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Journal:	*Academy of Management Review*
Manuscript ID:	AMR-2013-0486-STFMTS.R2
Manuscript Type:	Special Research Forum Management Theory & Social Welfare
Keywords:	Social Welfare, Stakeholder Theory, Business Ethics, Corporate Governance, Strategic Mission/Vision/Goals, Corporate Social Responsibility

STAKEHOLDER AGENCY AND SOCIAL WELFARE: PLURALISM AND DECISION MAKING IN THE MULTI-OBJECTIVE CORPORATION

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Acknowledgement: We express appreciation for institutional support from the Wheatley Institution and the Bagley Foundation, for research assistance from Camden Robinson, Ben King, and Hilary Hendricks, for our reviewers, and for our incredibly insightful and helpful action and special issue editors Tom Donaldson and Tom Jones.

ABSTRACT

Social welfare, or the good society, is of central concern to the Academy of Management. We begin by observing that, in theory and practice, social welfare appears to be a multifarious, multi-dimensional, pluralistic concept. In light of this, we develop an account of a multi-objective corporation as a means for enabling a greater range of management decisions, so as to permit more direct corporate engagement in the diverse goals of various stakeholders. In the course of doing this, we critique aspects of single objective theories of corporate function and argue that a key objection to multi-objective views can be avoided. Our analysis is built on a stakeholder agency framework wherein corporate actions reflect the outcome of an intra-corporate "marketplace." We suggest that improvements in social welfare are more likely when intra-corporate markets among stakeholders can operate unconstrained by some single-valued objective.

Keywords:

Stakeholder
Social Welfare
Pluralism
Multi-objective Corporation
Stakeholder Agency
Shareholder Wealth Maximization
Corporate Social Responsibility

It is in the nature of most [persons] to be guided by many stars rather than just one.

Davis (1973: 315)

Social welfare and the objectives of the modern corporation are inexorably linked (e.g., Bowen, 1953). Social welfare has been discussed in a variety of disciplines, recently including management (e.g., Jones & Felps, 2013a, b; Porter & Kramer, 2006). The diversity of perspectives on social welfare suggests that the concept is pluralistic or multi-dimensional, while much conventional wisdom in business assumes or argues that corporations should have a singular focus—on shareholder wealth maximization (SWM) (e.g., Jensen, 2001, 2002). Such assumptions and arguments arise in part because SWM is asserted to yield social welfare improvements as social actors pursue their various interests via profit-generating market transactions (e.g., Friedman, 1962, 1970; Jensen, 2001, 2002), and in part because of alleged difficulties of multi-objective organizational decision making (Jensen, 2001, 2002). In this article we assume a stakeholder-agentic perspective on organizations (Hill & Jones, 1992) and, in that context, assert the viability of multi-objective decision making, arguing that such viability opens the door to seeing how corporations can better embody the diverse interests of multiple stakeholders as those stakeholders interact in market-like fashion.

We also assume the context and boundary conditions of a market economy. The core mechanism underlying market-economy processes—explaining why social actors will behave in certain ways and achieve particular outcomes—is that multiple actors, all seeking their own ends, will respond to the (price) signals and incentives provided by others, and do so without overarching, centralized direction (i.e., Smith's "invisible hand" process ([1776] 2003)). In particular, the "invisible hand" is expected to mobilize resources toward their most desired use according to the neoclassical economic notion of *Pareto optimality*, where no alternative allocation of resources could make one market participant better off without making any other market participant worse off (Arrow, 1974; Jensen, 2001; Stiglitz, 1991). Insofar as the mechanisms of the invisible hand work well (i.e., reasonably and realistically approximate pre-conditions of perfect markets), social welfare is expected to be maximized because socioeconomic actors will employ their resources (e.g., financial, human, etc.) in ways that best satisfy their preferences relative to the incentives and signals provided by others. In this framework, if social welfare is understood pluralistically, and expressed via the "invisible hand" choices and actions of multiple social actors, the receptiveness of "the corporate objective" to multiple ends may be critical to social welfare.

We began with Davis' observation that humanity is "guided by many stars." In this article we argue that a credible basis for social welfare-enhancing decision making by corporate managers will require that theory move away from the possibly convenient but ultimately constraining assertion that coherent corporate decision making requires dependence on single-valued objective approaches (such as SWM, stakeholder happiness enhancement (SHE) (Jones & Felps, 2013b), customer value creation (Slater, 1997), and other potential candidates). We argue instead that through adoption of a multi-objective approach to managerial decision making, a broader array of "invisible hand" preferences and market signals can be engaged, opening the door to a more inclusive, less constraining process of corporate contributions to multi-dimensional, pluralistic social welfare.

In what follows, we first visit the literature on social welfare for the limited purpose of noting the multifarious nature of the concept. We then discuss the general problems affecting efforts to understand the goal and function of corporations in terms of a single objective (whether shareholder wealth or some other unitary goal), situating this issue in a long-running debate about value monism and value pluralism, and noting the reality and viability of multi-objective decision making. Next we consider the prospects for a more encompassing but still single-objective account of the role of corporations vis-à-vis social welfare (using Jones and Felps' recent "stakeholder happiness enhancement" framework (2013b) as a representative, *prima facie* viable point of departure, as it is possibly the most encompassing—and therefore social welfare-friendly—extension of the single objective function position). Following this, we argue that a single-objective corporation constrains the intra-corporate "marketplace" that characterizes a stakeholder-agentic corporation, robbing it of potential combinations of multiple objectives that would be chosen (a) by stakeholders if their various bundles of individual or collective preferences were addressed in distinct, separate markets for their various preferences, and (b) by managers if their "invisible hand" intra-corporate market interactions with stakeholders were conducted in distinct, stakeholder preference-specific markets. In sum, we propose that corporations can constitute venues for achieving more for social welfare than do conventional single-objective firms, by explaining how a stakeholder agentic corporation can accommodate a pluralism of objectives and thus avoid some of the social welfare sacrifices associated with single objective firms.

SOCIAL WELFARE

Concern for the welfare of society has been fundamental to civilization; and it has been argued that increasing human well-being is one of the motives for organizing society (Durant, 1935). Here we briefly note the breadth of conceptualizations of social welfare, with the aim of highlighting its overall multifarious, multidimensional nature.

Discussions of social welfare, “the good life,” or good society, are ancient. For example, Aristotle recognized that individual acquisition of “the good” was laudable, but that “it is nobler and more divine to do so for a nation and city” (Aristotle, [1999]: 1095). Contemporary (and earlier) philosophy has continued the discussion, arguing for one or another conceptualization of social welfare, e.g., that it consists of an “authentic happiness” (Sumner, 1996) involving a set of standard human goods. Meanwhile, other fields add their own conceptualizations to the mix.

Table 1 provides a small but illustratively diverse sampling of the range of concepts invoked in articulating social welfare. Theoretical development and/or empirical examination have been performed in disciplines including philosophy, economics, psychology, sociology, and social work. Collectively, this research suggests that the meaning of social welfare has not yet received a strong, cross-disciplinary, unitary consensus among theorists.

{Insert Table 1 about here}

Economists variously have addressed social welfare in terms such as the “‘ethical value’ or the ‘goodness’ of the state of affairs of the society” (Sen, 1991:15), the “unweighted summation of individual utilities” (Ng, 1975: 546), or “a social maximum derived from individual desires” (Arrow, 1950: 329). Although such definitions often treat social welfare as an aggregation across individuals, economists also have noted questions of “interpersonal comparisons” (Arrow, 1950: 329), of the role of “freedoms and liberties” and related challenges to the idea of *social* welfare rooted solely in individual welfare (Sen, 1991: 18), and of trade-offs between “welfare and justice” (Arrow, 1970: 25) (with sociologists Daly and Lewis (2000) complicating such utilitarian/deontological trade-offs by adding in the feminist notion of “care”).

Psychologists and others sometimes utilize notions of happiness and well-being when discussing social welfare. For example, Thin (2012: 33, 40) suggested that “social happiness” is the ultimate societal good, defining it as a "conversation of how our lives go…. dynamic and interactive, existing as a process rather than as an entity…. and includes the quality of our engagements with the world." Similarly multidimensional is Keyes (1998: 121) thesis that social well-being consists in "social integration, social contribution, social coherence, social actualization, and social acceptance."

Work in sociology and social work often defines social welfare in yet other ways. For example, in sociology, the notion of the "good society" has been thought of as a thoroughly pluralistic "pursuit of the good in common," including such elements as "democratic participation," "accountability of institutions," "interdependent prosperity," and a "peaceful world" (Bellah, Madsen, Sullivan, Swidler, & Tipton, 1991:9). Finally, in social work, social welfare has been described as the "nonprofit functions of society" (Dolgoff & Feldstein, 1980: 91), as emphasizing "a system of laws, programs, benefits, and services" (Friedlander & Apte, 1980: 4), and as practices such as "helping individuals" (National Association of Social Workers, 1971: 17), "alleviating distress and poverty" (Dolgoff & Feldstein, 1980: 91), or improving "the well-being of individuals, groups, or communities" (1980: 92).

