



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

Business Ethics

Framing business ethics:
Introduction and the stakeholder theory of the firm

Master Degree
ACCOUNTING, GOVERNANCE
AND SUSTAINABILITY

RELATORI
Prof.ssa Silvana Signori

SEDE
Via dei Caniana, 2

DATA
AA 2026-2027

1

1

Overview

Framing Business Ethics

- ✓ Explaining why corporations have social responsibilities
- ✓ Analysing for whose benefit should a company be managed
- ✓ Present the stakeholder theory of the firm
- ✓ Introduce the common good approach
- ✓ Distinguish the various concepts of CSR
- ✓ Critically examine the notion of corporate citizenship



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

2

2

Can a corporation have social responsibilities?



"The only one responsibility of business towards society is the maximization of profits to the shareholders within the legal framework and the ethical custom of the country".

(Friedman, 1970)



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

4

Can a corporation have social responsibilities?

The Nobel Prize for economy Milton Friedman vigorously argued against the notion of social responsibilities for corporations based on three main arguments:



1. Only human beings have a moral responsibility for their actions
2. It is managers' responsibility to act solely in the interests of shareholders
3. Social issues and problems are the proper province of the state rather than corporate managers



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

5

5

Can a corporation be morally responsible for its actions?

Long, complex debate but generally support from literature for some degree of responsibility accredited to corporations.

Argument based on:

- **Legal identity:** corporations enter into contracts; they are subject to host of legal requirements; they can sue other entities and be subject to legal prosecutions. They have duties and rights.
- **Agency identity:** Every organisation has a corporate internal decision structure which directs decisions in line with predetermined goals (French 1979)
- **Organizational identity:** All organisations manifest a set of beliefs and values that lay out what is generally regarded as right or wrong in the corporation – *organizational culture* (Moore 1999)



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

6

What kind of responsibilities do companies have?

Toward whom they hold responsibilities?



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

7

7

Ethical dilemma 2: When good results are bad results



1. What are the main ethical issues for Professor Ballistico?
2. What options are open to him? How would you assess these options?
3. How should Ballistico proceed, and what can he realistically do to prevent similar problems arising in the future?
4. Who are the stakeholders affected by this decision?
5. To which of his stakeholders does prof. Ballistico have primary responsibilities?



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

8

8

What is the purpose of a corporation? For whose benefit should a company be managed?



Please THINK & SHARE



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

9

9

The dominant model: managerial o shareholder model

- Companies with dispersed capital
- Separation between ownership and management
- Shareholders is the most important group to which manager should pay attention
- Target: to increase shareholder value
- Management remuneration and compensation systems aligned with the interest of shareholders (company's stock value)



Shareholder model

This model put at the centre the shareholders and their interests. Shareholders represent the main group and the main target for managers.



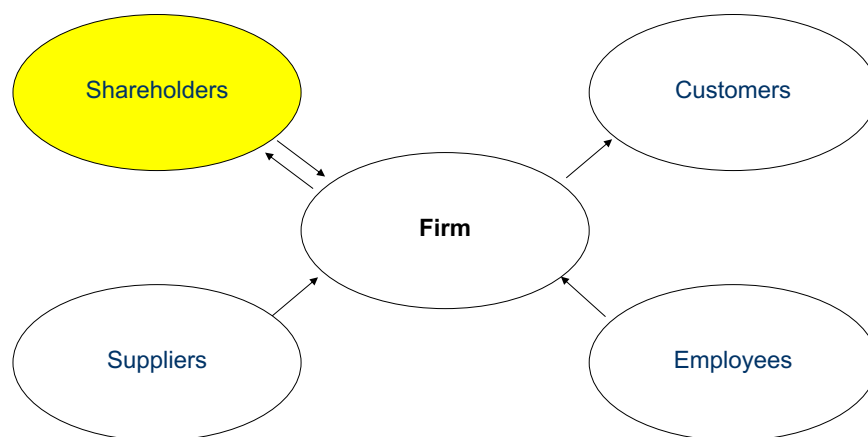
UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

10

10

The dominant model



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

11

11

"The business of business is business"



"The only one responsibility of business towards society is the maximization of profits to the shareholders within the legal framework and the ethical custom of the country".

