

Stakeholder Management Theory: A Critical Theory Perspective¹

Darryl Reed
Business & Society Program
Division of Social Science

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For the past decade or more stakeholder management theory (SHMT) has dominated the literature of business ethics. While the concepts of *stake* and *stakeholder* admit of both positive and normative connotations, in the field of business ethics SHMT is best characterized as a theory of corporate responsibility or a normative theory of the firm. As normative concepts, stake and stakeholder are largely formal in character, allowing for a variety of substantial conceptions. Indeed, part of the popularity of SHMT is undoubtedly due to the fact that these concepts provide a very broad umbrella under which a range of normative positions can be accommodated. The primary concern underlying this paper is the theoretical adequacy of the normative positions that have been developed under the rubric of SHMT.

The adequacy of individual stakeholder management theories may be questioned on either of two basic grounds. First, they may be inadequately developed as a theory *per se* (i.e., they fail to address the full range of issues involved, do not provide adequate grounding for their position, etc.). Second, their problems may be linked not to the thoroughness of their inquiry, but rather to the adequacy of the tradition of normative theory (e.g., utilitarianism, Kantian deontology, etc.) on which they draw to develop their position. In addressing these concerns about the adequacy of normative stakeholder theory, this paper undertakes two tasks simultaneously. On the one hand, it seeks to establish the basic requirements for a theoretically adequate approach to the normative analysis of stakeholder management. On the other hand, it attempts to sketch the outlines of a particular normative theory of stakeholder management that is able to fulfill these requirements.

The particular normative SHMT that is developed in this article is intended to help demonstrate the importance of normative theory for business ethics. It seeks to do this by elaborating the full range of management responsibilities, as well as offering a conceptually more enlightening presentation and a philosophically more rigorous justification of these responsibilities. The normative SHMT to be elaborated will draw upon the tradition of “critical theory” known as the Frankfurt School and the work of Jürgen Habermas in particular. A basic claim of this paper is that the normative theory expounded by critical theorists such as Habermas exhibits important advantages over its rivals and these advantages provide it with the basis for developing a version of normative SHMT that is conceptually more illuminating and theoretically more adequate.

In setting out a normative SHMT, this paper is clearly focusing on only one of several major concerns of business ethics, viz., the theoretical task of elaborating and justifying normative obligations. We are abstracting from the pedagogical task (viz., how to educate management about its obligations), the motivational task (viz., how to convince management to take up its obligations), and other tasks of application (viz., the concrete analysis of specific cases, the provision of practical guidelines and decision rules for management, etc.). Abstracting from these questions is not, of course, to deny their importance. Indeed, it can be acknowledged that, as a form of practical ethics, the adequacy of the critical theory approach developed here ultimately rests on demonstrating its ability to take up these other tasks. However, to do minimal justice to the task of elaborating a normative theory, these questions (along with a review of the SHMT literature) must be left to one side at this time.

In developing our argument we will proceed in the following fashion. In the first section an account of normative theory from a critical theory perspective will be offered. While the work of the Frankfurt School is familiar to many in Europe, it is not well known in North American business ethics circles. For this reason a somewhat extended exposition will be presented. Unfortunately, due to the complex character of the arguments involved, even the extended account offered will not be able to adequately substantiate all the positions presented or address all of the concerns raised. It should, however, provide a clear picture of the main lines of normative theory from a critical theory perspective. In the second section, the outlines of a theory of stakeholder management will be provided. Here we will start by elaborating three basic tasks of a theoretically adequate treatment of stakeholder management. We then go on to discuss how a critical theory approach to SHMT is able to fulfill these three tasks. Before beginning, however, a question of terminology needs to be addressed. Critical theory makes a distinction not common to other traditions in the field of ethics. It distinguishes between three normative realms, viz., ethics, morality and legitimacy. In order to avoid confusion we will use the term *normative* as a general term that includes all three of these realms (and corresponds to the common usage of the terms ethics and morality). We will confine our use of the terms *ethics*, *morality* and *legitimacy* to their more specific critical theory connotations (which will be defined and discussed below).

I. Critical Theory and Normative Analysis

German Critical Theory (or the *Frankfurter Schule*) is best known for its rich tradition of critical social science analysis which extends back to the 1930s. More recently, the second generation of critical theorists has complemented the tradition's interest in the social sciences with the elaboration of a unique perspective on normative theory that is generally referred to as "discourse ethics." This appellation derives from the fact that critical theorists, most notably Habermas (1990, 1993), have sought to redeem the notion of universally valid norms on the basis of a theory of language and discourse. In addition to his theory of discourse ethics, Habermas has also elaborated a normative theory of law and politics (1996) on the basis of his theory of language and discourse (1984). These works of Habermas provide for an approach to normative theory that distinguishes three different normative realms (in each of which different normative questions are problematized and different obligations inhere). It is on the basis of these different normative realms that we will elaborate a critical theory approach to stakeholder theory. First, however, we need to provide an account of these different normative realms. To do this we will first investigate the notion of communicative action and how it provides the basis for an approach to normative theory. Next we will examine three different forms of practical reason (viz., the pragmatic, ethical and moral). This will lay the basis for the elaboration of the three realms of normativity (viz., legitimacy, ethics and morality). Finally, we will indicate some of the general advantages of a critical theory approaches to normative theory over its rivals.

A) *Communicative Action and Validity Claims*

One of the most fundamental questions in normative theory is whether (and how) we can provide a rational account of our normative judgments. In our own postmetaphysical age this question has come to pose serious problems for those who would want to uphold the notion of universally valid normative principles and obligations. The apparent intractability of this problem has led many, especially in the field of practical ethics, to abandon metaethical inquiry and either merely presuppose normative principles or argue for them at a less than foundational level. One of the virtues of critical theory is that it directly confronts this metaethical problem of grounding normative principles and is able to provide a foundational argument which does not rely upon strong metaphysical or ontological presuppositions.

For critical theory, the main clue concerning the problem of grounding normativity in a postmetaphysical age comes from Peirce and discussions in the philosophy of science. Peirce argued that the possibility of scientific truth presupposes the existence of a community of scientists capable of making judgments on the validity of scientific achievements. From a critical theory perspective, the key insight of Peirce is that validity can only be determined communally (Apel, 1981; Habermas, 1993). Critical theorists such as Habermas (1984) develop this insight from the philosophy of science and apply it to questions of normative theory in a two step process. First, Habermas, following Apel (1981), interprets Peirce as raising a form of Kantian transcendental question about the conditions of possibility for scientific knowledge. Second, Habermas extends the analysis of intersubjectively grounded knowledge by distinguishing a range of different types of validity claims which can be evaluated on the basis of intersubjective agreement, i.e., not only questions of (scientific) truth but also questions of rightness, goodness, appropriateness, etc. The basis on which this is done is the philosophy of language and, in particular, Habermas' theory of communicative action which involves a reconceptualization of reason on an intersubjective basis (1984). This reconceptualization is expressed in a distinction between *instrumental* reason (which is oriented toward the successful completion of tasks) and *communicative* reason (which is directed towards achieving intersubjective understanding). It is on the basis of communicative reason and the analysis of our communicative practice that Habermas will seek to ground universal claims to truth and normativity (as well as distinguish different forms of normativity). In order to understand how Habermas attempts to do this it is necessary to examine two aspects of the structure of language, viz., communicative competence and argumentation.²

The Theory of Communicative Competence - With his theory of communicative competence Habermas seeks to establish the preconditions for all forms of communicative action (i.e., all action oriented toward the attainment of mutual understanding through uncoerced communication). In order to understand how communicative competence is possible, Habermas looks to the *pragmatic* analysis of language and develops a theory of speech acts.³ Speech acts constitute the basic unit of pragmatic linguistic analysis. There are of different types (e.g., constative, regulative, expressive, etc.) and they make a variety of validity claims (e.g., claims to truth, effectiveness, rightness, goodness, sincerity, appropriateness, etc.). The validity of these claims can be accepted or contested by interlocutors. In the face of such contestation, the rationality of a given claim is based upon the fact

that support can be offered in its favour, while the rationality of the person making the claim is determined by a willingness to provide such support (Habermas 1984).