Even this small sampling of views suggests that it is at least somewhat presumptuous to assume one particular definition of social welfare, whether as preference satisfaction, health, happiness, etc. Instead there might be wisdom in thinking about corporations in a way that can embody a diverse and pluralistic view of social welfare (cf. Shweder, 2012). From a stakeholder-agentic perspective, such a pluralistic approach is important insofar as the various social actors who come together in a corporate structure bring to that structure diverse ends and media of exchange, not all of which might be analyzable in narrowly economic terms.

MULTIPLE OBJECTIVES AND THE CORPORATE OBJECTIVE: MOVING BEYOND UNIDIMENSIONAL ACCOUNTS

In light of the varied and sometimes contested or multidimensional conceptualizations of social welfare, how are we to think about the actual or potential role of corporations as contributors to social welfare? Much existing debate regarding this question has centered on the role of shareholder wealth maximization (SWM) as the single objective of corporations (although occasionally other "single-objective" accounts are proposed, such as customer value creation (Slater, 1997), stakeholder happiness enhancement (SHE) (Jones & Felps, 2013b), and transaction cost economizing (Liebeskind, 1996; Williamson, 1985)). Arguments for SWM as the sole corporate objective typically link SWM to positive social welfare outcomes (e.g., Jensen, 2002: 239). Social welfare, in this case, typically is conceptualized in welfare economics terms (e.g., in terms preference satisfaction; see Fleurbaey, 2009, for a review), which is achieved through "invisible hand" market processes in which preferences are signaled and by which economic actors are given incentives to contribute to fulfilling each other's preferences. Pursuit of shareholder wealth, as *the* corporate objective, serves to direct managers toward the incentives and signals presented in the larger market economy, thereby contributing to aggregate societal preference satisfaction rather than mere managerial self-interest. Requiring management to focus on shareholder wealth in theory prevents them from shirking both their fiduciary obligations to shareholders (Jensen & Meckling, 1976) and *also* their implicit obligations to society (understood as a market society). And thus corporate governance practices that focus management on shareholder wealth *ipso facto* direct management toward social welfare ends.

Proponents of SWM sometimes acknowledge that one of the powerful aspects of a multi-objective, stakeholder-oriented approach to corporate goals is the normative motivation such a view can create (e.g., Jensen, 2001). But they hold that a single-minded focus on one overarching corporate objective (such as SWM) is necessary for any kind of functional corporate decision making. The argument in this case is that rational decision making requires a single objective: "any organization must have a single-valued objective as a precursor to purposeful or rational behavior" (Jensen, 2002: 237). Failure to have a single objective, in this view, provides no basis for making tradeoffs among competing interests and actors (Jensen, 2002: 242).

The SWM objective has been subjected to an array of both supportive and critical scholarship, and the conceptual and practical challenges it faces are fairly well known (see, for critical perspectives, Jones & Felps, 2013a; Stout, 2012). These criticisms often point out how SWM arguably fails to deliver on its social welfare promises. And despite the fact that SWM appears to have "been fully internalized by American managers" (Bainbridge, 1996), critics also can point to its institutionally contingent status. Its emergence as the dominant view of corporate governance and strategy – and its replacement of an earlier "managerialist" view (e.g., Berle & Means, 1932) – is a relatively recent phenomenon (see, e.g., Dobbin & Jung, 2010; also see Bratton and Wachter (2008) on the differences between Berle and Means' (1932) criticism of managerialism and agency theoretic/shareholder primacy-based rejections of managerialism).

Critics of SWM typically reject its status as the *only* corporate objective, arguing that corporations should be managed for a multiplicity of sometimes conflicting stakeholders and interests (including shareholders) (e.g., "triple bottom line" approaches (Elkington, 1997)). Although such alternatives might be the most common, instead of opting for a multiplicity of objectives a critic could offer an alternative single objective. (We ignore, in this discussion, other important alternatives which indirectly limit the impact of SWM while yet avoiding recourse to talk of stakeholders and alternative objectives; see, for example, Heath's market failures analysis

(2014)). An apparent advantage of an alternative *single* objective account would be that it avoids the presumed difficulties of SWM while yet also avoiding the putative decision-making infelicities of multiple objective accounts. Thus Jones and Felps (2013a, 2013b), for example, develop an account that holds that corporate action requires a "singled-valued objective…that allows managers to make principled choices among policy alternatives" (Jones & Felps, 2013b: 352), thus granting the premise of those who reject multi-objective approaches (e.g., Jensen, 2002; Sundaram & Inkpen, 2004) (much as our analysis grants, as its context, the starting assumptions of a contractual/agency-based view of corporations, in contrast to alternative views such as behavioral theories of corporate governance (Westphal & Zajac, 2013)). Instead, they offer a stakeholder based single-objective account that functions as "an analog to the normative mandate that managers should maximize the value of the firm's equity owners" (Jones & Felps, 2013b: 352). Accordingly, they parallel the objection that a multiple objective view "while not totally without content, is fundamentally flawed because it violates the proposition that any organization must have a single-valued objective as a precursor to purposeful or rational behavior" (Jensen, 2002: 237).

Monism versus Pluralism about Corporate Objectives and Social Welfare

Single objective views are close in form to monistic views of value. That is, these views treat social welfare as fundamentally unitary (for example, as preference satisfaction or as happiness), and similarly treat corporations as having a single objective which either directly (e.g., stakeholder happiness) or indirectly (e.g., preference satisfaction by means of SWM) contributes to that social outcome. These views thus are parties to a longstanding debate regarding the merits of monism vs. pluralism in articulating the basic goods and values that characterize existence. This debate (i.e., value monism vs. value pluralism) has animated a wide variety of fields, including philosophical ethics (see Heathwood, 2015; Mason, 2015, Dancy, 2013, and Haybron, 2011, for recent reviews), legal ethics (see, e.g., Wendel, 2000), political theory (e.g., Galston, 2002), cultural anthropology and cultural studies (e.g., Shweder, 2012), welfare economics (see, e.g., Fleurbaey, 2009), and public administration (Spicer, 2001; Overeem & Verhoef, 2014; Spicer, 2014).

The value monist claims that there is one basic value, good, or principle to be sought or followed, while the pluralist argues for multiple basic and non-reducible values. Importantly, the argument is over foundational matters; there is no dispute between value monists and pluralists that in practical terms, a variety of different human practices might contribute to the same foundational value outcome. For example, if happiness is the fundamental human value, there nevertheless can be many actions and social systems that contribute to happiness. Value monism superficially might seem to fit poorly with the wide surface diversity of human action and goals and with the multiplicity of different theoretical conceptions of social welfare (as noted above). Yet from a managerial standpoint, concerns—such as mentioned by Jensen (2001, 2002), Jones and Felps, (2013a, b), Sundaram and Inkpen (2004), and others—regarding the tractability of decision making in situations of multiple, possibly conflicting goals, are of considerable importance. Although philosophical ethics scholarship engages a range of (perhaps interminable) debate regarding monism and pluralism, in what follows we consider the tenability of the single objective idea as the basis for circumscribing the foundational goals to which a corporation might be committed, with the aim of legitimating the possibility of a multi-objective corporation.

Value monism is not a unanimous view, and efforts to admit to a more pluralistic (multi-objective) or particularistic (situation-specific) understanding of human ends are common enough so as to warrant consideration (Arnold, Audi, & Zwolinski, 2010; Dancy, 2004;

Williams, 1985; Kekes, 2000; Wilson, 1993; Galston, 2005, 2006; see also the various reviews cited above). The pluralist (in contrast to the monist) argues that multiple moral considerations might be independently (i.e., non-derivatively; Arnold, et al., 2010) relevant to the moral status of an action or state of affairs. That is, multiple considerations might be relevant apart from whether they serve as instrumental means toward fulfillment of some single end, and instead merit consideration on their own terms. Our stance away from value monism and toward a pluralistic approach is somewhat analogous to a critique of "economical and orderly conceptions" made long ago by philosopher William James:

> "…[P]hilosophers have always aimed at cleaning up the litter with which the world apparently is filled. They have substituted economical and orderly conceptions for the first sensible tangle, and whether these were morally elevated or only intellectually neat, they were at any rate always aesthetically pure and definite, and aimed at ascribing to the world something clean and intellectual in the way of an inner structure. As compared with all these rationalizing pictures, the pluralistic empiricism which I profess offers but a sorry appearance. It is a turbid, muddled, gothic sort of an affair, without a sweeping outline and with little pictorial nobility." (James, 1977: 650).

