

## 3.5: Summary

### Section Summaries:

#### 3.1 Adopting a Stakeholder Orientation

An organization has duties and responsibilities with regard to each stakeholder; however, the implicit social contract between business and society means that meeting legal requirements might support only minimal ethical standards. Society on the whole and in the long run requires that business consider a broader range of duties in its relationships with key stakeholders.

#### 3.2 Weighing Stakeholder Claims

There are three approaches to stakeholder theory: the descriptive approach, the instrumental approach, and the normative approach. The normative approach takes the most comprehensive view of the organization and its stakeholders and is the fundamental basis of stakeholder theory. Organizations can analyze stakeholder claims by classifying them on the basis of their intensity and impact on the firm, as well as on the basis of their relationship to the firm. Such classifications may include enabling stakeholders, normative stakeholders, functional stakeholders, and diffused stakeholders. Using the lens of the four “publics” (the nonpublic, the latent, the aware, and the active), we can also understand a stakeholder claim on the basis of the public’s degree of awareness of a problem and ability to do something about it.

#### 3.3 Ethical Decision-Making and Prioritizing Stakeholders

Business leaders prioritize those stakeholders who have immediate needs or high urgency or great significance to the organization, and the identity of these groups may shift over time. Stakeholders can also be prioritized on the basis of their relationship to the organization using a matrix of their power and interest. Steps in the MITRE stakeholder management process are to establish trust, identify stakeholders, gather and analyze appropriate data, present information to management, and let stakeholders know they matter. Because customers are often considered high-priority stakeholders, it can be essential for corporations and nonprofit organizations to manage any expectations that customers (or donors) may have.

#### 3.4 Corporate Social Responsibility (CSR)

Most organizations must practice genuine corporate social responsibility to be successful in the modern marketplace. The triple bottom line places people and the planet on equal standing with profit in the mission of an organization. The genuine practice of CSR, unlike greenwashing, requires a commitment to an additional stakeholder, the planet, whose continued healthy existence is essential for any organization to operate.

### Key Terms

**amenities**

resources made available to employees in addition to wages, salary, and other standard benefits

**descriptive approach**

a theory that views the company as composed of various stakeholders, each with its own interests

**diffused stakeholder**

a stakeholder with an interest in a company’s decisions and whose impacts on a firm can be large even if the relationship is generally weaker than other types

**enabling stakeholder**

a stakeholder who permits an organization to function within the economic and legal system

**ethical maximum**

the strongest action a company can choose to behave ethically in a given situation

**ethical minimum**

the least a company might do to claim it holds an ethically positive position

**exigency**

the level of urgency of a stakeholder claim

**functional stakeholder**

a stakeholder whose relationships influence or govern an organization's inputs and outputs

**greenwashing**

carrying out superficial CSR efforts that merely cover up systemic ethics problems for the sake of public relations

**instrumental approach**

a theory proposing that good management of stakeholders is important because it can help the bottom line

**normative approach**

a theory that considers stakeholders as ends unto themselves rather than means to achieve a better bottom line

**normative stakeholder**

a stakeholder in the organization's industry who influences its norms or informal rules

**social responsibility of business**

the view that stakeholders are not the means to the end (profit) but are ends in and of themselves as human beings

**stakeholder claim**

a particular stakeholder's interest in a business decision

**stakeholder management**

the process of accurately assessing stakeholder claims so an organization can manage them effectively

**stakeholder prioritization**

the process of deciding which stakeholders to focus on and in what sequence

**triple bottom line (TBL)**

a measure that accounts for an organization's results in terms of its effects on people, planet, and profits

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