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Stakeholder Theory: A Radical Institutional View

Vladislav Valentinov

Abstract: Stakeholder theory is sometimes criticized by radical scholars for being pro-business and pro-capitalistic. However, stakeholder theorists recognize their disagreements with neoclassical economics and reject the notion of shareholder primacy. I argue that the rejection of shareholder primacy introduces a radical dimension to stakeholder theory, which can be further developed by drawing on the radical institutionalist literature. This literature acknowledges that private ownership can impede the social provisioning process by acting as a ceremonial drag. By adopting a radical institutionalist view of stakeholder theory, I suggest that rejecting shareholder primacy implies eliminating ceremonial elements that hinder the social provisioning process. Consequently, I see stakeholder management as a possible means of replacing these elements with discretionary community control that promotes inclusion, empowerment, and engagement of diverse stakeholders.

Keywords: radical institutionalism, shareholder primacy, stakeholder management, stakeholder theory

JEL Classification Codes: B52, D21, G30

Stakeholder theory constitutes a well-established, flourishing literature at the intersection of strategic management and business ethics. Central to this theory is the notion that a business is comprised of various stakeholders—groups and individuals who have a stake in its success or failure (Freeman et al. 2010, xv). Drawing on this notion, stakeholder theorists conceptualize business as a network of value-generating relationships among stakeholders, each with “a legitimate interest in the activities and outcomes of the firm and upon whom the firm depends to achieve its objectives” (Phillips et al. 2019, 3). This understanding of business prompts stakeholder theorists to focus on understanding “how customers, suppliers, employees, financiers (stockholders, bondholders, banks, etc.), communities, and management work cooperatively to create value” (Phillips et al. 2019, 3). As described by R. Edward Freeman et al. (2010, 3), managers are increasingly acknowledging the significance of collaborative value creation with stakeholders as the business environment becomes more turbulent. According to these authors, this trend is propelled by escalating societal demands on corporations, amplified by globalization, liberalization, and technological progress.

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The origins of modern stakeholder ideas are commonly traced back to the beginnings of the second half of the twentieth century (cf. Freeman et al. 2010, 30). Paul C. Godfrey and Joseph T. Mahoney (2014) trace these ideas even further back to Chester Barnard (1938), who saw the survival of organizations to depend on the ongoing voluntary cooperation of a diverse set of what he called “organizational contributors,” akin to what we now term stakeholders (cf. Valentinov and Roth 2022). In its present shape, stakeholder theory received its decisive impulse from Freeman’s (1984) textbook titled *Strategic Management: A Stakeholder Approach*. In this work, Freeman (1984) challenged the prevailing shareholder-centric perspective of business, advocating instead for broader corporate responsibilities encompassing employees, customers, suppliers, financiers, local communities, governmental agencies, as well as trade associations, unions, and potentially even competitors.

While Freeman’s (1984) argument exerted a significant influence on the fields of strategic management and business ethics (cf. Crane et al. 2019; Dmytriiev and Freeman 2023), it faced criticism from mainstream economists and strategic management scholars (cf. Jensen 2001; Sundaram and Inkpen 2004). These scholars contended that corporate managers should steadfastly pursue the objectives of profit and shareholder wealth maximization, viewing stakeholder theory as incompatible with the shareholder theory standpoint articulated by Milton Friedman (1970). The ensuing debate between shareholder theory and stakeholder theory has become known as the “Friedman-Freeman” debate (Freeman 2008). While Freeman (2008) did not see this debate to be productive, it remains true that stakeholder theorists position their body of thought as “an abrupt departure from the usual understanding of business as a vehicle to maximize returns to the owners of capital,” thus presenting stakeholder theory as an alternative to the mainstream view of shareholder capitalism (Freeman et al. 2010, xxv).

The positioning of stakeholder theory as an alternative to the mainstream has naturally sparked its radical interpretations. Evaluating stakeholder theory through the lens of critical management studies, Michelle Greenwood and Raza Mir (2019, 35) admitted that this theory was considered “radical in its early days” and even associated with socialism. As these authors acknowledged, stakeholder theory has become more conservative over time. Not only have its representatives developed a libertarian case for it (Freeman and Phillips 2002) but also made clear that “[s]takeholder theory has been developed as a system of voluntary exchange for individuals within a capitalist economy. It is decidedly not a form of socialism or a set of social policies to be enforced by the state” (Freeman et al. 2010, 230; cf. Freeman and Freeman 2023). Today, it is not uncommon for radical scholars to refer to stakeholder theory, but the degree of the radical nature of this theory remains a point of contention (Palladino 2022; Greenwood and Mir 2019; Lamarche and Bodet 2018; Sandoval 2015; Stanfield and Carroll 2004).

