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Interview

An Interview with 2024 AIB John Fayerweather Eminent Scholar Edward Freeman

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In this interview, Dr. Edward Freeman, the 2024 AIB John Fayerweather Eminent Scholar Awardee, discusses his scholarly journey with AIB Fellow Dan Li. Dr. Freeman highlights the increased significance of adopting a comprehensive view of stakeholders amid recent global uncertainties such as the pandemic, geopolitical tension and conflicts, and technological disruptions. He also provides advice on business school curricula and guidance for business scholars.

Interviewee: Edward Freeman [EF], University of Virginia, USA
Interviewer: Dan Li [DL], Indiana University, USA

INTRODUCTION

Dr. Edward Freeman was awarded the 2024 John Fayerweather Eminent Scholar by the Fellows of the Academy of International Business.[1] Dr. Freeman is Bachand University Professor and Olsson Professor of Business Administration at the Darden School of Business, University of Virginia. Renowned for his influential contributions to stakeholder theory and business ethics, Dr. Freeman is best known for his award-winning book *Strategic Management: A Stakeholder Approach* (Cambridge, 2010), originally published in 1984. His remarkable academic output includes editorship or authorship of over 100 volumes and 200 articles, and a Google Scholar Citation count of over 146,000 as of July 2024. With a career spanning several decades, Dr. Freeman has significantly shaped contemporary management thinking by highlighting the pivotal role that diverse stakeholders play in organizational decision-making. His impact on the international business literature is profound, fostering a holistic view of business transcending borders and cultures and promoting a more sustainable and responsible approach to international business. In the interview excerpt below, Dr. Freeman discusses his scholarly journey with AIB Fellow Dan Li. Dr. Freeman highlights the increased significance of adopting a comprehensive view of stakeholders amid recent global uncertainties such as the pandemic, geopolitical tension and conflicts, and technological disruptions, and provides advice on business school curricula and guidance for business scholars.

INTERVIEW

[DL]: Dr. Freeman, congratulations again on your Eminent Scholar Award.

[EF]: Thank you. It's a real honor.

[DL]: Let's start with the first question. What inspired you to develop the stakeholder theory? And how has your perspective on this evolved over time?

[EF]: Well, I don't know that I was inspired at the beginning. I was at Wharton working for a research center as a postdoc, and I did a PhD in philosophy. I didn't know much about business and never had a course or training. And I got a chance to work with this group. That single idea [stakeholder] was sort of in the air at Wharton. Howard Perlmutter, Russell Ackoff and a number of other people were using it, but they were using it primarily to organize things to think about organizing trends and that sort of thing. No one was using it to try to figure out how business actually worked. You know, what would it look like if we took this idea seriously and tried to run a business based on creating value for stakeholders?

I had a very terrific boss, Jim Emshoff, who came down to my office one day and said *Do you want to see if you can do something with this?* He knew I was interested in the stakeholder idea. We had a faculty/staff seminar and we would get to the point of drawing a stakeholder map on the board. People would say *Oh, we can't say anything about this. This is a question of justice*. And, of course, coming from a PhD in philosophy where I had done justice work for years, I thought *Well, I can say something about justice*.

1 The Award Selection Committee consists of Dan Li (Chair), Ruth Aguilera, Anthony Goerzen, David Griffith, Jane Lu, and Elizabeth Rose.

So Jim asked me *did I want to do something about it?* And I thought, *Yeah I'll write a paper about this*. So I wrote this paper called Stakeholder Management. I thought *That's it and I'll figure out something else to do*. I sent it to a journal to be listed as a working paper. An editor calls and says *Great, we're going to list your paper*. *But there's a typo in the title.* And I said *Typo? What?* And the editor says *Well, it says stakeholder management, but we know you must mean shareholder or stockholder. So we'll fix it for you*. I said *No, no, please don't fix it*.

About that time, some people from AT&T, the old Bell System, came down and said *You know, we think the skill our leaders in the future need is how to deal with the external world. Would you help us with that?* So, we started working with the company and their associated Bell companies, and I spent the next five years really traveling around the country, working with Bell companies on how to deal with stakeholders. It was a very turbulent environment, a very bureaucratic company; and bureaucracy doesn't work very well when there's that much turbulence. So, they would have a rate case to try to change the rates of the phones or service and stakeholders would come out of the woodwork. They didn't know how to think about this and know how to manage it. It seemed to me that it was perfectly obvious… what this business did created and oftentimes destroyed value for at least customers, suppliers, employees, communities, and people with money. As I looked more and read more, I became more knowledgeable about the business. It seems to me this is what business was, and I didn't see anybody saying that. As a friend of mine said recently, *Stakeholder Theory was hiding in plain sight*. So, I wrote this whole book that was published in 1984; but the truth is, writing it was a mistake.