While others may contest the validity of the claims we make, in the everyday practice of life most of our claims prove relatively uncontroversial and require little or no backing. The reason for this relates to the relationship between language and our *lifeworld*. (The *lifeworld* is a concept which Habermas develops to contrast the difference between processes of social reproduction and the reproduction of economic and political-administrative systems, i.e., systems reproduction.) There is a dialectical relationship between the lifeworld and language. On the one hand, communicative action is necessary for the basic processes of social reproduction (viz., socialization, social integration and cultural reproduction). On the other hand, the lifeworld provides us with factors that facilitate communicative action, most notably shared background knowledge that makes the validity claims of most of our speech acts non-controversial and the requisite levels of trust to know that if we did ask that validity claims be supported, this support would be forthcoming. Thus, with the theory of communicative competence, Habermas is able to argue for a communicative practice that, "against the background of a lifeworld, is oriented to achieving, sustaining, and renewing consensus--and indeed a consensus that rests on the intersubjective recognition of criticizable validity claims." (1984: 17) This communicative practice consists of the different forms of speech acts that make different types of validity claims that can be defended against criticism.

The Theory of Argumentation - While the theory of communicative competence is able to establish that communicative practice is *oriented* towards consensus, it is not able to explain how (or whether) consensus can be achieved in the face of contested validity (and whether universal claims can be redeemed). Such an explanation is only possible on the basis of a reflexive form of communicative action (viz., argumentation) which is able to thematize contested validity claims. In developing his theory of argumentation Habermas defines it as "that type of speech in which participants thematize contested validity claims and attempt to vindicate or criticize them through arguments." (Habermas 1984: 18) Different forms of argumentation can be distinguished according to the type of validity claims to be redeemed. Habermas distinguishes, for example, theoretical discourse (in which controversial truth claims are thematized), therapeutic critique (which seeks to clarify systematic self-deception) explicative discourse (which thematizes the comprehensibility, well-formedness or rule-correctness of symbolic expressions) as well as three forms of practical argumentation, viz., pragmatic, ethical and moral (which respectively thematize controversial claims to efficiency, goodness and correctness).⁴ Not all of these types of argumentation involve validity claims that are universal in nature, i.e., they involve questions about which there is little or no likelihood that everyone could be rationally persuaded to adopt the same position.

In order for *universal* validity claims to be capable of redemption (i.e., to be the object of a "rational consensus"), participants in argumentation must presuppose that a range of conditions (e.g., equal rights to participate, absence of coercion in adopting positions, freedom of access, truthfulness on the part of all participants, etc.) is guaranteed (i.e., an "ideal speech situation"). These conditions (or *discursive rules*) are "pragmatic presuppositions" of argumentation, i.e., all participants must assume that these conditions hold in order to engage in argumentation in a serious manner (1990: 89). Not all forms of argumentation (e.g., therapeutic critique, ethical argumentation), however, require individuals to presuppose that these pragmatic conditions exist. Specifically, those forms of argumentation that do not make universal claims do not necessarily presuppose these conditions as necessary for consensus. Thus, the question of whether argumentation can lead to a "rational consensus" and redeem universal validity claims turns out to be yes, but only in those cases where the meaning of the validity claim forces participants to presuppose that a rationally motivated consensus is possible (viz., cases involving claims to truth, rightness, appropriateness). As regards the question of how argumentation is capable of leading to rational consensus, the general answer involves the facts that these discourses are not inextricably linked to the presuppositions of specific lifeworld contexts, while the participants in these discourses are forced to presuppose the discursive rules (pragmatic presuppositions) of argumentation in order to engage in these forms of discourse. Each of these specific discourses varies, however, in what else is required for achieving consensus (e.g., theoretical discourse relies on some principle of induction, moral discourse relies on a principle of argumentation).

The significance for normative theory of the distinction between different forms of speech acts and validity claims (which Habermas develops in his theory of communicative competence) can be stated in two basic points. First, it helps critical theory to move beyond a fundamental problem that has afflicted many previous attempts to ground universally valid norms, viz., the tendency to try to establish the validity of moral norms in terms of their truth. This was to make a categorical mistake. Claims to correctness (and goodness) are different from claims to truth in that the objects of these claims do not correspond to an existing state of affairs in the objective world but rather to culturally determined understandings in a social world. The inevitable result of making this categorical mistake is to be placed in the dilemma of having to choose between the Scylla of relativism and the

Charybdis of a correspondence theory of truth (Habermas, 1993: 26). A second important result of differentiating a range of different validity claims is that it provides for a distinction between different realms of normativity. More specifically, it is claims to effectiveness, rightness and goodness (and not truth claims) which are important for normative analysis as they allow for three distinct types of normative judgment (viz., judgments of ethics, morality and legitimacy). The theory of argumentation also has a twofold importance for normative theory. It both explains why some forms of argumentation are able to ground universal claims while others are not, and provides the basis for a justification program that can ground universally valid normative claims.⁵

B) Three Forms of Practical Reason

The distinction between theoretical and practical reason is an old one, extending back through Kant all the way to Aristotle. While critical theory adopts the traditional categories of theoretical and practical reason, its understanding of them is significantly different in some aspects. Of particular importance for our concerns is its understanding of practical reason. Critical theory follows classical philosophy in its basic understanding of practical reason as confronting us with the question, "What should I (we) do?" Where it differs, however, is in its contention that the meaning of the word "should" remains indeterminate until the specific problem and the aspect under which it is to be addressed are further specified (Habermas, 1993: 2). In particular, critical theory argues that practical reason admits of three distinct forms or uses (viz., pragmatic, ethical and moral). While all of these uses of practical reason involve contestable validity claims that can be tested in argumentation, they differ across a range of features (viz., the type of validity claims made, the goal of the discourses employed to resolve contested validity claims, the aspect of the will that is targeted by the validity claim, the scope of the validity claim). In what follows, we will examine each of these uses of practical reason and how they differ.

Pragmatic Reason - Pragmatic reasoning involves situations where the goal of our actions is given (e.g., maintaining a car, playing chess, getting the maximum productivity out of workers). What is at issue here are empirical questions and questions of rational choice. The validity claim that is inherent in these actions is one of effectiveness, e.g., you *ought* to use 10/40 oil in your car (if you want it to perform better), you *ought* to accept the Queen's gambit (if you wish to improve your odds of winning), you *ought* to pay your employees more than the market rate (if you want them to perform optimally). Such validity claims, of course, can be contested (e.g., it is better to use 10/30, it is better to decline the Queen's gambit, it is more efficient to pay workers only what the market requires). The rationality of our claims in these situations is determined by our ability to respond to such contestations. In responding to criticism in these situations we engage in pragmatic discourses in which the goal of practical reason is "a recommendation concerning a suitable technology or a reliable program of action" (Habermas, 1993: 8). In such discourses the *ought* of the pragmatic recommendations that emerge (e.g., you *ought* to pay your workers more than the market rate) involves arbitrary choice (*Willkür*), i.e., contingent attitudes and preferences. In such circumstances, the *ought* of the imperative is directly linked to the subject's own interests and, as such, makes only the weakest of demands on the will. It is one instance of what Kant will call a hypothetical imperative.

Ethical Reason - In contrast to pragmatic reasoning, where the goal of the action under deliberation is assumed, ethical reasoning involves the value-oriented assessment of ends. More specifically, it involves important value decisions that shape our identities and affect the course of our lives (e.g., whether I ought to use a car to go to work or the more environmentally friendly public transportation system, whether I ought to study business or medicine, whether I ought to invest in the relatively less profitable alternative energy stocks or more profitable defense industry stocks, etc.). Such questions can be raised either by individuals (in relationship to their individual identities and life projects) or groups (and their self-understanding and collective goals). The validity claim that is implicit in ethical questions is that of goodness. Because the good for an individual (or a group) is necessarily defined in terms of their specific identity, questions of ethics do not admit of universal judgments. This is not to say, however, that the validity claims raised by individuals (or groups) in relation to questions of ethics (e.g., being a doctor is the best career choice for me) cannot be contested and defended in a rational discourse. A process of self-clarification through rational discourse is possible because individuals can only define themselves within an horizon of life-forms which they share with others. "The capacity for existential decisions or radical choice of self," as Habermas explains, "always operates within the horizon of a life history, in whose traces the individual can discern who he is and who he would like to become." (1993: 9) In rational discourse with others we address the authenticity of our lives through reflection which dissolves any illusions or self-deceptions that are playing a role in our appropriation of our own life histories. These others, who partake in a shared lifeworld, can act as catalysts and impartial critics in the process of self-clarification and, in this way, aid us in a *critical* appropriation of our life history. At the level of the individual and individual life projects, the discourse in which the criticism and defense of validity claims occurs may be labeled "ethical-existential," while the goal of such a discourse is "advice

concerning the correct conduct of life and the realization of a personal life project." (1993: 9) Such processes of self-clarification can also work at the level of communities which have common traditions and shared life-forms.⁶ These discourses can be termed "ethical-political" while their goal is the clarification of a collective identity. Insofar as the "ought" that emerges out of ethical discourses is conditioned by the telos of the good life, it is directed towards "the striving for self-realization and thus to the resoluteness (*Entschlusskraft*) of an individual [or group] who has committed himself to an authentic life." (1993: 9) Again, the recommendations that emerge from ethical discourses are not completely dissociated from the egos of the subjects involved. For this reason a Kantian would also refer to these ethical "oughts" as hypothetical imperatives as well. Clearly, however, they differ in normative import from the pragmatic "oughts" discussed above. Whereas the latter impose, at best, obligations of prudence, the former involve demands of authenticity which (insofar as they may require great sacrifices on our part) could force us to move beyond narrower understandings of the demands of prudence.