The contribution of the present article is to explore potential radical elements in stakeholder theory by drawing on the literature of radical institutionalism. As a school of economic thought, radical institutionalism may be particularly pertinent to those stakeholder scholars who admit that stakeholder theory has tensions with mainstream economics (e.g., Bridoux and Stoelhorst 2022a; Freeman et al. 2020). Recognizing these tensions, stakeholder scholars have recently explored the parallels between stakeholder theory and original institutional economics (Valentinov 2023). While these parallels are non-trivial and to underscore the contribution of stakeholder management to “organizing the social provisioning process in an orderly and reasonable way” (Valentinov 2023, 75), the

radical implications of the original institutionalist view to stakeholder theory have remained unexplored. When discussing the significance of stakeholder management for a sustainable functioning of capitalism, in Valentinov (2023; 2024a; and 2024b), I specifically highlighted the Commonsian perspective, which is notably less radical than the Veblenian one.

In the present article, I will not argue that stakeholder theory is or should be inherently radical. Instead, I will contend that the stakeholder theory literature includes ideas that can be subject to a radical interpretation, and I will endeavor to provide substance for that interpretation. I anticipate that many stakeholder theorists may disagree with my argument, and in fact, some radical institutionalists might not concur either. However, what I find intriguing in the institutionalist literature is the notion that, in those cases when progressive institutional change is viable, it often transpires in a subversive manner. Decades ago, Paul D. Bush (1987) introduced the idea of ceremonial dominance, suggesting that instrumental behaviors are bound to be encapsulated within ceremonial ones (cf. Tool 2001; Sturgeon 2009). Nevertheless, even within this encapsulation, learning processes occur that ultimately “erode . . . the ideological foundations” of prevalent ceremonial practices (Bush 1987, 1101–1102). Similarly, I contend that even if the radical core of stakeholder theory remains hidden in the background, it may still do its fair share of work toward “eroding the ideological foundations” of shareholder capitalism, in a way that can be illuminated through the lens of radical institutionalism.

To appreciate this perspective, it is important to recall that radical institutionalism, rooted in the work of Karl Marx and Thorstein Veblen, critically questions the relations of power and privilege hardwired in the status quo (cf. Dugger 2015 and 1988; Stanfield 1995). By opposing the shareholder wealth maximization paradigm, stakeholder theory questions the status quo of shareholder primacy in today’s capitalism. In radical institutionalist terms, stakeholder theory seeks to undermine the power and privilege of shareholders, specifically by promoting the economic inclusion and empowerment of all stakeholders (e.g., Civera et al. 2019; Mitchell et al. 2015). While some stakeholder interests may be conflicting, radical scholars acknowledge that some stakeholder conflicts (e.g., between workers and shareholders) may be understood as class conflicts (Brennan 2005). Especially in these cases, stakeholder theory may draw on radical institutionalism to reimagine stakeholder relations in such a way as to make them less exploitative and more empowering.

Assessments of Stakeholder Theory in the Radical Economic Literature

If I were to identify a shared foundation between stakeholder theory and the literature on radical institutional economics, it would likely be their critical perspective on shareholder primacy. Historically, this perspective goes back to the view of corporations as “social artifact[s] established by government to serve certain purposes” (Atkinson et al. 2019, 3). Having been granted licenses to operate with specific remits by public authorities, corporations were quickly able to break free of the constraints imposed by those remits such that they became formally independent with respect to purpose (cf. Ciepley 2019). The legal rendering of the corporation as private property via the controversial legal interpretation of the 14th Amendment of the U.S. Constitution by the Supreme Court in 1886 laid the basis for the contestation over the rights and responsibilities of the corporation that continues to this day. It was this contestation that eventually resulted in Milton Friedman’s famous 1970 intervention in the pages of the *New York Times*, rendering shareholders as “owners”

of publicly listed corporations. Friedman's view inspired Michael C. Jensen and William H. Meckling's (1976) foundational contribution to conventional corporate finance and was famously questioned by the legal scholar Lynn Stout (2012).¹

