IMPRESAPROGETTO
ELECTRONIC JOURNAL OF MANAGEMENT
n. 3 – 2025

Stakeholder Theory as a link between ethics and business

Gianfranco Rusconi[*], Prem Sagar Menghwar[†]

Summary: 1. Introduction - 2. Ethics and business management: from the ethics as a limit to the synergy between ethics and business in stakeholder management - 3. The Relationship between ethics and norm in stakeholder theory, general characteristics: The work of Donaldson and Preston and the "reductionism" of Kaler and Orts and Strudler - 4. The search for instrumentalism based on ethical norms is evident in the models proposed by Jones and Mitchell, Agle, and Wood - 5. The search for a convergence between ethics and business - 6. The efforts to implement synergy: the proposals of Tashman and Raelin and Derry's critical view - 7. Freeman's concern about an indirect return of the separation thesis and a mention of the potential contribution of the systemic vision of Italian "Economia Aziendale" to the stakeholder theory debate - 8. Reflections on the recent developments in the last decade from 2014-2024 - 9. Conclusion - Bibliography.

Abstract

There has always been a relationship, though very often implicit, between ethics and business: only very few scholars or practitioners do not openly recognize that business behavior must comply not only with law, but also with ethical constraints. Friedman (1970) considers maximizing profits for shareholders as the only duty of managers but asks for ethical customs to be respected as well. The stakeholder view asks for more, affirming that it is based on the idea of an intrinsic, strict and synergic connection between ethics and business and, consequently, the relations between ethics and business are essential questions for this approach. This paper examines the most interesting works of Authors, who try to connect ethics with business, and presents their contributions and limitations. All these studies both contribute to a better understanding of the ethics/strategy connections in the stakeholder view and are useful for achieving better managerial practices. In the last decade, research has shown that stakeholders are not only concerned with a firm's ethical approach to them, but

[*] **Gianfranco Rusconi**, Emeritus Professor in the Department of Management, University of Bergamo, Via dei Caniana 2, 24127 Bergamo; e-mail: gianfranco.rusconi@unibg.it.

[†] **Prem S. Menghwar**, Post Doctoral Research Associate, Darden School of Business, University of Virginia, USA, 100 Darden Blvd, Charlottesville, VA 22903; e-mail: menghwarp@darden.virginia.edu.

DOI: 10.15167/1824-3576/IPEJM2025.3.1739

also with its treatment of other stakeholders. Freeman and colleagues (2020) outlined five principles of stakeholder theory, which have further strengthened the foundation of the theory. In conclusion, the paper affirms that an ingenuous and rough win-win view cannot logically be acceptable, but creative and responsible management could lead to a sort of asymptotic and synergic convergence between ethics and competitive strategy.

Keywords: ethics, business, stakeholder theory, asymptotic convergence

1. Introduction

The relationship between ethics and entrepreneurial activity has always existed; humans have always pondered, in different ways, the relationship between their actions and a higher moral standard to adhere to.

A first in-depth reflection on economic ethics within Western thought can be found in Aristotle's Nicomachean Ethics, while medieval thought strongly incorporated ethical and religious ideas in the evaluation of economic behavior (see, for example, St. Thomas Aquinas).

Moving to more recent times, both Adam Smith and radical libertarian Milton Friedman do not deny a role for ethics in economic action, although there are (few) dissenting voices (Carr, 1968, with the theory of "bluff").

From numerous business ethics texts from the 1980s, especially those used in North American universities, emerges the rejection of the so-called theory of business amorality, such as the idea (or stereotype?) that business in general, and business activities in particular, operate in a sort of moral-free zone.

Acknowledging that ethics is not foreign to economic activity, this work considers its role in business management; it particularly examines the relationship between ethics and a theoretical approach to management that tends to recognize its significant role even in business terms.

This approach, composed of a "family" of theories commonly referred to as "stakeholder theory", rejects the so-called "Separation Thesis" and asserts that in actual business management, there cannot be business actions separated from ethical aspects. Freeman and colleagues argue that by integrating business and ethics, we can address both the problem of value creation and trade, and the ethical challenges of capitalism. One of the core insights of stakeholder theory, therefore, is integrating "creation of both economic and noneconomic value" (Menghwar and Freeman, 2023, p.6).

Stakeholder theory, born mainly from a strategic-managerial need, has soon assumed an important function in the field of business ethics studies. Throughout the three-decade-long debate surrounding it, an interesting and complex issue has developed regarding the relationship between stakeholder theory and successful managerial management. However, considering the strong role played by philosophical reflections, this debate is not always present in the field of managerial, organizational, and business studies in general.

The close interconnection between ethics and business foreseen by stakeholder theory has been studied and explored from various perspectives; the possibility of further synergistic alignment between ethics and successful management has emerged beyond the simple assumption that the manager must consider ethics as a limit to respect.

However, this important connection poses complex problems, which compel stakeholder theory to seek a delicate balance position, avoiding both slipping towards a naive view of ethics, understood as easily achievable along with sustainable economic success, and, on the contrary, the drift towards purely instrumental conceptions, in which ethics itself disappears, becoming a mere means to achieve economic results.

Starting from the essential hypothesis for stakeholder theory that a synergistic collaboration between ethical respect and sustainable profit attainment is possible, the aim is to demonstrate that in the stakeholder approach, there can be a profound synergy between ethics and business. However, this is the result of delicate entrepreneurial creative work and never reaches a complete and naive identification between ethics and business; hence there exists a sort of asymptotic relationship, like two geometric figures that can approach each other very closely but never coincide.

In pursuit of the purpose of this research, the proposals of various scholars are examined to see to what extent, and with what consequences, it is possible to push the idea of a close synergy between ethics and business, an element that specifically differentiates stakeholder management from other visions of business management.

In this process of historical-critical analysis, it is considered important to present some brief reflections on the role that the application of ethics to Italian "economia aziendale", indirectly or directly (as proposed by first author in some of his works), can play in contributing to a better understanding of the relationship between ethics and business in stakeholder management.

The method followed is typically deductive, based on reasoning and the logical consequences of various proposals, although exemplifications are not overlooked (as in the case of the discussion on the "salience" of various stakeholders), such as those regarding particularly weak stakeholders.

2. Ethics and business management: from the ethics as a "limit" to the synergy between ethics and business in stakeholder management

Referring to specific philosophical and historical literature, it is evident that humans have always arisen the problem of the relationship between their actions and a moral imperative; this naturally extended to economic actions as well. In the Old Testament, there are indications of economic behaviors, starting with the condemnation of usury, while Aristotle, in the Nicomachean Ethics, regulates the purpose of economic action as the realization of personal and communitarian good.

When economic disciplines (in a broad sense) became autonomous from philosophical studies from the sixteenth to the seventeenth centuries, this did not lead to a rejection of ethics. The stereotype of business amorality, and of the economy in general, was a byproduct, not logically necessary, of the so-called "quantitative engineering" of economic thought (Sen, 2006), which develops models linked to calculation and the construction of functions that inherently presuppose a rational "economic man." Such functions can only contain an economistic, simplified, and reductionist view of "human need." This "engineering" is indispensable (beyond the validity of individual models and theories) because without calculation, there is no economic thought; however, if models and formalizations are absolutized as a reflection of being, or even of moral imperative, they become inadequate to reality and can prove to be a dangerous boomerang for the economy, as happened in the 2007-9 financial crisis.

The presence of an ethical element, although interpreted in various ways, is confirmed in the thought of two well-known economists, considered key figures in free-market thought: Adam Smith and Milton Friedman.

Adam Smith, a professor of moral philosophy, considers the basis of the wealth of nations, also understood as an ethical value, to be free exchange in the market motivated by individual interest; however, framing his theory is a connected moral conception, which emerges from his well-known treaty on the theory of moral sentiments.

Milton Friedman is usually cited for the assertion that the social responsibility of managers is to maximize profit for shareholders; however, the subsequent reference to "ethical custom" is often not cited, namely the recognition that the pursuit of profit for shareholders cannot translate into instrumental and formal use of laws when in conflict with some form of commonly accepted morality (Friedman, 1970).

Stakeholder theory, instead, implies recognizing the value of ethics as a possible contribution to sustainable economic growth and business over time[3], showing that the presence of ethics in business can be considered inherently connected and synergistic with business activities, and not simply as an extrinsic limit not to be violated.

The theory, or rather, approach, vision, "genre" of theories (Freeman, 1994), of stakeholders is not a compact and specific theoretical system like agency theory or the neoclassical view of the firm, but it aims to be essentially a good idea for business management: "It[4] is not a theory of the firm. Rather, it's a very simple idea about how people create value for each other. It's a theory about what good management is." (Freeman in Agle et al., 2008, p.166).

However, simplicity becomes complexity when delving into the meaning of economic-financial value and good, i.e. when stakeholder theory proposes an intrinsic, rather than extrinsic, link between business and ethics.

Stakeholder management specifically rejects the so-called "Separation Thesis," which states[5]: "The discourse of business and the discourse of ethics can be separated such that phrases like 'x is a business decision' have no moral content and 'x is a moral decision' has no business content." (Freeman, 1994, p.412).