Moral Reason - A defining characteristic of a critical theory approach to normative theory is its distinction between ethical and moral reasoning. Whereas the former treats of questions of the good life, the latter is concerned with generalizable interests and the proper procedures for regulating our interpersonal affairs and conflicts. The basis of this procedural approach of critical theory is summarized in its principle of morality which states that only those norms are valid that can be the object of a rational consensus, i.e., only those norms to which everyone could agree under the conditions of an "ideal speech situation" can be considered valid. Thus, the validity claim that is raised by questions of morality is that of rightness or (procedural) justice. Again, such claims can be contested and defended in a rational discourse. The result of such a "moral discourse" should be "an agreement concerning the just resolution of a conflict in the realm of norm-regulated action." (1993: 9) This critical theory understanding of morality parallels Kantian deontology in important ways. First, there is the concern with universal maxims that can guide interpersonal relationships. Second, there is an emphasis on an autonomous will. The "ought" of moral discourse is directed to the free will (*freien Willen*) in the Kantian sense, i.e., the will of a person who acts in accordance with self-given laws. Only such a will, which involves a complete break from an egocentric perspective, can be said to be autonomous (i.e., completely open to determination by moral insights). In addition to the similarities, a critical theory understanding of morality also differs in significant ways from the Kantian position. Whereas Kant links the validity of norms to an individual conducting a universalizing test to see if he or she can wish that everyone else act according to the same maxim, critical theory holds a norm to be valid only if everyone affected (not just one individual) can agree in a discursive process that everyone else should act according to it. This intersubjective grounding of moral norms serves to eliminate the problem of individuals holding competing conceptions of what conformity to the categorical imperative demands. A second important difference between critical theory and Kantian deontology is that morality does not entail supererogatory demands as it sometimes can for Kantians. The reason for this is that the calculation of costs is able to make its way into moral discourse through the requirement that all individual have the equal opportunity to decide if potential norms are in their interests (and the stipulation that the validity of moral commands implies a general adherence to the commands). (1993: 34)

Table I: Characteristics of Practical Discourses

Type of Discourse	Goal of the Discourse	Type of Validity Claim	Scope of the Validity Claim	Type of Will Involved
pragmatic	a recommendation concerning a suitable technology or a realizable program of action	effectiveness	non-universal	arbitrary choice
ethical-existential, ethical-political	advice concerning the correct conduct of life and the realization of a life project, clarification of a collective identity	goodness	non-universal	resoluteness
moral	an agreement concerning the just resolution of a conflict in the realm of norm-regulated action	correctness (justice)	universal	free will

C) *Three Realms of Normativity*

The Realms of Ethics and Morality - We have just examined three forms of practical reason. Of these three forms, two are explicitly normative in character, (viz., the ethical and the moral) and may be understood to constitute distinct normative realms. We have seen that these realms distinguish themselves in terms of the nature of the discourses involved, the goals of these discourse and the type of will on which they seek to impact. Another very important distinction between them, and one which was not highlighted, involves the scope of their validity claims, in particular the fact that moral judgments make universal validity claims while ethical judgments are always contextual or particular. The reason for this difference lies in the fact that morality involves a purely procedural process while ethics inevitably involves substantial concerns related to our conception of the good life. In moral discourse individuals (under conditions that approach an “ideal speech situation”) attempt to come to a rational consensus on the norms by which they will regulate their common life. What makes such a consensus “rational” and the resulting norms universally valid is the process (in which everyone has an equal opportunity to participate and anyone can withhold their consent if they are not rationally convinced) because it guarantees that the resulting norms represent a generalizable interest (for no one would consent to a norm that was not in their interest). In ethical discourse, by contrast, the subject of discussion involves questions of the good life. Such questions are inextricably tied to the unique identities of individuals and groups (rooted in our particular personality structure, social context and cultural milieu) and, therefore, are inevitably contextual and particular.

While ethics and morality constitute distinct normative realms (in that they have their own logic and goals) there is also a sense in which they overlap. This overlap has to do with the fact that the same issue may be treated either as an ethical or moral (or pragmatic) question. As an example, take the case of an advertising executive who, in a situation in which her job is on the line, is considering undertaking an advertising campaign that might be considered sexist in nature. Such a person can consider this issue as a pragmatic question (“Will it work and help me save my job?”), an ethical questions (“Do I want to be the sort of person who, although in normal circumstances would do otherwise, in a situation of duress would be willing to make this type of compromise?”) or a moral question (“Is it ever right for anyone to use sexist language and images?”) This possibility of approaching the same issue from different forms of practical reason points to the need for a method for deciding disputes, i.e., the need for a normative treatment of law and politics.

The Realm of Legitimacy - The most fully elaborated normative theory of law and politics from a critical theory perspective is Habermas’ *Between Facts and Norms* (1996). The significance of this theory for our concerns is that it distinguishes a third realm of normativity, viz., legitimacy, which is able to integrate moral, ethical and pragmatic discourses. Habermas elaborates this normative theory on the basis of a “rational reconstruction” of modern law and democracy. The focal point of the theory is the concept of law and the conditions for generating legitimate law. Logically, Habermas argues, modern law must be understood in terms of the existence of a self-legislating, legal community which agrees to organize its common life on the basis of law. As such, the basis of the legitimacy of legal statutes derives not from their being enacted by a democratic legislature (although this is a necessary condition), but rather from their origins in societal discourses and the exercise of public autonomy. Thus, it is the exercise of communicative action in public discourses (which may involve moral, ethical and pragmatic claims) that grounds the legitimacy of law. Formal political institutions have only the secondary role of narrowing and channeling the discourse so that it can provide system usable guidance for the political-administrative and economic realms. In order to properly fulfill this function, the formal political institutions must themselves be founded upon legitimate law. Habermas conceptualizes these different criteria for legitimate law in terms of a principle of democracy: “only those statutes may claim legitimacy that can meet with the assent (*Zustimmung*) of all citizens in a discursive process of legislation that in turn has been legally constituted.” (1996: 110)

There are two broad sets of conditions that must be in place for the generation of legitimate law. First, the principle of democracy implies a system of rights necessary to guarantee the private and public autonomy of legal consociates. Habermas distinguishes five categories of rights that citizens must guarantee each other in order to be able to engage in the discursive processes necessary for self-legislation. The first three of these function to ensure the private autonomy of legal consociates, while the fourth and fifth are designed to guarantee respectively public autonomy (an equal ability to influence public opinion- and will-formation) and the welfare conditions necessary for the effective use of the other categories of rights. The second broad condition necessary for the generation of legitimate law is elaborated in terms of a set of “principles of the constitutional state.” These include the principles of popular sovereignty, the guarantee of legal protection, the legality of administration, and the separation of state and society (Habermas 1996: 208ff).⁷ Respect for these principles is necessary in order for the state to fulfill its

tasks of ensuring the conditions for the generation of communicative power, the legitimate exercise of political power and compliance to collectively binding decisions. These conditions for the generation of legitimate law are universal in the sense that all states must guarantee them in order for law to be legitimate. The manner in which these principles are operationalized will vary, however, from state to state. For its part legitimate law can be said to be universal in that it imposes obligations on all legal associates within its given jurisdiction.

