Abstract: Stakeholder theory, as a method of management based on morals and behavior, must be grounded by a theory of ethics. However, traditional ethics of justice and rights cannot completely ground the theory. Following and expanding on the work of Wicks, Gilbert, and Freeman (1994), we believe that feminist ethics, invoking principles of caring, provides the missing element that allows moral theory to ground the stakeholder approach to management. Examples are given to support the suggested general principle for making business decisions under feminist moral theory.

R. Edward Freeman and Daniel R. Gilbert, Jr., in their critical examination of the field of business and society (1992), call for a different view of business from the economics-based vision prevalent today. Instead, they argue, we need to view business as a connected set of relationships among stakeholders built on principles not of competition and justice but cooperation and caring.

Stakeholder theory, popularized by Freeman himself (1984), may be seen as a first step in this direction. However, while Freeman suggested the view of corporations as a set of relationships in his seminal work, little has been done to follow up on the notion. Subsequent researchers have viewed stakeholders as relating to “the firm” but not necessarily to each other. Economics-based matrices are constructed, including that of Freeman (1984) and Brenner and Cochran (1991), to attempt to give a measure of relative importance to the interests of various stakeholders, but these are based on rights and power, on contractual, legalistic relationships instead of relationships inherent in stakeholder existence. It is time to heed Freeman and Gilbert’s call, to rid ourselves of the shackles we impose by accepting an economics-based view of the world, and gain a different vision of the business enterprise and the nature of its relationships to other elements of society.

It may seem to some that neoclassical economics, and in particular its application through agency theory to organizations, may move us in the proper direction through its focus on the firm as “a nexus for a set of contracting relationships among individuals” (Jensen and Meckling, 1976, p. 310). However, this view of the firm is legalistic, as are the relationships it references. Freeman’s original formulation is also legalistic, particularly in its emphasis on stakeholder rights and power.
But stakeholder theory is an implicitly moral theory of the firm. Freeman (1984) makes this explicit in his call for voluntarism in dealing with stakeholders. One of the difficulties with stakeholder theory has been that, despite this moral emphasis from the early development of the concept, no moral theory has been found that adequately grounds decision making in stakeholder relationships. In fact, traditional moral theory has been examined and found wanting (Dunn, 1990; Dunn and Brady, 1995). Even utilitarian theory, which some have argued is a form of benevolence (Williams, 1985), is not acceptable, for the benevolence of utilitarian theory is a vague form that equates the happiness of individuals with the good of society. Stakeholder theory, in contrast, examines the good of individuals and attempts to satisfy as many individuals (or groups) as possible. To stakeholder theorists, these individuals are more than discrete units in some moral calculation, with the effects on each added together to find what is best for society; they are concrete, real people and groups who have particular relationships not only with the firm but with other stakeholders as well.

Feminist theory has been suggested by Freeman and Gilbert (1992) as a possible fruitful source for new views of business. Wicks, Gilbert, and Freeman (1994) have followed that suggestion by discussing the contributions feminist theory can make to conversations regarding the stakeholder concept. The current paper continues that conversation by arguing that a feminine view of morality can ground decision making in a stakeholder model, thereby making that model a viable option for those managers interested in operating according to moral principles.

**Feminist Theory**

Before examining feminist ethics, we must understand the fundamental differences between a feminist approach to philosophy and the more traditional approach—what Wicks et al. call the masculinist approach—that underlies traditional ethics. These differences are shown most clearly in ontology and epistemology. Traditional ethics is founded on an ontology of the individual self. “Others” are seen as threats, so rights become of prime importance. The resulting moral theories tend to be legalistic or contractual in nature. Kant (1964), for example, equally values universality and treatment of humans as ends. This is because only if treating humans as ends is universal can the self expect decent treatment from others. It is a form of contract best epitomized by the rule, “Do unto others as you would have them do unto you.” Utility theory and justice theory both posit, either implicitly or explicitly, a contract with all others requiring that we will not consider ourselves or anyone else as having more right to happiness or justice than any others. It is because we are concerned with our own rights that we enter into these types of moral agreements, agreements that carry sanctions if they are broken—if one’s rights are violated.

