting (e.g., GRI standards).
Sensitivity to Concerns	Cultural sensitivity training, adaptive CSR programs, DEI (Diversity, Equity, Inclusion) initiatives.
Fair Distribution	Profit-sharing schemes, local community investments, inclusive supply chains.
Cooperation	Multi-stakeholder alliances (e.g., UN Global Compact, Fairtrade certifications).
Avoid Human Rights Jeopardy	Human rights due diligence, ethical sourcing audits.
Addressing Conflicts	Creation of Ethics Committees, third-party governance review boards.

### **Strategic Note:**

Companies that embed these principles deeply into corporate governance often experience greater **risk resilience**, **brand loyalty**, **and access to ethical investment funds** (ESG investing).

### 3. Case Reflections Across Industries

Let's illustrate how the Clarkson Principles are or could be reflected across different industries:

### a) Energy Sector — Shell's Niger Delta Controversy

**Context:** Shell faced global criticism for environmental degradation and social disruption in Nigeria.

### **Clarkson Application Missed:**

- · Failed to monitor community grievances,
- · Inadequate open communication,
- Disproportionate burden of environmental harm on local populations.

#### **Lessons:**

Systematic application of Clarkson Principles could have reduced reputational damage, litigation, and local resistance.

### b) Apparel Sector — Patagonia's Leadership

**Context**: Patagonia, an outdoor apparel company, actively advocates for environmental sustainability.

### **Clarkson Application Successful:**

- · Ongoing engagement with environmental groups,
- Open disclosure of sourcing practices,
- Promotion of fair labor and supply chain transparency.

### **Lessons:**

Stakeholder-centric strategies can enhance both brand equity and financial returns.

### c) Technology Sector — Facebook/Cambridge Analytica Scandal

**Context:** Misuse of personal data leading to massive public distrust.

### **Clarkson Application Missed:**

- Lack of transparency (Open Communication failure),
- Ignoring user privacy as a stakeholder right.

#### Lessons:

Data stewardship is a critical extension of stakeholder sensitivity in the digital age.

### 4. Strategic Tensions and Criticisms

While aspirational, applying Clarkson Principles creates **strategic dilemmas**, such as:

### a) Stakeholder Conflict

**Example:** A factory closure may be needed for corporate survival (shareholders' and customers' interests), but devastates local workers (community stakeholders).

#### **Solution:**

- Stakeholder Salience Mapping (Mitchell, Agle & Wood Model),
- · Prioritizing based on legitimacy, urgency, and power.

### b) Measurement Problems

### Critique:

How do you measure *fair distribution* or *sensitivity*? Quantifying ethical impacts across diverse stakeholders is notoriously difficult.

### **Emerging Solution:**

- · ESG scoring models,
- · Social impact assessments,
- Integrated reporting (financial + social).

### 5. Evolutionary Trends and Future Outlook

In the 21st century, Clarkson Principles are **evolving** under new global pressures:

Trends	How Clarkson Principles Evolve
Climate Change Awareness	Greater emphasis on environmental stakeholders and intergenerational equity.
Digital Transformation	Expanding stakeholder definition to include digital rights holders (data subjects, algorithmic transparency).
Global Supply Chain Complexity	Deeper stakeholder responsibility across the value chain — not just direct employees but suppliers' workers, too.
Rise of Ethical Consumerism	Public demand for authentic stakeholder engagement drives business innovation.

Thus, the Clarkson Principles are not static. They **expand** and **adapt** in response to global challenges.

### 6. Summative Discussion

Why Do the Clarkson Principles Matter So Profoundly Today?

- They **reframe corporations** from private wealth generators to **public value creators**.
- They **anticipate future risks** by urging companies to engage proactively, not reactively, with their societal impact.
- They **institutionalize trust** the most precious currency in a volatile world.

In short, Max Clarkson's legacy was to challenge businesses to **"think beyond the balance sheet"**, to see stakeholders as co-creators of long-term success.

Thus, the Clarkson Principles offer both a **moral compass** and a **strategic roadmap** for sustainable leadership in the 21st century.

### **Case Studies**

Three carefully selected case studies with analysis on real companies through the lens of the Clarkson Principles, and then offer strategic reflections on each case.