(Friedman, 1970)



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

12

The dominant model is not able to capture the complexity of the 21st century

The business is:

- ✓ global
- ✓ complex
- ✓ multi-faceted
- ✓ interconnected
- ✓ not fully predictable
- ✓ ...



Bangladeshi garment workers block a road as they gather in a protest demanding their unpaid wages during nationwide lockdown in Dhaka, Bangladesh, May 20, 2020 | Sony Ramany/NurPhoto/PA Images



The shareholder model is not able to capture this dynamism.



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

13

13

The dominant model is not fully consistent with the law

The law has evolved over the years to give de facto standing to the claims of groups other than stockholders. It has in effect, required that the claims of customers, suppliers, local communities, and employees be taken into consideration.



Recent scandals (Enron, Worldcom, Tyco, ... Volkswagen) have further questioned this model.



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

14

14

The shareholder model is not consistent with basic ethics

The Separation Fallacy

It is useful to believe that sentences like, “x is a business decision” have no ethical content or any implicit ethical point of view. And, it is useful to believe that sentences like “x is an ethical decision, the best thing to do all things considered” have no content or implicit view about value creation and trade (business).

This fallacy underlies much of the dominant story about business, as well as in other areas in society.



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

15

15

The responsibility principle

If business were indeed separate from ethics, there would be no question of moral responsibility for business decisions – and the joke that business ethics is inherently self-contradictory would ring true.

In reality,

Most people, most of the time, want to and do accept responsibility for the effects of their actions on others.



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

16

16

The Integration Thesis

The Integration Thesis I

Most business decisions, or sentences about business have some ethical content, or implicit ethical view. Most ethical decisions, or sentences about ethics have some business content or implicit view about business.

The Integration Thesis II

- ✓ *It makes no sense to talk about business without talking about ethics*
- ✓ *It makes no sense to talk about ethics without talking about business*
- ✓ *It makes no sense to talk about either business and ethics without talking about human beings.*



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

17

17

If we want to give up the **separation fallacy** and adopt **the integration thesis**, if the **open question argument** makes sense, and if we agree that a **responsibility thesis is necessary**,
then we need a new model for business



Stakeholder framework



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

18

18

Why stakeholders matter – sum up

Milton Friedman – businesses should only be run in the interests of their owners

Freeman – others have a legitimate claim on the corporation

- **Legal perspective**

- 'Stake' in corporation already protected legally in some way (e.g. legally binding contracts)

- **Economic perspective**

- Externalities – outside contractual relationships
- Agency problem – short term interests of 'owners' vs. long term interests of managers, employees, customers etc.

- **Ethical perspective**

- Refuse of separation thesis
- Human being at the centre of business decisions



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

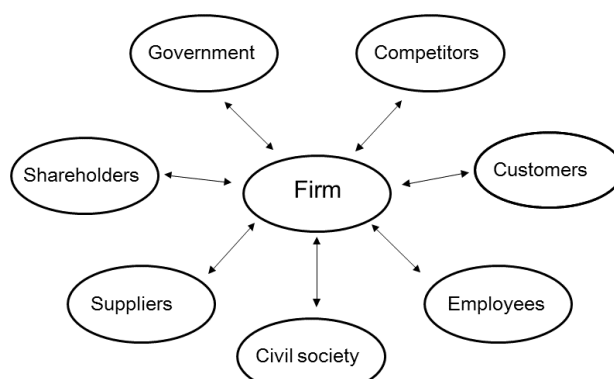
Dipartimento
di Scienze Aziendali

19

Stakeholder Model

Definition of stakeholder:

"any group or individual that "can affect or is affected by the achievement of an organisation's objectives" (Freeman, 1984: 46)



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

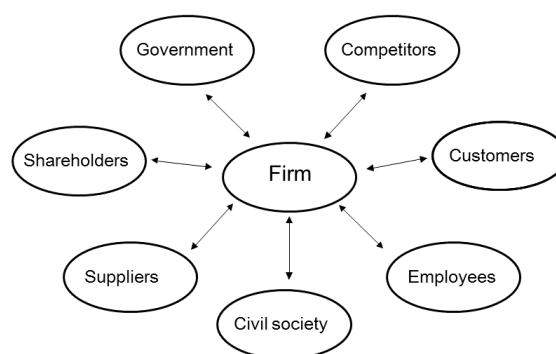
20

20

Stakeholder Model

Business can be understood as a set of relationships among groups that have a stake in the activities that make up the business.