Traditional ethics is also based on a view of knowledge as abstract, universal, impartial, and rational. Rawls’ (1971) initial position, Kant’s practical reason,
Bentham's (1988) utilitarian calculus all are based on impartiality and reasoned thought. They are meant to be applied universally. Within such constructions, persons are easily substitutable one for another, with no impact on the ethical outcome of the action under consideration. These moral frameworks are also meant to be applied through reasoned calculation. Rawls wants us to decide whether we would choose a particular state of the world if we did not know the position we occupied, through rational analysis of the possible consequences. Kant's universalizability criterion for a moral rule is to be used rationally; it assumes we each have the "capacity for pure reason" that allows us to recognize authentic moral truth. The utilitarian calculus, as mathematics, has a rational foundation.

As Wicks et al. imply, feminist theory is founded on totally different assumptions regarding the state of the world and the definition of knowledge. Feminist philosophers view the person as essentially relational, not individualistic. This does not mean that all feminist philosophers deny the existence of the self; it means that the self has relationships that cannot be separated from its existence. Many philosophers in this tradition use the mother-child relationship as the paradigm for this way of thinking (see, e.g., Held, 1987; Ruddick, 1989; Whittbeck, 1984). Others, while not comfortable with the metaphor of the mother-child relationship, emphasize that a relationship is the appropriate method of understanding ourselves as "second persons" (see, e.g., Baier, 1985; Code, 1987). This term simply means that there is no "I" unless there is a "you," beginning with the mother-child relationship but continuing to develop from it. Friendship—as Code (1991) puts it, a degendered Aristotelian conception of friendship—becomes the model of how we should understand the world. According to feminist philosophers, this emphasis on relationships in turn emphasizes their moral worth—and by extension the responsibilities inherent in the relationship, rather than rights as in traditional ethics. While traditional ethics can be viewed as being built on responsibilities, particularly the Kantian conception of duties, traditional moral theories turn much more quickly to a discussion of rights, whereas feminist philosophers continue to discuss responsibilities through the notion of caring.

Feminists' ontology of humans as essentially relational beings is tied to their epistemology. They believe that humans only know through relationships. If relationships are identifying characteristics of humans, then the abstract, universal, impartial, and rational standard of what is knowledge is inadequate in decision making. That standard does not acknowledge the fact that people have relationships and will be affected by those relationships, producing knowledge. It is wrong to ask that we do not take our relationships into account when making decisions regarding right action. We know particular things about particular humans, and because of this knowledge we are partial toward some of those humans. These facts not only will affect, more to the point they should affect, our decisions—through emotions, which feminists (e.g., Jagger, 1989) count as knowledge.
To be sure, traditional moral philosophy has not ignored the issue of partiality. In fact, several philosophers have argued that impartiality is an untenable position. John Cottingham (1983, 1986), for example, believes that despite our intuition that partiality is somehow unfair, it is actually moral to make decisions based upon relationships. He argues that relationships imply exclusivity, that a concentration on one with whom someone has a relationship comes at the expense of others with whom that person could have relationships. Cottingham acknowledges that there are exceptions to the general rule of partiality. He cites public officials as well as personnel managers of firms as such exceptions, stating that their positions and the duties involved in those positions require impartiality. His rule is that one cannot harm neighbors to help oneself or one's friends, and that as long as one does not have a duty to be impartial, it is morally correct to "favour one's own" (Cottingham, 1986, p. 358). Andrew Oldenquist (1982) makes a similar argument, calling for moral reasoning based on a duty of loyalty to certain individuals or groups in society.

These theories regarding partiality note the importance of particular relationships, as does feminist philosophy. And by emphasizing the importance of love, as does Cottingham, they bring emotions and responsibilities much more to the forefront of moral discussion than do those who rely on utilitarianism or Kantian deontology. In this way they are also similar to feminist theory.

