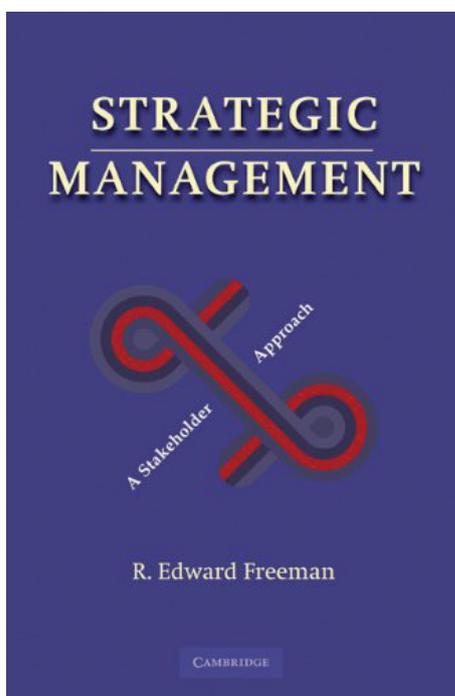


## BOOK REVIEW

### My Own Book Review. Strategic Management: A Stakeholder Approach

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In June 1982, I sat down at my desk in my home in Princeton Junction, New Jersey, to begin to write *Strategic Management: A Stakeholder Approach* (SMASA). My original idea was merely to staple together a set of papers that I had written over the last 3–4 years. As the book unfolded, it took on a life of its own, and while I did use some passages from those papers, I tried to make the book a more coherent statement of what management would be like if one took the stakeholder idea very seriously.

Eight weeks later, I had roughly 400 pages of manuscript that I duly turned into my publisher, Bill Roberts at Pitman Publishing. The book was to appear in a Pitman Series on Business and Society, edited by my friend Ed Epstein, professor at Berkley. I spent the next 6 months revising the book after extensive

critiques from Edwin Hartman, Gordon Sollars, Epstein, and others. I convinced my wife, Maureen Wellen, to do drafts of the exhibits that turned out to be final drafts. I turned the final manuscript, sometime in early 1983, and the book was published in the summer of 1983 with a 1984 copyright date.

Unknown to most was the original idea that this would be a textbook for strategy courses. And, of course, using it as a textbook was a terrible idea, and I do not know very many who used it successfully. Perhaps it helped to motivate Jeff Harrison and Jill St. John to write a real textbook on using stakeholder theory to teach strategy.

The first and only printing of the book was roughly 2,000 copies (Cambridge University Press reprinted the book in 2010, and the number of copies of that printing now exceed the original). I have always taken the number of citations for the book, roughly 45,000 today, as an indication of how many people did not actually read the book, but simply cited it.

For many years, the only people who took these ideas seriously were the folks who were thinking about business ethics and societal issues in business. There was one exception to this point. AT&T and the Bell System took the ideas in the book quite seriously. I had been a consultant to them from 1977 when Jim Emshoff, my boss at Wharton during those first 5 years as a researcher, and I were asked to contribute to the Bell Advanced Management Program. The purpose of the program was to further educate the leaders of the company in the future on the issues they would face. The Bell folks thought that how to manage the external environment was the #1 challenge for them, and I believe that this turned out to be stunningly true over the ensuing 10 years. We wrote two papers that became a part of the book: 'Stakeholder Management: Principles' and 'Stakeholder Management: Tools and Techniques'. Neither was ever published separately but together they contain the bare bones of the book. Let me add that Emshoff was a big part of this. He published his version in a book, *Managerial Breakthroughs*, and I published my version in SMASA.

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In June 1982, I was 30 years old. I had spent the last 5 years learning about business and getting used to the kind of scholarship that was prevalent at business schools. While the arrogance of youth was definitely present, I also knew that I was not trained to do large-scale empirical/statistical work. However, I thought that the clinical approach of Freud and his followers, Philip Selznick, Eric Trist, and others, combined with my philosophical training could yield even more insights. And, I had the perfect setting with my work with the Bell Companies. That was the underlying method for SMASA. In today's world, we have virtually forgotten the clinical method in management. This has led to several misconceptions about SMASA. I thought I was both describing how businesses actually worked and prescribing how they could work better. As a pragmatist philosopher (my PHD was from Washington University in St. Louis, a hotbed of Quinean pragmatism), I did not know that management theorists still believed the 'fact-value' and 'theory-data' distinctions were real, and I certainly had not figured out that one was not supposed to do 'normative' work, especially as an untenured assistant professor. I remain quite happy that I did not know these things because I believe that if the book has a message that is still relevant today, it is because stakeholder theory encompasses both normative and descriptive works. Its strength is that it is based on real business situations, and it does not shy away from prescribing how businesses can improve. In fact, the basic logic of the book is that if we use the vocabulary of 'stakeholders', we will have a better understanding of how businesses actually work and create value, and how they can work better. I was most disappointed some years later when Lee Preston and Tom Donaldson published an article that people understood as separating Normative, Descriptive, and Instrumental stakeholder research. In fact, I argued in a paper around the same time that this was a misinterpretation of this important paper.

