

Critically assess the arguments for and against adopting a stakeholder perspective...

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STAKEHOLDERS PERSPECTIVE By: Word count In the world of business, various organs participate in ensuring its profitability ranging from the employees, the owners and most importantly the customers. In simple terms, there are referred to as the stakeholders since the business is somewhat affected by their actions. Often, some businesses regard their competitor as stakeholders because any action from them may have some implications. Originally, this term was greatly popularized from Edward Freeman in a book titled, Strategic management: A stakeholder Approach. Since then there has been a raging debate on which approach to apply while managing an organization. While the proponents of the shareholder perspective have their views so do the proponents of stakeholder perspective. In light of these two approaches, this paper will critically analyze the stakeholder perspective.

First, the shareholder approach focused primarily on the owners or individuals holding the shares in the company with little regard of the rest. That is to say, all decisions were taken with the concerns of the owners first then others' later. Conversely, the stakeholder perspective advocates for recognition of other organs in the business whose influence is also vital. These include the customers, employees, suppliers, governmental bodies and now the owners. According to the contents in Freeman's book, the traditional shareholder was not only unhelpful to the owners but also to the business as well since it failed to address the customer needs (Miles 2012). Analysing this notion seems to reveal some truths in it though it also has some demerits, which could lead to negative impacts on the society. Lately, many companies have adopted stakeholder theory as a way of increasing

profitability. The approach seeks to place the people seen as important to a business in a higher position (Miles 2012). That is to say, all actions taken by a corporate are focused on benefitting these people first. In this approach, the major people regarded highly include the owners, shareholders, customers, suppliers and in some case even competitors.

Since this approach focuses on the most important stakeholder in the business- the customer to be precise- a number of benefits are evident.

Freeman suggested that whenever a business applies the stakeholders even the shareholders' interests are safeguarded. Additionally, when this approach is adopted, the business will last longer and even exhibit performance (Miles 2012). This is because businesses are able to analyze the needs by various stakeholders including employees and develop strategies to ensure are met. In essence, if this perspective is applied without reservations it is undoubtedly one capable of achieving not only its goals but the needs of clients as well.

Notwithstanding this analysis, this approach has been repeatedly blamed for a decline of quality products and services. While companies purport to be focused on the major stakeholders, customers are seldom treated as such.

Many times, corporate intend to make money at all cost and tend to compromise quality especially when it demands more input. This approach in itself is capable of transforming the organization and guaranteeing customer satisfaction but it is not always applied to the letter (Miles 2012).

Consequently, it ends up being a polished theory with little, if any, outcome to display.

Having said this, the perspective in itself has its demerits one of which

inability to speculate the future needs of the clients. While it is often portrayed as, a theory focused mainly on the major stakeholders, the ever-changing market trends make it hard to plan for the future (Miles, 2012). That is to say planning may not always correspond to other outcome sin the future hence rendering all the efforts inefficient. Therefore, one could conclude that stakeholder perspective is capable of achieving insurmountable success but require critical analysis of the market trends.

Bibliography

Miles, S., (2012). " Stakeholders: essentially contested or just confused?".

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