Today, Stout's critique is taken on board by those radical economists who view shareholder primacy as a manifestation of financialization and a product of a particular power regime that reflects "the political, economic, and social dominance of the shareholder class" (Palladino 2022; cf. Ireland 2010). According to Lenore Palladino (2022, 19), shareholder primacy cannot be justified from an economic standpoint; instead, it perpetuates the flawed notion that "only shareholders make variable or risky investments in a corporation, and that they therefore are the only group who should discipline corporate management." Notably, stakeholder theorists concur with this argument. For instance, Jay B. Barney (2018, 3305) demonstrates that "if the only stakeholder who has a claim on a firm's economic profits is shareholders, then . . . a firm will not be able to attract the kinds of resources it needs to generate these profits. To attract the kinds of resources that can generate profits, managers must recognize that stakeholders, besides shareholders, have claims on the profits that their resources help generate." While Barney (2018) focuses on the detrimental effects of shareholder primacy on corporate competitive advantage, Palladino (2022) contends that shareholder primacy undermines the ability of corporations to function as "innovative enterprises," a problem that could be remedied by promoting multi-stakeholder corporate governance.

Furthermore, the perspective of radical economics scholars towards stakeholder theory needs to be understood within the context of their criticism of the literature on business ethics and corporate social responsibility (CSR). Marisol Sandoval (2015, 608) strongly believes that "CSR approaches that dominate the academic discourse either instrumentalize the social, idealize the corporate, or separate the corporate from the social." She argues that the concept of CSR provides an ideological foundation for neoliberalism (Sandoval 2015, 612) and does not address the fundamental reality that "tensions between corporate and social goals remain irreconcilable" (Sandoval 2015, 609). Considering the capitalist system to be inherently immoral and inherently generating social and environmental problems, Sandoval logically questions the ability of business ethics and CSR to address and rectify this situation (Sandoval 2015, 614–616). Thomas Lamarche and Catherine Bodet (2018) express similar perspectives, suggesting that CSR and business ethics, more broadly, are part of a neoliberal project that promotes a shift away from public action towards voluntary commitments and seeks to replace radical solutions to structural conflicts with compromised outcomes. The authors argue that CSR promotes financialization and shareholder primacy (Lamarche and Bodet 2018, 161), contradicting the essence of stakeholder theory as conceptualized by Freeman et al. (2010).

Given the association of stakeholder theory with business ethics, it is not surprising that the skeptical stance of many radical economics scholars towards business ethics has translated into a similar perspective towards stakeholder theory. Greenwood and Mir (2019, 37) view stakeholder theory as incompatible with Marxism and therefore inadequate in capturing the intricate dynamics of radical class conflict. Sandoval (2015, 612) categorizes stakeholder theory as part of the tendency within the business ethics literature to "idealize the corporate" and accept on faith the assumption that profit can be generated in a socially responsible manner. While acknowledging that Freeman and Phillips' (2002) conception of

¹ This paragraph has benefited from the comments offered to the author by Professor Michael Keane.

stakeholder capitalism involves equal recognition of all stakeholders and the transformation of business into a “fully human institution” (Sandoval 2015, 613), she argues that stakeholder theory ultimately “overlooks existing power structures and problems that result from profit generation” (Sandoval 2015, 614).

Significantly, Sandoval’s (2015) critique regarding how stakeholder theory fails to challenge the pervasive power relations within corporations is indirectly supported by Ronald K. Mitchell et al.’s (1997) categorization of stakeholder salience based on legitimacy, urgency, and power. If stakeholders primarily gain salience through their corporate power, stakeholder management may not effectively empower the weak and marginalized stakeholders (although they may still acquire some salience based on the legitimacy or urgency of their interests). Palladino (2022, 13) distinguishes between two types of stakeholder theory: one stemming from the corporate legal scholarship tradition and the other from the business and management literature. While she holds a favorable view of the potential of the first type of stakeholder theory to enhance corporate governance and foster productive innovation, she criticizes the second type, which she associates with Freeman’s work, for promoting shareholder primacy. Given that Freeman et al. (2010, xxv) paradigmatically define stakeholder theory as a departure from the shareholder wealth maximization paradigm and the privileged status of shareholders, it is unlikely that they would accept this critique.