A second strength of the book was the material on purpose. Ironically, I thought that the stakeholder idea was merely so much common sense, that it would not be very interesting to many people. I completely underestimated how scholars and business executives were in the grip of the shareholder primacy narrative that its only money and profits that matter in business. I thought that the main contribution of SMASA was that it set out a different way to begin to do strategic management. I thought that adding the question 'What do you stand for' to the standard 'What business are you in' put businesses on a firmer foundation. After all, if you know what you stand for, you probably know what businesses you want to be in. I got this early view of corporate purpose from my reading of Peter Drucker, and some strategists, many of whom did not want to do the normative work that 'what do you stand for' entailed. Again, I thought that philosophers could help answer questions like this, especially those trained in ethics.

There are many other aspects to SMASA that I am proud of that I think are still relevant today. The chapter on Boards of Directors, the history of the Stakeholder idea, and the attempt to explicate some tools to help executives think through difficult issues are all things that can be useful. I am especially happy to have traced down the origin of the stakeholder idea. Given its good currency in today's world, it has been variously known as Stakeholder Management (the term that Jim Emshoff and I used), Stakeholder Planning, Stakeholder Engagement, Stakeholder Theory, and more recently Stakeholder Capitalism. While many people have contributed to the development of the stakeholder idea, I stand by the research that has been verified by many others, which the original pioneers were Marion Doscher and Bob Stewart at Stanford Research Institute (SRI), Eric Rhenman in Sweden, and Juha Nasi in Finland. The other ideas, including ours as Stakeholder Management, are all derivative from these original pioneers. Furthermore, Melissa Schilling has convincingly argued that Mary Parker Follet has many of these insights without using the stakeholder vocabulary, and if you look further, you can find the idea in the founding papers of the TATA group in India. I have little patience with modern 'pundits' who claim to have invented the idea. I certainly did not, and I tried my best to show who did. Giles Slinger in his PhD at Cambridge retraced my steps and showed what I missed, and Robert Strand did the same in a joint paper with me for the Scandinavian connections.

In many of the chapters in the book, I would put the ideas a bit differently today, but that is the price of a book written nearly 40 years ago. However, SMASA also has many weaknesses. I think that the most glaring one is the imposition of a strategic planning framework on the book. Peter Lorange was the chair of the management department and a mentor to me, and I used his ideas about the strategy process fairly extensively. I now believe that stakeholder theory, as I call it today, goes far beyond the strategy process. I did not realize it, but I was suggesting that a system in which the stakeholder vocabulary was central would be more useful and would create a better society than one that remained in the grip of shareholder primacy.

A second weakness was to focus a chapter on internal stakeholders. This was since in all of my clinical work, the executives leaped to the conclusion that they had internal stakeholders as well. There is some usefulness here, but it is also misleading from the standpoint of making businesses more sensitive to the external stakeholders.

There are many other weaknesses of the book, not worth enumerating. It was a book written by a 30-year-old without much knowledge of business or its disciplines. However, the book gained a reputation as being anti-business, pro-CSR, and leftie. (I was dubbed a 'socialist' on the editorial page of the *Wall Street Journal* in 1997 by an author who could not have actually read the book). I think over the years, I have angered the left by being seen as a 'sellout to business' and the right by

being seen as a 'socialist'. SMASA does neither. It is unapologetically pro-business. Capitalism is simply the greatest system of social cooperation we have even invented. And it is unapologetically critical and normative for how business can be better; and how businesses need to accept the responsibility for their actions that can affect others.

Growing up fairly poor on a dirt farm in central Georgia, I took it as one of life's truths that one needed to be responsible for the effects of one's action on others. I needed to be sensitive to those I could 'affect' and those I could be 'affected by'.

Stakeholder theory has always been second nature to me. In the ensuing years since 1982 many people around the world have joined this project of improving business and capitalism, of designing a new narrative for business, and in making the world a better place for everyone with more responsible businesses. I get far too much credit for a very small role that I played in developing the stakeholder idea. But, the task is not yet finished. We desperately need to hasten the transition to a more inclusive stakeholder capitalism. That is a worthy task for our generations, and one to which I am committed.