D) Advantages of Normative Theory from a Critical Theory Perspective

There are three basic traditions that inform most of contemporary ethics, viz., the virtue theory of Aristotle, Kantian deontology and utilitarianism. The advantages of critical theory over each of these traditions can be stated quite simply in terms of the three forms of practical reason outlined above. Whereas each of these three traditions gives preference to one of the three aspects of practical reason at the expense of the other two, critical theory is able to incorporate all three forms of reason into its normative scheme (Habermas, 1993). Utilitarianism, for example, clearly prioritizes the pragmatic, in effect reducing the normative to differential calculus. It does not problematize the good, but rather merely assumes a definition of utility, while moral norms are sacrificed on the altar of efficiency. The Aristotelian tradition, for its part, gives clear preference to the ethical. While it is not entirely devoid of interest in the pragmatic, the notion of the moral is either not addressed, dissolved into ethical life or knowingly abandoned.⁸ Kantian deontology, meanwhile, places an exclusive emphasis on moral reason. With its understanding of the categorical imperative, it entirely excludes the calculation of consequences and other forms of normative (i.e., ethical) obligations and, thereby, denies any role to pragmatic and ethical discourse. Critical theory, by contrast, with its distinction of three normative realms, is able to incorporate the concerns of all three forms of practical reason into its normative analysis. Pragmatic concerns come into play in the elaboration of moral norms (due to its basic structure as an ideal form of interest representation) as well as in the pragmatic discourses that occur in realm of legitimacy. For their part, moral and ethical discourse can occur both in their own exclusive normative realms as well as in the realm of legitimacy.

Critical theory also exercises a major advantage over another form of normative theory, viz., contract theory.⁹ While contract theory and critical theory share some important similarities in their approach to normative theory (viz., a procedural approach to resolving normative issues, an emphasis on autonomy and consent, an ability to incorporate different types of normative questions, etc.), contract theory demonstrates two important deficiencies. First, contract theory does not provide an adequate theoretical treatment of its core normative concept, viz. consent. The advantage of critical theory in this regard is that its theory of argumentation both elaborates the conditions for determining what constitutes rational consensus and distinguishes which normative issues are possible subjects of rational consensus (viz., with its distinction between morality and ethics). Further, its theory of argumentation, combined with its theory of discourse ethics and its theory of law and politics, provides for a much clearer distinction between forms of conflict resolution, (viz., consensus, fair compromise and regulated bargaining). (Habermas, 1984: 22ff.; 1990: 72-73; 1996: 165-168). A second problem with contract theory is that by basing its position on an hypothetical discourse, it seeks to establish norms monologically, not intersubjectively, e.g., Rawls (1971).¹⁰ From a critical theory perspective, such principles remain no more than mere claims until they are validated in an actual discourse (in which everyone has the equal ability to decide for themselves if these principles are actually in their interest).

II. A Critical Theory Model of Stakeholder Management

Having provided an account of normative theory from a critical theory perspective, we are now in a position to develop a basic outline of a critical theory version of SHMT. We will begin by distinguishing three basic tasks required of any version of SHMT. We will then proceed to demonstrate how each of these task might be addressed from a critical theory approach. In addressing these three task we will draw heavily upon the distinction made above between the three different normative realms of legitimacy, morality and ethics.

A) Criteria for Stakeholder Management Theories

The concepts of *stake* and *stakeholder* probably owe much of their popularity to the fact that they can be put to a variety of uses. They can be employed, for example, as the basis both for positive and normative theories of management. In the former, they are able to contribute to an explanation of how management processes actually work, while in the latter they can be employed to elaborate an account of the normative obligations of management and firms. They can also be put to practical use. In the positive realm, they can be used instrumentally as the basis

for developing more effective strategies for improving business performance, while in the normative realm they can be used to help management recognize, accept and act upon their normative obligations. Business ethics is primarily concerned with the normative uses of the concepts of stake and stakeholder, but may draw upon the positive uses of these concepts either for the development of normative theory or the promotion of more ethical business practice. In the present article our primary concern is the elaboration of a normative theory of stakeholder management. As such we are not interested in positive evaluations of corporate performance *per se* (which is best left to the disciplines of management and economics) or the application of this normative theory. In putting questions of application to one side, we are not denying the priority that application has in a certain sense (*viz.*, as the ultimate goal of an applied ethics) or the fact that theory must be grounded in practice. Rather we are acting on the concern that, in their haste to provide practical advice, business ethicists have not fully or accurately elaborated the normative responsibilities of management and firms. Our goal here is to provide a more complete and more firmly grounded statement of management responsibilities.

Any cognitive theory of normative obligations must undertake several basic tasks. First, it must elaborate and justify the normative principles which are to provide the basis for normative obligations and judgments. This elaboration of principles should ideally be exhaustive, if not in terms of all individual norms at least in terms of the categories of possible norms and the grounds on which they can be justified. Second, the responsibilities of actors in the face of valid normative claims must be clarified. This requires, among other things, the determination of conditions and circumstances that may augment or diminish the responsibilities of actors. Third, priority rules that are capable of resolving conflicting valid claims must be established and justified. In the case of SHMT, these general tasks can be further specified: 1) the elaboration and justification of criteria for determining stakes; 2) the elaboration of the parameters of corporate responsibility in the face of stakes; 3) the elaboration and justification of priority rules for evaluating the claims of competing stakes. In what follows we offer more extended comments on these tasks.

Establishing Stakes - The most fundamental task of a theory of stakeholder management is to establish what constitutes a stake. The first step in establishing what constitutes a stake is offering a definition of the term. As we noted above, the concepts of stake and stakeholder can be used in different ways, e.g., descriptively, instrumentally, normatively (Donaldson and Preston, 1995). A descriptive use of the terms stake and stakeholder, for example, might be based upon the empirical relationship between the activity of the firm and an affected party, (e.g., a stakeholder as someone who is directly affected by the activity of the firm), while an instrumental definition of the term might involve the potential effects of an actor on the firm (e.g., a stakeholder as someone who is able to affect the activity of the firm). (Freeman, 1984) A problem arises when these non-normative definitions are used in a normative theory without further argumentation. What is lacking in such definitions is some account of the normative force that the term "stake" carries in stakeholder theory. In normative SHMT, a stake is not merely an interest (either on the part of actors internal to the firm or other affected parties) and does not imply only prudential obligations. Rather, stakes are understood to impose normative obligations. For this reason, a normative theory of stakeholder management requires a definition of stake and stakeholder that makes explicit the source of their normative force. It is on this basis that we will define a stake as "an interest for which a valid normative claim can be advanced."¹¹ Beyond providing a formal definition of what constitutes a stake, an adequate theory needs to establish the type and range of norms that can ground a stake as well as provide some form of justification for these norms. As regards the former task, it is not uncommon for stakeholder theories to merely provide an *ad hoc* list of criteria (e.g., need, merit, loyalty, etc.) that are supposed to be able to ground stakes (Donaldson and Preston, 1995). As regards the justification of criteria, it frequently occurs that justification is limited to an appeal to common sense, shared experience or the authority of tradition. Clearly, a more adequate theoretical account must provide a more systematic categorization of criteria (and stakes) and offer a more compelling justification program for these criteria.

Circumscribing Management Responsibility - A second key task of any form of SHMT is the elaboration of management responsibility in the face of stakes. While instrumental uses of stakeholder theory generally solve this problem by presupposing the basic role of management (e.g., maximizing the return on the shareholders' investments or other interests) and then determining specific obligations on this basis, a normative SHMT must determine management responsibilities on the basis of the valid normative claims that undergird stakes. This implies two basic tasks. First, the link between responsibilities and normative claims must be clearly established.¹² While a valid normative claim necessarily implies obligations, it is not immediately clear in every instance to whom and how far these obligations extend. It may be that management is only one of several agents (e.g., the state, local government, etc.) that has responsibilities and that the responsibilities of management will play only a limited role in addressing the claim at hand. Second, insofar as extenuating circumstances may diminish or augment the

responsibilities of management in the face of stakes, normative stakeholder theory must provide an account of what these factors are and when they come into play. Again, many versions of SHMT content themselves with a very *ad hoc* approach to this task (Brummer, 1991).