The multitude of extant moral theories, ends, and principles thus has been analyzed analogously to multiple maps, or multiple modes of reflection, each revealing different relevant but incomplete aspects of the moral terrain (Schmidtz, 2007; Kekes, 2000). Moral judgment, in this sense, involves not judgment according to some overriding primary end (e.g., utility, shareholder wealth, stakeholder happiness, etc.) in relation to which other concerns are merely instrumental. Rather it involves open consideration of the multiple concerns embodied by various moral stances that, taken together, might resist the kind of univocal, determinative decision making putatively enabled by commitment to a single value (e.g., Jensen 2002; cf. Jones, 1980, on corporate responsibility as a *process*).

Pushing the rejection of a single moral principle further, moral particularists argue that the plurality of morally relevant considerations in a given situation cannot be captured even in some set of multiple, unprioritized principles. Rather, for particularists it is the circumstances of a specific situation which create their own moral dynamic, such that the very same aspects of a situation that contribute to a judgment of morality in one case can contribute to a judgment of immorality (or amorality) in another. Thus, for example, particularists may hold the view that although lying in some situations might be wrong, "[l]ying to the Nazis about the Jews hiding in your attic is not a wrong outweighed by a greater good; it is simply not a wrong at all." (Arnold, et al. 2010: 564). Morality, in a particularistic view, involves a non-codifiable exercise of moral judgment that engages a "holism of reasons" with regard to any specific moral situation or choice (Dancy, 2004). And given broadly shared human cognitive and motivational limitations and the tendencies of individuals to function as intuitive lawyers or politicians, using moral reasoning to defend their interests or intuitive reactions in post hoc fashion (Ditto, Pizarro, & Tannenbaum, 2009; Tetlock, 2002), there is little warrant for thinking that in practice the use of a single principle of action is any less susceptible to biased, selective application than judgments not rooted in a singular principle.

Empiricism about Moral Goods

Although empirically identified practices do not, without further argument, indicate normative propriety, empirical research indicates that individuals adhere to multiple foundational moral stances that often are in some degree of tension, and without *necessarily* subscribing to (or embodying) any ordering of foundations of the sort to always and univocally resolve such tensions (Graham, Haidt, Koeva, Motyl, Iyer, Wojcik, & Ditto, 2013). This kind of value pluralism similarly can account for the multiple bases of moral motivation individuals display;

the complexity and contestability of actual moral judgment can be seen as a reason for thinking value pluralism an unavoidable element of human life, and the presumption that some idealized form of moral reasoning (e.g., Kohlberg's (1981) "highest level" moral reasoning) could resolve such contestability or tension might simply be a presumption. Indeed, it sometimes is argued that a monistic account would render common phenomena such as the experience of moral regret unintelligible, insofar as such regret involves the recognition that pursuit of one good necessarily precluded the achievement of some other good (Galston, 2006; Williams, 1985). Value monism about social welfare, might, in effect, be a humanly unrealistic goal, and interminable debate about ends might reflect a plurality of values rather than factual, cognitive, or moral failure on the part of participants.

Social science research also indicates that people typically are not only value pluralists in practice (e.g., Peterson & Seligman, 2004), but along with that pluralism have high degrees of difficulty when it comes to engaging in trade-offs among competing values or goods (Tetlock, Peterson & Lerner, 1996). Such trade-offs are cognitively and emotionally demanding (Einhorn & Hogarth, 1981; Festinger, 1957), and individuals engage in a variety of sometimes helpful and sometimes unhelpful means to avoid or otherwise cope with or resolve value conflicts. This can include integratively complex thinking that, along with trying to respect competing values, also recognizes that there might be no single, ideal solution to such value conflicts (Tetlock, et al., 1996). Resolution of value conflict cannot be guaranteed, but despite this, people in multiple cultures nevertheless appear to have developed the capacity to survive, navigating their way through a world containing incommensurable and non-fungible values. To argue that decision making in for-profit corporations can only be directed toward a single end, on pain of confusion and failure in decision making, suggests that managers are incapable of engaging in the kind of integratively complex thinking and dynamic maneuvering amid unresolved tensions that other people are able to accomplish. Moreover, a diverse array of research on organizational hybrids (e.g., Battilana & Lee, 2014), management within competing institutional logics (e.g., Reay & Hinings, 2009; Besharov & Smith, 2014; Mitchell, Agle, Chrisman & Spence, 2011), and the management of multiple organizational identities (Pratt & Foreman, 2000) and strategic paradoxes (Smith, 2014; Smith & Lewis, 2011), suggests that managers in fact are able to handle tensions among multiple goals, and that many businesses indeed pursue multiple objectives (Agle, Volmar & Rasmussen, 2015).

We recognize that the fact of such integrative thinking and dynamic maneuvering does not in itself make it a morally acceptable way for guiding action toward moral ends (such as social welfare); we are not deriving "ought" from "is." But we also note that "ought implies can," that is, that people should not be held responsible for a kind of behavior of which they might be constitutionally or situationally incapable. And if people—including managerial decision makers—are at their core value pluralists or value particularists, at least in the sense of holding to values or goods among which they are unable to make trade-offs, then to dictate that they prioritize just one value starts to look unreasonable. Instead of imposing a uniform solution on a world of competing values, value pluralists and particularists urge that we "face this intellectually uncomfortable fact" (Berlin & Hardy, 2002: 42). Even if one disagrees, and holds out hope for the enthronement of a particular value as the single objective for decision making, until we get there (i.e., until we overcome much of the bounded rationality of human decision making), a more complex and dynamic form of decision making about ends likely needs to be in the repertoire of managers (Tetlock, et al. 1996: 46).

Reasoned choice and maximizing. Jensen (2002: 238) argues that “[i]t is logically impossible to maximize in more than one dimension at the same time . . . thus, telling a manager to maximize current profits, market share, future growth in profits, and anything else one pleases will leave that manager with no way to make a *reasoned* decision” (Jensen, 2002: 238; emphasis added). We grant that it is logically impossible to maximize in more than one dimension at the same time, but we suggest that this is not actually the issue, because we reject the equating of maximizing with reasoned choice; reasoned choice neither entails nor requires maximizing.

For example, moral theorists concerned with the multi-dimensional “principle of double effect” believe that the principle provides a means for determining whether certain acts, “double effect acts”—acts that foreseeably will give rise to both good and bad effects (Bittle, 1950: 46)—are morally permissible. So, for example, some argue that as long as (1) the act is not intrinsically wrong, (2) the good effect to which the act is aimed is not pursued by means of a bad effect, (3) the bad effect to which the act foreseeably gives rise is not intended, and (4) there is “a proportionately grave reason for permitting the [bad] effect” (Fagothey, 1959: 154), a double-effect act is morally permissible. While we do not intend to defend the principle of double effect, we think that this articulation of it helps to demonstrate that rational choice is compatible with a non-maximizing, multi-valued objective decision making procedure. For instance, given the basic structure of the principle of double effect wherein there are multiple criteria, each of which must be satisfied, all that needs to be determined with respect to each criterion is whether it is satisfied or not. We submit that a choice based on the principle of double effect is plausibly held to be a rational choice.

Some moral theorists also hold that while some ends such as wealth are merely instrumentally valuable, and hence only of value as a means to other ends, others such as knowledge and friendship are intrinsically valuable, and hence of value in and of themselves (for example, see George, 1999: 102-3). Such intrinsic ends or “basic goods” “provide reasons for action whose intelligibility as reasons does not depend on more fundamental reasons. . . to which they are mere means” (George, 1999: 103). Such theorists identify a relatively small number of basic goods, including knowledge, life, and friendship (Finnis, 2011a: 448), and view these as providing ultimate, first-order reasons for action, as well as being constitutive elements of human well-being (George, 1999: 93). Grounded on this understanding of basic goods, these theorists set forth what can be seen as an attractive moral ideal, that of “integral human fulfillment” – the ‘fulfil[l]ment of all human persons in all the basic goods . . .” (Finnis, 2011a: 451; Finnis, 2011b: 215). Given this understanding of basic goods, it is plausible to hold that we can make a reasoned choice by simply determining if a proposed choice involves intentionally choosing against knowledge, friendship, or any other basic good, without requiring the maximization of any one good.

Stakeholder Happiness Enhancement: An Alternative Corporate Objective?

We have questioned the prospect of offering a single objective for corporations in general, without regard to specific proposals. SWM is the perennial single-objective candidate, but could an alternative avoid its particular difficulties vis-à-vis social welfare outcomes (including difficulties in linking preference satisfaction to social welfare)? Might some other single objective be plausible enough, on balance, to nevertheless become a more encompassing “next step” despite unresolved difficulties? (Again we ignore, for our discussion, alternative approaches to SWM that leave its core intact while surrounding it with atypically extensive limitations (e.g., welfare programs) in response to market imperfections; cf. Heath 2014.)