A 'stakeholder theory' is one that puts as a primary managerial task the charge to influence, or manage, or balance the set of relationships that can affect the achievement of an organization's purpose" (Freeman and Phillips, 2002, p. 334).



**Different stakeholders
with different «stakes»**



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

21

21

New roles to management

The primary responsibility of the executive is **to create as much value as possible for stakeholders**.

Where stakeholder interests conflict, the executive must find a way to rethink the problems so that these interests can go together, so that even more value can be created for each.

If tradeoffs have to be made, as often happens in the real world, then the executive must figure out how to **make the tradeoffs**, and immediately begin improving the tradeoffs for all sides.



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

22

BR Business Roundtable

Statement on the Purpose of a Corporation

Americans deserve an economy that allows each person to succeed through hard work and creativity and to lead a life of meaning and dignity. We believe the free-market system is the best means of generating good jobs, a strong and sustainable economy, innovation, a healthy environment and economic opportunity for all.

Businesses play a vital role in the economy by creating jobs, fostering innovation and providing essential goods and services. Businesses make and sell consumer products; manufacture equipment and vehicles; support the national defense; grow and produce food; provide health care; generate and deliver energy; and offer financial, communications and other services that underpin economic growth.

While each of our individual companies serves its own corporate purpose, we share a fundamental commitment to all of our stakeholders. We commit to:

- Delivering value to our customers. We will further the tradition of American companies leading the way in meeting or exceeding customer expectations.
- Investing in our employees. This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity and respect.
- Dealing fairly and ethically with our suppliers. We are dedicated to serving as good partners to the other companies, large and small, that help us meet our missions.
- Supporting the communities in which we work. We respect the people in our communities and protect the environment by embracing sustainable practices across our businesses.
- Generating long-term value for shareholders, who provide the capital that allows companies to invest, grow and innovate. We are committed to transparency and effective engagement with shareholders.

Each of our stakeholders is essential. We commit to deliver value to all of them, for the future success of our companies, our communities and our country.

Released: August 19, 2019
Signatures Updated: September 2019, December 2019, February 2020, April 2020, June 2020, August 2020 and September 2020.

(The following section contains numerous signatures of executives from various companies, including names like Robert F. Iger, Tim Cook, Mark Zuckerberg, etc., each with their company name and title.)

23

New roles to management

According to Freeman, this broader view of responsibility towards multiple stakeholders assigns a new role to management.

Rather than simply being agents of shareholders, management has to take into account the rights and interests of all legitimate stakeholders.

More precise definition of 'affects' and 'affected by' (Evan and Freeman 1993)

- **Principle of corporate rights** - the corporation has the obligation not to violate the rights of others
- **Principle of corporate effect** - companies are responsible for the effects of their actions on others
- **Principle of corporate character** - what kind of company I wish to create and build



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

24

24

Some Arguments for Managing for Stakeholders

Argument from Rights

One way to understand managing for stakeholders is that it assumes that stakeholders have some rights.

Shareholders may not use their property to abridge the rights of others. For instance, shareholders and their agents, managers, may not use corporate property to violate the right to life of others (see also the part on normative ethical theories on business and human rights).

Freeman, 2007

They are human being (with names, faces and families) and they deserve attention and protection.



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

25

25

Some Arguments for Managing for Stakeholders

Argument from Consequences

Managing for stakeholders may actually produce better consequences for all stakeholders because it recognizes that stakeholder interests are joint.