However, these theories of partiality lack one element of feminist theory that is very important in applying any moral theory to the stakeholder concept: the inherently relational character of human beings. Although relationships are important in these theories, nowhere is this idea taken to the level that it is in feminist theory, where relationships are inherent in the human condition. In the theories epitomized by Cottingham, a person could retire to a cave, know nobody, and be acting morally, for she would have no relationships. To a feminist philosopher, such a person would be behaving immorally, for she would be ignoring the relationships inherent in her existence: those with her relatives, for example, or friends she had made previously. Because we believe that relationships are also inherent in the world of business—that merely by being in existence the organization has stakeholders—we believe that feminist theory is more appropriate for this discussion than other theories that emphasize partiality.

_Ethics of Caring_

These differences in ontology and epistemology lead to an emphasis on caring as opposed to justice in feminist moral theory. Two discussions of caring in particular have gained notice, those of Carol Gilligan and Nel Noddings. Gilligan’s concepts are the background of the work of Wicks et al., but there are sufficient differences between her work and that of Noddings that both should be explicated in any discussion of theories of caring.

**Gilligan and a Different Voice**

Gilligan’s ideas concerning caring form not so much a theory as a critique of a theory, in this case that of Lawrence Kohlberg (1981). Gilligan takes issue with
Kohlberg’s findings that women are less morally developed than men. She believes those findings are biased because men and women speak different moral languages. Men tend to speak and act in the language of justice and rights. As this is the language of traditional moral theories and is what Kohlberg attempts to measure, it is not surprising that men show relatively high levels of moral development. Women, on the other hand, are less likely to speak in this language, so they do not perform well responding to Kohlberg’s moral dilemmas. Instead, women speak and act in the language of caring and responsibilities, the differences between the genders being based on infantile experiences.

Women move in and out of three moral levels according to Gilligan. One is where the self is the sole object of concern. The second is where the chief desire is to establish connections and participate in social life—in other words, maintain relationships or direct one’s thoughts toward others. This is the level Gilligan says forms the conventional notion of women. The third level is where the woman recognizes both her own needs and the needs of those with whom she has relationships. While women never settle completely at any level, as they attain moral maturity more of their decisions will be made using the third level. This level gives all parties in a relationship responsibilities, as it requires that they consider both their own good (responsibilities to oneself) and the other’s good (responsibilities to others) when deciding what is right action. It requires care for others as well as for oneself. In other words, it moves morality away from the legalistic, self-centered approach feminists view as characterizing traditional ethics.

**Noddings and Caring**

Noddings, unlike Gilligan, attempts to formulate a general moral theory of care. Her position is that traditional theories that place justice as the foundation of morality are wrong. Instead, care should be the foundation, with justice as the superstructure. For Noddings, ethics is about the desire to be a good person, not about what “good” is. And ethics is concerned with relationships, not with atomistic individuals.

According to Noddings, people naturally privilege their family members and friends in making decisions, and this is as it should be. She wants us to move beyond that immediate circle, however, to care for others who are related to us either through our intimates or through some role we play—for example, at work. Even though our caring for these people may be less than our caring for those in our immediate circle, Noddings believes it is imperative that we exhibit some care for them. Noddings sees relationships, and thus caring, as not stopping even with everyone we know. Instead, we are even to care for those with whom we have no present relationship, merely an anticipated hypothetical relationship.

Noddings defends herself against the charge of ethical relativism by arguing that a caring attitude is universal, indeed that it is fundamental to all humans. However, she rejects universal laws, saying that ethics is about concrete, particular relationships, not abstract concepts like the good of society.
Noddings does not deny that humans are at some level self-interested. Instead, she claims that we affirm our own interests by affirming another's needs. This is because one fundamental desire of all humans is to be related to other humans. Noddings further believes that our persons are defined by the set of relationships we have as physical selves. Therefore, by affirming another's need we are remaining related, fulfilling our desire and continuing to define ourselves as persons.