### Each case will include:

- Context (What happened?)
- Application or Violation of Clarkson Principles (Mapped specifically)
- Strategic Analysis (Implications and Lessons)



### 💄 Case Study 1: Unilever – The Sustainable Living Plan

#### Context

Unilever, one of the world's largest consumer goods companies, launched the Sustainable Living Plan in 2010, aiming to decouple business growth from environmental footprint while increasing positive social impact.

### **Application of Clarkson Principles**

Clarkson Principle Application

Acknowledgment and Extensive stakeholder mapping (consumers,

suppliers, NGOs, governments). Monitoring

Public sustainability reports verified by third

**Open Communication** parties.

Sensitivity to Stakeholder Product reformulations to remove harmful

Concerns ingredients.

Clarkson Principle Application

Inclusive business models supporting

Fair Distribution smallholder farmers and micro-

entrepreneurs.

Cooperation Partnerships with UN, NGOs, and

governments.

Avoidance of Human

Rights Jeopardy

Human rights policy launched; audits along

supply chains.

Addressing Conflicts

Transparency mechanisms for

whistleblowers and stakeholders.

### Strategic Analysis

- Strength: Enhanced brand loyalty among socially conscious consumers; attracted ESG-focused investors.
- Challenge: Initial tension with shareholders seeking short-term profitability.
- Lesson: Long-term stakeholder-centric strategies require resilient leadership willing to educate shareholders about sustainable value creation.

### **Quantification** Case Study 2: Boeing 737 MAX Crisis

### Context

Between 2018–2019, two Boeing 737 MAX aircraft crashed due to flaws in the MCAS system, killing 346 people. Investigations revealed serious lapses in Boeing's design, testing, and communication processes.

### Violation of Clarkson Principles

Clarkson Principle Violation

Acknowledgment and Failure to heed engineers' concerns and

Monitoring pilot feedback.

Clarkson Principle Violation

Open Communication Concealment of system issues from

airlines and regulators.

Sensitivity to Stakeholder

Concerns

Prioritized cost and speed-to-market over

safety.

Fair Distribution Risk burden placed heavily on pilots and

passengers.

Cooperation Weak collaboration with FAA and other

regulators.

Avoidance of Human Rights

Jeopardy

Ignored foreseeable deadly risks.

Addressing Conflicts Managerial incentives biased toward

rapid delivery, not safety.

### Strategic Analysis

• Strength: Initially fast market capture against Airbus.

- Collapse: Massive reputational damage, regulatory fines, executive turnovers, loss of trust.
- Lesson: Neglecting stakeholder-centered risk management leads not only to moral failure but catastrophic strategic failure.

Reflection: A company's reputation and license to operate can evaporate faster than decades of brand building.

### Case Study 3: Danone – Shareholder Activism vs Stakeholder Purpose

### Context

Danone, a French multinational food-products corporation, had a strong "stakeholder capitalism" ethos under CEO Emmanuel Faber. However, after pandemic-related underperformance, activist

shareholders (Bluebell Capital, Artisan Partners) pressured the board to remove Faber in 2021, citing weak short-term financial returns.

### Complex Application of Clarkson Principles

Clarkson Principle	Complex Situation
Acknowledgment and Monitoring	Strong commitment to environmental and social sustainability.
Open Communication	Public and integrated reporting (financial + ESG).
Sensitivity to	Leading B-Corp certifications and social
Stakeholder Concerns	impact programs.
Fair Distribution	Profit-sharing with employees and community programs.
Cooperation	Partnerships with NGOs and governments globally.
Avoidance of Human Rights Jeopardy	Full supply chain transparency initiatives.
Addressing Conflicts	Board-level tensions between long-term stakeholder vision vs short-term financial pressure.

### Strategic Analysis

- Strength: Danone's stakeholder approach earned global admiration among sustainability advocates.
- Vulnerability: Failure to adequately manage investor stakeholder concerns regarding financial resilience during crisis periods.
- Lesson: Even a stakeholder model must strategically balance the needs of capital providers with social mission. Stakeholder management cannot mean ignoring financial performance.

Reflection: Strategic stakeholder management is about equilibrium, not absolutism. No stakeholder (including shareholders) should feel structurally disregarded.