If one stakeholder pursues systematically its interests at the expense of all the others, then the others will either withdraw their support, or

- (1) exit to form a new stakeholder network that satisfies their needs;
- (2) use the political process to constrain the offending stakeholder;
- (3) invent some other form of activity to satisfy their particular needs



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

26

26

Some Arguments for Managing for Stakeholders

Argument from Consequences

«Alternatively, if we think about stakeholders engaged in a series of bargains among themselves, then we would expect that as individual stakeholders recognized their joint interests, and made good decisions based on these interests, better consequences would result, than if they each narrowly pursued their individual self interests».

Freeman, 2007



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

27

27

Some Arguments for Managing for Stakeholders

The Argument from Character

One of the strongest arguments for managing for stakeholders is that it asks executives and entrepreneurs to consider the question of what kind of company they want to create and build. The answer to this question will be in large part an issue of character. Aspiration matters.

The business virtues of efficiency, fairness, respect, integrity, keeping commitments, and others are all critical in being successful at creating value for stakeholders.

These virtues are simply absent when we think only about the dominant model and its sole reliance on a narrow economic logic.

Freeman, 2007



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

28

28

Some Arguments for Managing for Stakeholders

The Pragmatist's Argument

The previous three arguments point out important reasons for adopting a new story about business.

Pragmatists want to know how we can live better, how we can create both ourselves and our communities in way where values such as freedom and solidarity are present in our everyday lives to the maximal extent.

While it is sometimes useful to think about consequences, rights, and character in isolation, in reality our lives are richer if we can have a conversation about how to live together better.

Freeman, 2007



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

29

29

The open questions argument

- (1) If this decision is made for whom is value created and destroyed?
- (2) Who is harmed and/or benefited by this decision?
- (3) Whose rights are enabled and whose values are realized by this decision (and whose are not)?
- (4) What kind of person will I (we) become if we make this decision?



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

30

30

Remember! Stakeholders with names and



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

31

<https://www.parkinsonlive.it/>

31

Pause to reflect...

Let's take a moment to consider organisational stakeholders and their accountability demands a little further.

- 1) Choose a specific organisation familiar to you and then write down as many stakeholders as you can think of. You may start by listing some of the more obvious ones but also try to think of those that are not so obvious.
- 2) Consider the stakeholder claims or demands on the organisation for some of the stakeholder you have identified.
- 3) Consider if the interests of stakeholders are aligned or rather if there are any conflicts between the stakeholder groups. Do any of the claims compete against each other?
- 4) Which kind of purpose could align the interests of the majority of the stakeholders?

Adapted from Laine et al (2022), Sustainability Accounting and Accountability



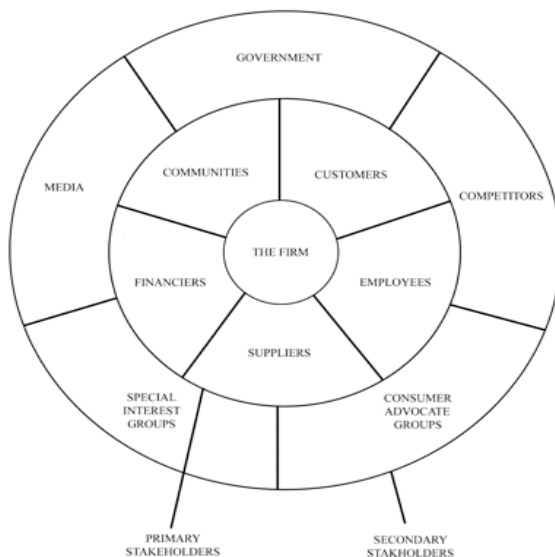
UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