Jones and Felps' recent articulation of a "stakeholder happiness enhancement" (SHE) objective offers an alternative which appears to avoid Jensen-style, decision-making based criticisms of multi-objective and stakeholder accounts by proffering a single objective for corporations. This particular stakeholder approach gains intuitive plausibility from its reliance on the broadly encompassing idea of happiness as the fundamental human value (and the happiness of legitimate stakeholders as the corporate objective), with aggregate happiness over time in turn equated with social welfare (Jones & Felps, 2013b: 355). Thus we focus on SHE because, if *any* single-objective alternative to SWM might be tenable (in particular, by avoiding negative impacts on social welfare), it appears to be the *prima facie* best candidate as an extension of the single-objective function argument in the research conversation as it has progressed to this point in time. And *insofar as* Jones and Felps offer a genuinely single-objective stakeholder account, they thwart one of the more prominent SWM-based criticisms of stakeholder approaches; their approach "replaces balancing [of multiple objectives], an indeterminate process, with enhancement of aggregate happiness" (Jones & Felps, 2013b: 358). (Our use of "insofar as" is important; if a stakeholder happiness enhancement approach, in the end, proved multi-objective, it would not have avoided Jensen-style allegations of decision making difficulties.)

Jones and Felps argue that "[t]he objective of the corporation should be to enhance the aggregate happiness of its normatively legitimate stakeholders over the foreseeable future" (Jones & Felps, 2013b: 358). They adopt a hedonistic conception of happiness, defining happiness as "the sum of positive feelings (e.g., contentment, satisfaction, pleasure, joy) net of negative feelings (e.g., agitation, anxiety, fear, anger, pain)" (Jones & Felps, 2013b: 355-356). Although this approach is utilitarian, in the sense of focusing on aggregate outcomes, they reject the comprehensiveness and maximizing requirements of classical utilitarianism, in light of "the limitations of human cognition and the uncertain relationship between intentions and outcomes" (2013b: 355). They apply this more modest utilitarian approach not to society at large but rather to "the subset of human beings whose happiness the firm can affect most directly – its stakeholders" (2013b: 357), and in particular, normatively legitimate stakeholders. They also suggest (2013b: 368) that the idea of a business focusing on legitimate stakeholders' happiness might be more appropriate for businesses of particular types: established public corporations beyond initial, financially sensitive start-up conditions, companies in developed markets, or companies in concentrated markets (as less competitive markets leave managers in greater need of non-market guidance for enhancing social welfare).

From the standpoint of avoiding Jensen-style SWM objections, it is important that happiness be unitary, i.e., "a continuous common metric" (Jones & Felps, 2013b: 356), so as to provide a clear decision guide and also to enable comparison and aggregation of happiness across individuals. Also important, however, is the fact that happiness has known sources that have implications for management practice. Specifically, particular management practices and corporate policies can reasonably be expected to impact the happiness of various legitimate stakeholders. For example, work-related practices that influence employee stakeholder happiness can include workplace relationship quality, employment stability, and job satisfaction (Jones & Felps, 2013b: 364-365). Rather than urge a non-specific balancing of stakeholders, SHE asks management to consider how a decision or policy will affect the happiness of various stakeholder groups in combination with the size of each group so as to guide decisions and policies toward reasonably maximal amounts of aggregate stakeholder happiness. And so criticisms with regard to decision making problems are reduced, if not avoided entirely. But importantly, these sources of happiness must be distinguished from happiness itself, lest happiness no longer constitute a single dimensioned concept, and then be opened to Jensen-style objections (i.e., if happiness has distinct dimensions—not sources, not causes—how are managers to make decisions when these distinct dimensions conflict?).

Jones and Felps acknowledge several known conceptual and measurement issues regarding happiness: that long-term happiness is fairly stable across changing conditions because people adapt to changes; that happiness differs depending on when it is measured; that happiness can be difficult to distinguish from possible near relations (e.g., life satisfaction), the complexity of which likely makes them unsuitable as manageable objectives (Jones & Felps, 2013b: 369-370; see also Swedloff, 2014; Fleurbaey, 2009; Haybron, 2011). One could add more; e.g., might happiness measures face coherence problems similar to the "preference reversals" affecting preference functions in welfare economics (wherein the structure of a choice "creates" preferences) (Taylor, 2010: 1; see also Egan, Bloom & Santos, 2010)? But Jones and Felps claim optimism "that many of these problems are surmountable, either now or in the future" (370-371).

Unhappiness about Happiness

SHE seems an improvement on SWM; its connection to social welfare is more direct, and if SWM arguably leads to unhappiness, SHE provides a clear basis on which to say so and redirect corporate practices. But we still see important difficulties. Jones and Felps (2013b: 355) define happiness as "the sum of positive feelings (e.g., contentment, satisfaction, pleasure, joy) net of negative feelings (e.g., agitation, anxiety, fear, anger, pain)." But such a broad, even open-ended definition of happiness in terms of multiple feelings (i.e., subjective states) raises questions of incommensurability across individuals in the assessment or even meaning of happiness, questions that have strongly agitated the world of happiness studies. (And such incommensurability opens the door again to Jensen-style single objective criticism.) Jones and

Felps try to address this problem by equating happiness to pleasure and pain as registered and measured physiologically and thus commensurably across individuals (Jones & Felps, 2013b: 356-7) (agreeing with Ng, 1997). But it is an open question whether the "sum of positive feelings net of negative feelings" can be reduced to a comparison of pleasure and pain, given that happiness research they do not rely on indicates that for many individuals happiness functions as one positive feeling among many, and is either rated subordinate to other positive feelings or is explicitly viewed as coming at the expense of those other feelings (see below). Moreover, if one reduces social welfare to happiness, and happiness to pleasure and pain, one in theory opens the door to the corporate production of social welfare by simply "wiring" stakeholders' brains to perceive more pleasure than pain (cf. Nozick, 1974). We do not think most ordinary people or social welfare theorists would count that as a contribution to social welfare, as the means for achieving an end (such as happiness) themselves can constitute part of the moral goods of society (but cf. Ng's (1997) support for such a sense of social welfare).

More generally, evidence indicates that happiness simply need not be the overriding terminal good, which in turn brings into question the bases on which corporate decision makers arguably should seek it. For example, happiness is empirically distinguishable from meaningfulness, such that although the two can to some degree overlap, we sometimes empirically find meaningfulness in opposition to happiness and yet clearly valued by individuals as a terminal good (Baumeister, Vohs, Aaker, & Barbinsky, 2013; McGregor & Little, 1998). Happiness and meaning are conceptually distinct; happiness incorporates a subjective sense of well-being that reflects outward control or efficacy in the satisfaction of needs and desires, and typically is focused on the present. Meaningfulness, by contrast, embodies interpretive control – in terms of consistency and consonance – over one's life, past, present and future (McGregor &

Little, 1998); it reflects a cross-temporal cognitive and emotional assessment of the purposefulness and value of one's life. And although happiness is closely linked to the fulfillment of trans-cultural human needs (e.g., food), meaningfulness is strongly influenced by culture, with different cultures generating different evaluative frameworks (e.g., roles) within which meaning is framed (Baumeister, et al, 2013). A very difficult task that nevertheless is culturally perceived as a noble undertaking can leave an individual unhappy (due to suffering, stress, or harm produced by engagement in the task—e.g., whistleblowing), but with a strong sense of living a meaningful life (Baumeister, 1991). So to make happiness the sole measure of stakeholder welfare, or to assume stakeholders conceive of well-being solely in terms of happiness, is to arbitrarily truncate the potential range of factors that the stakeholders themselves see as constituting social welfare. This problem cannot be resolved by consigning other life goals, such as meaningfulness, to instrumental roles vis-à-vis happiness, given that empirical research finds that happiness and meaningfulness sometimes pull in opposing directions.

Much research also has noted the contradictory nature of pursuing happiness, such that efforts to directly achieve happiness can lead to loneliness (Mauss, Savino, Anderson, Weisbuch, Tamir, & Laudenslager, 2012) or, simply, unhappiness itself (Mauss, Tamir, Anderson, & Savino, 2011), or inauthentic happiness (Sumner, 1996). Of course, what holds for individuals aiming for happiness need not hold for organizational efforts to enhance happiness for stakeholders. However, awareness of this potential inconsistency should direct attention to the potential for corporate actions aimed at stakeholder happiness to be counterproductive, such as by reducing stakeholder meaningfulness by undermining a sense of self-efficacy.