[DL]: A mistake?

[EF]: Yeah. Because I had moved to the tenure track at Wharton and I didn't know that you weren't supposed to write books. Because in philosophy, if you don't write a book, nobody takes you seriously.

Again, one of those serendipity things that happened. I wrote this book and, you know, it's got, what, 60,000 citations? Somebody asked me *Well, what's it like to write a business bestseller?* And I said *I don't know, they only printed 2000 copies of the book.*

There are some books in a library across the world… the imprint of the inks worn off the pages. Either they've been used so much or no one's actually ever read this book, which I think is probably the case.

So, I ended up being lucky. I wrote a very citable book, but I don't think it's been read very often.

[DL]: The publisher reprinted the book with a lot more copies later.

[EF]: In 2010, when we wrote *Stakeholder Theory: The State of the Art,* research on stakeholder theory had just exploded in all kinds of fields. We started that book naively thinking that, well, it'd be strategy and maybe organization. And then we found stakeholder theory in finance, accounting, economics, public administration, project management, and, of course, in ethics and social issues. So, it turned into a giant project. I think the bibliography is like 50 pages long. And I asked Cambridge *Would they reprint the earlier book?* And they said *Sure, we have a program which we call internally the Lazarus Program…Things risen from the dead*, *after the Lazarus figure in the New Testament.*

[DL]: They should have called that a Phoenix Project.

[EF]: Yeah. Well, I mean, what would be better? The publisher said *We'll take your book and then we can do some technology to it and we can reprint that one at a time.* So, they were nice to me…Cambridge is a great press. Paula Parish was my editor; she was really terrific. I think they had no expectations about the book, but they were happy to do it. Well, the 2010 book has certainly outsold the original because there are only 2000 of the original. I was very happy.

I wrote a new preface, but I didn't want to change anything really. The 1984 book is okay. When I reread it, there were some things that were clearly part of the times, but there were some other things that I think still hold true.

[DL]: That's probably why the original version has been on for so many years. The impact has been really long-lasting across so many different fields.

[EF]: Much, much more than I ever intended. I let Maureen, my wife, read the book. She had gotten an MBA at Wharton. She said *Well, you know, this is just common sense*. *You're never going to make a living out of that*. Now, she claims she didn't say that, but she said it in tone, if not in words.

[DL]: Now, with your impact on so many disciplines and distinguished career awards and impact awards, she probably thinks differently.

[EF]: She does. She's always been incredibly supportive. I could not have done what I've done without her.

[DL]: When you think about the decades of work, what do you consider your most significant contributions to the field of business research?

[EF]: Well, if I've had any impact, again I think I get way too much credit, it's trying to revise this old story of business that it's just about the money. I think the stakeholder idea gives us very powerful vocabulary to talk about the way business actually works.

There are very few people who are actually out there only caring just about the money. There are people out there who care about customers, and we're trying to do the right thing for employees… trying to be good citizens for their community that they're in. For every Enron, there are 10,000 companies out just trying to do the right thing.

The stakeholder vocabulary doesn't differentiate between *this is business*, *this is ethics*. Because to call someone a stakeholder is to make a moral claim. And it is a descriptive claim too. To say customers are stakeholders means they have obligations to customers. And it's also to describe the way that companies work. So, it's at once descriptive and once normative. And this divide which is there in most of social science, including international business, between, descriptive and normative...it's not very useful. We need more fine-grained ideas about how businesses actually work. And you can't separate it out. You don't check your values at the door every day. So, I think the contribution is trying to find a vocabulary that is more helpful for businesses to think about what they do. I mean, it's a little bit like the French novelist Moliere who has a character in one of his books who is distressed to learn prose. And then people tell him *No, you already speak prose. That's just the name for what we talk.* I think companies have always created value for stakeholders, sometimes destroying it. But if they haven't realized it, if they haven't thought about it that way, now, if they have the vocabulary to think about it, they can really improve it. It can really improve the value creation that they do. They can create more.