However, other radical thinkers hold a more positive view of stakeholder theory. While acknowledging the neoliberal origins of CSR and business ethics, Lamarche and Bodet (2018, 164) indirectly endorse the idea within stakeholder theory that interfirm networking can lead to joint governance of production. They see this governance model as an alternative to the one-sided exercise of corporate power, particularly in the context of global value chains. However, Lamarche and Bodet (2018) express doubt about the feasibility of such joint governance within a neoliberal regime, suggesting that stakeholder theory ultimately clashes with neoliberalism but may be too weak to overcome its pervasive influence. Taking a radical institutionalist approach, James Ronald Stanfield and Michael C. Carroll (2004, 365) mention stakeholder theory as surpassing the limitations of the neoliberal principal-agent paradigm in corporate governance. According to these authors, stakeholder theory represents “an effort to rescue the older corporate social responsibility discourse from the dominance of the principal-agent discourse (Stanfield and Carroll 2004). Stanfield and Carroll (2004) seemingly support the argument within stakeholder theory that “corporate managers have the ethical responsibilities to balance or coordinate the interests of the various stakeholders.” This viewpoint is indirectly supported by my (Valentinov 2023) recent attempt to reconcile stakeholder theory with the original institutional economics perspectives of Veblen and Commons. In Valentinov (2023), I explore the potential role of stakeholder management in organizing the social self-provisioning process. However, what has been lacking in my and other scholars’ work is explicit attention to the potentially radical and subversive elements within stakeholder theory. These elements are examined in the following section.

Toward a Radical Institutional View of Stakeholder Theory

I align myself with my earlier work (Valentinov 2023) in grounding the institutionalist understanding of stakeholder theory in an analysis of its potential relationship to the social provisioning process, which serves as the focal point of original institutional economics (Adkisson 2009; Tool 2001; Gruchy 1987). Social provisioning, as famously defined by Karl

Polanyi (1968, 145), refers to “an instituted process of interaction between man and his environment, which results in a continuous supply of want-satisfying material means.” In the present context, it is crucial to emphasize that the social provisioning process relies on the continuous advancement of technology, broadly defined in the Ayresian sense as “all skills and tools that help human beings improve the life process” (Dugger and Sherman 1997). Simultaneously, I agree with Dugger’s (2016, 123) assertion that “mainstream economics overlooks the communal nature of technology.” I interpret this assessment as being rooted in the institutionalist dichotomy, which serves as a prevalent moral criterion within the original institutional economics literature (cf. Munkirs 1988).

As outlined in Valentinov (2023), the institutionalist dichotomy distinguishes between the instrumental and invidious functions of institutions. The instrumental functions serve to enable and coordinate the social provisioning process, ensuring the continuity of human life and the non-invidious re-creation of community through the instrumental use of knowledge (Tool 2001, 293). On the other hand, the invidious functions of institutions revolve around vested interests that seek to control and exert power over the social provisioning process, leading to the imposition of hierarchies, inequalities, and limitations on its development (Tool 2001, 293). Radical institutionalist thinkers like Veblen and Ayres have often associated private ownership, particularly in the context of large-scale corporations, with these invidious vested interests (cf. Veblen 1919; Ayres 1978). According to a radical institutionalist perspective, the imposition of private ownership on technology can be seen as a form of “ceremonial resistance” (Dugger and Waller 1996) that hampers its full potential. As William M. Dugger (2016, 111) explains, “the application of scarcity and private property to technology is misguided because technology is a special kind of commons, particularly ill-suited for conversion to private property and market pricing.” Clarence E. Ayres (1978, xiv) also emphasized that both private property and market pricing are ceremonial constructs perpetuated by vested interests currently dominating economic life.

Identifying private property as a manifestation of vested interests that hinder the social provisioning process provides a potential radical foundation for questioning the shareholder wealth maximization paradigm. If shareholder interests are perceived as vested interests (cf. Palladino 2022; Brennan 2005), radical institutionalists have little grounds for disagreement with stakeholder theorists who criticize the societal impact of this paradigm and advocate for stakeholder management. The critique of the shareholder wealth maximization paradigm articulated by stakeholder theorists can be directly aligned with a radical interpretation based on Veblen’s perspective on the relationship between vested interests and community interests. To illustrate this, I refer to Veblen’s (1919, 160) conceptualization of “the new order,” which “has brought the machine industry, corporation finance, big business, and the world market under this new order in business and industry, business controls industry. Invested wealth in large holdings controls the country’s industrial system, directly by ownership of the plant, as in the mechanical industries, or indirectly through the market, as in farming. So that the population of these civilized countries now falls into two main classes: those who own wealth invested in large holdings and who thereby control the conditions of life for the rest; and those who do not own wealth in sufficiently large holdings, and whose conditions of life are therefore controlled by these others.”²