### Strategic Themes Emerging from These Cases

Theme	Insight
Stakeholder Management is Strategic Risk Management	Neglecting key stakeholders can create existential risks (Boeing).
Stakeholder Trust Is a Competitive Advantage	Long-term trust-building sustains brands and shields against crisis (Unilever).
Balance Between Social Purpose and Financial Discipline Is Critical	Even companies with strong ethical leadership must deliver sustainable financial outcomes (Danone).

### **Output** Closing Critical Reflection

"The ultimate strategic question for any corporation today is no longer 'How much profit did we make?' but 'How did we make our profit?'"
— inspired by Clarkson's stakeholder view

Companies that operationalize stakeholder ethics into real strategies are building not only better businesses but better futures.

## **Stakeholder Management Strategic Checklist for Companies**

### Phase 1: Identification and Mapping

1. List All Stakeholders

☐ Have we identified all stakeholder groups (internal, external,
primary, secondary)?
☐ Have we included "silent stakeholders" (e.g., future
generations, environment, digital rights holders)?
2. Categorize Stakeholders
☐ Have we mapped stakeholders by salience (Power, Legitimacy, Urgency)?
☐ Have we differentiated between financial stakeholders
(shareholders, investors) and non-financial ones (community, environment)?
3. Prioritize Stakeholders Responsibly
$\square$ Have we developed a stakeholder influence–interest matrix?
$\square$ Are critical stakeholders (those with high legitimacy or
vulnerability) appropriately prioritized even if they have low
vulnerability) appropriately prioritized even if they have low power?
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ase 2: Engagement and Communication  4. Establish Two-Way Communication Channels  ☐ Do stakeholders have accessible ways to voice concerns?  ☐ Are feedback mechanisms proactive (surveys, dialogue forums) rather than passive (complaint lines only)?  5. Transparency and Reporting

6.	Cultural and Contextual Sensitivity  ☐ Are communications and engagements tailored to the needs, languages, and cultures of different stakeholder groups?  ☐ Are we actively listening to historically marginalized groups?
Phas	e 3: Risk Assessment and Mitigation
7.	Risk Identification
	☐ Have we identified risks for each stakeholder group (economic, social, environmental, reputational)?
	☐ Have we considered hidden or long-term risks (e.g., climate risks, AI bias risks)?
8.	Fair Distribution of Benefits and Burdens
	☐ Are stakeholders who bear risks also sharing fairly in benefits? ☐ Have we mitigated externalization of negative impacts (e.g., environmental degradation, job losses)?
9.	Human Rights and Ethics Safeguarding
	<ul> <li>□ Are we conducting human rights due diligence?</li> <li>□ Do we have policies to avoid any complicity in rights violations across our supply chains and operations?</li> </ul>
Phas	e 4: Integration into Strategy and Governance
10	Stakeholder Considerations in Decision-Making
	☐ Are stakeholder impacts factored into key corporate decisions
	(e.g., mergers, site closures, new product launches)?
	$\square$ Is there a formal process (e.g., impact assessments) embedded
	in strategic planning?
11	. Board and Leadership Accountability
	$\square$ Is the board of directors trained and accountable for
	stakeholder issues?
	☐ Are executive incentives aligned not only with financial KPIs but also with stakeholder-centric metrics (e.g., customer satisfaction, community impact)?

12. Conflict of Interest Management  □ Do we have internal mechanisms (e.g., ethics committees, ombudsman) to detect and manage conflicts between company interests and stakeholder rights?
Phase 5: Monitoring, Evaluation, and Adaptation
13. Performance Measurement
$\square$ Are we using stakeholder-related KPIs (e.g., employee
engagement scores, supplier ethical compliance, net promoter score, carbon footprint)?
☐ Are these KPIs regularly reviewed and updated?
14. Crisis Management Preparedness
☐ Do we have stakeholder-centered crisis communication plans?☐ Are stakeholders part of our business continuity and resilience
planning?
15. Continuous Improvement
$\square$ Do we conduct regular stakeholder satisfaction audits?
$\square$ Are we open to recalibrating strategies based on evolving
stakeholder expectations?

### ➢ Bonus: Stakeholder Management "Golden Rules" to Remember

- **©** Respect is foundational even stakeholders with low immediate power matter long-term.
- **6** Transparency is non-negotiable silence erodes trust faster than mistakes.
- **®** Balance is strategic satisfying only shareholders at the cost of other stakeholders is short-sighted.
- **6** Adaptability is critical stakeholder landscapes evolve with social, technological, and political changes.
- **©** Value creation is shared real success comes when stakeholders thrive with the company.