Positing stakeholder happiness as the singular good and sole corporate objective also fits oddly with findings from cultural psychology and anthropology regarding the terminal values adhered to in different cultures and subcultures. Although people might have a word for happiness and be able to respond to questions about happiness, they do not necessarily mean by that what is meant by someone from a different culture (in particular, the Western, educated, industrialized, rich and democratic, or WEIRD, culture of many corporate decision makers; Henrich, Heine & Norenzayan, 2010). Affective states like happiness are culturally shaped (Haidt, Koller & Dias, 1993). For example, Menon's extensive ethnography of women in an Indian Hindu community reveals that "[p]eople in the temple town clearly distinguish between happiness (*sukho*) and wellbeing (*hito*). Many tend to think that only children, unthinking and irresponsible, can experience happiness. In contrast, the adult experience of happiness is fleeting, ending in a mere matter of seconds, lost as soon as one recalls the burdens of life." Thus *instead of* striving for fleeting happiness, in this cultural context it is held that one should strive for well-being, understood as rooted in the exercise of power and control (Menon, 2013: 11).

In short, diverse but functional cultures have moral orders which might or might not treat happiness as the sole or highest ranking good. For example, anthropological research by Shweder and colleagues on the cultural meaning of suffering (Shweder, Much, Mahapatra & Park, 1997) delineated three foundational moral orders animating different cultural views of suffering, with those moral orders rooted in either autonomy, community or divinity. Although happiness as (one of) the highest good(s) might make sense within a moral order focused on autonomy, which, in their study, understands individuals in terms of preference structures and appetites (1997:139), happiness might be a less plausible terminal good in a culture in which individual identity is subsumed under communal social roles or participation in what is viewed as a sacred order. How and why are a corporation's decision makers to pursue stakeholder happiness in light of such cross-cultural variance in the relative valuation of happiness?

Summary

Earlier we suggested that stakeholder happiness enhancement constituted a *prima facie* plausible single-objective alternative to SWM, in part because of its single objective (thus meeting standard objections) and in part because of its potential link to social welfare (thus avoiding putative welfare-reducing impacts of SWM). But if our earlier criticisms of single objective approaches are plausible, then the possibility opens that we can think of corporations as multi-objective. We next develop that idea, with reference to the framework of stakeholder agency, intra-corporate markets, and an ongoing, perhaps tension filled pluralism of ends.

PLURALISM AND MULTI-OBJECTIVE DECISION MAKING

Thus far we have suggested that social welfare might best be understood as a pluralistic ideal, and argued that efforts to stipulate a single conception of a corporate (or other human) objective are problematic. Putting the point positively, this raises the possibility that organizational decision making goals within a market society might best mirror the multi-valenced, decentralized and diffuse character of such societies and their various participants. Metaphorically stated, this is to conceptualize corporations as venues within which social actors (individuals, groups, organizations, institutions) meet and organize their actions according to a kind of intra-corporate "invisible hand." What does this conceptualization involve?

Conceptualizing the Pluralistic Corporation

Hill and Jones (1992) conceptualized corporations in terms of what they called "stakeholder-agency" theory. They adapted a "nexus of contracts" (Coase, 1937; Jensen & Meckling, 1976) view of corporations, according to which corporations are constituted by the various social actors who contract with each other in order to jointly achieve outcomes sought by each—a conceptualization that raises oft-discussed agency problems. But rather than a conventional principal-agent analysis of corporations, with its "nexus of contracts" limited to economically interested actors, Hill and Jones (1992: 133, 134) proposed that the "nexus" incorporate a wider variety of stakeholders, viewed as either explicitly or implicitly contracting with each other via a corporate form, with consequent issues of "stakeholder-agency" loss risks and consequent control and monitoring processes. In short, this is a "nexus of contracts" model with a broader range of contractors with a broader range of interests, with management functioning as the contractual intermediary "… to make strategic decisions and allocate resources in the manner most consistent with the claims of the other stakeholder groups." Although we recognize that such a contract-based, quasi-market understanding of corporations is not the only one (notably in contrast to views that treat organizing as a response to the failure or absence of markets (Coase, 1937; Williamson, 1975; 1985)), "stakeholder agency" may be a useful framework for articulating how corporations can embody multiple objectives even within a contractual view of corporations. Where the owners of resource bundles (stakeholders) have choices as to which corporation receives these resources, and where the allocators of these resource bundles (managers) have the choice as to how these resources are allocated, "invisible hand"-like market processes are likely to apply to stakeholder choices and managerial choices.

Stakeholder choices. Owners of resources of use to the corporation can be said to have a bundle of individual or collective preferences (e.g., for employment, health and safety, status, affirmation, or identification, in the case of individuals, or for economic and social development, tax revenues, environmental improvements, prestige, strategic advantages, or aesthetic and cultural concerns, in the case of higher level, collective entities such as communities, organized groups, nation-states, etc.). In simple terms, these preferences are reflected in the price of those resources (i.e., the "ask"). This "ask" represents the willingness of resource owners to devote a given resource bundle to one particular corporation as opposed to another. Where, for example, a "bid" (by managers) is constrained by a necessity of meeting a single corporate objective, the resources may become mis-valued from the perspective of the resource owner due to dissatisfaction with the limitations of the bid. Essentially, management's inability to pursue multiple objectives can, in some circumstances, limit its ability to meet the "ask" of the resource holders. Thus, the best match of objectives with resources is less likely, and social welfare might suffer insofar as social welfare measures are built upon an aggregation of those various resource holder preferences.

Managerial choices. Managers embody the responsibility for articulating and pursing the particular objectives for their organization (Andrews, 1971)—or, in keeping with a stakeholder-agency perspective, for pursuing the objectives that emerge from the explicit and implicit contracts among a particular corporation's stakeholders. The ultimate viability of these bundles of objectives, however, will be determined by both managers *and* various stakeholders, i.e., owners of the resources necessary to carry out managerially selected objectives. In this stakeholder-agentic view, the choices of these resource owners and allocators constitute an intra-corporate, "invisible hand"-like quasi-market. Thus there also are "bids" and "asks" that occur within the claim-making and claim-taking processes of the allocation of resources received from stakeholders, by managers. But due to the pervasive influence of single-objective-function decision making, rather than being enabled to maximize the allocation of the resources they control, managers may also end up sacrificing the best match of objectives with resources, to the detriment of social welfare.

Conceptualizing Intra-Corporate Stakeholder Markets

Hill and Jones' (1992) conception of a "nexus of contracts," stakeholder-focused corporation suggests that corporations can be viewed as quasi-markets within which various stakeholders, along with (and mediated by) management, engage in "invisible hand" style transactions through which they pursue some bundle of objectives. Both new combinations of resources to match new objectives bundles, and the creative destruction of outmoded objectives bundles (Schumpeter, 1934), are likely to result through this process. Releasing management from the constraints of a single-objective function, however, should make resource allocation more flexible and—importantly—effective for the pursuit of a broader array of stakeholder ends (i.e., bundles of objectives) that in turn might be contributors to some measure of social welfare. This process will, however, involve a tradeoff between simplicity, on one hand, and flexibility and complexity, on the other. The presence of this potential tradeoff is positive, in that the outcomes of the intra-corporate "invisible hand" are open to the possibility of contributing to a wider array of social goods; the simplicity of single-objective management can be balanced against the complexity of trying to satisfy multiple objectives. However, this tradeoff must be considered light of Jensen's (2001) argument that simplicity is necessary not for its own sake, but rather for the sake of making the evaluation of managerial decisions sharper, with the aim of avoiding agency losses (that reduce shareholder wealth). This concern also arises in a stakeholder-agentic corporation (i.e., for stakeholder agency losses) because there is a unique role for management, as "…the only group of stakeholders who enter into a contractual relationship with all other stakeholders," and as "the only group of stakeholders with *direct* control over the decision-making apparatus of the firm" (Hill & Jones, 1992: 134; emphasis in original).

Releasing the constraints of a single-objective function enables resource allocation by both stakeholders and managers correspondingly to be made more flexible. We thus argue that the type of *Pareto optimality* that is expected to benefit resource allocation processes within a marketplace generally (Arrow, 1974; Demichelis and Ritzberger, 2011) might be more likely to arise in the context of an intra-corporate marketplace among multiple stakeholders and bundles of objectives. Use of such parallel reasoning is reinforced by the assertion (made in terms of general competitive equilibrium theory) regarding the general marketplace that "…because profit is a nominal concept that does not fit into the real framework of a general equilibrium model that determines only relative prices … one reaction to this is to search for alternative objective functions for firms" (Demichelis and Ritzberger, 2011: 222), to benefit intra-corporate resource allocation.