33

33

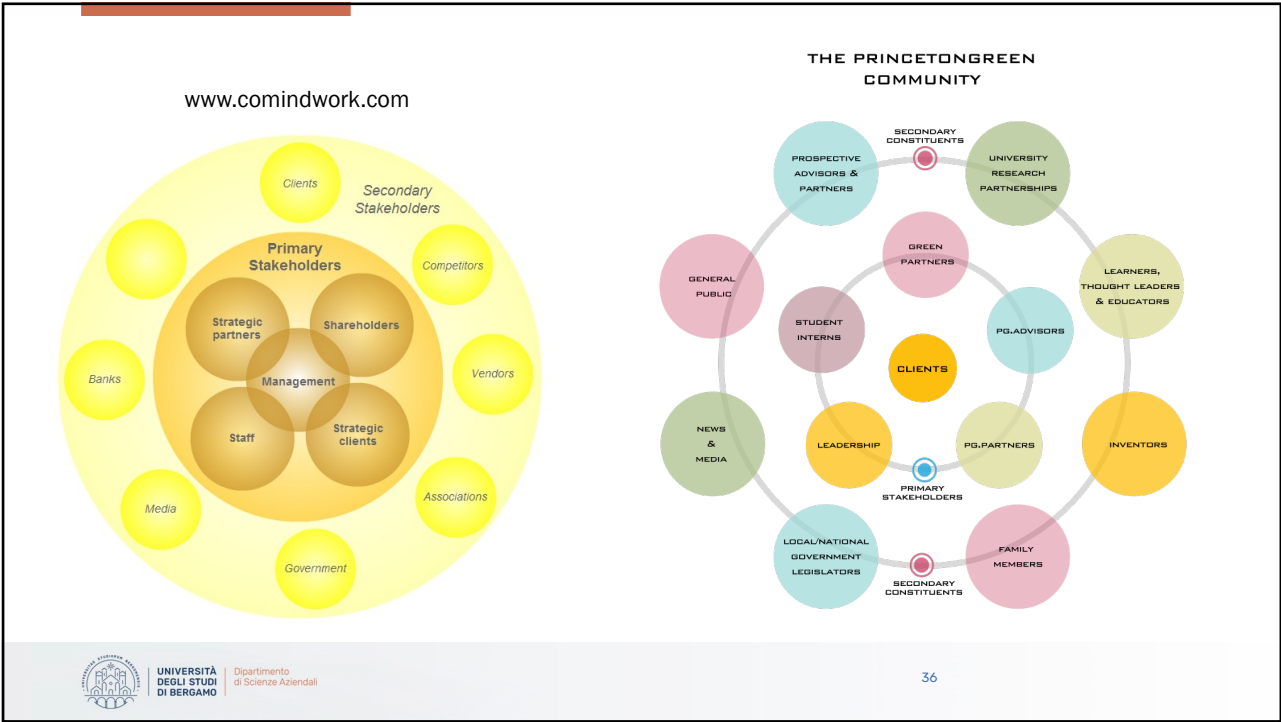
Primary and secondary stakeholders



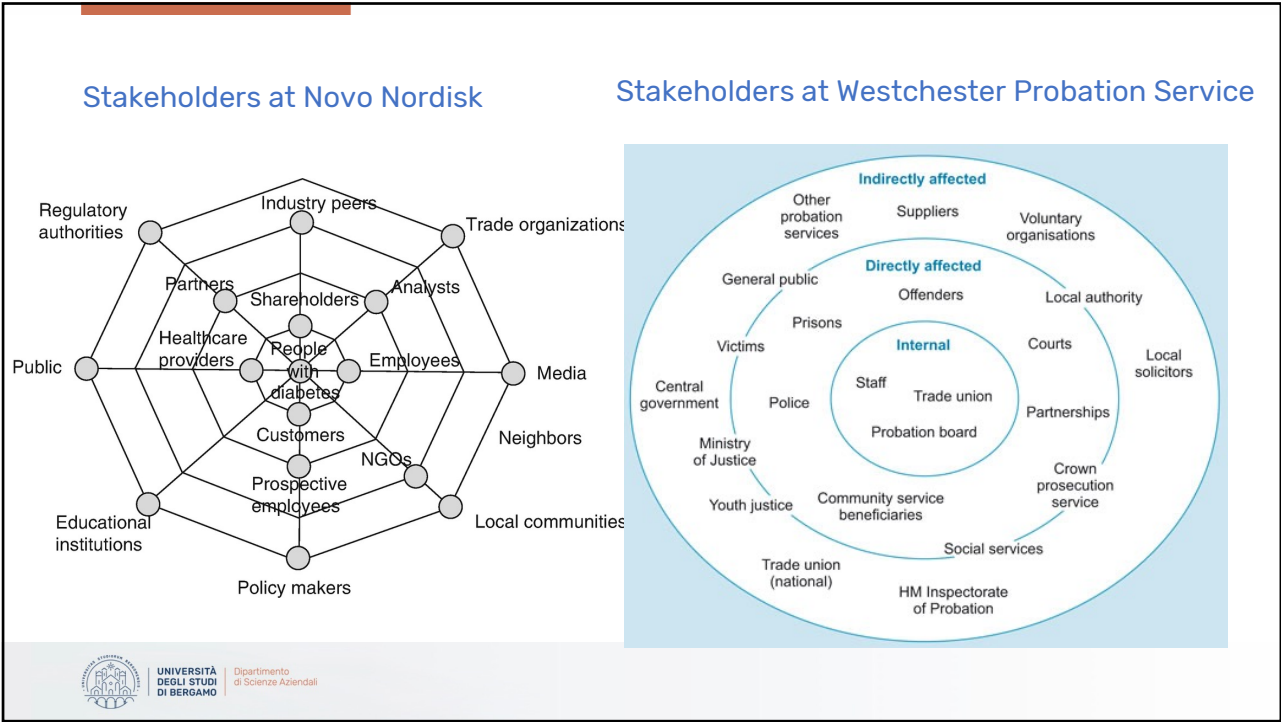
Primary Stakeholder group is one that the corporation is **dependent** on for its survival. Five groups of stakeholders fall into the Primary Stakeholder category: investors and shareholders, employees, customers, suppliers, and a public group of governments and communities who control infrastructure, markets and who require laws to be followed and taxes to be paid.