### Example of Using the Checklist

Company	Strong Areas	Weak Areas	<b>Action Steps</b>
Boeing (737 MAX)	Initial shareholder communication	Stakeholder risk monitoring; conflict of interest management	Reform engineering oversight; separate safety governance.
Unilever	Comprehensive stakeholder mapping and open communication	Tension with short-term financial stakeholders	Educate investors; balance ESG and ROIC targets.
Danone	Stakeholder engagement and social impact	Financial stakeholder confidence during crisis	Strengthen crisis financial management plans.

### **6** Final Words

This **Strategic Checklist** is designed to help organizations **operationalize stakeholder management** — not merely as a CSR activity but as a **core strategic function** tied to risk management, opportunity development, and long-term value creation.

In the **Clarkson spirit**, stakeholder management is **not charity**, but **enlightened self-interest** for sustainable leadership.

**Table:** Shareholder Model vs Stakeholder Model in Business Strategy

Dimension	Shareholder Model	Stakeholder Model
Primary Objective	Maximize shareholder (owner) wealth.	Create value for a broad range of stakeholders (including shareholders).
Focus of Corporate Strategy	Financial returns, stock price, profitability.	Balanced outcomes across financial, social, environmental dimensions.  Shareholders + employees,
Key Beneficiaries	Shareholders (investors, owners).	customers, suppliers, communities, environment, regulators.
Governance Orientation	Fiduciary duty primarily to shareholders.	Broader fiduciary duty to all legitimate stakeholders.
Time Horizon	Often short-term (quarterly earnings focus).	Longer-term sustainability and resilience focus.
Risk Perspective	Prioritize financial risks to investors.	Address multi-dimensional risks (social unrest, environmental impact, reputational loss).
Performance Metrics	Financial KPIs (e.g., EPS, ROE, stock price growth).	Integrated KPIs (e.g., ESG metrics, customer satisfaction, employee engagement, environmental footprint).
Accountability Mechanisms	Financial reporting to shareholders; annual general meetings (AGM).	Broader stakeholder engagement: sustainability reporting, social audits, multi-stakeholder dialogues.
Role of Ethics	Ethics considered if they impact profitability or legality.	Ethics are intrinsic to strategy, not only instrumental.
Innovation and Adaptability	Driven by market competition and return on investment.	Driven by evolving societal needs, stakeholder

Dimension	Shareholder Model	Stakeholder Model
		expectations, and systemic change.
Crisis Response Strategy	Protect shareholder value first; manage PR secondarily.	Protect human lives, communities, and shared resources alongside corporate survival.
Public Perception	May be perceived as exploitative if only focused on profits.	Seen as socially responsible, contributing to social good beyond profits.
Examples	ExxonMobil (historically), early General Motors, certain private equity firms.	Unilever, Patagonia, Danone (under Faber), Interface Inc.

### Analytical Reflection

### Strategic Implications of Choosing One Model Over Another:

| Aspect | Shareholder Model | Stakeholder Model | |:---|:---| | Advantages | Simple governance, clear accountability, focused financial efficiency. | Enhanced resilience, stronger reputation, better risk management, access to ESG capital. | | Risks | Public backlash, regulatory penalties, short-termism vulnerabilities. | Governance complexity, risk of stakeholder conflicts, possible dilution of financial returns. | | **Best Contexts** | Highly competitive capital markets demanding fast returns; traditional sectors. | Complex, globalized environments with strong societal pressures (e.g., consumer goods, energy transition, tech ethics).

### **Reality Check:**

In today's world, pure shareholder-centric models are increasingly unsustainable.

Modern enterprises tend to move toward a "stakeholder-informed shareholderism" — still pursuing financial viability, but explicitly

**integrating stakeholder wellbeing** as a condition for long-term success.

**Clarkson's Principles** push this evolution even further, arguing that "business legitimacy now depends on stakeholder stewardship, not just shareholder returns."

### ★ Conclusion: Why the Stakeholder Model Matters More in the 21st Century

- Global challenges (climate change, inequality, digital ethics) require systemic responses beyond corporate self-interest.
- The rise of **ESG investing** and **ethical consumerism** rewards companies that proactively manage stakeholder relationships.
- Risk profiles have shifted: reputational, social, and environmental risks can now collapse shareholder value overnight (e.g., Facebook, Boeing, BP).

