



Rethinking the Purpose of the Corporation: Challenges from Stakeholder Theory

R. Edward Freeman

3 October 2014

Politeia Forum Milano

freemane@arden.virginia.edu



A Little Bit of History of the Stakeholder Idea



Enterprise Strategy as Purpose: What Do You Stand For?

Purpose: The Big Mistake

Purpose and Values

- Values as Answers to Why Questions
- Values Through Conversation
- Bringing Conversation to Life



The Legal Challenge: Who Owns the Firm?



The Entrepreneurial Challenge: Why Do Entrepreneurs Start a Business?



The Ethical Challenge: Why are Business and Ethics Separated?




The Human Challenge: What Motivates and Inspires People to be Engaged in Their Work?

- Business is primarily about creating value for customers, suppliers, employees, communities and financiers (and maybe others).
- Capitalism works because human beings are complicated. Sometimes we act in our self-interest, sometimes for others, sometimes we just don't know. Most people are responsible most of the time, and they are capable of governing themselves.
- Good Leaders understand their role in the process of value creation as enabling others to do great things.
- When free people make voluntary decisions to collaborate responsibly, society flourishes.

The New Story ...

The Creating Value for Stakeholders Mindset:

1. The Value Creation Principle
2. The Purpose Principle
3. The Interconnection and No Tradeoffs Principle
4. The Friction Principle: Conflict Rocks
5. The People are Complicated Principle



**The Only Responsibility of the
Executive is to Create as Much
Value as Possible for
Stakeholders.**