The inherent radical injustice within this “new order” stems from the capitalists’ appropriation of the benefits derived from the continuous development of the community’s

² cf. Dugger 2006, 654.

collective technological knowledge. Veblen (1919, 69) highlights that it is the community at large that accumulates

the joint stock of industrial knowledge and proficiency,” whereas “the owner of the equipment is some person who has contributed no more than his per-capita quota to this state of the industrial arts out of which his earnings arise. Indeed the chances are that the owner has contributed less than his per-capita quota, if anything, to that common fund of knowledge on the product of which he draws by virtue of his ownership, because he is likely to be fully occupied with other things, such things as lucrative business transactions, e.g., or the decent consumption of superfluties.³

Hence, it logically follows that capitalist profits, including shareholder dividends, are products derived from the community’s collective stock of industrial knowledge, which capitalists extract from the community itself. Furthermore, this extraction occurs in a manner that is detrimental to the community. As Veblen (1919, 93) puts it,

the common good, so far as it is a question of material welfare, is best served by an unhampered working of the industrial system at its full capacity, without interruption or dislocation. But it is equally evident that the owner or manager of any given concern or section of this industrial system may be in a position to gain something for himself at the cost of the rest by obstructing, retarding, or dislocating this working system at some critical point in such a way as will enable him to get the best of the bargain in his dealings with the rest.⁴

I contend that stakeholder theory potentially connects to these Veblenian critiques of the capitalist system of business enterprise in two key ways. First, the distribution of profits to shareholders signifies the control wielded by vested interests within this system. Secondly, the concept of the community as the bearer of technological knowledge and as the subject of the self-provisioning process captures, to some extent, the contested notion of stakeholding itself. From a Veblenian perspective, an important aspect of the term “stakeholder” is its deliberate inclusiveness of all economic (and non-economic) identities that may be designated as such. While corporate managers may consider certain vested interests as stakeholders, Veblen’s notion of “the common man” serving as a benchmark for criticizing these very vested interests (Veblen 1919) reflects the existence of additional stakeholders who must also be encompassed within the scope of corporate management (cf. Donaldson and Preston 1995).

I admit that the alignment between the Veblenian notion of the community and the collective idea of stakeholders is not perfect. I accept this limitation by acknowledging that the collective concept of stakeholders lacks the evolutionary connotations present in the institutionalist view of the community. While I join (radical) institutionalists in viewing the community as a repository of civilizational knowledge over time, I do not extend this meaning directly to the collective concept of stakeholders as perceived from the standpoint of any individual corporation. Nevertheless, I believe that stakeholder management,

³ cf. Dugger 2006, 665.

⁴ cf. Dugger 2006, 666.

positioned as an alternative to shareholder wealth maximization, does recognize and uphold the communal nature of technology, as highlighted by Dugger (2016).

Just as the communal nature of technology presents a compelling argument against its privatization and in favor of collective utilization (Dugger 2016), I similarly perceive the technological complexity of modern business as necessitating stakeholder collaboration rather than the primacy of shareholders. Just as the communal nature of technology is misunderstood by mainstream economics (Dugger 2016, 123), so do stakeholder theorists lament “the detour into a narrow form of economic theorizing that occurred in business strategy and policy and that continues into the present” (Freeman et al. 2020, 216). As Flore Bridoux and J. W. Stoelhorst (2022a) explain, stakeholder theory differs from mainstream economics by prioritizing cooperation over competition and by locating managerial responsibilities in fostering cooperative relationships with stakeholders rather than in maximizing the financial value of their firms. Furthermore, according to Bridoux and Stoelhorst (2022a), in contrast to mainstream economics, stakeholder theory assumes human behavior to be more complex than suggested by the Homo economicus model. If Bridoux and Stoelhorst (2022a) are right, then the practice of stakeholder management, seen as an alternative to the practice of shareholder wealth maximization, offers hope for enabling the development of technology as a truly communal process in the sense of Dugger (2016).