Back to Jim's question to me *Do you want to see if you can make something of this idea if we took it seriously?* You know, that's pretty much what I've done. It's evolved a lot along the way. When I first started, I didn't know anything about international and didn't have much experience with all different kinds of businesses and didn't have much experience with any startups, etc. So, it's been a terrific journey that one paper turned into a few books and a couple hundred papers. I'm still trying to do it, you know, a bit better.

[DL]: And hundreds of studies and papers built upon that.

[EF]: Well, that's the thing. That's why I get too much credit, because there are literally a couple of thousand people probably around the world doing this research and doing it differently and better than I ever could.

[DL]: Looking to the future, how do you envision the development of the stakeholder theory in the next decade or so? Any emerging trends and areas?

[EF]: Well, one of the things that's happening is, a lot of people are working on it. This is kind of a new foundation for business. In other words, rather than seeing business as people just trying to make money, we see them as trying to create value for stakeholders. And what does that do to the other disciplines of business? There's a group of people working on this in marketing and in finance and in operations, especially in the supply chain, and working on questions like *Do we really need CSR anymore?* and working on system-level questions like *What is this idea of stakeholder capitalism? What is the business system looking like if you take this seriously as it's happening?*

In the world, this is a transition time between shareholder capitalism and stakeholder capitalism which I just want to say doesn't leave shareholders out. It just says it's more complicated than that.

[DL]: This morning at your speech you talked about purpose... profit plus purpose.

[EF]: It's interesting. When I wrote that stakeholder book, I actually didn't think the stakeholder idea was the most interesting idea in the book because it was so common sense. My wife was right. It was so common sense. I thought *Well, this is straightforward*. I thought there was an interesting idea in the book, but no one else has ever worked it out.

I thought in those days when you did strategy... Peter Lorange was at Wharton at the time, and I was very influenced by him as a mentor. He would talk about strategy. What business are you in? Where are you going? How do you get there? How do you know if you're on track? You know, answer the major questions of strategy, and the famous story of Peter Drucker saying to somebody, what business are you in? And they said we're in the can business, with Drucker replying that you're in the packaging business. I thought there was a better question that came before all of those. And it's what do you stand for? What's your purpose? And so, I wrote about that in that 1984 book. It's called enterprise strategy. But it's what you stand for and what's your purpose and values. And I thought that was the interesting idea in the book. No one else did. And I was waiting for a wave of PhD dissertations on putting some more meat on the enterprise strategy bones. Never happened.

[DL]: So, the book bloomed in a different way.

[EF]: In a very different way than I thought. I also thought the implicit thing in that book was that ethics and business are connected; no one got that either out of the book, but it's there. Then we wrote what I thought was a follow-up. Dan Gilbert and I called it "son of stakeholder" but it was a book called *Corporate Strategy and the Search for Ethics*. And we took all the corporate strategy models and showed kind of where the ethical pieces were or could be; and no one read that book either. So, I have a kind of history of maybe being out of sync with the times. I don't know whether it's ahead or behind.

[DL]: Well, for the stakeholder part, definitely ahead of time...decades ahead. Now let's talk about some of the recent events. How have the recent global uncertainties like the pandemic, geopolitical tension, conflicts, and technological disruptions affected your views on the stakeholder theory and on business ethics?

[EF]: Well, I think all those trends have added fuel to the fire here. If there was ever a doubt in people's minds that there is something wrong with shareholder value...shareholder primacy that they are the only ones that count. Certainly, the Great Recession and the global financial crisis should have opened their eyes. And then you have all these other things that you mentioned. It's kind of a perfect storm, and very few people would argue that the way to deal with this is just, really, to pay much more attention to shareholder primacy because I think we've had a time where that doesn't work. So, I think that's opened the door for people to think more about stakeholders, and many businesses have gotten the message.

Academics… not so much sometimes. I think this is a case where real-world businesses are kind of ahead. They don't get it right all the time. Some people say *See, this company made a mistake here, and they polluted here. That means they don't take stakeholders seriously.* No, it means they made a mistake. Maybe it was intentional; in that case, they should pay for that. I see those trends as, again, giving fuel to people thinking about stakeholders and giving justification to it.

Now, the other side to this is, you know, some people think that this is just about being *woke* as people and critics would say in the U.S. And we need to not have that; well, the people who said that have never read anything I've written. It's just political and half-truth. I've come into some pretty nasty personal criticisms about this. And again, these things come from people who don't know; unfortunately, many are politicians with great power, but they don't seem to have great responsibility. They need to go back and watch Spiderman again. You know, Spiderman's rule - great power comes with great responsibilities. That seems to be missing in a lot of the political discourse.