Evaluating the Claims of Competing Stakes - A third basic task of any normative stakeholder theory is the provision of priority rules that allow for the resolution of conflicts between competing stakes. Insofar as a normative theory recognizes multiple stakes, conflicts between these stakes are practically inevitable. In non-normative uses of stakeholder theory, such conflicts can be resolved purely on the basis of utility-maximizing calculus, in which the utility to be maximized is assumed to be that of the firm. Thus, in the confines of this instrumental logic, one seeks to incorporate the interests of other stakeholders only to the degree that this serves to enhance corporate performance (e.g., Freeman, 1984). From a normative perspective, however, the resolution of conflicts between stakes must be based upon normative criteria. Unfortunately, many normative stakeholder theories do not provide any adequate guidance here, either offering no such priority rule or asserting a rule without any corresponding justification. Clearly, an adequate treatment of this issue requires either the elaboration and justification of priority rules or some explanation of why this is not possible. The failure to provide priority rules not only leaves a manager in a difficult situation, but leads to a practical bias in decision-making processes which favours the interests of the shareholders (and/or management) over those of other stakeholders.

In what follows we shall attempt to demonstrate how a critical theory approach is able to address these three tasks of SHMT in an insightful and convincing manner.

B) Establishing Stakes

In the previous sub-section a definition of stake was provided (viz., an interest for which a valid normative claim can be made). In the first section of the paper, we distinguished three different realms of normativity (viz., legitimacy, morality and ethics). These realms provide for three basic types of normative claim (viz., legitimacy, moral and ethical claims) which, when combined with the above definition of stake, allow for the distinction of three basic types of stake (viz., political equality, fair economic opportunity and authenticity). In what follows we will examine each of these different types of stakes in turn.

Legitimacy and the Stake of Political Equality - All people who live together in a given society (citizens) have an interest in how their common life together is regulated. This regulation is primarily carried out in the political realm. The basic normative claim that critical theory makes in this regard derives from its normative theory of law and democracy, and states that our common life should be regulated on the basis of legitimate law (Habermas 1996). According to critical theory, as was noted above, the generation of legitimate law requires that everyone have the equal ability to participate in the processes through which law is developed. On the basis of this common interest (in how our lives are regulated) and this normative claim (that our common lives be regulated by legitimate law) it is possible to argue that, as citizens, we all have a stake in our political equality being assured. This general stake in political equality becomes a stake in the activity of firms to the extent that firms can threaten political equality. They may do this either by breaking legitimate law or not respecting the conditions necessary for the generation of legitimate law. The criteria for evaluating whether the activities of firms actually violate these demands are provided by the system of rights and the principles of the constitutional state. What exactly respect for legitimate law may require will be examined further below. For now, the point to be made is that, to the degree that the normative critical theory claim (viz., that our common life should be regulated by legitimate law) can be redeemed, as citizens we all have a stake in the activity of firms.

Morality and the Stake of Fair Economic Opportunity - All humans have an interest in being able to secure their basic material needs and pursue other material desires. As such they also have an interest in the form of the economic structures and practices of the society in which they live for these conditions their ability to secure essential and non-essential material goods. The basic normative claim that a critical theory perspective makes in this regard derives from the theory of discourse ethics and states that the economic system and its basic structures, practices and policies should be agreeable to everyone concerned and, thereby, represent a generalizable interest (or common good).¹³ On the basis of this common interest (in meeting our material needs and pursuing material desires) and this normative claim (that the economic system and its structures should work to the benefit of all), it is possible to argue that, as natural persons, we all have a stake in fair economic opportunity which will allow us to meet our needs and pursue our desires. This general stake in fair economic activity becomes a stake in the activity of firms to the degree that firms can undermine such fair opportunity. They do this by not acting in accord with principles that could represent a generalizable interest. Later we will examine the nature of the principles that could represent such a generalizable interest. For now, however, our concern is merely to establish that, to the extent that

the basic normative claim (viz., that the activity of the economic system and structures should represent a generalizable interest) can be redeemed, as natural persons, we all have a stake in the activity of firms.

Ethics and the Stake of Authenticity - As individuals we all have an interest in being able to form our own identity and choose our own life projects. Our identities and life projects, of course, do not emerge out of a vacuum but rather develop within a given lifeworld context which we share with others. As members of communities we have an interest in being able to forge our collective identities and to maintain them by living and promoting lifestyles and values that accord with our common conception of the good life. Part of this interest involves other members of our community living in accord with the norms of the community. The basic claim of the critical theory understanding of ethics is that all people (as individuals and as members of communities) should live in accord with the norms and values that define who they are and want to be (as individuals and as members of communities). A failure to do so may lead to failed life projects for individuals, while the failure of community members to live in accord with their shared norms and values may threaten the integrity of the community's identity and possibly even its continued existence. On the basis of this shared interest (in being able to define and maintain our own identities) and the normative claim (that members of communities should abide by its norms and values), it can be argued that, as community members, we all have a stake in all members of the communities to which we belong living in accord with the norms and values of our shared identity, (i.e., a stake in the possibility of leading an authentic life). This stake in the possibility of leading an authentic life becomes a stake in the activity of the firm to the extent that the firm is somehow part of a community that defines our identity, i.e., either the firm is a community in its own right to which we belong (e.g., as an employee, a manager or shareholder) or it is itself part of a larger community to which we belong (e.g., neighbourhood, town). Firms may threaten our common identity (and fail to respect our stake of authenticity) by violating deeply held communal norms and values. Later we will examine the nature of such violations and the obligations which firms have in this regard. For now, the point to be made is that, as community members, we have a stake in the activity of firms.

Table II: The Normative Bases of Stakeholder Claims

Relevant Interests	Normative Claim	Stake	Normative Realm of the Stake	Stakeholder's Status as Claimant
Influencing norms and policies of public interaction	Public interaction should be coordinated on the basis of legitimate law	Political Equality	Legitimacy	Citizen
Securing material needs, pursuing economic opportunities	Economic structures and practices should reflect a generalizable interest	Fair Economic Opportunity	Morality	Natural Person
Developing and sustaining individual and communal identity	Community members should live in accord with the norms and values of their chosen communities	Authenticity	Ethics	Community, Community Member

C) Circumscribing Management Responsibilities

A critical theory perspective is able to distinguish three basic types of managerial responsibilities to stakeholders, viz., a legitimacy obligation to respect political equality, a moral obligation to respect fair economic opportunity and an ethical obligation to be authentic. What these responsibilities entail and what factors may condition these responsibilities will be discussed below. In discussing these responsibilities our concern here is not to elaborate their full implications for management, an impossible task, but rather to establish the categories and the range of the responsibilities that they impose on management.

Management Responsibilities and the Stake of Political Equality - Insofar as we have defined stakes as being based upon valid normative claims, they impose obligations to the degree that these normative claims are valid. In the case of stakes based upon legitimacy claims, the obligations which these stakes impose extend to firms because the validity claims of legitimate law are universal, i.e., they extend to all members and legal entities of a society, including firms and their management (Habermas, 1996: 117). The basic obligations which legitimacy claims impose are two, viz., respect for legitimate law and respect for the necessary conditions for the generation of legitimate law (viz., the system of rights and the principles of the constitutional state). The first of these two obligations is relatively straight forward, though it should be noted that respect for legitimate law involves conformity not only to the letter but also to the spirit of the law. As regards the second basic obligation, this needs to be elaborated in terms of the specific components of the system of rights (viz., private autonomy rights, public autonomy rights and welfare rights) and the principles of the constitutional state (viz., the principles of popular sovereignty, the guarantee of legal protection, the legality of administration, and the separation of state and society). (Habermas 1996: 208ff) While it is beyond the scope of this paper to go into detail, some indication of the range and type of issues and responsibilities involved can be given.