On this basis, I see the economic role of stakeholder management as ensuring the coordination of the industrial system in line with the requirements of what Veblen (1904, 10) called the machine process requiring “the running maintenance of interstitial adjustments between the several subprocesses or branches of industry.” Veblen saw the machine process to be at the heart of the operation of the industrial system:

This industrial system runs on as an inclusive organization of many and diverse interlocking mechanical processes, interdependent and balanced among themselves in such a way that the due working of any part of it is conditioned on the working of all the rest. Therefore, it will work at its best only on condition that these industrial experts, production engineers, will work together on a common understanding; and more particularly on condition that they must not work at cross purposes. (Veblen 1921, 52 et seq.)

In the context of radical stakeholder theory, I contend that the notion of “industrial experts” and “production engineers” working “together on a common understanding” can be understood as stakeholders collaborating to develop a coordinated value creation strategy. Conversely, “working at cross-purposes” represents the detrimental effect of the shareholder wealth maximization paradigm within the interdependent technological processes. From an institutionalist perspective, the potential for value-adding coordination among stakeholders is rooted in the communal nature of the community’s stock of technological knowledge, which capitalists individually appropriate without maximizing its productive use. But even more generally, this knowledge requires collective use due to its sheer complexity. As Veblen (1990, 326) explained, the mass of technological knowledge possessed by any community, and necessary to its maintenance and to the maintenance of each of its members or subgroups, is too large a burden for any one individual or any single line of descent to carry.”

In contrast to Friedrich Hayek’s (1945) renowned theory regarding the advancement of civilizational knowledge through decentralized interactions among market actors, Veblen emphasized the indispensable contribution of “industrial experts” and “production

engineers” in the progress and application of this knowledge. The knowledge of the Veblenian “industrial experts” and “production engineers” is much different from the Hayekian subjective knowledge of time and place. From a stakeholder theory perspective, Veblen’s viewpoint suggests that stakeholder collaborations have the potential to generate and leverage unique forms of knowledge that may not be attainable within a decentralized market context. Within the recent stakeholder literature, there is an increasing recognition that cultivating ethical stakeholder relationships serves as a distinct mechanism for tapping into the dispersed knowledge held by individual stakeholders (Valentinov 2022; cf. McVea and Freeman 2005). This mechanism is not accessible within the framework of the shareholder wealth maximization strategy.

Thus, in the (radical) stakeholder theory context, the relationship between the corporate policies of stakeholder management and shareholder wealth maximization can be traced back to the institutionalist dichotomy of the instrumental and invidious functions of institutions. The interaction of these functions is well described by Dugger (2016, 113) as follows:

the incremental and cumulative tool combination process that hands down a growing joint stock of knowledge from generation to generation results in a dialectical struggle involving, on the one side the usurpation of that knowledge by powerful interests who would control it to seize its usufruct for themselves. On the other side of the struggle are communal resistance to private usurpation and exploitation as well as community promotion of technological advance and free use.

On a radical institutionalist view, the relationship between stakeholder management and shareholder wealth maximization is a particular embodiment of this dialectical struggle.

This institutionalist interpretation of the relationship between shareholder wealth maximization and stakeholder management finds support in Dugger’s (2016, 117) vision of technology as anti-commons (i.e., a resource that is degraded if its use is regulated by private ownership). Dugger’s (2016) argument is embedded in a larger institutionalist understanding of how the social provisioning process poses a coordination challenge that cannot be adequately addressed by the pecuniary institutions giving force to the conventional understandings of private ownership. For example, the very institution of the corporation has been explained by a number of institutionalists as a response to the imperatives of large-scale technology, which call for enhanced coordination among individual actors supplying capital (Berle and Means 1932; Boulding 1953; Galbraith 1967). Whereas new institutional economists followed Adolf A. Berle and Gardiner C. Means (1932) in seeing the separation of corporate ownership and control as an attenuation of private property rights in the name of reaping the gains from specialization (e.g., Alchian and Demsetz 1972), institutionalists approached this attenuation as an abolition of ceremonial impediments on the technological functioning of the social provisioning process. Just as Ayres (1978, 199) interpreted the rise of the industrial corporation in the twentieth century in terms of management becoming more important than ownership, so do I discern a radical institutionalist meaning of stakeholder management in promoting the technological coordination of the social provisioning process beyond the limits of the coordination function of shareholder wealth maximization. Abolishing shareholder primacy may thus be approached as a step toward a more comprehensive and effective coordination of the social provisioning process.

