

ethikos Volume 34, Number 3. March 01, 2020 On ethics: R. Edward Freeman

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An interview by Adam Turteltaub, CHC, CCEP, SCCE & HCCA Vice President of Strategic Initiatives & International Programs.

AT: I think it would be good if you could start with a brief overview of what stakeholder theory is and isn't, since, like business ethics, it is often misunderstood.

EF: Stakeholder theory is the simplest idea in the world. It says that all businesses create—and sometimes destroy—value for their customers, suppliers, employees, communities, and financiers (people with the money). The way they create value for their stakeholders is through their business model. It says that the interests of these five groups are intertwined and interconnected. And it says that executives and entrepreneurs do best when they try to create “win-win-win-win-win” strategies rather than just trade off the interests of one group for others.

What stakeholder theory is *not* is corporate social responsibility only, or philanthropy, or just creating value for shareholders.

AT: To your experience, what is the connection between traditional business ethics and stakeholder theory?

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