Moral dilemmas for Noddings are not individual but relational, not a monologue but a dialogue, because each moral dilemma will involve a relationship and thus affect all people involved in that relationship. Consensus is the goal of all those engaged in dialogue regarding moral dilemmas. Noddings does not want conflict or competition to be involved in moral decision making. Morality is not about being the best, it is about reducing evil. The dichotomous thinking that traditional ethics espouses—me vs. you—is replacing by thinking about us. Above all, we are not to cause anyone pain or separation. No good is worth that.

The Problems with Feminist Ethics

There are caveats that we feel must be noted regarding feminist ethics, caveats not considered by Wicks et al. First, there is the question of how to model the ideal relationship. Feminist scholars often look to the mother-child relationship, although (as previously noted) some do not like to use that particular relationship. Indeed, there are problems with the metaphor of the mother-child relationship. It is not voluntary, while most relationships in the real world are voluntary. It is permanent, while most relationships are not. It is an unequal relationship; the mother has great power but also great responsibility to care for the child, who is dependent on the mother for at least part of the relationship. While unequal relationships certainly exist in the real world, we should question whether we want our ideal relationship to be inherently unequal.

These attributes have led other feminists to consider friendship as the ideal relationship (e.g., Baier, 1985; Code, 1987). This relationship is voluntary, not permanent, and can be equal—although it often is not. It seems to be a better model for real-world relationships, particularly among stakeholders, but other relationships also exist in the real world—relationships of convenience or necessity that may not be modeled well by friendship.

Another problem with feminist ethics is that it often seems to place caring and justice in opposition to each other. Tong (1993) argues that caring and justice are not opposed but complementary attributes of the good society: both are necessary but not sufficient. Wicks et al. take pains to point out that adopting a feminist perspective does not mean that the masculinist perspective is irrelevant. We agree with them; however, we feel it is possible to be both just and caring in a feminist conception of morality, which we will discuss in a later section of this paper.

A third caution regarding feminist ethics is that it is easy to represent the relational self as really no self at all. Noddings does this to an extent when she
says persons are defined by the set of relations into which their physical selves are thrown. But this view of the self leads naturally to the view that others are all important in the definition of the self, that the self does not exist without others. Gilligan’s third level of moral development argues against this in that at this highest stage caring for oneself as well as others becomes important. However, it is still an important point to make.

Wicks et al. walk the fine line between Noddings’ conception of the self and that implied by Gilligan. Their proposed definition of the corporation as “constituted by the network of relationships which it is involved in” (Wicks et al., 1994, p. 483) sounds very similar to Noddings’ definition of the self—and to neoclassical economics, if one were to substitute “contracts” for “relationships.” Yet Wicks et al. also note that they do not want to rid the firm of an individual identity, which is consistent with Gilligan’s views. Their definition could be better written as “the corporation is constituted by both itself as an entity and the network of relationships in which it is involved.” This definition would both give clarity to their intent and be true to Gilligan’s idea of the self, which seems to us better than that of Noddings.

But this definition leads to the idea of a firm as a caring entity, as it must be under a feminist interpretation of stakeholder theory. It seems intuitively apparent that some firms “care” more than others. For example, Levi Strauss seems to be a more “caring” firm than Union Carbide. But what do we mean when we say that a firm “cares”?