Stakeholder management emerged and began to take shape between the late 1970s and early 1980s as a suggestion to managers to change the perspective of

[3] Beyond the similarities and differences between these approaches, the recognition of the role of ethics has also happened previously in Italian business studies, see Signori and Rusconi (2009).
[4] Stakeholder theory.
[5] This is not the place to delve into the debate on the Separation Thesis (Freeman, 1994; Wicks 1996; Sandberg, 2008a and b; Harris and Freeman, 2008; Wempe, 2008; Dienhart 2008).

corporate management by broadening the objective of maximizing shareholder value to also include the reasonable and responsible long-term satisfaction of all those who have a "stake" in the firm's activities. By doing so, sustainable profitability over time would be ensured, particularly in a turbulent, ever-changing, and globalized economic environment.

In addition to this typically managerial approach, there could not fail to develop a line of study in the field of business ethics, which aims to study stakeholder theory also from a normative-ethical perspective[6].

This ethical evolution entails:

1. An ethical-normative analysis of the concept of "stake" itself, which can change in content, both by differentiating and expanding beyond strict economic purposes and by reducing the potential stakeholders to be satisfied when considering the moral legitimacy of their demands.
2. Apart from the fact that the concept of stakeholder is conventional-operational and does not express a reality in itself (the same person can be part of multiple stakeholders), identifying and prioritizing various stakeholders becomes more complex when referring to rights and duties.
3. While the practice of stakeholder management in strategic terms solely implies the analysis and balance of stakeholder expectations in function of sustainable competitiveness, an ethical approach requires considering the plurality of ethical principles and visions.

A common characteristic of all theories regarding business management is simultaneously being an attempt to describe the functioning of a reality and a guide to action for what is considered the achievement of its objective; however, speaking of a guide to action does not necessarily mean being directly and inherently in the field of ethics.

Presenting a theory of business management that suggests how to act to improve business equilibrium in terms of economic-financial-patrimonial aspects is not necessarily an ethical discourse, but a duty conditioned by the achievement of an objective whose ethical value, even in relation to the means used, must be assessed independently of its achievement.

All this can be linked to Kant's distinction between hypothetical and categorical imperatives: "Now, *imperatives* in general command, either *hypothetically* or *categorically*. The former present to us the practical necessity of a possible action as a means to achieve some end that we want (or that it is possible for us to want). The categorical imperative, on the other hand, presents an action as objectively necessary

[6] For example, see the interesting observation by Goodpaster on the difference between stakeholder analysis and stakeholder synthesis. The former does not concern action choices and is therefore morally neutral and "It is therefore a mistake to see it as a substitute for normative ethical thinking" (Goodpaster, 1991, p.57), while the latter "*offers a pattern or channel by which to move from stakeholder identification to a practical response or resolution* [note of the authors: italics of the author of the paper]. Here we begin to join stakeholder analysis to question of substance. But we must now ask: What kind of substance? And how does it relate to *ethics*? The stakeholder idea, remember, is typically offered as a way of integrating *ethical* values into management decision-making. When and how does substance become *ethical* substance?" (Ibidem, p.57). See also, for example, Evan and Freeman (1993) for a stakeholder management approach based on the Kantian categorical imperative.

in itself, independently of any end." (Kant, 1994, p.107, translation from Italian version).

Even if not fully accepted in its radicality, this Kantian idea helps to understand that not all moral imperatives are directly connected to obtaining ethical behavior.

3. The relationship between ethics and norm in stakeholder theory, general characteristics: The work of Donaldson and Preston and the "reductionism" of Kaler and Orts and Strudler

The foundational work of Donaldson and Preston (1995) primarily and explicitly distinguishes three approaches to stakeholder theory: descriptive, instrumental, and normative.

In the *descriptive* approach (also definable as *empirical*): "The theory is used to describe, and sometimes to explain specific corporation characteristics and behaviors." (Donaldson and Preston, 1995, p.70).

From an *instrumental* perspective: "The theory, in conjunction with descriptive/empirical data, where available, is used to identify the connections, or lack of connections, between stakeholder management and the achievement of traditional corporate objectives (e.g. profitability, growth)." (Ibidem, p.71).

According to the *normative* view: "The theory is used to interpret the function of the corporation, including the identification of moral or philosophical guidelines for the operation and management of corporations." (Ibidem, p.71).

Donaldson and Preston believe that: "The central core of the theory is, however, normative. The descriptive accuracy of the theory[7] presumes the truth of the core normative conception, insofar as it is presumed that managers and other agents act as *if* all stakeholders' interests have intrinsic value." (Ibidem, p. 74).

The problem arises of how it is possible to synthesize all this into a single managerial theory that: "....*does not simply describe existing situations or predict cause-effect relationships. It also recommends attitudes, structures, and practices that, taken together, constitute stakeholder management. Stakeholder management requires, as its key attribute, simultaneous attention to the legitimate interests of all appropriate stakeholders, both in the establishment of organizational structures and general policies or individual decisions.*" [8] (Ibidem, p.67).

Talking about legitimacy opens up to the fundamental role of ethics in the context of concrete decisions and policies among which choices must be made. Sometimes, those who are more legitimate do not have adequate power to pressure management and the interests of shareholders (who are also stakeholders), and vice versa: the shareholders themselves are not always the most powerful players in the game (think of cases of certain widely held capital groups).

[7] What the authors claim is supported by its validity on an instrumental and predictive level.
[8] Italics of the authors of the paper.

There is a dialectic between the power and legitimacy of various stakeholders[9] directly linked to the relationship between competitiveness (mainly influenced by power) and legitimacy (where ethical judgment plays a fundamental role[10]).

Donaldson and Preston's analysis revives the debate on nature and possible differences in approach within stakeholder theory, particularly regarding the relationship between instrumentality and ethical-normative approach.

Some scholars, starting from a clear distinction between instrumental and normative approaches, reject the very idea of possible managerial synergy between ethics and strategy what Donaldson and Preston propose. On one side, Kaler, and on the other, Orts and Strudler, propose two radically opposed "reductionist" approaches.

Kaler asserts the predominantly ethical nature of stakeholder management, putting managerial implications in parentheses: "A typology based on the division of stakeholder theories into normative, descriptive, and instrumental is rejected on the grounds that the latter two designations refer to second order theories rather than divisions within stakeholder theory, and the first is a designation which, for the purposes of business ethics, applies to all stakeholder theories. The crucial distinction between stockholder and stakeholder theory is argued to be their respective rejection and acceptance of role-specific responsibilities toward non-shareholders that are 'ultimate objective fulfilling'." (Kaler, 2003, p.71).

Orts and Strudler, on the other hand, deny that stakeholder theory can say anything in the ethical field, considering it solely a managerial tool aimed at improving management and competitiveness: "...we maintain that the recent claims for stakeholder theory as providing a framework for business ethics are seriously overblown (Orts and Strudler, 2009, p.605) and "We will argue that stakeholder theory fails not merely because its guidance is not comprehensive. It fails because it provides virtually no guidance at all." (Orts and Strudler, 2009, p.612, note of p. 606).

According to Kaler, the purpose of stakeholder theory is essentially ethical and not integration between ethics and business success.

On the other hand, to argue that stakeholder theory is merely a useful tool for managing the pursuit of competitiveness and sustainable value maximization for shareholders implies its reduction to an internal tool of the vision that Freeman defines as "dominant" (Freeman, 2007) in management. Furthermore, Jensen (2002), while stating that only maximizing shareholder value can be accepted as a guide for firm management (as it is more objective because it considers only one measure), adds that: "Enlightened value maximization[11] utilizes much of the structure of stakeholder theory but accepts maximization of the long-run value of the firm as the

[9] "It is the responsibility of managers and the management function, to select activities and direct resources to obtain benefits for legitimate stakeholders. The question is, Who are the legitimate stakeholders? Some answers in the literature are, in our view, too narrow: others are too broad". (Donaldson and Preston, 1995, p.85).
[10]The same distinction made by Goodpaster (1991), moreover rejected by Freeman, between fiduciary ethical duty (towards shareholders) and generic ethical duty (towards other stakeholders) is based on an ethical judgement, not on an evaluation of competitiveness.
[11] For shareholders.

criterion for making the requisite tradeoff among its stakeholders, and specifies long-term value maximization of value seeking[12] as the firm's objective. This proposal therefore solves the problems that arise from the multiple objectives that accompany traditional stakeholder theory." (Jensen, 2002, p. 235).

Various attempts to explain the ethical/instrumental dualism in stakeholder management[13] are subsequently examined, leading to an almost "asymptotic" conception of convergence between ethics and business.

This is done with the awareness both of the logical impossibility of a total a priori coincidence of ethical norm and business success guide and the possibility for a creative and far-signed management to let business and ethics always more converge.

4. The search for instrumentalism based on ethical norms is evident in the models proposed by Jones and Mitchell, Agle, and Wood

A first interesting effort to establish a close connection between ethics and business is made by Jones (1995)[14], who affirms the possible integration of ethics and business success since adhering to certain principles such as trust, reliability, and cooperation can lead to significant competitive advantage.