Management responsibilities with respect to private autonomy rights primarily involve the firm's relationships with its employees (e.g., such issues as drug testing, access to personnel information, surveillance, personal lifestyle, etc.) and require of management respect for basic autonomy rights (e.g., rights to privacy, integrity of the person, etc.). Public autonomy rights, insofar as they involve the equal ability of citizens to engage in the processes of opinion-formation and will-formation, impose responsibilities on management in relationship to their attempts to use the power of the firm to influence public opinion. While it is the role of the state to ensure such equal ability to influence public opinion-formation and will-formation (e.g., by regulating the media, by allowing civil society groups access to the media), acting in accord with the spirit of public autonomy rights also places responsibilities on firms, above all those involved in the mass media and particularly those involved in the journalism industry.¹⁴ In addition to the responsibilities that firms have to all citizens as stakeholders, the right to public autonomy could also be understood to imply that management has additional obligations with respect to a particular group of citizen-stakeholders, viz., its employees (e.g., the right to unpaid leave to run for political office, etc.). With respect to the welfare rights necessary to ensure the possibility to participate in public life, (a derivative obligation for critical theory), management responsibility primarily involves the provision of fair wages which allow its employees (as citizens) to participate in public life in their free time (and not have to work other jobs). As regards respect for the principles of the constitutional state, while these principles refer in the first instance to the activity of the state itself, they also impose obligations on citizens and legal entities. In terms of management responsibilities, the key principle which needs to be respected is the separation of state and society. Primarily at issue here are the lobbying activities of firms and their attempts to influence politicians and government officials by means other than sound argument (e.g., threats, bribes, personal relationships, etc.).¹⁵

Under conditions of an ideal political democracy, the concrete responsibilities of management to citizen-stakeholders would be very clear as all laws would be legitimate and the conditions necessary for the generation of legitimate law would be set forth in legitimate law. Under these circumstances, the state relieves management of the responsibility of determining what the exact demands of legitimacy are as the normative obligations of the firm coincide with adherence to the letter of the law (e.g., concerning lobbying practices, conflict of interest legislation, minimum wage, privacy rights, etc.). In the real world, however, no state meets the exacting demands of legitimacy. As a result, conformity to the spirit of legitimacy places greater responsibility on all agents, including management, to evaluate what conformity to the demands of legitimacy requires. This responsibility is, in a sense, inversely proportional to the level of democracy. In relatively strong democratic states in which legitimate law does reflect an exercise of popular autonomy to a large degree, management may still need to reflect on a range of particular issues concerning their business practices (e.g., whether existing law adequately protects private autonomy rights of workers or whether given lobbying practices, although legal, represent an infringement of the principle of the separation of state and society), but their basic right to conduct business is generally not in question. In non-democratic countries, however, management needs to reflect not only on the validity of the laws regulating its particular practices, but on its very right to do business. Here, it cannot be assumed that the people have consented to firms operating in their country. Indeed, to the extent that the activity of foreign firms may serve to prop up a non-democratic government and undermine the possibilities for establishing democracy (even when the firm's activities are not in themselves immoral or unethical), the people may want foreign firms to withdraw or operate under more restrictive conditions (e.g., South Africa under *apartheid*). Under such circumstances, management comes under a special obligation. Insofar as the right to conduct business must ultimately be grounded in an act of popular autonomy, under non-democratic conditions management has the responsibility to try to

understand what it is that the people of the country want. While this may not be easy to ascertain, the difficulty of the task does not absolve management of its responsibilities to try.

Management Responsibilities and the Stake of Fair Economic Opportunity - It was argued above that all people have a stake in the activity of firms that is based upon a *moral claim* (viz., the stake of fair economic opportunity). As moral claims are universal in their scope, to the extent that such claims are valid they impose obligations on everyone, including management. The exact determination of moral obligations, however, is not a straightforward process. Critical theory tends to perceive its theory of discourse ethics not so much as a tool for generating valid norms (i.e., holding actual discourses in which people seek to come to consensus on norms), as it looks upon it as a tool of critique (i.e., a critical test for uncovering non-generalizable interests). (Benhabib 1986: 312) The obvious problem with the first of these uses of discourse ethics is the logistical problem of gathering the relevant actors together and establishing conditions that approximate an ideal speech situation. The limitation of the second of these uses is that, while it reveals that given norms are not universally valid, it does not provides us with any insight into our actual moral responsibilities. For this reason, we proceed in a slightly different fashion, viz., by inquiring into the conditions under which the activity of capitalist corporations could represent a generalizable interest. The basic problem here is trying to determine the conditions under which it would be "rational" for people to consent to the non-democratic features and inegalitarian results of the activities of capitalist firms.

The key to answering this question, of course, as standard economic and management theories argue, lies in the advantages which such firms are reputed to possess *vis-à-vis* other possible forms of business practice (e.g., state socialist, co-operative, feudal). These advantages accrue from basic characteristics of capitalist business practice, viz. market coordination (e.g., efficient allocation of goods and resources, innovation due to competition, etc.), private ownership (e.g., incentives to invest, to supervise management, etc.) and hierarchically organized production activity (e.g., efficient chain of command). It would not be rational for workers and others, however, to assent to non-democratically controlled capitalist business practice unless there were certain guarantees concerning these efficiency claims. First, participants would want guarantees that markets approximate as closely as possible the ideal markets of economic theory on which the claims to efficiency are based. This would include addressing the problem of negative externalities such as pollution. Similarly, it would not be rational for workers and others to consent to hierarchical management structures if there were more participatory and democratic options which were equally as efficient. Participants in a discourse about the nature of the economy would also want assurances that they will be better off as a result of the efficiency gains of capitalism. Insofar as some sectors of society (e.g., the unemployed, the homeless, etc.) might be better off under alternative economic arrangements (e.g., market socialism), this demand might require redistribution through the tax system. Evidence of a demand for such requirements can be seen in the historical record as the public has demanded and politicians have implement anti-trust legislation, environmental controls, social welfare programs, etc. In addition, participants in a discourse would also want guarantees that other undesirable effects of capitalism are addressed, viz., marginalization (e.g., segregated labour markets) and "colonizing tendencies"¹⁶ (e.g., the treatment of labour as a mere commodity, the extension of market relations to realms beyond economic production such as the distribution of human organs, etc.). Again, empirical examples of such demands exist in the form of affirmative action programs, prohibitions on certain types of markets activities, etc. In short, capitalist business activity cannot claim to represent a generalizable interest unless it operates in accord with the logic of its own efficiency claims, provides certain guarantees and addresses inherent problems. These necessary conditions for capitalist business practice to represent a generalizable interest can be summarized in the following manner:¹⁷

- 1) *The Market Efficiency Condition* - in their operations and outcomes actual markets must provide efficiency gains that approximate the standards of ideal markets;
- 2) *The Hierarchical Management Condition* - all hierarchical aspects of production relations must be able to be justified on the basis of efficiency gains;
- 3) *The Distribution Condition* - the social product must be distributed in such a fashion that everyone partakes in the efficiency gains that the basic structures of capitalism promise, while no one is allowed to extract (economic) rent;
- 4) *The Marginalization Condition* - the problem of marginalized social groups must be effectively addressed;
- 5) *The Colonization Condition* - the colonizing tendencies of capitalism must be effectively brought under control.

Again, it is beyond the scope of this paper to be able to examine the full range of the implications that these basic conditions have for management, our goal being to establish the categories and scope of management responsibilities rather than provide an exhaustive list of specific responsibilities. Thus, what follows is to be understood as offering an indication of some of the obligations that management owes to all of us who, as natural persons, have a stake in fair economic opportunity.

As regards the first of the five conditions, standard efficiency claims for market activity assume competitive markets which only allow for (economic) profits on the basis of innovation (e.g., in production techniques, products). Thus, as consumers and competitors, we all have a stake in firms operating on strategies that seek to produce profits on the basis of innovation rather than a monopolistic or oligopolistic market niche (Miles, 1993). Similarly, we have a stake in them not producing negative externalities. Here, management has a responsibility to all of us, as stakeholders, to make certain that the firm acts in accord not only with existing regulation, but in a manner which effectively addresses the problems in question (most notable in this regard, perhaps, are environmental concerns). This may require of management cooperating with other firms in order to establish industry wide regulations, the development of alternative technology, etc. The responsibilities of management with respect to the second condition are basically two. On the one hand, they owe it to shareholders (and society as a whole) to operate the firm efficiently. On the other hand, decision-making should be decentralized and democratized as much as possible (i.e., at least to the point that it does not inhibit efficiency). These demands are not necessarily contradictory, but may require substantial amounts of initiative and innovation on the part of management, as well as some discipline with respect to promoting its own interests (e.g., in controlling decision-making processes, maximizing its own benefits, etc.) over those of shareholders and workers. Third, the implications of the redistributive condition are basically two. On the one hand, management has a direct responsibility in terms of its own employees to provide wages and benefits that at least match what they are likely to receive under the next best alternative system. While this may be difficult to assess, clearly it requires that basic minimums be met. On the other hand, the redistributive condition imposes an obligation on management to make certain that the firm also participates in redistribution at the societal level. As governments carry out such redistribution through the tax system, the more specific obligation of management is to ensure that the firm pays its fair share of taxes. Fourthly, management must insure that its actions do not promote or reinforce the marginalization of specific social groups (viz., women, racial minorities, etc.). At a minimum, this requires of management addressing the objective problems which may lead to and reinforce the marginalization of these groups (e.g., the burden of child care on women) through company-wide programs (e.g., childcare). It may also require of management participation in more proactive measures (e.g., affirmative action programs). Finally, management has a responsibility to see that the pragmatic logic of the market does not become all consuming in the firm's decision-making processes. Of particular concern in this regard are the treatment of employees as mere factors of production (note, for example, the popularity of such terms in the management literature as "human resource management," "human capital") and the effects of marketing in the creation of a consumer culture (Dachler and Enderle, 1989). Both of these trends, to the extent that they represent a domination of instrumental reason over communicative reason, have negative effects on processes of social reproduction and undermine the possibility of moral discourse.