If one follows the argument of French (1977), once could say that a firm would care if, as an intentional system, it exhibits caring behavior consistent with firm policy. One does not have to argue that a firm itself can care, however. Following and drawing analogy to Werhane’s (1985) discussion of corporate actions, what seem to be a firm’s caring actions are more appropriately characterized as a corporation’s secondary actions derived from the primary caring of corporate agents for stakeholders who are privileged by the corporation’s decision makers. For example, a supplier of long standing has earned a place of privilege among the organization’s stakeholders through quality work, timely performance, and low prices. In that sense, the people inside the organization with whom the supplier has worked have cared for the supplier. A purchasing agent who has formed a close working relationship with the supplier eliminates the system of bidding for contracts for the parts the supplier makes. The actions within the organization seem to be an example of caring by the organization; in reality they are the caring of the purchasing agent. Thus, the firm can exhibit caring behavior, even if we do not want to say that a firm “cares.” This view is consistent with feminist theory. Thus, whichever side of the argument regarding the moral status of organizations one takes, we can talk about caring in an organizational context and be understood.

A final caveat that must be mentioned is that caring can be taken too far. For example, Noddings wants us to extend our chains of caring to all those with whom we have even the possibility of forming a relationship. But if we follow
her words literally we shall end up actively caring for hundreds, even thousands of people, wearing ourselves out and possibly having no energy left for those we should care about most, those in our immediate circles. This must be avoided, and the solution is to limit those for whom we care—not to our immediate circle, but to those for whom we can reasonably care while at the same time caring for ourselves.

Feminist Thought and Stakeholder Theory

It is evident that stakeholder theory and the ethics of caring put forward by Gilligan and Noddings have many points of contact. In fact, in one sense it might be said that traditional, economics-based approaches to management have concentrated on the legalistic, contractual, masculine side of human existence. As Wicks et al. imply, stakeholder theory might then be said to be the feminine counterpart to traditional management, as the ethics of care are the feminine counterpart to traditional moral theory.

Stakeholder theory posits the firm as contractually related to any number of stakeholders. This is inherent in Freeman's definition of a stakeholder as any entity that can affect or be affected by the firm's actions (1984, p. 46). Only a firm that does not act will not have stakeholders under this definition, so part of being a going concern is that one must have stakeholders.

Wicks et al. point out that this view forces us to see the firm in a different way. Traditional management views the firm as being in competition with other firms, protecting and seeking to further its own interests—almost always at another's expense. Legal, contractual relationships are formed to prevent the worst forms of exploitation from occurring. Williamson notes that such contractual relationships are a surrogate for "trust" in the relationship, thereby reducing the possibility of "opportunism," defined by Williamson as "self-interest seeking with guile" (Williamson, 1975, p. 255).

Stakeholder theory, on the other hand—particularly considering Freeman's plea for voluntarism in dealing with stakeholders—seems to promote a more cooperative, caring type of relationship. Firms should seek to make decisions that satisfy stakeholders, leading to situations where all parties involved in a relationship gain. The inherent relatedness of the firm under stakeholder theory forces firms to examine the effect of their decisions on others, just as the inherent relatedness of humans in feminist theory forces us to examine the effect of our decisions on others. Feminists may call humans "second persons"; stakeholder theorists could call firms "second enterprises."

Stakeholder theory also deals with concrete relationships. Traditional management theory discusses "competitors," "suppliers," "buyers," and other firms in abstract terms. Universal rules for dealing with other organizations may be set. Rationality is also a key part of traditional theory. Even those who turn from "optimizing" to "satisficing" (e.g., Simon, 1958), or discuss "cognitive limits" on rational decision making (e.g., Schwenk, 1984), do so in an implicit climate of rational thinking. Stakeholder theory has the potential to make stakeholders
concrete. It is not a matter of dealing with “suppliers” but of this supplier of that product, raw material, or service. The question is the type of effect your decision has on that particular supplier, not “suppliers” in general.

And one of the problems with research into stakeholder theory may not be a shortcoming of the theory at all, but rather that researchers have been attempting to apply it in a rational fashion. Stakeholder theory implicitly appeals to the emotions, to our intuitions regarding the worth of certain relationships. We consider the effect of our decision on a supplier. We have an emotional response to that consideration. We feel that the relationship is important. Either we see that the effect on the stakeholder is positive, in which case we are happy and proceed to act on our decision; or we see that the effect is negative, in which case we are unhappy and pause to reconsider our decision. Emotions therefore become part of knowledge in stakeholder theory, just as they do in feminist theory.