After an elaborate analysis blending stakeholder theory, economic theory, behavioral sciences, and ethics, Jones presents a veritable "Instrumental Stakeholder Theory," founded on a series of principles, considering the firm as a "nexus of contracts[15]."

Connecting with what has already been highlighted in Freeman's early works, Jones takes a step forward in bridging what Donaldson and Preston call instrumental and normative (ethical) views, giving the term instrumental a positive connotation as a way to make ethics useful in management and to emphasize certain moral principles.

Furthermore, Jones proposes the incorporation of ethics towards stakeholders into the pursuit of firm equilibrium rather than as an external constraint, taking a step forward towards that synergy between ethics and successful business strategy

[12] Always in the sense of value for shareholders.
[13] It is useful to cite Venkataraman in this regard who: "explore the possibility of a useful dialogue between the fields of entrepreneurship and business ethics for mutual benefit. Although these two fields have much to offer each other, they have developed largely independent of each other. I wish to argue that entrepreneurship has a role to play in stakeholder theory and, relatedly, that stakeholder theory enriches our understanding of the entrepreneurial process". (Venkataraman, 2002, p.45).
[14] The author speaks in the abstract of a synthesis between ethics and economics, but the reference in the text is clearly to management.
[15] This interpretation of stakeholder theory as a nexus of contracts draws on the concepts of agency theory (Jensen and Meckling, 1976): it is an interpretation of stakeholder management that, if accepted as correct, implies a certain view of ethics as the normative basis of the stakeholder view, excluding other possible views (see Freeman, 1994, and Phillips et al., 2003). The view as a nexus of contracts can in fact more easily reconcile with the neoclassical conception of the firm and implies the rejection of more institutionalist or systemic views, which are not excluded by Freeman, as Freeman (1984) shows.

that is a peculiarity of stakeholder theory compared to other managerial and business theories.

However, there are still some concerns regarding the link between instrumentality and ethical norms.

1. Could Jones's instrumentality not become true instrumentality, that is, the use of ethical principles because they are useful and only because they serve competitiveness without any reference to an "ethical core" that should be respected regardless?
2. Trust, reliability, and cooperation are fundamental for business management, but can we reduce ethics only to these principles in all relationships with stakeholders (including management itself as an agent and not just as a representative of the business as a system)?
3. What happens when facing different ethics?
4. How do we behave towards stakeholders with little or no voice, with little or no power? That is, stakeholders who may react little or nothing to unfair and uncooperative behavior towards them?

Another important attempt to link ethics with the pursuit of business success is the work of Mitchell, Agle, and Wood (1997), which examines how managers perceive the expectations of various stakeholders, helping to provide them with a guide to action in identifying and prioritizing stakeholder demands. The concept of "stakeholder salience" is developed as: "The degree to which managers give priority to competing stakeholder claims." (Mitchell et al., 1997, p. 869).

Salience is defined as the result of the different degrees of competition of fundamental attributes, adding urgency to the power and legitimacy of Donaldson and Preston (1995), arriving at defining a combination of various possible classes of stakeholders as perceived by management. The "definitive" stakeholders are those with the highest salience since *"all three of the stakeholder attributes - power, legitimacy, and urgency*[16]*- are perceived by managers to be."*[17] (Ibidem, p.878).

Some scholars have attempted to verify whether managers' behavior and performance in the competitive field correspond to what is indicated by the Mitchell et al. model: the results of the research do not always confirm Mitchell et al.'s 1997 conclusions; an experimental study, also carried out by two co-authors of the 1997 work (Agle et al., 1999), shows not to find full support for the hypothesis of a relationship between salience perceived by managers and economic-financial results.

The model proposed by Mitchell has the great practical advantage of indicating some general "attributes" whose interaction should lead decision-makers in firms to give greater or lesser "salience" to the demands of one stakeholder or another, making comparisons possible.

Despite statements that could be interpreted in this sense[18], Mitchell and others' proposal does not seem to directly address the normative-ethical approach as

[16] "The degree to which stakeholder claims call for immediate attention." (Mitchell et al., 1997, p.869).
[17] Italics of the authors of the paper.
[18] "Our findings suggest a need for continued emphasis on the development of normative stakeholder theory." (Agle et al., 1999, p. 507).

considered by Donaldson and Preston's definition (1995). In fact, ethical norms are confused with the conditions that must be respected to achieve better business success. Moreover, the previously mentioned Goodpaster (1991) warns that stakeholder analysis can only be an improper surrogate for ethics.

From a strictly ethical perspective, it is very questionable that the weight attributed to a stakeholder depends solely on a comparison in which some fundamental ethical cores[19] do not play a direct role. Consider the case of depending stakeholders (who have both legitimacy and urgency but no power), who in this model depend on "…either through the advocacy or guardianship of other stakeholders or through the guidance of management's own values." Mitchell et al. (1997, p.136). On the one hand, the model's undeniable descriptive effectiveness is noted, while on the other hand, the reference to the perceptions of management alone is inadequate even concerning competitive purposes, as highlighted by Tashman and Raelin (2013).

However, Mitchell et al.'s work significantly contributes to stakeholder theory by broadening and generalizing what Jones (1995) asserted, incorporating ethics and responsibility into the "core" variables that management must consider.

While the work of Michell et al. (1997) focuses on stakeholder salience to determine which stakeholders are important. There is another stream of work called strategic cognition view of issue salience, which is defined "as the degree to which a stakeholder issue resonates with and is prioritized by management" Bundy et al. (2013, p.353). This view states that the stakeholders' issues and the managers' perception about those issues are important instead of the stakeholders' characteristics.

5. The search for a convergence between ethics and business

Shortly after the turns of Jones (1995) and Mitchell et al. (1997), the issue of divergence and convergence between ethical norms and instrumentality was addressed in a debate published in an issue of the Academy of Management Review in 1999, centered on the essay by Jones and Wicks.

Starting from Donaldson and Preston's (1995) distinction between "normative" and "instrumental," Jones and Wicks group the stakeholder literature concerning the ethical/instrumental relationship into two categories:

1. social science-based theory, which includes the instrumental and descriptive variants;
2. ethical based theory, focused on normative aspects (Jones and Wicks, 1999, p.207).

A theory defined as "hybrid," is developed to serve as a meeting point between ethical norms and practical application, where the latter is dependent on the pursuit

[19] Agle and others state in their conclusions that their theory for identifying stakeholders and their relevance "….in no way discredits this research for a legitimate normative core for stakeholder theory". (Mitchell et al., 1997, p. 882). It would then be necessary to clearly highlight the type of "norm" proposed in this model.

of profit and competitiveness: "Even if, as some have argued, practicability is not a critical component of ethical theory in general, it is vital in the context of stakeholder theory. An essential feature of practicability in stakeholder theory is that the firm remain viable, which usually means profitable… In short, an impractical normative core seriously compromises the well-being of those with an interest in the firm's success – its stakeholders – and, therefore, certainly fails the test of a *morally*[20] sound normative core." (Jones and Wicks, 1999, p. 214).

Regarding the structure of this "convergent" theory, for which a deeper understanding can be found in the original text, it is highlighted that:

1. The explicit reference to only the public company managed by professional managers excludes a large number of firms from stakeholder theory.
2. Talking about a theory of relationships, rather than simply contracts or transactions, makes it possible to move away from more or less implicit contractualism and/or an atomistic view of the firm.
3. There is room for various possible normative cores, although it would be necessary to examine what happens to stakeholder management when referring to different "ethical cores."

The "convergent" model is certainly a step forward towards a greater balance between ethics and instrumentality, compared to both Jones (1995) and Mitchell et al. (1997).

Regarding the latter, it is clear that the presence of an ethical core contrasts with the risk of marginalizing stakeholders, while unlike Jones (1995), there is the presence of a "normative core" that can be linked to comprehensive ethical visions (Kantian, Aristotelian, etc.) and not just to certain characteristics of ethical behavior. However, Jones and Wicks do not analyze (this is a limitation compared to Mitchell et al., 1997) how the presence of the ethical core can lead to prioritizing certain stakes over others, while the reference to normative cores is tied only to their common acceptance of "Trust and Cooperation."

This is an advantageous condition even from an instrumental perspective, but it is not sufficient to address all possible cases where norms and instruments may confront each other. This approach is criticized by Freeman (1999), who rejects any form of separation between ethics and business. Freeman believes that Jones and Wicks accept a form of separation when they talk about two aspects to be fused into a sort of hybrid.

6. The efforts to implement synergy: the proposals of Tashman and Raelin and Derry's critical view

Some authors have attempted to overcome the criticisms of the previously examined "classic" proposals by presenting significant integrations and modifications, especially to the widely cited and studied proposal of Mitchell, Agle, and Wood (1997).

[20] Italics of the authors of the paper.

These recent works, by examining critical points, provide an important contribution to the development of the potential of the stakeholder approach.

In particular, there is a tendency to attribute a fundamental active role to the set of stakeholders, which entails greater responsibility even for those who are not part of management but interact with it.

Tashman and Raelin (2013) aim to integrate the urgency-legitimacy-power model of Mitchell et al. (1997). These authors reinterpret the classic Agency Theory and use it to support an open and polycentric view of stakeholder management: "...we develop the concept of *stakeholder salience to the firm*[21]. More specifically, we propose that stakeholder salience should be a function of the perceptions of stakeholders at the organizational and societal levels of analysis of stakeholder power, legitimacy, and urgency." (Tashman and Raelin, 2013, p.592).