As norms established by moral discourse are inevitably abstract, what conformity to such norms requires may vary with conditions. Moreover, the minimum limits of conformity may be rather fuzzy and difficult to establish. For its part, legitimate law (insofar as it allows for moral and practical discourse) provides a medium through which public discourse can lead to some guidelines. Legitimate law, however, does not necessarily exhaust all moral responsibility, nor does most existing law fully meet the requirements of legitimate law. For this reason, while management may look to law for guidance in understanding its moral responsibilities, law becomes an increasingly less adequate guide to the demands of morality as the robustness of democracy decreases. Thus, in non-democratic environments management must take on increased responsibility for determining the demands of morality (e.g., minimum wage and benefit levels, environmental standards, health and safety standards, etc.), a responsibility that can only be adequately fulfilled by consulting with the various stakeholders directly affected.

Management Responsibilities and the Stake of Authenticity - Like other stakes, stakes involving questions of authenticity impose responsibilities upon management only to the extent that the normative claims (in this case ethical claims) on which they are grounded are valid. The analysis of the validity of *ethical* claims, however, differs from the evaluation of legitimacy and morality claims and is more problematic. The basis of this difference lies in the fact that whereas judgments of morality and legitimacy primarily involve the evaluation of procedure and make universal claims, ethical judgments involve substantial notions of the good and, as a result, do not make universal claims. Thus, the analysis of ethical claims requires the determination not only of their validity, but also of the scope of their validity (i.e., determining for whom they are valid). At the theoretical level, the question of the scope

of ethical claims can be addressed in terms of whether an individual or group recognizes the values or norms in question as constitutive of their own identity. To the extent that the individual or group accepts the value or norm as constitutive of their identity, then claims based upon these norms or values impose an obligation of authenticity. Not to live according to one's own chosen conception of the good life and the values and norms implicit in it is to be hypocritical, cowardly, inauthentic. Individuals and groups, however, may change over time. As a result, they may choose not to (or discover that they no longer) identify with the norms and values of communities to which they previously belonged. To the extent that they choose not to (or discover that then no longer can) identify with a community, then the norms and values of that community do not impose obligations of authenticity upon them. Thus, in the case of the firm, the responsibilities of management to stakeholders whose stakes are based upon ethical claims depend not only on the validity of the normative claim (i.e., the claim that this action, policy, proposal, etc., violates a deeply held community norm or value), but on the whether the scope of the claim extends to the firm (i.e., whether the firm is part of the community on whose identity and conception of the good the ethical claim is based).

The potential range of specific ethical stakes and the ethical obligations which they impose upon management is clearly vast and cannot be itemized here. What can be elaborated here, however, are the basic categories of stakeholders and responsibilities that exist. As regards stakeholders, there are two basic categories that can be distinguished on the basis of two relevant forms of community. First, the firm itself can be understood as a community which has its own identity, norms and values (Solomon., 1993). As such, all members of the firm (viz., employees, management, shareholders) are stakeholders in the activity of the firm, for the possibility of their own authenticity as members of a community is related to other members of the community living in accord with the values and norms of their shared identity. Second, the firm can be part of a larger community (e.g., neighbourhood, town, etc.). To the extent that the firm is a part of a larger community, then all members of this community are stakeholders in its activity for these activities may threaten the authenticity of the larger community. The responsibilities of management also fall into two categories. The logically prior responsibility of management is helping the firm to clarify its own identity. It is beyond the scope of this paper to examine what individual tasks this may involve. This, however, is one of several areas in which business ethics has produced a great proliferation of materials. The second basic category of management responsibility involves the development and fostering of practices and policies that conform to the firm's self-understanding (both as a community in its own right and as a part of larger communities). Again, it is not possible to go into detail here, but conceptually the basic form of this type of responsibility is not difficult to understand. Management, as management, needs to act authentically, i.e., in a manner consistent with the identity of the firm.¹⁸

Table III: The Responsibilities of Management to Stakeholders

The Stake	The Stakeholder's Status as Claimant	Basic Responsibilities of Management	Criteria for Evaluating Stakes and Management Responsibilities
Political Equality	Citizen	To respect legitimate law and the conditions necessary for its generation	1) System of Rights 2) Principles of the Constitutional State
Fair Economic Opportunity	Natural Person	To act fairly (i.e., in a manner consistent with a generalizable interest)	1) Market Efficiency Condition 2) Hierarchical Management Condition 3) Distribution Condition 4) Marginalization Condition 5) Colonization Condition
Authenticity	Community, Community Member	To clarify identity, To be authentic	Norms and values consistent with the firm's identity

While management does not have any obligations of authenticity to act upon ethical norms which are not constitutive of the identity of the firm, they may still have some responsibilities to act upon such norms in situations where the conditions for legitimate law are not in place. The reason for this is that, while the norms of local communities do not impose ethical obligations on non-members, local communities may seek to participate in the political realm in an attempt to have their ethical concerns incorporated into legitimate law. For this reason, management has a special responsibility in non-democratic countries to reflect upon the ethical claims of potential stakeholders. This, however, is a special demand of acting in accord with the spirit of legitimacy, not a demand of authenticity *per se*.

D) Evaluating the Claims of Competing Stakes

All normative theories need to provide priority rules for competing claims. Within a critical theory perspective, the existence of distinct normative realms and the possibility of a multiplicity of stakeholders within these realms provides for two different forms of competing claims, viz., those that operate across normative realms and those that operate within a given normative realm. We will examine each of these cases in turn to see what form of priority rules critical theory is able to offer. Beginning with stakes that cross normative boundaries, the first potential case is between those based upon legitimacy claims and those based upon morality claims. From a critical theory perspective, this case is the least problematic as it holds that there exists a basic compatibility between the demands of these two realms. This compatibility is rooted in the fact that the basic principles of both realms (viz., the principle of morality and the principle of democracy) derive from the same discourse principle (Habermas, 1996: 107). This means that, even though legitimate law has to take into account a wider range of discourses (practical and ethical in addition to moral) and addresses issues at more concrete levels (i.e., actual policies and not just abstract norms), the demands which it makes should not come into conflict with the demands of morality (i.e., the demands of operating according to rules that allow for fair economic opportunity should not contradict the demands of respect for legitimate law). (Habermas 1996: 453)

A conflict may arise, however, between stakes based upon ethical claims and those based upon either morality or legitimacy claims. A local community, for example, may have strong ethical beliefs that conflict with legitimate regional or national laws. For instance, their ethical belief that local job creation and the economic and social well-being of their town are more important than saving the last remaining habitat of an obscure species of fish might come into conflict with environmental regulations. Similarly, a firmly held ethical belief by management that it should have the liberty to be able to pay only what the market requires may come into conflict with pay equity legislation. From a critical theory perspective, stakes based upon claims of legitimacy and morality take precedence over those based upon ethics. Ethical considerations are subordinate to the demands of morality not in the sense that moral questions are necessarily more important, but rather because the judgments of morality admit of universal validity. Similarly, questions of ethics are also subordinate to the demands of legitimacy not because they are in some sense less important, but because, unlike legitimacy, ethics does not provide a universalizable procedure for resolving disputes. What this means for managers is that they must give priority to stakes based upon legitimacy and morality over those based upon ethical claims.