Stakeholder theory also stresses our responsibilities to others more than our rights, as might be expected from a theory that emphasizes relationships. This is a fundamental tenet of feminist moral theory as well. Gilligan discusses how women feel responsibilities are more important than rights, and her second and third levels of women’s moral development—higher levels of maturity—have at least some emphasis on the good of others. Noddings says that dilemmas must involve dialogue, which involves an inherent responsibility to engage others in conversations regarding their situations, feelings, and outcomes. Traditional management, in contrast, focuses on rights, as does traditional moral theory. Even the duties enjoined by traditional moral theory are based on rights we have and so must grant to others, not responsibilities we have irrespective of others’ responsibilities. Traditional moral theory would require only that we consider others’ situations, feelings, and outcomes and rationally decide what is best for all concerned, perhaps taking into account principles of justice, autonomy, and universalizability. This is not the same as involving those affected by our decisions in the decision process itself, as would be required by a feminist perspective.

**A Translation to Business Decision Making**

One of the basic problems with the application of stakeholder theory to practical business decisions is that it gives no moral rules for decision making. Those who want to apply moral theory to business must do so in the area of decision making, because to be moral (at a minimum) one must act morally, that is do the “right” things. Stakeholder theory is an attempt to base business on moral principles. But no moral principle has been found that fully grounds decision making under stakeholder theory.

The problem arises when two stakeholders have opposite views of a decision and will be affected adversely if the decision goes against them. This situation occurs continually in business. It could be two suppliers, the union and the stockholders, government and the community, environmental and consumer groups—the list of possibilities is almost endless, given that stakeholder theory
is about relationships in business, and almost any decision in business will affect several stakeholders.

The hard part is to try to make a moral decision under traditional ethical theories. Any theory based on rights, or a contract, will eventually run into problems, because the rights one stakeholder has will not necessarily make a greater claim on the firm than the rights of another stakeholder. In the cases where a moral theory treats all people (and by extension groups) equally in terms of rights, then who should be privileged when a decision must be made? Whose contract should be broken? In a situation where claims among stakeholders are more or less “equal,” traditional moral theory cannot give us an answer. And certainly the survival of the firm ought not to be what serves to force a decision among the competing interests, as organization theorists have suggested.

An examination of possible rules for decisions will give reasons why these questions cannot be answered. One rule would be to have no rule, to make an arbitrary decision such as flipping a coin. This type of rule, although impartial, is not morally sound. One could also use some sort of relativistic rule, such as “I’ll do whatever seems best at the time.” Moral relativism typically is rejected by people who study ethics, although some arguments for its appropriate use have been made.

A rule accepted by most students of moral theory is to use a principle based on one of the traditional ethical systems, such as Kantian deontology, utilitarianism, or justice theory. But these theories, as we have seen, are based on legalistic, contractual, masculine notions of morality. They regard others equally and with impartiality. No person has natural rights that others do not possess. In most situations this has no bearing on the morality of a decision. But in a situation such as can occur often under stakeholder theory, where stakeholders have equal interests in a decision, the traditional moral systems do not help us. They have no way of deciding impartially among equals.

Wicks et al. propose a rule of consensus and understanding following feminist, caring ethics. First, the attempt is made to find win-win solutions to the issue confronting the firm and its stakeholders. If this seems impossible, communication is urged to encourage understanding of others positions and eventual acceptance of a “second best” result (p. 488). However, this approach will only work if all the involved stakeholders adopt a caring approach to their interactions. Those firms who still operate under a masculinist approach to interactions among stakeholders will insist on their “rights” as stakeholders; they will not accept “second best status.” If the firm, in the interests of consensus (or elimination of conflict), moves to satisfy the “squeaky wheel” stakeholder, it may be making a decision that is not consistent with its own or society’s best interests. It may take a long time for the principles Wicks et al. advocate to be adopted by all stakeholders—if indeed they ever all adopt those principles—so we need to find another decision rule for the firm that wants to apply the stakeholder concept to its interactions with stakeholders today.