The value of a flexible, multi-objective, intra-corporate market in which even management is not constrained to a single objective also can be highlighted by reference to resource allocation difficulties associated with the single objective corporation. Scholars have noted, for example, difficulties in trying to map multi-stakeholder social objectives onto measures of financial performance (Wood & Jones, 1995). Moreover, insofar as effective markets presume the availability of choice (McFadden, 2006), the constraint of a single objective can be a limitation on choice such that loss of opportunity (e.g. loss of availability, loss of productivity, loss of prospective benefit, loss of readiness (Burton, 2007)) is not unlikely. If we aggregate such losses, we can anticipate a substantial loss in human well-being and thereby, in social welfare (cf. Hill & Jones, 1992).

Problems with single objective function resource allocation can occur in various ways. For example, a corporation in which there are stakeholder misallocations might seek to externalize costs that arise due to the mismatch (i.e., transfer costs to other stakeholders)—the negative externalities problem. Or, the managers of the corporation might apply resources erroneously (e.g. organize inefficiently or ineffectively)—the coordination problem, wherein managers utilize relatively poor internal controls, misalign interfirm and intrafirm interfaces, or choose inferior organization structures (Williamson, 1991: 78). But when multiple objectives can be pursued, additional choices for the allocation of resources can emerge, with the intra-corporate "invisible hand" leading to improved multi-objective allocations.

Intra-corporate Markets and a Plurality of Goods

In single objective firms, resource allocation difficulties arise and become resistant to resolution in part because the plurality of stakeholder objectives cannot be accommodated. This problem potential is exacerbated when stakeholders have goals which do not lend themselves to economically-based tradeoffs (i.e., they do not lend themselves to being "bought off" with either financial or other goods). For example, employees, community groups, shareholders, and others might have expectations for respect, loyalty, affirmation, identification, life satisfaction, meaningfulness, and other intangible goods. Moreover, these goods can constitute "sacred" values (Schoemaker & Tetlock, 2012; Tetlock, 2003; Tetlock, Kristel, Elson, Green & Lerner, 2000), such that efforts to "buy" them undermine their status as values (e.g., the *appearance* of respect or affirmation that is deliberately "bought" might not really constitute genuine respect or affirmation at all). More generally, Schoemaker and Tetlock argue that there is a broad class of values that can fit this category of non-negotiability:

> Many feel that certain values are so sacred that they cannot be violated…. Proposals that link these concepts to tradeoffs, or undermine their moral centrality, tend to evoke virulent protest…. These controversial ideas imply "taboo trade-offs" that put a finite value on things that, according to our reflexive moral intuitions, we deem of infinite importance. (2012: 9)

If corporations constitute venues for achieving some of these "sacred" values, a single-objective firm is likely to be less able to comfortably incorporate these values because, given an ultimately singular objective, everything else is always potentially subject to sacrifice for the sake of the single objective. This, in turn, becomes relevant to social welfare insofar as some of these "sacred" values help to constitute social welfare.

Whether sacred or mundane, within the intra-corporate marketplace actors can express their preferences and concerns by a variety of means, including conventional financial demands, but also through other processes (for example, by exit, voice or loyalty (Hirschman, 1970)). Information transmission—about stakeholder preferences and degrees of flexibility in satisfying them—constitutes the stakeholder-agentic analogue to the bid-ask-iterate-agree price signaling process of conventional markets referred to previously. Given that prices themselves are means for transmitting information, other transmission media can constitute functional equivalents to normal pricing. Thus in a multi-objective firm even "sacred" values can be incorporated, insofar as stakeholders convey their concern for such and treat them as non-negotiable. A multi-objective management team can attempt to respect and honor that concern; a single-objective management team must always implicitly admit that any such "sacred" value is potentially subject to sacrifice for the sake of the ultimate single objective. But how, then, might decision making operate with multiple, non-reducible ends in mind?

Decision Making with Multiple Ends

In managing toward multiple non-reducible ends, requisite organizational decisions very often might be characterized by tension, uncertainty and equivocality, requiring decision makers to engage in constructive sensemaking processes through which they interpret both the situation and the appropriate course of action in that situation (Weick, 1979, 1993, 1995, 2001; Dutton, 1997; Sonenshein 2007). This is true even with regard to decision rules and moral principles (Donaldson & Dunfee, 1999), given that when put into action such rules and principles will require sensemaking in the context of a specific situation (e.g., asking what it means to enhance stakeholder happiness for the "foreseeable" future (Jones & Felps, 2013b: 357)). Sensemaking, in turn, does not occur predictably according to some rule or formula, but will reflect the complexities of an individual's or collective's expectations, motivations, social context and experience (Sonenshein, 2006, 2007) in a holistic manner.

This holistic form of decision-making is argued to avoid some of the potential negative aspects of rule-driven behavior (obvious ones, such as rigidity, and less obvious ones, such as the rule becoming a self-fulfilling prophecy (Ferraro, Pfeffer & Sutton, 2005; see also Schwartz (2011), Schwartz and Sharpe (2005), and Dreyfus and Dreyfus (1986), on practical wisdom). It also allows room for incorporating ethically relevant considerations, such as emotional empathy and perspective taking, that sometimes are screened off in rule-driven deliberation (Schwartz, 2011; Haidt, 2012); and it recognizes that individuals can make evaluative comparisons even without recourse to a single comparative metric. The legal legitimation and codification of the "B-Corp" (benefits corporation) by a majority of U.S. states—wherein the B-Corp's legal charter obligates it to factor into decisions the interests of the environment, employees, and communities (Gupta, 2011; Hiller, 2013; Knafo, 2015)—supports such recognition

But is an appeal to holistic decision-making the most that can be said in defense of the practicality of managing multiple, potentially incompatible corporate objectives? We previously noted that individuals can adhere to multiple foundational moral stances that often are in some degree of tension without univocally resolving such tensions, and furthermore that managers in fact are able to handle tensions among multiple goals. We have pointed (non-exhaustively) to examples within the management literature such as work on organizational hybrids, research on management within competing institutional logics, and studies concerning the management of multiple organizational identities and of strategic paradoxes to support the contention that in actuality, and often over time, it is practical for (and empirically substantiated that) managers regularly and dynamically balance competing objectives in decision making, that is—they are 'guided by many stars'.

DISCUSSION

What might it mean to be guided by many stars in the context of the multi-objective corporation? Both allegorically and literally, stars represent points of reference, and although sometimes it can be adequate to be guided by one (as in Northern Hemisphere celestial navigation), in other cases it is necessary to be guided by more than one (as is the case for celestial navigation in the Southern Hemisphere). In this paper we have argued that in the case of corporations, guidance by just one star—some single objective function—is problematic. A more realistic and practical theory is overdue. Thus we argue that a credible basis for social-welfare-sensitive decision making by corporate managers will require that management theory move from single-valued objective approaches (such as SWM, SHE, and others) toward multi-valued approaches to decision making.

But what might be the impact on corporations of such an approach? Stakeholder theory has maintained since its inception (e.g., Stanford Memo, 1963 as quoted in Freeman & Reed, 1983: 91) that stakeholder support is essential to the existence of the corporation. A multiple-objective function will better facilitate such support in at least two ways: (a) by buttressing corporate legitimacy (i.e., the consonance of the corporation with its society), and (b) by better enabling agency theoretic monitoring (i.e., the consonance of the stakeholder-agentic corporation with its stakeholders). The social trajectory of corporate legitimacy must be considered because the corporation depends upon the approbation of society for continuation of its "acceptability trajectory." The social trajectory of agency and monitoring must be considered because the trajectory of the "brightest stars" in the business firmament—top managers—depends upon the alignment of their interests with the providers of resources. Indeed, these two issues are related: failure to exercise stakeholder agency—i.e., failure to incorporate stakeholder ends into corporate decisions—likely yields losses of legitimacy, and a loss of legitimacy is an indicator of possible stakeholder agency failures on the part of management. We address each issue in turn.