Taking inspiration from Hill and Jones (1992), who combine Agency Theory and Stakeholder Theory, the authors think that the firm is a network of implicit contracts (reflecting the expectations of individuals and the community) and explicit contracts (laws, regulations, contracts) between managers (agents) and all stakeholders (principals, according to Agency Theory), stating that:

"We believe that this theory implies that other stakeholders' perceptions[22] of salience matter to the firm because their expectations and interests are embedded in this nexus of contracts. Stakeholder-Agency Theory also explains why managers might overlook or ignore stakeholder interests (Hill and Jones, 1992). Specifically, it argues that market functions, including bounded rationality, opportunism, information asymmetries, and conflicting stakeholder interests, can cause incomplete contracting (Asher et al. ,2005), which can bias managerial perceptions of who and what is really important to the firm." (Tashman and Raelin, 2013, p.592).

The two authors seem to be aware of the ethical-normative weakness of identifying priorities solely through the subjective expectations of various stakeholders in terms of power, legitimacy, and urgency. They then introduce the concept of a basic ethical core founded on contractualist ethics, which imposes the priority respect of certain universal principles regardless of the degree of perceived salience. They adopt the Integrative Social Contracts Theory (ISCT) to reinforce their approach, ensuring that certain fundamental ethical norms are respected even in a business context. This integration aims to address ethical concerns while maintaining practical applicability, striving to achieve a balanced and comprehensive stakeholder management strategy. Contracts Theory (ISCT) by Donaldson and Dunfee (1994)[23],

[21] Italics of the authors of the paper.

[22] "Other" than management.

[23] Without going into details, the Integrative Social Contracts Theory (ISCT), applied by Donaldson and Dunfee, particularly for multinational corporations, divides the social contract into:

a) a foundational contract that gives rise to hypernorms, which are general principles based on a common foundation of religious, cultural, and philosophical principles;

b) a micro-social contract in which "...moral norms are defined in more restricted environments, linked to the presence of a space of freedom ["moral free space"(Donaldson and Dunfee,1994, pp. 260-262)], where micro-social contracts are signed." (Rusconi, 1997, p. 209, translated from Italian by the authors). The ISCT, which seeks to safeguard local community demands without descending into cultural so that respect for certain universal ethical principles can limit the area of instrumental decisions to uses and rules only.

"We also suggest that the perceptions of salience to the firm must be compatible with hypernorms if they are to codetermine salience. Hypernorms "entail principles so fundamental to human existence that they serve as a guide in evaluating lower-level moral norms" Donaldson and Dunfee (1994, p.265). This condition is necessary because some institutional environments legitimize behaviors that ignore these fundamental aspects of humanity. For example, some national institutional environments fail to guarantee human working conditions and living wages. Managers might therefore perceive these employee interests as illegitimate. The concept of salience to the firm would nonetheless attribute legitimacy to those interests because they involve hypernorms; however, in this case, managerial perceptions would not codetermine salience to the firm because they would be incompatible with hypernorms." Tashman and Raelin (2013), p.597.

The authors note that institutions and hypernorms generally provide a structural framework within which managers and stakeholders co-determine the evaluation of the salience of the expectations of various stakeholders. This theoretical contribution represents a further step forward in the process of aligning ethical and managerial reasoning:

1. the transition from "salience to managers versus salience to the firm" helps to significantly reduce the risk that a wrong management perception of the real expectations, implicit or explicit, of all stakeholders will result in shortsighted policies that violate the (explicit/implicit) contracts between stakeholders, which could have long-term negative consequences for the development of the firm;
2. a stakeholder policy that is not based solely on the managerial perception of the degree of salience of a particular stake certainly can also better meet ethical needs according to the normative approach (in the sense of Donaldson and Preston, 1995);
3. the connection of the nexus of contracts view (already partially surpassed in the Wicks and Jones model (1999)) with the typically normative approach of ICST hypernorms involves a strong differentiation in the interpretation of this concept compared to the classic view of Jensen and Meckling (1976), raising the question of whether it still makes sense to refer to an agency theory in this case;
4. expanding the possibilities of perceiving stakeholder needs beyond what is perceived by top management can help consider non-economic values: moral, spiritual, and cultural.

Despite these undeniable steps forward towards a widespread and non-reductionist integration between ethical norms and instrumentalism, some important critical issues remain:

1. There is a lack of a systemic vision, which would contribute to better applying a fundamental principle of stakeholder theory: that of "Stakeholder Cooperation": "Value can be created, traded, and sustained because stakeholders can jointly

ethical relativism, still contains the limitations of contractualist theories on ethics, not to mention that micro-contracts give rise to customs rather than genuine binding moral values. For a brief critical analysis of ISCT, see Rusconi (Ibidem,1997, pp. 208-21).

satisfy their needs and desires by making voluntary agreements with each other that for the most part are kept"[24] (Freeman et al., 2010, p.281);
2. The contractualist hypothesis binds stakeholder theory to a specific ethical view, not shared by all who apply and study stakeholder theory, which is presented in various versions with different "normative cores" (Freeman (1994) and Phillips et al. (2003)).
3. It should be explored in depth: what would happen if the management and the stakeholders perceived differently a possible conflict between the instrumental needs for competitiveness and the compliance with a hypernorm?
4. The Tashman and Raelin approach remains within the instrumental normativity concerning everything not included in ISCT hypernorms.

Against the risks of subordinating the stakeholder management to an instrumental view, Derry's contribution (2012) takes a stand, focusing on marginalized stakeholders[25].

Through the comments on the photographs taken in 2009 by a reporter in the port of Chittagong in Bangladesh, where people are seen working "...walk in sandals over toxic chemicals and metals that have been banned by the most developed countries" (Derry 2012, p.253), Derry questions the "who really counts" issue, which is considered by Mitchell et al. (1997) and those who followed and completed their works, as the basic demand for identifying stakeholders and define managers' priorities toward them.

According to Derry this approach to the identification and prioritization among stakeholders is based on misinterpretation "…of Freeman's casually named Principle of Who and What Really Counts". (Derry 2012, p.254; from Freeman 2011, personal correspondence).[26]

In relation to the "who really count" as interpreted by Mitchell et al. (1997), Derry notes that:
1. it leads to maintaining and reinforcing the Separation Thesis that "...managers are required to think narrowly about the bottom line, while business ethicists try to persuade them to think more broadly. The Separation Thesis is endorsed and reinforced by the many theories of management practice that assume that self interest of the manager and self interest of the firm to be the pre-eminent decision factors in business." (Ibidem);
2. the consequence of this is the consideration of priorities among stakeholders too "firm centered" and tied to managerial interests. To this observation is indirectly answered by Tashman and Raelin (2013) by also introducing stakeholder perception and hypernorms.
3. in particular, Mitchell et al. (1997) risk marginalizing stakeholders who are not easily visible or distant from the lives and interests of those with salience adequate to influence business choices. This is considered contrary to the ethical

[24] Bold of the authors of the book.
[25] The theme of defending weaker stakeholders, especially in the context of corporate social reporting, has also been addressed in Rusconi (2005).
[26] About this "incidentally", Derry claims to have been ascertained from a personal correspondence with Freeman in 2011 (Derry, 2012, p.254).

principles inherent in stakeholder management: "In a model of Mc Vea Values-Based Capitalism, marginalized stakeholders such as the ship breakers[27] can reclaim a legitimate role." (Derry, 2012, p. 254).

The urgency of some distant stakeholders is extreme, but their condition can easily be ignored by other stakeholders, who have more power and legitimacy than those who live under other (weaker) legislation and social customs or who find themselves in situations of illegality and/or exposure to blackmail over the essential conditions of life. About the attribute of legitimacy by Mitchell et al. (1997), the case of undocumented immigrant workers in the U.S. and Canada is cited:

"Their job security, healthcare, on-the-job safety standards are frequently overlooked and unregulated because many are illegal immigrants. Within the law, they are not legitimate stakeholders. They can be fired and deported at will: they have little power and less legitimacy." (Derry, 2012, p.254).

Derry proposes to reject the "firm centered" view in identifying the stakeholder priorities. Citing the last two chapters of Freeman 1984, Derry suggests different stakeholder maps by different managers (marketing, finance, etc.) in order to consider the position of the stakeholders from different points of view (Derry, 2012, p.263).

Derry's (2012) contributions to the topic under consideration are:

1. the idea of multiple maps that give rise to "possible infinite reconfigurations" (Ibidem), prepared by various stakeholders[28], and which can integrate and deepen, even in applicative terms, the thesis of Tashman and Raelin (2013) of not relying solely on the perception of managers;
2. highlighting the risk of marginalizing some stakeholders can, in some respects, be an important contribution also on the instrumental managerial level (as a prevention of boycotts and future problems), as well as on the ethical level;
3. the rejection of the Separation Thesis (Freeman, 1994) as proposed by Derry is in some way integrative with respect to James and Wicks (1999) and Freeman (1999), who emphasized, albeit with different intensity and theoretical outcomes, the search for the practicability of ethics in a competitive context. Derry points out instead that unilaterally subordinating the normative aspect to the instrumentality of sustainable profit implies in turn the recognition and support of the Separation Thesis, because it involves a clear division of tasks between the moral admonitions of "business ethicists" and a management almost unaware of the continuous and concrete application of ethics as such;
4. following a suggestion from Freeman, Derry proposes using cases of ethically responsible behavior in business school lessons, with the aim of not instilling in future managers the concept that, in reality, bad business predominates.[29]

---

[27] Of Chittagong and nearby.