Clarkson (1995)

35

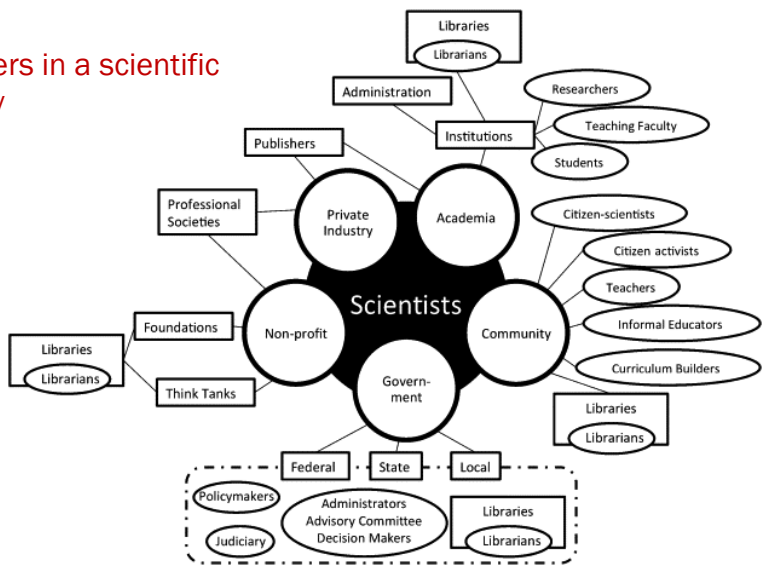


36



37

Stakeholders in a scientific community

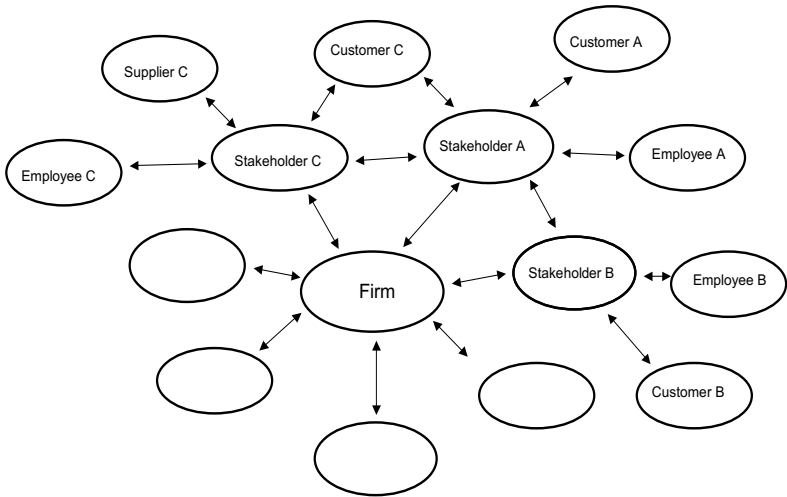


<http://www.sciencedirect.com/science/article/pii/S1574954111000768>



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO
Dipartimento
di Scienze Aziendali