The other possible rule is another that invokes caring. This rule would, following Noddings, be one such as, “I will privilege those with whom I have a close
relationship.” As Noddings argues, this is not a relativistic rule. Relativism concerns a rule that is adopted by a particular individual or society as applicable only to that individual or society. A relational rule such as Noddings proposes would be applicable universally.

Such a principle would not entail the disregard of others. An ethic of caring requires that we care for all with whom we have a relationship. In the case of stakeholder theory, this would mean that we try to satisfy all reasonable stakeholder demands, as we care about and for all stakeholders. However, remembering the caveat that we cannot care for everyone equally, this principle would recognize that trade-offs must be made in dealing with stakeholders and give us guidance for making those trade-offs.

However, feminine ethics such as that of Noddings and the principles derived from them cannot be applied in isolation. Not only do we have the word of Tong (1993) that a society—or a person, or a firm—cannot be caring unless it is also just. And not only do we have the words of Wicks et al. that favoring one side of the debate does not mean that we must exclude the other side. We can cite many situations where the caring principle enunciated above, applied to stakeholder theory, will result in harm—something Noddings says cannot be countenanced.

One of the best examples of the problems a principle such as “Privilege those with whom you have a close relationship” causes comes from the documentary “The Global Dumping Ground.” This film tells the story of a firm that must dispose of scrap metal, including lead acid batteries. The firm wants to be a good corporate citizen and recycle the batteries. However, it is concerned about the cost of such a move, and it must be careful in such a project because of regulations in the United States pertaining to employee safety. The firm therefore sends the batteries to Taiwan for recycling. In Taiwan the regulations regarding employee safety are less stringent, and the employees there are subject to many hazards in dealing with the old batteries.

The firm in the film is following a principle similar to “Privilege those with whom you have a close relationship.” The people with whom the firm is close in this case are the firm’s employees—certainly a close (in distance, if not always in emotion) relationship. By privileging these employees, however—by keeping them safe from the harmful effects of dealing with old batteries—the firm is harming another group. This group consists of the employees in Taiwan who must, under worse conditions, work with the old batteries. By privileging the closer group, the firm causes harm to a group with fewer advantages.

A Principle for Business Decisions

A caring principle must take situations like this into account. What is necessary from Noddings’ point of view is that harm not be caused—but this seems impossible to fulfill in real life. What we propose instead is a hybrid approach, recommending that special attention be given to the least advantaged members of the moral community—which in this case includes groups as well as individuals (Rawls, 1971). The principle would then read, “Care enough for the least
advantaged stakeholders that they not be harmed; insofar as they are not harmed, privilege those stakeholders with whom you have a close relationship.”

This principle may not eliminate harm, but it at least limits harm among those who are most vulnerable and who will suffer more from harms than the more advantaged in society. The least advantaged stakeholders thus enjoy a special relationship with the firm. In the case discussed above, the firm would form a special relationship with workers in places such as Taiwan. It could do this in a number of ways, such as ensuring safe working conditions for them or performing the work in the United States or somewhere else where such conditions are mandated.

One might argue that the workers in the United States would be harmed by such a step—either through increased expenses or the burden of working with the batteries themselves. But this really is not harm as much as it is a withholding of benefits. The U.S. employees are in the same position they would have been if the firm had not conceived of dumping the batteries in Taiwan. The benefits gained by the U.S. employees through not dealing with the batteries are withheld. But no additional harm is done to them, as long as the firm follows U.S. safety regulations in recycling the batteries. We cannot say that of the actual occurrence depicted in “The Global Dumping Ground.”