[28] Regarding different maps, see also the interview with Freeman in Baldarelli et al. (2005).

[29] "Freeman [note of the authors: reference to Freeman's presidential address at the Society for Business Ethics in 1995] asked us to tell different stories about businesses, and he proposed one called Value-Based Capitalism. I do not think Freeman's ongoing plea to stop telling the Business Sucks story was because he had never encountered a greedy business person or an organization that was so profit driven that it neglected the needs of its employees." (Derry, 2012, p.258).

The limitations of Derry's discourse are:

1. How to make the ethics/strategy relationship work in top management, which is subject to the conflict of interest between duties towards stakeholders (starting with shareholders) and their own personal stake?
2. It would be appropriate not to limit the analysis of the ethics/instrumentality relationship to the single case, which is though very useful as a clarifying example, of marginalized stakeholders;
3. How to reconcile multiple maps with the presence of an "orchestra conductor" who must harmonize and make all stakeholders work to economically advance the organization and safeguard all stakes in an acceptable and responsible manner?

7. Freeman's concern about an indirect return of the separation thesis and a mention of the potential contribution of the systemic vision of Italian "Economia Aziendale" to the stakeholder theory debate

After examining various attempts to propose a logically well-founded vision of the synergistic relationship between ethics and business in stakeholder theory, Freeman's fear must be considered: that these analyses may lead to the isolation of the normative-ethical aspect from concrete business, seeing this as a reintroduction of the Separation Thesis.

"Although Freeman (1984) argued that the stakeholder management approach lent itself to moral and normative analyses, it was only later, in the hands of business ethicists, that the normative branch of stakeholder theory began to emerge. And when it did, it was almost in isolation from the real world of business". (McVea and Freeman, 2005, p.58).

In the debate at the Academy of Management in 1999, Jones and Wicks' theses are contradicted, as seeking a convergence between an ethical-normative approach and an instrumental one may, according to Freeman, imply the more or less explicit acceptance of the Separation Thesis. Instead, it is argued that:

"What we need is not more theory that converges, but more narratives that are divergent – that show us different but useful ways to understand organizations in stakeholder terms". (Freeman, 1999, p.233).

The pragmatist stance of Freeman's philosophy is noted (Wicks and Freeman, 1998): the various approaches to stakeholder theory are significant to the extent that they lead to positive consequences for all stakeholders, without distinctions between normative, instrumental, and descriptive.

Freeman (1999) considers Donaldson and Preston's distinction between normative, instrumental, and descriptive as outdated and linked to the positivist idea of separation between facts and theory, which would logically result in the separation between business discourse and ethics.

This would happen precisely because "Instrumental theses need backup and justification, but not exclusively moral backup and justification, precisely because they are instrumental: only consequences count". (Freeman, 1999, p.235). Freeman (1994) and subsequent works (e.g., Phillips et al., 2003) describe the possible different "normative cores" of stakeholder theory (from Kantian ethics to Catholic common good, to fair contracts, to Wicks et al.'s “feminist” approach) and consider them all compatible with the practical objectives of a unified pursuit of the best possible well-being for all stakeholders.

Freeman and others have a somewhat different concept of instrumentality compared to Donaldson and Preston (1995), as they identify it with the attempt to maximize value for all stakeholders[30], as can be seen from this "rewrite" of Friedman's famous quote on profit maximization: "...Managing for stakeholders is about creating as much value as possible for stakeholders without resorting to tradeoffs, or fraud, or deception". (Freeman, 2008, p.166). It also involves that "We need to think critically, acknowledge the social nature of value creation and work with an insatiable passion to create value for our stakeholders". (Freeman et al., 2010, p.285).

Value creation for all stakeholders is not understood in the sense that the manager is able to turn all limits and situations into equally win-win solutions for all stakeholders: "... Obviously, even with a detailed understanding of concrete stakeholder relationships, most strategies will distribute both benefits and harms between different groups of stakeholders. Win-win situations are not guaranteed. Indeed, it is just as important for management to develop strategies that distribute harms in a way that ensures the long-term support of all the stakeholders. Yet, over time stakeholder interests must be managed in the same direction". (Freeman and McVea, 2001, p.195).

In Freeman, the intertwining of ethics and business appears very tight; but it is necessary to see how, and under what conditions, this link can work and be strengthened, without reaching a naive and a priori win-win vision, which claims a universal and necessary coincidence between all ethical principles and profitability:

"From the theoretical point of view, we can consider that, since the genre of SMT theories[31] is based on a variety of possible ethical principles (Freeman, 1994 and Phillips et al., 2003), it cannot really be said that all optimal profit-based decisions[32] respect every principle of all possible moral theories at all times and everywhere; unless, of course, we affirm the very strange and not realistic belief that all religions and philosophies, *always and for all*[33], converge with regard to their implications for the business world...". (Rusconi, 2009a, p.87).

Also in practical implementation, a naive and a priori win-win vision implies a series of contingent difficulties. Just think of a possible socio-economic and civic context, where the rejection of ethics is widespread, perhaps along with widespread illegality and few controls. In such a situation, "bad money drives out good," potentially irreversibly damaging the competitiveness of those who comply with the rules; management risks being selected not in relation to Professional skills, but the greater cunning and ability to remain competitive in improper or even criminal ways

[30] See Harrison and Wicks (2013), which thoroughly examines the creation of value for stakeholders.
[31] SMT means Stakeholder Management Theory, but could be more correctly named genre of SMT theories based on common roots, which constitute a “good idea”, as Freeman states.
[32] Always in a long-term profit sustainability perspective.
[33] Italics of the author of the chapter.

(consider the export of toxic waste, illegal arms trafficking, subcontracting with undeclared work and poor working conditions, etc.).

During a presentation of one of the writer's ideas, Freeman observed that it is one thing to have a "naive win-win vision," which assumes an easy coincidence between ethics and business success always and everywhere, and another to think of a long-term entrepreneurial creative effort to gradually achieve an ethical/business coincidence that protects against the Separation Thesis[34].

The search for a convergence between ethics and competitive success is very important not only for moral reasons but also to avoid cases of "entrepreneurial myopia"[35]; however, both logically and practically, one cannot speak a priori of a coincidence always and everywhere, let alone an easy convergence.

This awareness prompts us to avoid both a narrow business ethics, particularly philosophical, that does not adequately consider the concrete economic reality, and an "instrumental" view of stakeholder theory, more typical of management studies, which may lead to forgetting the presence of ethical purposes not automatically reducible to enlightened management aimed at achieving high sustainable profitability.

It is useful to insert in this historical-critical overview on the relationship between ethics and business by mentioning the ethical implications of the Italian "Economia Aziendale" (from now on: EA) tradition, mostly unknown to North American scholars of management and business ethics.

The Italian EA tradition has, directly or indirectly, considered ethics as an internal and not extrinsic condition to management; this allows for establishing a healthy, yet non-reductionist, parallelism between the Italian tradition and stakeholder management:

1. "Gino Zappa and his pupils (Aldo Amaduzzi, Carlo Masini, and Pietro Onida) seem to include ethical principles and considerations in their reflections on the *azienda's*[36] aims and practice;
2. Ethical considerations of Italian EA suggest that ethical actions are not separable from business actions (Separation Thesis seems to be refused);
3. Ethical principles, showing slight differences, are found on a comprehensive ethical theory, which, when mentioned explicitly, clearly and in depth (Zappa, Masini and Onida), is related to the common good theory.

(in Carlo Masini's thought, it is openly derived from the Catholic Social Doctrine)". (Signori and Rusconi, 2009, p.313).

Starting from the theory of business systems (Amaduzzi, 1969), it is indeed possible to consider the ethics of EA as a sort of function that transversely crosses

[34] At the end of the presentation, however, Freeman acknowledged the first author proposal about difficulties of convergence of ethics and business in some cases was not it implied the Separation Thesis except at a second level, but that was not the case thorough. Sources: Personal interviews and seminar presentation of one of the authors of the paper at Darden Business School in 2011.
[35] Italian "Economia Aziendale" has been arriving at this point for some time, just think to the well-known statement, reiterated several times for decades, by Vittorio Coda according to which the respect for ethics is one of the conditions for the survival of the business system.
[36] Italics from the quoted text.

aspects (management, organization, and information) and functions (marketing, etc.) of the firm, and it reflects particularly on the "decision-maker" of the firm, that is, the people who, taking into account both their own personal ethics and those of the people converging within the firm, become the ethical reference point of the business system they lead. In this context, it is necessary to: "...pays the best attention to two interacting stages of the role of ethics in business management, distinguishing, but in a dialectic and interdependent relationship, ethics as a managerial function and ethics as origin of unconditioned values, not influenced by cost/benefit analysis." (Rusconi, 2009a, p. 89).