The network relations



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO
Dipartimento
di Scienze Aziendali

Different forms of stakeholder theory

(Donaldson and Preston 1995)

- **Normative stakeholder theory:** attempts to provide a reason why corporations *should* take into account stakeholder interests
- **Descriptive stakeholder theory:** attempts to ascertain whether (and how) corporations *actually do* take into account stakeholder interests
- **Instrumental stakeholder theory:** attempts to answer the question of whether it *is beneficial for the corporation* to take into account stakeholder interests
- **Managerial stakeholder theory:** *recommends* attitudes, structures, and practices that, taken together, constitute stakeholder management.



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

44

44

Descriptive approach (Donaldson and Preston, 1995)

«The theory is used to describe, and sometimes to explain, specific corporate characteristics and behaviors»

«The stakeholder theory is unarguably descriptive. It presents a model describing what the corporation is. It describes the corporation as a constellation of cooperative and competitive interests possessing intrinsic value».



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

45

45

Instrumental approach (Donaldson and Preston, 1995)

«The theory, in conjunction with descriptive/empirical data where available, is used to identify the connections, or lack of connections, between stakeholder management and the achievement of traditional corporate objectives (e.g., profitability, growth).»

«The stakeholder theory is also instrumental. It establishes a framework for examining the connections, if any, between the practice of stakeholder management and the achievement of various corporate performance goals. The principal focus of interest here has been the proposition that corporations practicing stakeholder management will, other things being equal, be relatively successful in conventional performance terms (profitability, stability, growth, etc.).»



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

46

46

Normative approach (Donaldson and Preston, 1995)

The fundamental basis of stakeholder theory «is normative and involves acceptance of the following ideas:

- (a) Stakeholders are persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity. Stakeholders are identified by their interests in the corporation, whether the corporation has any corresponding functional interest in them.
- (b) The interests of all stakeholders are of intrinsic value. That is, each group of stakeholders merits consideration for its own sake and not merely because of its ability to further the interests of some other group, such as the shareowners».



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

47

47

Managerial approach (Donaldson and Preston, 1995)

«The stakeholder theory is managerial in the broad sense of that term. It does not simply describe existing situations or predict cause-effect relationships; it also recommends attitudes, structures, and practices that, taken together, constitute stakeholder management.

Stakeholder management requires, as its key attribute, simultaneous attention to the legitimate interests of all appropriate stakeholders, both in the establishment of organizational structures and general policies and in case-by-case decision making».



Strategic Stakeholder Management Approach

Table 1: Mapping the Stakeholder’s Relative Importance for the Organization

		Capacity for threat	
		Low	High
Potential for co-operation	High	Stakeholder type 1 Supportive Strategy: involve	Stakeholder type 4 Mixed Blessing Strategy: collaborate
	Low	Stakeholder type 2 Marginal Strategy: monitor	Stakeholder type 3 No supportive Strategy: defend

Source: adapted from Savage et al., 1991.



Links between stakeholder approach, CSR and accountability

Stakeholder Approach	CSR Theories	Accountability
Instrumental/strategic	Instrumental Theories	Instrumental approach to accountability
Normative	Ethical Theories	Ethical and holistic approach
Descriptive	Basis for the previous theories	Description of the network of stakeholders and their relationships
	Integrative Theories	Integrated Reporting



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

51

51

Another perspective... the firm as a community of persons

- ✓ In a firm, one might encounter real commitment and willingness to cooperate in common purposes, although people might also have individual motives for working together.
- ✓ People within a corporation carry out activities in cooperation, and the result cannot be attributed to anyone in particular but is attributable, rather, to the corporation as a whole, or to a group within the corporation.
- ✓ Economic but also emotional and moral links