Fanciful as it is, the proposed radical institutionalist meaning of stakeholder management as an overcoming of the dysfunctional ceremonial effects of shareholder primacy connects to some of the well-known arguments in the stakeholder theory literature. For one, stakeholder theorists have long been critical of what they saw as exaggerated conceptions of private property rights in neoclassical economics. Donaldson and Preston (1995, 84) argue that a philosophical conception of property rights that underlies stakeholder theory “does not ascribe unlimited rights to owners” while acknowledging that stakeholders have property-like claims too. Similarly, James E. Post et al. (2002, 12) position stakeholder theory as an alternative to “the ownership model in which the corporation is seen as an extension of a basic human right to own property.” Furthermore, some stakeholder theorists see joint value creation by stakeholders as a communal process akin to technology in Dugger’s (2016) understanding (Bridoux and Stoelhorst 2022b). Bridoux and Stoelhorst (2022b) show that, as a communal process, joint value creation needs to be governed by Elinor Ostrom’s design principles rather than by promoting privatization. Finally, my (Valentinov 2023) institutionalist approach to stakeholder theory acknowledges the unique contribution of stakeholder management toward the coordination of the social provisioning process. Yet, in Valentinov (2023), I frame this contribution in terms of the non-radical Commonsian ideas of “ensuring the security of expectations, conflict resolution, and the maintenance of order” (2023, 86). What I propose here is a radical Veblenian understanding of this contribution in terms of abolishing shareholder primacy as an institutional foundation of the vested interests controlling the social provisioning process.

Discussion

Whereas many radical scholars tend to see CSR discourse as largely instrumentalized and enmeshed within the capitalistic system, their assessments of stakeholder theory are more varied and do not generally exclude the possibility of this theory exercising a subversive influence. If correct, the proposed radical view of stakeholder theory may further reinforce this possibility and resonate with those critical scholars who view stakeholder management as a variety of a Trojan horse that may radically transform the capitalist system from within. To be sure, only time will tell whether stakeholder management will ultimately succeed in fulfilling this subversive function or rather will itself be fully subsumed or encapsulated in the service of vested interests. While I cannot predict the future, I do wish to call the readers’ attention to the former possibility, at least in theory. For institutionalists, this possibility may invite further research on how far stakeholder management may operate as a particular form of democratic economic planning as their preferred policy stance. To institutionalists, democratic economic planning is needed because the market cannot be relied upon to “automatically serve human welfare” (Dugger 1988, 15).

While it is likely that many institutionalists will critically question the extent to which stakeholder management truly fosters democracy, this skepticism can be addressed through further exploration of stakeholder democracy within the realm of stakeholder scholarship (cf. Moriarty 2014). Moreover, today’s radical institutionalists see an increasingly pressing scholarly issue in the possibility of doing justice to the political demands of disadvantaged groups, thereby acknowledging that “the need for democracy takes precedence over the need for technology” (Dugger and Waller 1996, 185). Stakeholder theory offers a potential platform for fusing the technological and political concerns, in that stakeholder management is at the

same time an ingredient of business life and an arena for processes such as empowerment, inclusion, and engagement (Kujala et al. 2022; Civera et al. 2019; Mitchell et al. 2015).

I reckon that many stakeholder theorists, especially those who put value in their theory being pro-business and pro-capitalistic (Freeman et al. 2007, iii; Freeman and Freeman 2023), may not readily embrace the radical understanding that I develop in this article. However, even these theorists, in their further work, might ask themselves whether the radical elements in stakeholder theory could yet turn out to be helpful for addressing grand challenges (Voegtlin et al. 2022) and wicked problems (Grewatsch et al. 2021), which may call for more than incremental or piecemeal solutions. Exhibiting complexity, uncertainty, and value-laden character, grand challenges are often seen as a driving force behind the evolution of stakeholder capitalism (Schwab and Vanham 2021). I suspect that stakeholder capitalism may be better equipped to confront these grand challenges if it embraces sufficient radicalism to facilitate large-scale system-wide coordination beyond the constraints of the shareholder wealth maximization paradigm and corresponding to the Veblenian view of the interdependent nature of the machine process.