In the concrete of managerial decisions, one can speak of an interaction between strategic ethics and pure ethics:

a) the former aims to respect the ethical conditions for the survival and development of the firm (reputation, lower agency costs, lack of boycotts, etc.), "...in this way ethical strategies are developed that are able to maintain the equilibrium of business systems in the full light of the coincidence of ethics and business referred by SMT[37]". (Ibidem);

b) the latter is the origin of the ethical principles that are concretely applied in management by individuals or groups: in certain cases, especially in contexts where competition is tainted by illegality and lack of ethics[38], these principles could conflict with a successful strategy and then ethics might impose a suboptimal strategy.

Some observations:

1. the business decision-maker might pursue an ethical strategy to avoid damage to competitiveness and not necessarily because they are driven by a personal conviction regarding ethical motivations.
2. the presence of different ethical views in the business decision-maker or in those who might influence the firm could lead to a decision that simultaneously respects multiple ethical views (except in cases where respecting one ethic would entail violating another). Regarding stakeholder theory, it involves applying to the entire system of stakeholders converging in the firm[39] an intrinsic interaction between ethics and sustainable competitiveness strategy, highlighting that the convergence between strategic ethics and pure ethics is a fundamental process, but total coincidence may not always be found. It is up to entrepreneurial creativity and the proper functioning of the legal, social, and cultural system to enhance this convergence.

The interaction between strategy and ethics should not be interpreted in a static manner, but dynamically, as both stakeholder theory and business systems theory are dynamic. This fosters a rapprochement and synergy between ethics and competitive strategy.

Decisions that at a given time may appear to top management to be made solely

[37] Acronym in the cited text meaning Stakeholder Management Theory.

[38] See what was previously observed about the possibility of a total win-win relationship between ethics and a successful long-term strategy.

[39] On a possible systemic interpretation of stakeholder theory and its potential metaphorical fusion with firm systems theory, see Rusconi (2006), (2009b) and especially (2019).

out of respect for pure ethics may, in subsequent times, with changing historical and social conditions, prove useful also based on strategies aimed at achieving high sustainable profit: consider how, in just a few decades, attitudes towards environmental issues and equal opportunities have changed.

Thus, it can be observed how the systemic vision of EA, interpreted in the light of business ethics, can contribute attentively (i.e., critically of "naive" or reductionist-instrumental visions) to the process of convergence between ethics and business, which constitutes one of the fundamental specificities of the family of stakeholder theories.

8. Reflections on the recent developments in the last decade from 2014-2024

Recent scholarly research has increasingly explored multiple streams within stakeholder theory literature. One prominent stream emphasizes stakeholder concerns and their impact on the performance of both firms and other stakeholders.

For instance, Cording et al. (2014) conducted an empirical study on organizational authenticity, defined as the alignment between a firm's espoused values and its actual practices. Their findings suggest that a lack of authenticity—manifested in either over-promising or under-promising—leads to decreased productivity and performance. Over-promising occurs when a firm's original practices fall short of stakeholder expectations, whereas under-promising happens when the firm's practices exceed those expectations.

Similarly, Bundy and colleagues examine stakeholders' concerns regarding how firms treat other stakeholders. Their research highlights that a stakeholder's utility is not solely dependent on how they are treated by a firm but also on the firm's treatment of others (Lange et al., 2022). Expanding this idea, some scholars argue that certain stakeholders participate in value creation through indirect involvement with firms, a concept known as generalized exchange (Harrison et al., 2023). This study identifies four distinct combinations of attributes that foster generalized exchange while minimizing free-riding behavior. These combinations include:

1. Entrepreneurial Logic – characterized by high rewards and strong institutional drivers.
2. Conformity Logic – driven by powerful sanctions and strong institutional enforcement.
3. Influencer Logic – shaped by powerful sanctions with individual or firm-driven motivation.
4. Identification Logic – based on high rewards and individual or firm-driven motivation.

Moreover, some scholars consider online communities an essential stakeholder group that can drive firm performance. Firms that effectively engage with online communities may gain a competitive advantage (Fisher, 2019).

Another key stream in the literature examines the intersection of stakeholder theory and resource-based theory. This perspective suggests that firms employing a

Communal Sharing Relational Ethics (CSRE) strategy—characterized by relational contracts, mutual trust, cooperation, communal sharing, and joint value creation—develop close relationship capability. This capability refers to a firm's ability to convince stakeholder groups to engage with it as a close partner (Jones et al., 2018, p. 376). Close relationship capability is a source of sustained competitive advantage (SCA) as it generates superior economic value and remains valuable, rare, and difficult to imitate (Jones et al., 2018).

Communal Sharing relational ethics is closely aligned with Stakeholder Theory as envisioned by Freeman. Both schools of thoughts move beyond individualistic, utilitarian logic toward an ethics of inclusion and integrating interest. By viewing stakeholder relationships through the lens of communal sharing, firms can deepen their ethical commitments while simultaneously creating economic value. Instead of being considered as merely economic entities. Freeman and colleagues further argue that business and ethics are inherently integrated. In their book *The Power of And: Responsible Business Without Trade-Offs*, they outline five principles for aligning business with ethical considerations:

1. Valuing Purpose and Profits – recognizing that financial success and ethical responsibility are not mutually exclusive.
2. Creating Value for Stakeholders and Shareholders – balancing the needs of all parties.
3. Society and Markets – understanding that businesses operate within, and are shaped by, broader societal contexts.
4. Humanity and Economics – acknowledging that humans are complex and motivated by more than just economic gain.
5. Integrating Business and Ethics – adopting a holistic approach that embeds ethical considerations into business practices". (Freeman et al., 2020).

9. Conclusion

Theoretical contributions on the ethics/strategy relationship in stakeholder management are summarized below, also to show how an attempt has been made to explain the characteristics and limits of rejecting the Separation Thesis.

a) The stereotype theory of the amorality of business represents the most drastic case of the Separation Thesis, as it implies that management should feel free from moral constraints: from this perspective, either the aim of competitiveness and profit is considered so central as to justify, with formal and opportunistic respect for the laws, any violation of moral principles (Carr, 1968) , or it is openly admitted that business is immoral in itself and is rejected from an ethical standpoint.

b) It is possible to overcome the theory of the amorality of business by establishing a Separation Thesis that does not sharply discriminate between ethics and business, but asserts, see Friedman (1970), that adherence to current customs (no deception or fraud, etc.) constitutes an external limit to the manager's moral duty to maximize shareholder value: ethics approaches business, but remains an extrinsic element.

c) For stakeholder management, the Separation Thesis must be rejected, both because a good relationship with stakeholders is also useful for sustainable competitiveness, and contributes to the long-term viability and success of the firm. Firm and economic practice can work well only by considering the concrete actions of the business.
d) The highlighting of three different strands of stakeholder management, carried out by Donaldson and Preston (1995), intensifies the debate on the relationships between the normative foundation and the application for competitiveness purposes of stakeholder management, generally leading to a search (apart from positions distant from the "core" of the theory, such as those of Kaler and Orts and Strudler) for an increasingly closer link between ethical norms and competitiveness.
e) A "convergent" theory has been developed (Jones and Wicks, 1999), which aims at competitive instrumentality while safeguarding some fundamental ethical conditions; however, a comprehensive and systematic vision to guide managers is lacking.
f) The theory of Mitchell, Agle, and Wood (1997) seeks to address this lack by proposing a general "normative" model, based on a combination of attributes (power, legitimacy, and urgency); certainly, taking these attributes into account leads to a more general integration of ethics into business, but the instrumental approach (based on the management's perception for competitiveness purposes) remains largely prevalent. Therefore, one could not speak of a true synthesis between ethical normativity and instrumentality. The work by Bundy et al. (2013) addresses this issue by focusing on issue salience, emphasizing that managers' interpretations depend on how stakeholder concerns resonate with the firm's identity. When an issue strongly aligns with the firm's identity, it will receive a prompt and substantive response. Another recent development in this stream of knowledge is the work of Lange, Bundy, and Park (2022), who argue that stakeholders do not only consider their own treatment by the firm but also how a firm treats other stakeholders. Therefore, the firm tries to find creative ways to balance the interests of multiple stakeholders (Menghwar and Freeman, 2023). Creative imagination is a greater source that humans have and must be utilized to avoid tradeoffs.
g) Tashman and Raelin (2013) integrate this vision by still referring to instrumentality but no longer relying on the manager-subject's perception of salience, instead referring to the knowledge contribution of all stakeholders. The instrumental approach is then significantly downscaled, requiring respect for ICST hypernorms: the ethics/competitive strategy relationship becomes even closer, but the reference to hypernorms is too generic, fleeting, and uncritical, even compared to other possible "ethical cores".
h) Derry highlights the weaknesses of an approach that relies on the subjective perception, ultimately aimed only at sustainable competitiveness, of the attributes contributing to the salience of Mitchell and others; this occurs especially regarding marginalized stakeholders. As a remedy, multiple stakeholder maps are proposed: the reconciliation between ethics and competitive strategy becomes more robust,

but it would be necessary to broaden the discussion beyond the sole theme of marginalized stakeholders, deepening the relationship between ethics and strategy in this new context.

i) Freeman seeks to avoid any form, direct or indirect, of the Separation Thesis, focusing especially on entrepreneurial creativity and foresight: in this way, ethics and maximizing competitiveness come very close, also when it must be acknowledged that the coincidence between ethics and business in every time and circumstance is impossible, both logically and practically (Rusconi, 2009a and 2019).

j) The comparison between stakeholder theory and firm systems theory (Rusconi, 2009a and 2019), in which a non-extrinsic role of ethics is explicitly included (see strategic ethics/pure ethics), seems to contribute to a further synergistic convergence between ethics and business, while avoiding naive and a priori win-win visions. The theoretical efforts made so far reveal an attempt at greater integration between ethics and instrumental strategy towards sustainable competitiveness, but this tendency can only be asymptotic, like two geometric figures that approach but do not coincide: it is one thing to assert that the creative and forward-looking adherence to an ethics structurally embedded in the "core" of management can lead to sustainable competitiveness growth, it is another to assert that this is easy to achieve or even that ethical behavior is universally and logically connected to the sustainable maximization of competitiveness in any circumstance.