Thus, adopting a **Stakeholder Model** is not only an ethical choice — it is a **strategic necessity** for future-ready enterprises.

### **Q** Critical Discussion

"Can the Stakeholder Model and Shareholder Model be Integrated?
— The Rise of Hybrid Models"

#### 1. Introduction: The Tension Between Two Worlds

Historically, the **Shareholder Model** and the **Stakeholder Model** were framed as fundamentally opposing paradigms:

- The **Shareholder Model** focused on maximizing wealth for owners, assuming that broader societal benefits would naturally "trickle down" through economic growth (Milton Friedman, 1970).
- The **Stakeholder Model**, by contrast, emphasized that corporations have direct ethical responsibilities to all parties affected by their activities (Freeman, 1984).

Yet in the **21st-century business environment** — marked by systemic risks like climate change, social inequality, digital ethics, and fragile global trust — companies are increasingly recognizing that **the two models cannot remain isolated**.

The emerging solution?

→ Hybrid Models that seek to integrate shareholder value creation with stakeholder stewardship.

### 2. Why Integration Is Becoming Necessary

Several converging forces are making pure shareholderism untenable:

• Rise of ESG Investing: Institutional investors (e.g., BlackRock, Vanguard) demand both financial returns and demonstrable environmental, social, and governance (ESG) performance.

### • Regulatory Pressures:

Governments (EU's Corporate Sustainability Reporting Directive, SEC's ESG disclosure rules) are increasingly mandating stakeholder impact disclosures.

### • Consumer Expectations:

Millennials and Gen Z consumers prefer brands that align with social justice, sustainability, and ethical behavior.

### • Systemic Risk Realities:

Climate disasters, pandemics, digital breaches show that ignoring stakeholder risks **destroys** long-term shareholder value.

Thus, long-term financial success now depends on responsible stakeholder engagement.

### 3. How Hybrid Models Are Emerging

Hybrid models integrate shareholder and stakeholder concerns strategically.

Key features include:

<b>Hybrid Feature</b>	Explanation
Purpose-Driven Governance	Companies redefine their mission statements to serve broader societal purposes alongside profitability.
Integrated Performance Metrics	KPIs now include financial metrics <b>and</b> ESG indicators (e.g., carbon footprint, gender diversity, supply chain ethics).
Shared Value Creation	Following Michael Porter's concept (2011), firms design strategies that simultaneously create economic and social value.
Multi-Stakeholder Boards	Inclusion of community leaders, employee representatives, or environmental experts on advisory or supervisory boards.
Sustainable Finance Models	Access to capital increasingly tied to sustainability performance (e.g., green bonds, ESG-linked loans).

### **Examples:**

- Unilever: Combines financial discipline with sustainability leadership.
- **Danone** (before Faber's departure): Declared itself an "Entreprise à Mission" under French law legally binding its purpose to stakeholders.
- Salesforce: Commits 1% of equity, employee time, and product to philanthropy while maintaining strong shareholder returns.

### 4. Challenges of Integration

However, integrating shareholder and stakeholder models is **not simple**. Critical tensions include:

Challenge	Description
Short-termism vs Long-termism	Shareholders may demand fast returns; stakeholder strategies often need longer gestation periods.
Measurement Complexity	ESG and stakeholder impact are harder to quantify consistently than financial metrics.
Governance Complexity	Balancing diverse and sometimes conflicting stakeholder interests complicates board decisions.
Greenwashing Risk	Some companies may pretend to follow stakeholder models without substantive change, undermining credibility.

Thus, genuine hybrid models require **authentic leadership**, **robust systems**, and **transparent accountability** mechanisms.

### 5. Strategic Advantages of Hybrid Models

Despite the challenges, companies that effectively integrate the two models often enjoy:

- **Resilience**: Better preparedness for regulatory shifts, social movements, environmental crises.
- **Reputation Capital:** Trusted brands enjoy customer loyalty and higher employee engagement.
- Innovation: Diverse stakeholder engagement drives product, service, and business model innovation.
- Access to Capital: ESG-focused investment funds and favorable lending conditions.

In short: "Doing good" has become "good business."

