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Rethinking the Purpose of the Corporation: Challenges from Stakeholder Theory

The purpose of this paper is to suggest that stakeholder theory challenges common notions about the purpose of a corporation. The idea of purpose has long been a key element of Stakeholder Theory, even though so called instrumental stakeholder theorists have argued that it is consistent with the shareholder theory that has dominated economic theory. Stakeholder theory poses (1) entrepreneurial; (2) legal; (3) ethical; and (4) human complexity challenges to the standard account of business. A new “standard account” of business is outlined relying on recent work in Stakeholder Theory and emerging ideas of good practice.