Some possible future research paths in studying the relationship between ethics and competitiveness within stakeholder theory could be:

- further deepening the historical contribution of some Italian EA scholars who presented a vision of the firm and its purposes that includes ethics as an important element, also for business success[40];
- studying the concept of value for stakeholders (see Rusconi, 2012 and Harrison and Wicks, 2013), a concept that would be overly reductive to consider only in financial terms, but should also be investigated in those psychological, cultural, and spiritual terms that have always been at the center of human expectations;
- examining the possible expansion of the positive role, also in economic terms, of ethics not only of management but of all stakeholders (Goodstein and Wicks, 2007, Marens, 2008, and Goodstein and Wicks, 2008);
- further exploring whether the philosophical pragmatistic vision and openness to multiple differentiated “ethical cores” by Freeman and other authors may or may not imply ethical relativism and methodological individualism (see Alford, 2005 and 2007; Argandoña, 1998; Manzone, 2002; Melé, 2006 and 2009) and weaken the ethical thinking that serves as the "normative core" of the stakeholder approach. Similarly, the work of Porter and Kramer (2011) focused on instrumental stakeholder theory and overlooks ethical concerns (Menghwar and

[40] “The problem becomes rather that of breaking decisively with conceptions antagonistic to the firm - i.e. the antithesis between economic-business needs and ethical-social needs - and to instead develop an idea of development, in which prosperity of the firm, worker well-being and satisfaction of other ethical-social demands they are the same thing”. (Coda, 1989, p.795). Translated from Italian by the authors.

Daood, 2021). However, the work of Freeman and Menghwar (2024) at the intersection of stakeholder theory and community explains how collaborative engagement and entrepreneurship can be ethically important to help organizations in engaging with marginalized communities and creating value for these stakeholders.

Research is also needed to explain practices and procedures that a firm can implement to integrate ethics and business continuously, and when this does not happen. Some firms continue to focus on fulfilling the interests of multiple stakeholders despite government regulations creating a barrier. A recent example is Costco, which has maintained its strong commitment to diversity, equity, and inclusion (DEI) policies despite facing pressure from new government regulations and changing political climates. Costco actively promotes diversity and inclusion by investing in equitable hiring practices, supporting employee resource groups, offering equal opportunities for career advancement, and ensuring pay equity across its workforce. Rather than diluting or revising its DEI initiatives in response to external pressures, the company has reaffirmed these values publicly and through ongoing internal actions. Notably, this ethical approach has not negatively impacted Costco's profitability. Instead, it has strengthened stakeholder trust and employee morale, contributing positively to continued growth in both profits and share price. Thus, Costco exemplifies how integrating strong ethical principles into business operations during uncertain times can yield sustainable financial success while fostering corporate integrity. More research on examples like Costco and how firms fulfill the interests of stakeholders during crises situations would be of paramount importance in understanding how ethics and business go together. Crises provide a unique situation when each stakeholder tries to protect his own interests and rights (not only financial) or the interests and rights of all stakeholders. The case of COVID-19 crisis suggests that some firms tried to collaborate with other firms to protect health workers and the community (Bergami, Corsino, Daood and Giuri, 2021). Profitability of these firms did not decrease while firms being ethical, research is needed to understand how these firms' integrated ethics and business during a crisis situation.

References

Agle, B., Donaldson, T., Freeman, E., Jensen, M., Mitchell, R. and, Wood, D. (2008). Toward a superior stakeholder theory. *Business Ethics Quarterly*,18 (2), 153-190. http://dx.doi.org/10.2307/27673227.

Agle, B., Mitchell, R., and Sonnenfeld, J. (1999). Who matters to CEOs? An investigation of stakeholder attribute and salience, corporate performance, and CEO values. *Academy of Management Journal*, 42(5), 507–525. https://doi.org/10.2307/256973.

Alford, H. (2005). Teoria degli stakeholder e gestione strategica. In Sacconi, L. (ed.), *Guida Critica alla responsabilità sociale e al governo d'impresa*, Bancaria. Milano,169-177.

Alford, H. (2007). Stakeholder theory, *Oikonomia,* 9(2), 25-32.
Amaduzzi, A. (1969). *L'azienda, nel suo sistema e nell'ordine delle sue rilevazioni*, 2ª edizione. UTET, Torino.
Argandoña, A. (1998). The Stakeholder theory and the common good. *Journal of Business Ethics*, 17(9–10), 1093–1102. https://doi.org/10.1023/A:1006075517423.
Asher, C., Mahoney, J.M., and Mahoney, J.T. (2005). Towards a property rights foundation for a stakeholder theory, *Journal of Management and Governance*, 9(1), 5–32. https://doi.org/10.1007/s10997-005-1570-2.
Baldarelli, G., Santi, M., e Signori, S. (2005). Chiacchierando con Edward Freeman, *Non profit*, 11(1).225-238.
Bergami, M., Corsino, M., Daood. A., and Giuri, P. (2022). Being resilient for society: evidence from companies that leveraged their resources and capabilities to fight the COVID-19 crisis. *R&D Management*, 52(2), 235–254. https://doi.org/10.1111/radm.12480.
Bundy, J., Shropshire, C., and Buchholtz, A. (2013). Strategic cognition and issue salience: Toward an explanation of firm responsiveness to stakeholder concerns. *Academy of Management Review*, 38(3), 352–376. https://doi.org/10.5465/amr.2011.0179.
Carr, A., (1968). Is Business Bluffing Ethical. *Harvard Business Review*, 46(3), 143–153.
Coda, V. (1989). Etica e impresa. Il valore dello sviluppo, *Rivista dei Dottori Commercialisti*, Fascicolo 5.789-800.
Cording, M., Harrison, J., Hoskisson, R., and Jonsen, K. (2014). Walking the talk: A multistakeholder exploration of organizational authenticity, employee productivity, and post-merger performance. *Academy of Management Perspectives*, 28(1), 38–56. https://doi.org/10.5465/amp.2013.00 02.
De Gennaro, I., Quitterer, J., Smekal, C., Tasser, B. (eds.), *Ethics in Economic Life: Challenges to a Globalizing World*, Innsbruck University Press, Innsbruck. 85-100.
Derry, R. (2012). Reclaiming marginalized stakeholders. *Journal of Business Ethics*, 111(2), 253–264.DOI: 10.1007/s10551-012-1205-x.
Dienhart, J. (2008), The separation thesis: Perhaps nine lives are enough. *Business Ethics Quarterly*,18 (4), 555-559.
Donaldson, T., and Dunfee, T. (1994). Toward a unified conception of business ethics: Integrative Social Contracts Theory. *Academy of Management Review*, 19(2), 252–284. https://doi.org/10.5465/amr.1994.9410210745.
Evan, W., and Freeman, E. (1993), A stakeholder theory of the modern corporation: Kantian capitalism, in Beauchamp, T., and Bowie, N. (eds.),*Ethical Theory and Business*, 4th edition. Prentice Hall, Englewood Cliffs, NJ.75-84.
Fisher, G. (2019). Online communities and firm advantages. *Academy of Management Review*, 44(2), 279–298. https://doi.org/10.5465/amr.2017.0009.
Freeman, E. (1984). *Strategic Management: A Stakeholder Approach*. Pitman, Boston.
Freeman, E. (1994). The politics of stakeholder theory: Some future directions. *Business Ethics Quarterly*, 4(4),409-421.https://doi.org/10.2307/3857340
Freeman E. (1999). Divergent stakeholder theory. *Academy of Management Review*,

24(2), 233-236.https://doi.org/10.5465/amr.1999.1893932

Freeman, E. (2007). *Managing for Stakeholders*, Darden School of Business, University of Virginia.

Freeman, E. (2008). Ending the so-called "Friedman-Freeman" debate, in Agle, B., Donaldson, T., Freeman, E., Jensen, M., Mitchell, R., and Wood, D., Dialogue: "Toward a Superior Stakeholder Theory". *Business Ethics Quarterly*, Vol.18, n.2,162-166. http://dx.doi.org/10.2307/27673227.