Legitimacy and Multiple Corporate Objectives

A multi-objective conceptualization of corporations has implications for their legitimacy, which in turn is an important resource for both organizations and their stakeholders (Davis, 1973; Suchman, 1995; Suddaby & Greenwood, 2005; Mitchell, Agle & Wood, 1997; Tost, 2011). If we accept the normative proposition of SWM (Jensen, 2001) that managers must run their companies with the single objective of maximizing firm value for shareholders, all other stakeholders (employees, customers, communities, nature, etc.) are by definition only instrumental means to the ends of the shareholders, rather than ends in and of themselves (e.g., McWilliams & Siegel, 2001; cf. Kant, [1785] 1997). Management, in such a view, maintains an essentially transactional, instrumental relation to other stakeholders (Filatotchev & Nakajima, 2014; Pless, Maak & Waldman, 2012; Scherer, Baumann-Pauly, & Schneider, 2013). Given that legitimacy assessments occur on the part of the evaluators of the corporation (Bitektine & Haack, 2015), and are not fixed properties of a corporation, a purely instrumental approach to stakeholders seems a relatively weak means for achieving and maintaining legitimacy. Although we grant that legitimacy sometimes can be obtained for purely pragmatic, "deliver the goods" reasons (Suchman, 1995; Tost, 2011), this is not always the case. Alongside that kind of instrumental legitimacy lie both relational and moral forms of legitimacy. Relational legitimacy results when evaluators are treated in ways that display respect and that affirm their value; moral legitimacy ensues when a focal organization acts in ways that conform to evaluators' moral expectations (Tost, 2011). This is important, insofar as relational and moral legitimacy would lose their essential character (i.e., as relationally affirmative/respectful, and as moral) were a corporation to treat them only as instrumental means to some corporate end. One way to avoid this, we think, is for a corporation to incorporate the evaluators' (e.g., stakeholders') ends into its own set of (multiple) ends. Thus a multi-objective corporation has greater potential, versus a single-objective one, to gain legitimacy via multiple routes. This also has implications for societal welfare, insofar as social welfare is understood as an aggregation of the stakeholder concerns that guide their legitimacy evaluations, and if legitimacy influences corporations' ability to acquire the resources needed to make social welfare contributions.

Legitimacy research distinguishes between active and passive forms of legitimacy (Tost, 2011), with the former encompassing instrumental, relational and moral legitimacy, while the latter is rooted in an organization's passive conformity to "validity cues" and symbolic culturally-shared expectations (Tost levels, 2011: 695-696). The level of communication envisioned in the multi-objective, stakeholder-agency corporation's management-stakeholder interaction (i.e., its intra-corporate "invisible hand"), including incorporation of stakeholder goals as organizational goals, thus should lead to higher passive legitimacy as well, in that a deeper degree of management-stakeholder interaction could yield increased shared understanding of validity cues and symbolic reference points (cf. symbolic interactionism). Overall, then, a multi-objective/pluralist conception of the purpose of the corporation appeals to, is accountable to, and is shaped by the widely-accepted understandings about the corporation that undergird its legitimacy as an institution and that bring it into harmony with the full range of stakeholders' potential expectations. This, in turn, has implications for the ultimate future of the corporation and its facilitation of both corporate and human well-being.

Agency and Monitoring

A corporation managed according to SWM principles faces the oft-discussed agency problem in that the interests of management (the agents) might not always be aligned with those of shareholders (the principals), leading to the potential loss of shareholder wealth due to self-serving behavior by management (Jensen & Meckling, 1976; Fama & Jensen, 1983). Conventional, SWM-oriented agency theory thereby proposes a variety of corporate governance practices aimed at aligning management interests with shareholder interests (e.g., stock-based incentive systems (Dobbin & Jung, 2010)) and subjecting management to shareholder wealth-protecting oversight (e.g., via board of directors structure and accountability). But management-shareholder alignment can create management-stakeholder misalignment, for example by directing management toward short term financial gains that might not be sustainable in the long term, much less hospitable toward other outcomes of interest to other stakeholders.

Hill and Jones' (1992) stakeholder-agency model, on which we have partially relied, attempted to address this problem by characterizing the corporation as a nexus of contracts (cf. Coase, 1937, Jensen & Meckling, 1976) in which there are multiple principals (principals in addition to shareholders). They state:

> The difference between the utility that stakeholders could achieve if management acted in stakeholders' best interests and the utility that is achieved if management acts in its best interest, can be referred to as a *utility loss*. In the absence of incentive, monitoring, and enforcement structures that serve to align the interests of managers and stakeholders, utility loss may be substantial (1992:138).

A multi-objective, intra-corporate "invisible hand" organization will face this kind of stakeholder agency problem as well, and perhaps more seriously because the potentially conflicting goals within such a firm could serve to provide management with multiple convenient rationalizations to do, essentially, whatever management wants (i.e., there is some objective or other in terms of which any given action can be justified). Clearly conventional agency theoretic responses, as used for SWM agency problems, will not address this concern. What will?

Hill and Jones' "stakeholder agency theory" suggests various incentive, monitoring, and enforcement structures to address the stakeholder agency problem. External oversight, and incentives and penalties provided by third party institutions (e.g., government regulation, media attention, NGO assessments), constitute one kind of approach to stakeholder agency problems. But at least as important are arrangements internal to the intra-corporate "invisible hand's" workings. These can include *ex-ante* bonding or commitment processes and structures that create mutual dependence between management and stakeholders (such as—to take just a couple of examples—product warranties in the case of consumer stakeholders, and particular types of contracts for employee stakeholders, such as union shop rules; Hill & Jones, 1992: 138-142). To these conventional means of aligning management and stakeholders can be added some less common ones (at least in Anglo-American business). These include governance models such as greater board diversity, which can yield enhanced firm value (Carter, Simkins & Simpson, 2003; Erhardt, Werbel & Shrader, 2003; Miller & del Carmen Triana, 2009), innovation, improved reputation, and corporate social responsibility (Miller et al, 2009; Bear, Rahman & Post, 2010). In addition, the stakeholder agency problem might be addressable via alternative structures and processes such as stakeholder participation panels (Scherer, Baumann-Pauly & Schneider, 2013) and codetermination systems, stewardship governance models, non-hierarchical and communication enhancing organizational structures, accounting for stakeholders (Harrison &

van der Laan Smith (forthcoming); Mitchell, van Buren, Greenwood & Freeman (forthcoming)), and multidimensional behavioral (vs. financial) management performance measures that focus not only on monitoring and enforcement of management behavior, but also attending to management's overall social situation and interpersonal networks (Balkundi & Kilduff, 2006) and their related social learning and meaning creation processes. The latter two models (accounting for stakeholders and multidimensional behavioral performance measures) essentially rely on informal influence and more creative and encompassing decision processes alongside more typical formal approaches to directing management toward stakeholders' ends (Filatotchev & Nakajima, 2014; Weaver, Treviño & Cochran, 1999). But is a multiple objectives, social-welfare-friendly corporate structure something that realistically could be implemented in present-day business contexts?

Institutional Constraints and Multi-objective Feasibility

Governance is embedded in social contexts, and SWM is no exception to this. It is deeply embedded in key institutions that structure and influence the corporate world (at least in the Anglo-American business sphere), including key elements of corporate law, academic research (notably, but not exclusively, in economics and finance), government policy, business schools, and the business press (see, e.g., Lounsbury and Hirsch (2010), for multiple discussions of the institutional influences on corporate practice as exemplified in the 2008 financial crisis). Moreover, despite the fact that broader and alternative conceptions of business purposes have been common even in recent business history, the SWM idea often is simply taken-for-granted. For example, in our experience, managers sometimes ritualistically invoke the idea even when their actions suggest otherwise, and more than a few researchers have invested much effort in trying to show that corporate social goals are acceptable (or unacceptable) just because they in fact do (or do not) enhance financial performance (Waddock & Graves, 1997; Berman, Wicks, Kotha & Jones, 1999; Margolis & Walsh, 2001). Added to this is the potential pecuniary motivation that SWM can provide corporate executives and key actors in financial markets (e.g., investment bankers). Overall, there is strong institutional inertia in support of SWM, which in turn supports a particular management incentive structure that, while it might address shareholder agency problems, can create stakeholder agency problems.

However, the identity and values of corporate leaders matter (Weaver, et al., 1999), as do the values of owner-operators (who may place non-financial goals ahead of others, such as family business goals of nurturing family members vs. providing products/services; cf. Mitchell, Morse & Sharma, 2003; Sharma, Chrisman, & Chua, 1996)) and of those shareholders tempted to one or another form of shareholder activism (Goranova & Ryan, 2014). Any of these individuals and groups can engage in the kind of institutional work (Lawrence, Suddaby & Leca, 2009) or institutional entrepreneurship (Battilana, Leca & Boxenbaum, 2009) necessary to bring about change, including the building of alliances with influential institutional actors (e.g., government, media, academics). Moreover, such change efforts often are more likely, and more feasible, in the context of failure and crisis (Seo & Creed, 2002). Thus we find ourselves in a perhaps tolerable situation such that should SWM prove, over time, to truly be best for social welfare, efforts to move toward alternative, multi-objective corporate models will fail, while to the extent that SWM in fact tends toward failure and crisis, the kind of institutional change needed to attempt other models becomes easier. Regardless of that long term outcome, however, even in current circumstances management is not exempt from the processes of influence and change among individuals, nor are shareholders always unable to articulate and press for goals other than SWM, even if today’s institutional context tends to render SWM taken-for-granted. It was not always so (cf. mid-twentieth century business), and thus need not always be so in the future.

Where to From Here?