Stakeholder theorists have been actively exploring the nature of coordination that extends beyond the boundaries of individual firms. Critiques have emerged regarding overly firm-centric interpretations of stakeholder theory (Bevan et al. 2019, 132; Sachs and Rühli 2011), prompting inquiries into alternative forms of collective stakeholder entities such as networks (Sachs and Rühli 2011, 160; Rowley 1997) and systems (Roulet and Bothello 2021). These critiques have contributed to a critical perspective on the resource-based theory of the firm, highlighting the need to prioritize collaboration over competitive positioning (Freeman et al. 2021). Furthermore, some stakeholder scholars have problematized what they term “the stakeholder-system divide,” questioning the prevailing focus of stakeholder theory on the individual firm rather than the broader capitalistic system as a whole (Johnson-Cramer et al. 2022, 1112). Others argue that stakeholder theory intentionally leaves the question of firm boundaries open, thereby limiting its contribution to the institutional economics debate on defining the scope of the firm (Phillips et al. 2019).

Emphasizing the need for a more comprehensive and systemic approach to stakeholder coordination, all these debates are potential beneficiaries of the radical view I propose here. The radical view conceptualizes the firm as a Veblenian business enterprise (i.e., as a manifestation of vested interests that control the social provisioning process). When this control becomes overly dysfunctional, stakeholder scholars call on stakeholder management to “decenter the firm” (Bevan et al. 2019, 132), whereas I add that this decentering may occur by undermining its pecuniary foundations and systemic influence. In other words, stakeholder management decenters the firm in its quality as a business enterprise, but not as a locus of stakeholder engagement and empowerment in the communal value creation process. Decentering the firm as a business enterprise is likely to have systemic effects related to overcoming or at least partly neutralizing the structural injustice hardwired into the operation of the capitalistic system. If stakeholder theorists would acknowledge these systemic effects, they could make a great stride toward realizing their vision of overcoming the dysfunctional firm-centeredness of much stakeholder scholarship and uncovering the genuine systemic foundations of stakeholder capitalism.

Concluding Remarks

In the present article, I bring attention to the inevitable ambiguity involved in the stakeholder theory's claim to provide an alternative to the mainstream view of shareholder capitalism by replacing the shareholder wealth maximization paradigm with an understanding of the importance of stakeholder collaborations. Even though leading stakeholder theorists see their body of thought to be inherently pro-capitalistic, they inadvertently open the Pandora's box of questioning the power and privilege of capitalistic shareholders and managers, while utilizing the context of stakeholder management for promoting the ideals of equality, empowerment, inclusion, and democracy. This Pandora's box mirrors the potential and largely dormant radical elements in stakeholder theory, which remain largely hidden between the lines of the mainstream texts on strategic stakeholder management.

In my analysis of these radical elements, I rely on the perspective of radical institutionalism, which views private ownership as a potential hindrance to the social provisioning process. I contend that challenging the shareholder wealth maximization paradigm involves dismantling the ceremonial aspects of private ownership that impede the efficient realization of technological processes within the social provisioning system. Especially given the technological complexity of modern business, I see this business to necessitate stakeholder collaboration rather than the primacy of shareholders. This collaboration, in turn, provides a platform for democratic community control and discretion over aspects of business life that are currently governed by the principles of shareholder primacy. Thus, on a radical institutionalist view, stakeholder collaboration and stakeholder management hold the subversive potential to transform the capitalist system from within, and only time will tell whether or to what extent this potential can be realized.

But even apart from the question of the practical realization of this radical potential, I hope that the present article will promote the dialogue between the scholarly fields of radical institutionalism and stakeholder theory. Based on the common ground of questioning shareholder primacy, the cross-fertilization of these fields may support the transformation of capitalism into a more just and sustainable economic system. In this process, stakeholder theory can go beyond its prevalent managerial focus and enhance its relevance for social and political issues within the broader capitalistic system, whereas radical institutionalism may develop a new appreciation of grand challenges and wicked problems as settings calling for the fusion of technological and democratic ingredients of instrumental value. I see the dialogue between these scholarly fields to offer considerable hope for a better understanding of how the social provisioning process may benefit from comprehensive system-wide coordination initiatives spanning multiple and diverse stakeholders beyond the confines of the shareholder wealth maximization paradigm.

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