Freeman, E., Harrison, J., Wicks, A., Parmar, B. and De Colle, S. (2010). *Stakeholder Theory. The state of the art*, Cambridge University Press, Cambridge.

Freeman, E., Parmar, B., and Martin, K. (2020). *The Power of And: Responsible Business without Trade-offs.* Columbia University Press., New York.

Friedman, M. (13th September 1970), The Social responsibility of business is to increase its profits, *New York Times Magazine*, reprinted in Beauchamp T. and Bowie, N. (editors.), *Ethical Theory and Business* (1993 4th edition), Prentice Hall, Englewood Cliffs, NJ, pp.55-60.

Goodpaster, K. (1991). Business ethics and stakeholder analysis. *Business Ethics Quarterly* 1(1), 53–73. https://doi.org/10.2307/3857592.

Goodstein, J., and Wicks, A. (2007). Corporate and stakeholder responsibility: Making business ethics a two-way conversation. *Business Ethics Quarterly* 17(3), 375–398. https://doi.org/10.5840/beq200717346

Goodstein, J., and Wicks, A. (2008). Response to Richard Marens. *Business Ethics Quarterly*, 18(3), 431–432. https://doi.org/10.5840/beq200818331

Harris, J., and Freeman, E. (2008). The impossibility of the separation thesis. A response to Joakim Sanberg. *Business Ethics Quarterly*, 18(4), 541-548.

Harrison, J., and Wicks, A. (2013). Stakeholder theory, value and firm performance. *Business Ethics Quarterly*, 23(1), 97–124. https://doi.org/10.5840/beq20132314.

Harrison, J., Ho, V., Bosse, D., and Crilly, D. (2023). A configurational theory of generalized exchange in stakeholder-oriented firms. *Academy of Management Perspectives*, 37(1), 16–36. https://doi.org/10.5465/amp.2022.0034.

Hill, C., and Jones, T. (1992). Stakeholder-agency theory. *Journal of Management Studies*, 29(2), 131–154. https://doi.org/10.1111/j.1467-6486.1992.tb00657.x.

Jensen, M. (2002). Value maximization, stakeholder theory and the corporate objective function. *Business Ethics Quarterly*, 12(2), 235–256.DOI: https://doi.org/10.2307/3857812.

Jensen, M., and Meckling, W. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 303–360.https://doi.org/10.1016/0304-405X(76)90026-X.

Jones, T., and Wicks, A. (1999). Convergent stakeholder theory. *Academy of Management Review*, 24(2), 206–221.https:/ /doi.org/10.2307/259075.

Jones, T., Harrison, J., and Felps, W. (2018). How applying instrumental stakeholder theory can provide sustainable competitive advantage. *Academy of Management Review*, 43(3), 371–391. https://doi.org/10.5465/amr.2016.0111.

Kaler, J. (2003). Differentiating stakeholder theories. *Journal of Business Ethics*, 46, 71–83. https://doi.org/10.1023/A:1024794710899.

Kant, I (1994), *Fondazione della metafisica dei costumi*. Rusconi, Milano. (Italian

translation).
Lange, D., Bundy, J., and Park, E. (2022). The social nature of stakeholder utility. *Academy of Management Review*, 47(1), 9–30. https://doi.org/10.5465/AMR.2018.0456.
Manzone, G. (2002), *La responsabilità dell'impresa, Business Ethics e Dottrina sociale della Chiesa in dialogo*. Queriniana, Brescia.
Marens, R. (2008). Missing the trees for the forest: The invisibility of employee stakeholders, letters and responses. *Business Ethics Quarterly*, 18(3), 427–430. https://doi.org/10.2307/27673244.
McVea, J., and Freeman, E. (2005). A names-and-faces approach to stakeholder management: How focusing on stakeholder as individuals can bring ethics and entrepreneurial strategy together. *Journal of Management Inquiry*, 14(1), 57–69. https://doi.org/10.1177/1056492604270799.
Menghwar, P., and Freeman, E. (2023), Stakeholder theory. In *Sage Business Foundations*. SAGE Publications, Inc. https://doi.org/10.4135/9781071907405.
Menghwar, P., and Daood, A. (2021), Creating shared value: Systematic review, synthesis, and an integrative perspective. *International Journal of Management Reviews*, 23(4),466-485. https://doi.org/10.1111/ijmr.12252.
Menghwar, P., and Freeman, E. (2024). Stakeholder theory and communities. In *The Routledge International Handbook of Meaningful Stakeholder Engagement*, Routledge Publications.
Melè, D. (2009). The view and purpose of the firm in Freeman's stakeholder theory. *Philosophy of Management*, 8(3), 3–13. https://doi.org/10.5840/pom2009832.
Melé, D. (2006), Mainstream theories on normative corporate social responsibility: Analysis from Catholic Social Thought, paper presented at the *6th International Symposium on Catholic Social Thought and Management Education. The Good Company. Catholic Social Thought and Corporate Social Responsibility in Dialogue*, Rome, October 5-7, 2006.
Mitchell, R., Agle, B., and Wood D. (1997). Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts. *Academy of Management Review*, 22(4), 853–886. https://doi.org/10.2307/259247.
Nypost.com (2025), Here's why Costco will eventually drop DEI, says activist investor. Available at: https://nypost.com/2025/01/27/business/why-costco-will-eventually-drop-dei-activist-investor/.
Orts, E., and Strudler, A. (2009). Putting a stake in stakeholder theory. *Journal of Business Ethics*, 88(Suppl. 4), 605–615. https://doi.org/10.1007/s10551-009-0310-y.
Phillips, R., Freeman, E., and Wicks, A. (2003). What stakeholder theory is not. *Business Ethics Quarterly*, 13(4), 479–502. https://doi.org/10.5840/beq200313434.
Porter, M., and Kramer, M. (2011). The Big Idea: How to reinvent capitalism—and unleash a wave of innovation and growth. *Harvard Business Review*, 89, 62–77. https://hbr.org/2011/01/the-big-idea-creating-shared-value.
Rusconi, G. (1997). *Etica e impresa. Un'analisi economico-aziendale*. CLUEB, Bologna.

Rusconi, G. (2005). Social accounting, ethics and solidarity. *Economia Aziendale Online*, 3 (3), 51-62.

Rusconi, G. (2006), Stakeholders and documents of the direct accountability of companies. In Arena P. (ed.)*, The Corporate Social Responsibility: Scientific Development and Implementation*, ARACNE, Catania, 235-255.

Rusconi, G. (2009a), Management, ethics and stakeholder theory: An application of italian ethical firm system theory to competitive success/ethics relationships. In De Gennaro,I, Quitterer, J., Smekal, C., and Tasser B. (eds) , *Ethics in Economic Life: Challenges to a Globalizing World*, Innsbruck University Press, Innsbruck, pp.85-100.

Rusconi, G. (2009b). Stakeholder theory and business economics (Economia Aziendale). *Economia Aziendale Online*, 7 (3), 67-89.

Rusconi, G. (2012). Alcune riflessioni sui recenti sviluppi dello stakeholder management: il valore per gli stakeholder. *Impresa Progetto*, 9(1), pp.1-22.

Rusconi, G. (2019). Ethical firm system and stakeholder management theories: A possible convergence. *European Management Review*, 16, 147-166 DOI: 10.1111/emre.12162.

Sandberg, J. (2008a). Understanding the separation Thesis. *Business Ethics Quarterly*, 18(2), 213–232. https://doi.org/10.5840/beq200818216.

Sandberg, J. (2008b). The tide is turning on the separation thesis. *Business Ethics Quarterly*, 18(4), 561–565. https://doi.org/10.5840/beq200818440.

Sen, A. (2006), *Etica ed Economia.* Laterza, Bari (Italian translation)

Signori, S., and Rusconi, G. (2009). Ethical thinking in traditional italian economia aziendale and the stakeholder management theory: The search for possible interactions. *Journal of Business Ethics*, 89(Suppl 3), 303–318. https://doi.org/10.1007/s10551-010-0391-7

Tashman, P., and Raelin, J. (2013). Who and what really matters to the firm: Moving stakeholder salience beyond managerial perceptions. *Business Ethics Quarterly,* 23(4), 591–616. https://doi.org/10.5840/beq201323441.

Venkataraman, S. (2002). *Stakeholder Value Equilibration and the Entrepreneurial Process, Ethics and Entrepreneurship*, Ruffin Series in Business Ethics, Vol.3, 45-57.

Wempe, B. (2008). Understanding the separation thesis: Precision after the decimal point? *Business Ethics Quarterly*, 18(4), 549–553. https://doi.org/10.5840/beq200818438.

Wicks, A. (1996). Overcoming the separation thesis: The need for a reconsideration of business and society research. *Business & Society*, 35(1), 89–118.https://doi.org/10.1177/000765039603500108.

Wicks, A., and Freeman, E. (1998). Organization studies and the new pragmatism: Positivism, anti-positivism, and the search for ethics. *Organization Science*, 9(2), 123–140. https://doi.org/10.1287/orsc.9.2.123.