More generally, a firm following this principle must perform a stakeholder analysis not merely to understand which stakeholders have power and which have a stake in the decision, but also to understand which stakeholders are most vulnerable to the action. In any situation where trade-offs are required, the firm thus gains a special, very close relationship with those disadvantaged stakeholders and must care for them to the extent possible, even if that caring requires a withholding of benefits that would normally come to other stakeholders. The firm must attempt to avoid causing actual harm in all decisions.

It is important to understand the various applications of this principle. In “The Global Dumping Ground,” a firm’s actions actually cause harm to a disadvantaged and disenfranchised stakeholder. Our principle would forbid such actions. However, let us consider another, more common business decision—that of which supplier to use in a purchasing situation. Suppliers typically would not be considered disadvantaged stakeholders. Presumably they are business firms in an attempt to make money. Although benefits will be withheld from those suppliers who are not chosen, this is no harm, particularly in comparison with the harm caused to Taiwanese workers in “The Global Dumping Ground.” Much more important in this situation are the relationships the firm has with various suppliers. Remember that we cannot reasonably care for everyone. We must accept the trade-offs involved and give our business to the supplier with whom we have a close relationship—a relationship built upon trust, experience, and mutual accommodation over the years. A supplier in such a relationship would not raise prices to take advantage of the purchasing firm; instead, the supplier will give good prices to such a loyal customer, one with whom the supplier has an understanding.

Another situation may concern moving a factory. The principal stakeholders involved in this decision are the shareholders, the employees, and the local
community. In a case where the factory has been in operation for a long time, relationships will have developed between the firm's managers and the employees and community. The managers will feel a greater need to care for these stakeholders than they might if the factory had been in operation only a few months. Of course, the factory may not be easily sold. Closing a factory that cannot be easily sold might then cause great harm to the employees and community, and caring managers could not cause such harm. On the other hand, if the factory is easily sold, or the firm has already lined up a buyer, much less harm is caused, and caring managers might feel the trade-off needs to be made.

This brings us to the case of stockholders. Much debate has occurred regarding the status of stockholders under stakeholder theory (e.g., Goodpaster, 1991; Boatright, 1994). Under our principle, large stockholders will have a special relationship with some managers, specifically top management, through personal contacts as well as the board of directors. However, small stockholders, say the individual who owns 100 shares of a firm with 10,000,000 outstanding shares, will not have a close relationship with any manager, and few lower-level managers will have a close relationship with any stockholder. Does this mean that stockholders would not be privileged under our principle? In many situations, this may indeed be the case. However, stockholders should indirectly benefit from, not be harmed by, decisions made under this principle. For example, if the firm continues a long relationship with a supplier, it is assured of competitive prices and continued supply. This allows more efficient production, benefiting shareholders. In the case of "The Global Dumping Ground," shareholders—as with U.S. employees—would not be harmed if the batteries were recycled in the U.S.; benefits would be withheld.

But what about the case of moving the factory? In such a situation, if it is imperative to the firm's survival that lower production costs be achieved, caring managers must consider small stockholders—and, perhaps, those people who have invested their savings in the mutual fund that controls a large percentage of the firm's stock—as stakeholders that could be greatly harmed if the firm kept the factory open. The firm's managers will need to consider the closeness of the relationship with employees and community, and the harms inflicted on each group, before making a final decision. It thus is not inconceivable that stockholders would be privileged under this principle, but it is not a given, either, as neoclassical economists have suggested. As with any relationship under this principle, harm must be minimized.

Conclusion

Stakeholder theory, as a theory based not on economics but on morals and behavior, needs a grounding besides that of economic theory. This grounding must recognize the inherent relatedness of individuals and groups composing the stakeholder network. Few moral theories include this recognition. Feminist theory does, and we must use the insights we gain from Gilligan, Noddings, and others to further develop methods of decision making that allow stakeholder theory to become more than theory, to become fact within organizations.
Note

We would like to acknowledge the helpful comments of Patricia Werhane and an anonymous reviewer of an earlier version of this paper.

Bibliography