With regard to the second type of conflict, (viz., those within a given normative realm), this situation really arises only with respect to ethical claims (as competing stakes based upon either morality or legitimacy should not contradict¹⁹). As regards ethical stakes, by distinguishing between different stakeholder groups, viz., groups external to the firm (e.g., suppliers, consumers, local communities, etc.) and groups internal to the firms (e.g., management, employees, shareholders), it is possible to conceive of a range of possible types of competing ethical stakes. A critical theory approach is not generally able to provide priority rules in such cases as the norms and values in question are relative to given communities (who must decide themselves how they are to be prioritized). The one case in which critical theory is able to provide a priority rule is where there are competing views among shareholders and other groups (e.g., employees, management) concerning the identity of the firm (and the norms and values according to which the firm should be run). In such instances, (assuming that the traditional litany of property rights is encoded in legitimate law) management has the responsibility to give priority to the view of shareholders. Here the priority afforded the stakes of shareholders is a demand of legitimacy (not authenticity) as legitimately established property rights allow shareholders to determine how their company is to be run.

Table IV: Priority Rules for Assessing Conflicting Stakes between Shareholders and Stakeholders

Shareholders Other Stakeholders	Legitimacy (Political Equality)	Morality (Fair Opportunity)	Ethics (Authenticity)
Legitimacy (Political Equality)	no conflict	no conflict	stakeholder > shareholder
Morality (Fair Opportunity)	no conflict	no conflict	stakeholder > shareholder
Ethics (Authenticity)	shareholder > stakeholder	shareholder > stakeholder	shareholder > stakeholder

III. Conclusion

In this paper we have developed a critical theory approach to SHMT. In elaborating our position we have concentrated entirely on questions of normative theory, leaving to one side the issues of pedagogy, motivation and application. In focusing on normative theory, the goal was to demonstrate how a critical theory approach brings two basic advantages to the analysis of SHMT. First, there is its theoretical rigor which provides a firm basis for establishing both the validity and the scope of the normative responsibilities that management owes to stakeholders. Second, there is the conceptual clarity that critical theory affords stakeholder analysis. In particular, the distinction of three different normative realms provides the basis for clearly establishing who is a stakeholder, the nature of the responsibilities owed to stakeholders, the circumstances which can influence these responsibilities and how disputes involving conflicting stakes can be resolved. While we have left to one side the questions of pedagogy, motivation and application, it is hoped that the presentation given here has at least generated enough insights into how a critical theory approach might address these tasks so as to make the approach not appear completely utopian. Unfortunately, the treatment of these tasks can only be taken up on another occasion.

Notes

¹The author wishes to thank Prof. Wes Cragg and an anonymous referee for their comments on this paper.

²Habermas develops his analyses of these structures as projects of "reconstructive science," a method which combines empirical analysis and philosophical analysis to develop a form of argument based upon the conditions of possibility. See Habermas (1987).

³In adopting speech acts (instead of sentences) as the primary unit of language, Habermas is opting for a linguistic analysis which focuses on the performative aspects of language (viz. pragmatics) rather than the logical relationship between different parts of speech (viz. semantics). The reason for this preference for pragmatics is that it provides an intersubjective basis for the evaluation of valid claims.

⁴Habermas has changed his terminology over the years. While the *Theory of Communicative Action* (1984) did not distinguish ethical reasoning as a form of practical reason, in *Justification and Application* (1993) he distinguishes three forms of practical reason, viz., pragmatic, ethical and moral.

⁵ The justification program involves a two step process. First, a principle of universalization is elaborated which serves as a principle of argumentation. Next, this principle of universalization is justified on the basis of a "quasi-transcendental argument" in which it is shown that participants in a discourse have no other alternative than to accept the elaborated "discursive rules" as pragmatic presuppositions (Habermas, 1990).

⁶It needs to be noted that an important limitation of ethical-existential discourse is that it can be confined within a distorted cultural tradition (e.g., Nazi Germany). In such situations authenticity may not coincide with the demands of morality or legitimacy.

⁷There is also a third condition which must be met for the generation of legitimate law, viz., a liberal political culture. The condition is necessary because the formal guarantee of the rights required for the generation of legitimate law does not ensure their exercise. For this reason Habermas' model of procedural democracy (and the generation of legitimate law) is dependent upon a "rationalized lifeworld" (including a liberal political culture) which meets it halfway.

⁸In classical philosophy, the notion of moral obligation does not arise. With his theory of the objective spirit, Hegel attempts to reconcile classical communal and modern individual notions of freedom, but does so in a way in which morality is dissolved into ethical life. For their part, contemporary neo-Aristotelians such as MacIntyre recognize the problem of the "sublation" of morality into ethics and resolve it by abandoning the notion of morality (Habermas, 1993).

⁹We have omitted any discussion of feminist normative theory here, including its critical theory variations. The reason for this is that there is not one single theory. Those theories which draw upon the normative discussions treated, exhibit the same basic problems as these traditions. Those which are intuitive and emotive fall beyond the scope of our examination into cognitivist theories.

¹⁰There are a variety of related problems with contract theory in general and Rawls' position(s) in particular. For Habermas' critique of Rawls see (1990: 66-68; 1993: 25-30).

¹¹ There are many theories that, while attempting to provide some sort of normative grounding for their definition of stake, are not entirely successful. For a review of different forms of corporate responsibility and stakeholder theories see Brummer (1991).

¹²One problem which frequently occurs in the discussion of responsibilities involves categorical confusion. Brummer (1991), for example, in listing the areas of responsibilities of the firm (viz., economic, legal, socio-cultural and moral) confuses normative and empirical categories. From the perspective of a normative use of stakeholder theory (in which responsibilities are linked to valid normative claims), all responsibilities must be considered "moral." (i.e., normative). The relevant distinctions in differentiating between normative responsibilities are the social realms in which they arise (e.g., the economic, political, socio-cultural) and the social levels at which they arise (e.g., the interpersonal, the institutional, the systemic).

¹³ It is not possible for morality to recommend specific policies as these inevitably involve pragmatic discourses, but it can argue for basic forms of institutions and types of programs.

¹⁴ Here, there is a basic tension between the role of the media as a medium for public discourse and the media as a business enterprise. Conformity with the spirit of the demand of equal opportunity to influence opinion-formation and will formation also imposes responsibilities on the privately owned media (e.g., to present a balanced picture of events, to refrain from sensationalizing stories, etc.)

¹⁵It is not possible to offer any extended comments here on what this implies, but it should be evident from the discussion on legitimate law that this perspective would require stricter restrictions of lobbying and influence pedaling than are presently allowed in most Western democracies.

¹⁶Colonization is a turn which Habermas (1984) uses to explain how the particular forms of instrumental reason which serve as "steering mechanisms" for the economic system (viz., money) and administrative system (viz., power) can extend beyond these realms into the lifeworld and displace communicative reason. To the extent that this occurs, it results in a "monetarization" and a "bureaucratization" of daily life.

¹⁷It is important to note that here we are concerned with abstract structures (e.g., markets, private property, management), not the specific forms which these structures take in given contexts. Questions concerning specific institutional arrangements do not arise at the level of moral argumentation (but rather in the realm of legitimacy) because the decisions concerning particular institutions will always have to take into account various contingent constraints.

¹⁸It is important to distinguish here between the obligations of authenticity that managers have as individuals and as managers. As individuals, managers need to live in accord with the norms and values that constitute their individual identities. As managers, they have obligations to make certain that the firm acts in accord with the norms and

values that constitute its identity. These two may come into conflict (even to such an extent that individual managers may have an obligation to resign). Here we address only the obligations that managers have as managers.

¹⁹This is not to say that there are not some tensions and apparent contradictions. As regards the case of morality, for example, it may occur that a firm is not able to meet two demands of morality simultaneously, e.g., paying a fair wage and controlling its production of negative externalities. This, however, does not imply that the demands are contradictory. Rather, it means that the firm is not economically viable. Whether there are circumstances in which economically unviable firms should continue to operate (e.g., by paying less than fair wages) or receive aid for restructuring (e.g., government loans) is a question which extends beyond the realm of morality into the realm of politics. As regards legitimacy, it may be the case that the firm is confronted by two contradictory, but apparently legitimate laws. In such cases, to the degree that both laws are legitimate, there can be no real contradiction, but rather one law must take precedence over the other. The question is whether the appropriate branch of the state (viz., the legislature or the judiciary) has adequately fulfilled its task of determining precedence.

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