### 6. Final Critical Reflection: Can Full Integration Be Achieved?

In practice, complete integration is aspirational but partial hybridization is increasingly achievable and visible.

The future likely lies in **dynamic balancing**:

- Profitability remains essential companies must survive and compete.
- However, how profit is generated matters profoundly: ethically, sustainably, inclusively.

**The Clarkson Principles** offer a moral foundation for this balancing act: corporations should manage stakeholder interests **not because it is fashionable**, but because it **is foundational** to legitimate, durable business success.

Thus, the corporate world is moving from "Shareholder vs Stakeholder" toward "Shareholder through Stakeholder."

Or more precisely:

"Sustainable shareholder value can only be built upon sustainable stakeholder relationships."

### Summary Diagram: Evolution of Corporate Purpose

Traditional Corporate Purpose:

Shareholder Wealth Maximization

**Evolving Corporate Purpose:** 

Shareholder Wealth + Stakeholder Value = Sustainable Business



### Key Terms in Stakeholder and Shareholder Strategic Management

### 1. Clarkson Principles

A set of normative guidelines formulated by Professor Max Clarkson to help companies manage stakeholder relationships ethically and responsibly, emphasizing respect, fairness, cooperation, and avoidance of harm.

### 2. Stakeholder

Any individual, group, or entity that can affect or be affected by the activities, policies, and decisions of a corporation. Examples include employees, customers, suppliers, communities, governments, and the environment.

### 3. Stakeholder Theory

A management theory asserting that businesses have ethical obligations to all stakeholders, not just shareholders, and that attending to diverse stakeholder interests leads to sustainable success.

### 4. Shareholder

An individual or institution that owns shares (equity) in a corporation and has a vested financial interest in the company's profitability and market value.

### 5. Shareholder Model

A corporate governance approach that prioritizes maximizing shareholder wealth, typically focusing on financial returns and stock price performance.

### 6. Stakeholder Model

A corporate governance philosophy emphasizing that companies should create value for all stakeholders, balancing economic, social, and environmental goals.

### 7. Hybrid Model (Shareholder-Stakeholder Integration)

An emerging corporate strategy that seeks to align shareholder value creation with stakeholder stewardship, recognizing that long-term profitability depends on sustainable stakeholder relationships.

### 8. ESG (Environmental, Social, and Governance)

Criteria used to measure a company's ethical impact and sustainability practices alongside financial performance, increasingly influencing investment decisions.

### 9. Corporate Social Responsibility (CSR)

Voluntary business practices that contribute to sustainable development by delivering economic, social, and environmental benefits for all stakeholders.

### 10. Fiduciary Duty

A legal and ethical obligation of corporate executives and board members to act in the best interests of their principals, traditionally shareholders, but increasingly interpreted to include broader stakeholder groups.

### 11. Stakeholder Salience

The degree to which managers prioritize stakeholders, typically based on attributes such as power, legitimacy, and urgency (Mitchell, Agle, and Wood, 1997).

### 12. Sustainability Reporting

The practice of disclosing information on a company's economic, environmental, and social performance, often aligned with global frameworks like GRI (Global Reporting Initiative) or SASB.

### 13. Shared Value

A concept introduced by Michael Porter and Mark Kramer (2011), describing corporate policies and practices that enhance competitiveness while simultaneously advancing societal and community well-being.

### 14. Greenwashing

The practice of conveying a false impression or providing misleading information about how a company's products or policies are environmentally sound.

### 15. Purpose-Driven Company

A company that defines its core mission around creating social and environmental value in addition to generating profits, often embedding purpose legally (e.g., "Entreprise à Mission" in France).

### 16. Long-termism

A strategic mindset prioritizing sustainable value creation and resilience over immediate financial gains, often aligned with stakeholder management principles.

### 17. Short-termism

The excessive focus on immediate financial results, often at the expense of long-term stakeholder interests, sustainability, and corporate reputation.

### 18. Human Rights Due Diligence

A process through which companies assess, prevent, mitigate, and account for potential human rights impacts in their operations and supply chains.

### 19. Ethical Governance

Corporate governance practices that ensure decisions and operations align with ethical standards, human rights, fairness, and stakeholder respect.

### 20. Integrated Reporting

A corporate reporting approach combining financial and non-financial (ESG) information into a single, cohesive document, demonstrating how an organization's strategy, governance, and performance lead to value creation over time.

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