If social welfare is multidimensional, the adoption of multiple objectives by corporations opens new possibilities for how corporations might contribute to it, through a more effective matching of corporate objectives to the preferences of resource holders (stakeholders and managers) in intra-corporate markets. Thus it is timely for management research to more deeply and thoroughly articulate the processes through which intra-corporate markets might better match corporate objectives to the preferences of stakeholders and managers. Where management theory lags behind actual practice, multiple problems can ensue, including the following: (1) managers who lack a solid theoretical basis for operating according to multiple objectives are burdened with reconciling the expectations of a single objective, while being cognizant that in reality they are acting according to multiple objectives; (2) inconsistency between what managers actually do and what they are constrained to say erodes trust and legitimacy; and (3) theoretical constraints imposed by a single-objective function hinder managers' abilities to forcefully propose more innovative, multi-objective agendas. These problems potentially are relevant to organizational success. At the same time, however, we recognize that a multi-objective corporate function can introduce new kinds of stakeholder agency problems—problems which might hinder social welfare because self-serving management actions are pursued under the dressing guise of stakeholder- and society-sensitive management. Thus management research also needs to address problems that might be created by and within a multi-objective corporation.

Overall, however, we have argued that corporations can be better able to contribute to social welfare if they are reconceptualized as multi-objective venues in which stakeholders and management exchange resources and if we recognize that such interaction need not always resolve into a neat solution (and, in that case, that we need not recoil, for example, from the adversities inherent in the management of conflicting goals (Cameron, 1986)). We are reminded of the relationship between adversity and achievement posed by such situations, as once noted by novelist James A. Michener (1978):

> A ship, like a human being, moves best when it is slightly athwart the wind, when it has to keep its sails tight and attend its course. Ships, like men, do poorly when the wind is directly behind, pushing them sloppily on their way so that no care is required in steering or in the management of sails; the wind seems favorable, for it blows in the direction one is heading, but actually it is destructive because it induces a relaxation in tension and skill. What is needed is a wind slightly opposed to the ship, for then tension can be maintained, and juices can flow and ideas can germinate, for ships, like men, respond to challenge.

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TABLE 1: Social Welfare – Sample Conceptualizations

Discipline	Author(s)	Excerpt
	Sample Concepts Invoked in Articulating Social Welfare	
Economics	Pigou (1962)	Economic Welfare is: "that part of social welfare which can be brought, directly or indirectly, into relation with the measuring-rod of money." (11)
Economics	Leontief, (1966)	"Social utility is usually postulated as a function of the ordinally described personal utility levels attained by each of the individual members of the society in question … 'the social welfare is increased whenever at least one of the individual utilities on which it depends is raised while none is reduced'" (27)
Economics	Ng (1975)	"…our social welfare function is of the Benthamite form of the unweighted summation of individual utilities." 546
Economics	Galbraith (1997)	"In the good society, all of its citizens must have personal liberty, basic well-being, racial and ethnic equality, the opportunity for a rewarding life." (4)
Economics	Sen (1991)	"The term 'social welfare', as standardly used in welfare economics, refers to the 'ethical value' or the 'goodness' of the state of affairs of the society. As used by the pioneers of modern welfare economics…, 'social welfare' is simply the representation of the 'goodness' of the social state…" (15)
Economics	Arrow, Dasupta & Mahler (2003)	"The concept of sustainability is useful for judging the performance of economies where … the theory of intertemporal welfare indices has been extended to such economies. The theory's reach therefore now extends to actual economies."

Discipline	Author(s)	Excerpt
		(648)
Philosophy	Aristotle (2005) Aristotle (1999)	"…every community is established with a view to some good …" (3) "Again, all the things that are looked for where happiness is concerned … to some it seems to be virtue, to others practical wisdom, to others some sort of theoretical wisdom, while to others it seems to be these or one of these involving pleasure or not without pleasure. Other people include external prosperity as well." (1099)
Philosophy	Sumner (1996)	"Welfare … consists in authentic happiness, the happiness of an informed and autonomous subject." (172) "The happiness theory is therefore capable of generating a set of *standard human goods*: such items as health, mental and physical functioning, enjoyment, personal achievement, knowledge or understanding, close personal relationships, personal liberty or autonomy, a sense of self-worth, meaningful work, and leisure or play." (180)
Philosophy	Finnis (2011a,b)	"integral human fulfillment" (451) – the 'fulfil[l]ment of all human persons in all the basic goods . . ." (215)
Psychology	Keyes (1998)	"The proposal of five dimensions of social well-being: social integration, social contribution, social coherence, social actualization, and social acceptance, is theoretically substantiated." (121)
Psychology	Thin (2012)	"In general, happiness is associated with a range of life-enhancing and prosocial activities…. The goodness of happiness, therefore, goes beyond the ego-focused "subjective" triad of wanting, liking, and evaluating, and includes the quality of our engagements with the world – with other people (empathy or "intersubjectivity"), other species, with the natural

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		environment, and (if we choose to believe in them) with deities and spirits." (40)
Sociology	Bellah, Madsen, Sullivan, Swidler & Tipton (1991)	"…there is no pattern for a good society that we or anyone else can discern and then expect people to conform to. It is central to our very notion of a good society that it is an open quest, actively involving all its members…. [t]he common good is the pursuit of the good in common." (9) "…part of our definition: a widening of democratic participation and the accountability of institutions, an interdependent prosperity that counteracts predatory relations among individuals and groups and enables everyone to participate in the goods of society; a peaceful world, without which the search for a good society is illusory" (9)
Social Work	Wilensky & Lebeaux (1958)	"…those formally organized and socially sponsored institutions, agencies, and programs, exclusive of the family and private enterprise, which function to maintain or improve the economic conditions, health or interpersonal competence of some parts or all of a population." (17)
Social Work	Dolgoff & Feldstein (1980)	"… social welfare includes … functions of society …clearly aimed at alleviating distress and poverty or at ameliorating the conditions of the casualties of society." (91)
Social Work	Midgley (1995)	"[S]ocial welfare (or social well-being) is conceived of as comprising three elements. They are, first, the degree to which *social problems are managed*, second, the extent to which *needs are met* and finally, the degree to which *opportunities for advancement* are provided." (14)

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		Sample Problems in Social Welfare Conceptualizations
Economics	Arrow (1950)	"If we adopt the traditional identification of rationality with maximization of some sort, then the problem of achieving a social maximum derived from individual desires is precisely the problem which has been central to the field of welfare economics. However, the search for a clear definition of optimum social welfare has been plagued by the difficulties of interpersonal comparisons." (329)
Economics	Arrow (1970)	"What do we do when we judge between two possible states of the world? In general, we look to two characteristics, welfare and justice, corresponding to two principal strains in ethical theory, utilitarianism and deontology respectively. Utilitarianism judges between states of the world according as it finds more happiness, by some measure deemed suitable, in one state than in another. From a deontological point of view, one state of the world is better than another when it is more the way things should be by some prior standard. Pareto-efficiency makes its normative claim through an implicit utilitarianism that says that people are better off when they have their wants satisfied to a greater extent. The income distribution actually found in practice in our economy is largely based on a deontological notion of justice that one should not take away from a man that which is his." (25-26)
Economics	Sugden & Weale (1979)	"Within the discipline of welfare economics, one tradition – the Bergson-Samuelson tradition – has been dominant for over a quarter of a century. The most basic concept in this tradition is the social welfare ordering or social welfare function. This represents the judgments of some private individual, public official or ethical observer concerning what is

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		better or worse for society. Certain restrictions are placed on the form such an ordering may take; these represent ethical judgments which, it is presumed; anyone who orders social alternatives would or should accept.” (111)
Economics	Sen (1991)	“Recently, there have been several attempts to give a more central and constitutive place to the freedoms and liberties of individuals in the determination of social welfare. The freedoms in question can take a negative form (e.g., freedom from interference and hindrance), or a positive character (e.g., freedom to do this or be that). Basing the evaluation of social welfare on individual freedoms involves a rejection of ‘welfarism’, which demands that social welfare must be a function only of individual welfares.” (18)
Philosophy	Aristotle (1985)	“But presumably the remark that the best good is happiness is apparently something [generally] agreed, and what we miss is a clearer statement of what the best good is.” (1097)
Philosophy	Sumner (1996)	“The question then is whether happiness, as so measured, is identical to well-being. We have found two reasons for thinking that it is not: a person’s self-evaluation may not be informed and it may not be autonomous. In either case it is inauthentic, in that it does not accurately reflect the subject’s own point of view.” (172)
Sociology	Bellah, Madsen, Sullivan, Swidler & Tipton (1991)	“As we understand it, pluralism does not contradict the idea of a good society, for the latter would be one that would allow for a wide scope for diversity and would draw on resources from its pluralistic communities in discerning those things that are necessarily matters of the good.” (9)

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