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Caring for Stakeholders: An Ethics of Care Approach to Stakeholder Theory

Scholars have made several connections between stakeholder theory and the ethics of care (Oruc and Sarikaya, 2011). They both concern themselves with caring and cooperative relationships that focus on the particular and concrete details of these relationships. They also implicitly or explicitly appeal to our emotions and intuitions to make decisions on how to act (Burton and Dunn, 1996). Applying care ethics to stakeholder theory has thus far been fruitful and this paper seeks to extend this application. I argue that the ethics of care requires firms to allow stockholders to actively manage their investments, to enable holistic health for employees, to hire local labour, and firms in certain industries have strong obligations to provide their products and services to customers.

The Ethics of Care and Stakeholder Theory

Many management scholars discuss what caring looks like in a corporation, often in the context of stakeholder relationships. For example, Wicks et al. (1994) argue that caring organizations should see stakeholders as existing in a web of relationships. To successfully manage these relationships, firms must be adaptable to change and see change as important for diversity and new opportunities. Due to this dynamic nature, caring firms emphasize the importance of communication among employees and between other stakeholders. Assuming that stakeholders are not prioritized in any way, when stakeholder needs conflict, the firm shows solidarity with all stakeholders by seeking solutions that are agreeable to all. Finally, caring firms are decentralized, which allows employees to participate in creative and meaningful ways.

Several of these features of caring organizations have been echoed by others (e.g. Burton and Dunn, 1996; Palmer and Stoll, 2011) and can be a source of competitive advantage (Liedtka, 1996).

Management scholars have illuminated the connections between stakeholder theory and the ethics of care and have shown that the ethics of care leads to certain ways of doing business. But how exactly does a caring business go about making decisions that support and strengthen the particular relationships that they have with various stakeholders?

Engster (2011)

Engster (2011) offers a thorough account of how businesses should conduct themselves if they want to be caring. He gives priority to certain stakeholders, specifically stockholders and employees, and identifies limited responsibilities to the local community and customers. By privileging relationships with certain stakeholders, businesses can make decisions in caring ways.

Prioritizing Stakeholders

Engster argues that businesses are morally justified because they provide the means for us to care for ourselves and others, which he says is our ability to "meet the basic needs, develop the basic capabilities, or alleviate the pain and suffering of individuals" (p. 100). If businesses are only justified in that they allow us to care, any business action that undermines caring is immoral.

Based on this understanding of care, Engster argues that two groups of stakeholders have privileged relationships with the firm: stockholders and employees. These groups are prioritized because of their high level of dependence on the firm for their survival and functioning. Under care ethics, the vulnerability that comes with this dependence justifies the prioritization of these stakeholders. Firms also have privileged relationships with the local community and customers because they are also dependent on the firm for their survival and functioning, though these groups' priority is lower than stockholders and employees because their survival and functioning is not as closely tied to the firm.

The Functions of Stakeholders

Engster argues that caring firms look after the survival and functioning of stakeholders. This section describes the functions that businesses should enable stakeholders to achieve. Building on Engster's work, I will focus on the stakeholders to whom businesses have special obligations: stockholders, employees, the local community, and customers.

Stockholders

What Engster misses in his analysis is the importance of stockholders' ability to manage their investments. Given that investment funds are so important to some stockholders' care, stockholders should be able to manage their investments as they see fit. Thus, firms must make their best efforts to ensure sufficient liquidity of their stocks such that stockholders can buy and sell shares as they deem appropriate. For the most part, stocks are considered liquid, so this requirement means few changes for most firms. However, the fact that some stockholders rely on their investments for survival and functioning heightens a firm's responsibility to manage its long-term financial performance well.

Employees

Firms have responsibilities to employees that go beyond those listed in Engster's paper. While we agree that employees should have safe and healthy work environments, Engster does not take this requirement far enough. The World Health Organization defines health as "a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity". Given this high standard for health, and that care ethics demands that employees' health be looked after for the sake of their survival and functioning, firms may well have responsibilities to enable access to physical health services, such as dental care, vision care, and physiotherapy, as well as mental health care, including psychiatric and psychological services. Further, firms must provide the flexibility that allows employees to access these health services. Finally, as Engster mentions, firms have a responsibility to ensure employees' social well-being. More specifically, given that much of one's day is spent at work, firms have a responsibility to provide social opportunities to employees. Policies that permit workplace relationships and encourage time spent socializing with coworkers may well be required.

Kittay (1997) also calls for firms to permit employees time away to care for others. She has expressed this need in her public conception of *doulia*, where society at large takes care of the caregiver. Thus, firms need to be understanding when an employee must be away from work to care for a sick family member. This time away should be paid, as this care work is overwhelmingly done by women. To offer only unpaid days off to care for others is to put women at a structural disadvantage.

Local Community

Engster omits an important responsibility to the local community: hiring local labour. Firms have a special relationship with the local community. Further, firms sometimes rely heavily on the acceptance of the local community in order to operate, often known as a "social license" (Demuijnck and Fasterling, 2016; Rooney et al., 2014). Since firms rely on the local community's support, firms should reciprocate by actively supporting the local community. This act benefits the local economy and improves the survival and functioning of those in the community who would otherwise be unemployed.

Customers

Firms may well have responsibilities to customers that go beyond Engster's requirements of health and safety and honest advertising. Care ethicists have emphasized that reciprocity is not required for one to be obligated to care for another. For example, a child cannot reciprocate a mother's care but is nonetheless entitled to receive it. According to Kittay (1999), caregivers have unqualified obligations to care for another when the needs are basic, vulnerability is extensive, and the prior relationship between the caregiver and cared-for has moral warrant. The more one of these criterion is met, the higher the obligation to provide care. Let us consider each of these in turn in the case of the relationship between customers and a firm.

First, customers certainly have basic needs that are met by some firms in specific industries, such as food distributors. Firms operating in these industries have stronger responsibilities to customers compared with firms that provide non-essential products, such as smartphones. Second, customers are vulnerable to certain firms in industries that provide essential services. Again, food distributors are a particularly salient example of such businesses. Without food distributors operating in a particular area, a community is left without its basic needs. Finally, customers develop relationships with firms through firms' advertising and marketing. This relationship is interdependent, as firms depend on customers for revenue and customers depend on the firm for quality products and services. Further, customers are at a position of disadvantage with the firm, given the information asymmetry that exists between the firm and customers. Thus, as Engster notes, firms should produce truthful advertising and marketing messages. In sum, firms have strong responsibilities to provide their products and services to customers if they operate in industries that provide essential products and services to customers.

Conclusion

Engster offers a prioritization of stockholders and employees over the local community and customers, and the prioritization of these four stakeholder groups over all other stakeholder groups. Though much is correct about his analysis, more work could have been done to elucidate exactly what responsibilities firms have to these four stakeholder groups if they are to be caring firms. The present paper lays out these additional responsibilities. Stockholders should be able to manage their investments as they see fit, employees should be given resources to manage their own care and the care of others, the local community should have local labour hired by the firm, and firms in industries that provide basic products and services to customers have a strong responsibility to provide those products and services.

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