

Does Stakeholder Theory Require Democratic Management?¹

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I: Stakeholder Theory and Democratic Participation—Statement of the Issue

In presenting his "Stakeholder Theory of the Modern Corporation," R. Edward Freeman strikingly asserts that "The task of management in today's corporation is akin to that of King Solomon."¹ In making this off-hand remark, Freeman is referring to the balancing and adjudication of diverse stakeholders' interests that a wise and capable manager is called upon to accomplish. While not seriously intending to analogize the manager to a King, Freeman's suggestion of rule may raise for us anew the following question: If the manager is not to be an autocrat of any sort, as business ethics has generally insisted, should the authority of managers be construed as like that of a governmental official—a bureaucrat? an elected representative? a town selectman? Or are these metaphors unhelpful in understanding managerial authority in organizations and in particular in corporations?

In his 1994 work, *Democracy and Authority*, Chris McMahon argues for the accountability of managers to their workers in decision-making, understood as requiring democratic input into managerial authority on the part of the employees.² This suggestion, of course, has a long history in the idea of employee participation or, more strongly, workplace or corporate democracy.³ Notwithstanding much important analytical work on this theme, as well as actual instances of implementation of participation in

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