Melé, 2009, p. 158



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

52

52

The common good approach

The firm can become a contributor to the common good in the following ways:

- Creating added economic value with justice and distribute it with equity
- Supplying useful goods and services efficiently and fairly
- Providing jobs, opportunities and organizational conditions in accordance with human dignity and human rights
- Promoting the necessary relationships between the firm and its constitutive stakeholders, fostering reciprocity, collaboration and cooperation among them
- Striving for the continuity and sustainability of the firm
- Being a good corporate citizen

Melé, 2009, p. 164



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO
Dipartimento
di Scienze Aziendali

53

53

Table 7.1 Models of identity and purpose of the firm and the corresponding models for corporate governance

	View of the firm	Purpose of the firm	Corporate governance model
Contractual approach	A fictitious person and a set of contracts	Maximizing shareholder wealth	<i>Shareholder model</i> Orientation to maximize shareholder value (there is a tendency to be more tolerant in considering the interests of other stakeholders).
Stakeholder approach	A system of stakeholder interests	Coordinating stakeholder interests	<i>Stakeholder model</i> Orientation to stakeholder interests, creating value for the stakeholders and maintaining the survival of the firm.
Common good approach	A community of persons producing goods and services	Achieving the multi-ends of the firm in accordance with the common good of the society	<i>Mission-driven model</i> Orientation toward the good of the firm, defined by its multi-ends in accordance with the common good of society through the firm's mission (legitimate stakeholder interests are also considered).

Melé D. (2009), p. 168

54

54

	The shareholder approach	The stakeholder approach	The common good approach
Fiduciary duties	Managers are agents of shareholder who are the principals. Thus, they bear fiduciary duties to shareholder and have to serve their best interests.	Managers bear fiduciary duty not only to shareholder but to all stakeholders	The primary fiduciary duty is towards the the corporation itself (it is the duty to act for the good of the whole institution)
Legality	In some countries laws support the idea of profit maximization	Law changes over time. Different legislations in different countries Laws protected also stakeholder interests.	Laws are not in themselves a moral justification. The corporation is a part of a wider community
Property right	The owner of a corporation have a right to decide how to use their property	Property rights and distributive justice	Corporation is a human reality. Property rights gives inadequate recognition to the people who work in the corporation


 UNIVERSITÀ DEGLI STUDI DI BERGAMO
 Dipartimento di Scienze Aziendali

55

From Melé, 2009

55

	The shareholder approach	The stakeholder approach	The common good approach
Wealth creation	Profit max is an effective path to wealth creation (see Adam Smith – invisible hand)	Firms' long term wealth creation is better served by considering the interests of all the legitimate stakeholders.	The mission-drive orientation of the common good includes both seeking fair profits and coordinating legitimate stakeholders' interests.
Management performance	Clear aims, avoid opportunistic behaviour and increase control	Multidimensional measurement systems	Stewardship, care and awareness of companies' social function and moral responsibilities.


 UNIVERSITÀ DEGLI STUDI DI BERGAMO
 Dipartimento di Scienze Aziendali

56

From Melé, 2009

56

Bibliography

- Textbook (Crane et al.) Chapters 2 and 5
- Freeman R.E. (2007) Managing for Stakeholders di R.Edward - notes available in Moodle elearning (2007)
- Melé D. (2009), Business ethics in action. Seeking human excellence in organizations, Palgrave macmillan, chapter 7 – The Purpose of the Firm and Mission-Driven Management (pp. 152-174).
- Wicks, Freeman, Werham and Martin (2010), Business ethics. A Managerial Approach. Pearson Education , chapter 3 - Ethics, Stakeholders, Corporate Strategy, and Value Creation (pp. 68-86).

Other suggested reading:

- Harrison J. S., Phillips R. A. & Freeman R. E. (2020), On the 2019 Business Roundtable "Statement on the Purpose of a Corporation", *Journal of Management*, 46 (7), 1223-1237 (first published online il 17 dicembre 2019)



UNIVERSITÀ
DEGLI STUDI
DI BERGAMO

Dipartimento
di Scienze Aziendali

57