[DL]: Great responsibilities indeed. Stakeholders pull business leaders in all directions; what advice do you have for business leaders interested in seeking to balance these forces to navigate the current global uncertainties?

[EF]: I've had a lot of CEOs say to me: *In the past few years, we don't know how to think about this. You know, so there's a shooting at an African-American church in Charleston. Should I write something to my African-American employees? There's a bombing of the synagogue in Pittsburgh and a bombing at the synagogue and at the mosque in California; do I respond to all of those things? Nobody taught me in my MBA how to deal with this or whatever's going on.* My advice to them is, well, it's hard, and you're going to make mistakes; you've got to go back to what you stand for. You've got to go back to that question I thought was most interesting in the early book. Your purpose…what you stand for. You can't deal with everything. But some things are so relevant to your business model, or relevant to your employees, that you have to deal with it. Disney had to take on the government in Florida because of its employees and the stand they'd taken. They don't have to erase poverty in the rest of the world. I mean, you can't solve these big issues. Some of the big issues affect your business model, and you need to do what you can about them. I like to call it the Cassius hunger mistake. You know, I can't solve world hunger, so I can't give Cassius a piece of bread. That's a logic mistake. Yeah, you can't solve world hunger; but it doesn't mean you can't do anything. Businesses have to figure out… every business leader has to figure out what are the societal issues where they can make a difference – that affects their business model that they know something about.

Milton Friedman was worried that you had executives doing stuff in society that they didn't know anything about, and I think he was right about that. But there are issues that affect business models that you need to do something with. Give you a good example. Whole Foods does microloans in conjunction with the Grameen Bank with businesses that are in their supplier business community. Why? Because they know that if their suppliers are in a healthy business community, they're going to be better. And they have 100 thousand suppliers all over the world. So, they found the things that are important in their business model. They take a stakeholder approach and figure out innovative ways to do it. New York Life has a program of grief counseling for middle school children. Well, think about that. That makes a lot of sense. Middle school children are especially vulnerable if they lose a parent or grandparent, and you have New York Life there to help them. So those are the kinds of societal issues businesses have to take on. Sometimes they want to take on issues because of their employees. I had a friend who was African-American and a CEO of a large bank. And some years ago, he was getting pressure to make a statement or do something about HIV in Africa. They're in America; they're a U.S. bank. They don't have any operations in Africa. And he said to me *I don't know what to do about this*. And he said *I think the right thing to do* is *to see what my employees want*. His employees wanted him to do something, say something about this. So, he did. But it's again listening to those stakeholders and paying attention to issues like what's our purpose here. This idea that stakeholders are about being woke and you respond to any kind of societal issue there, that's nonsense. You know, nobody can do that.

[DL]: Business schools play an important role in coaching, educating and shaping future business leaders. How should business schools adapt their curriculum to better prepare our future leaders in this volatile world?

[EF]: Well, I'm not sure I know the answer to this, but I certainly have some ideas. I think business schools are in trouble. I think they're in trouble because many business school professors don't care much about business. The problem they're trying to solve is *How do I get my research published in an A star journal?* That's not a very interesting business problem. There are no CEOs, zero, who are out there wondering what the next issue of *JIBS* or *Academy of Management Journal* or *ASQ* is going to print: *Gee, I wonder what those business school people have invented. That's cool. That's going to help me.* Nobody thinks about that. That's a problem. It seems to me that there's this major gulf between what we see as publishable research and solving real business problems. One of the things I've always tried to do with stakeholders… people say *Well, how is this theory to be implemented?* And it's not like that. I didn't even make this stuff up. I watched what people did, and I think business schools need to rediscover a love for business. I happen to have the best job in the world because at Darden, we really love business. Now, we're critics. When they do something wrong, we tell them and try to help them improve.

Professional schools have to have two purposes. One is to socialize students into the language of the profession. We're good at that. But the second purpose of a professional school is to improve the practice of the profession. What would medical schools be if they didn't try to figure out how to make us healthier? What would the law schools be if they didn't try to figure out how to adjust to govern better? Well, research at business schools has to be about making business better. And I think that's lacking. So, I would say, number one, fall in love with business and get to know the phenomena. And let the phenomena drive the research. The second thing is, again, to look at taking a stakeholder approach to multiple disciplines. So, if we're going to do operations and if we're going to do supply chain, have a stakeholder theory. What would you say about, how would you do finance if you took stakeholder theory seriously? So, I think business schools need to do that. They also need to see the core concepts of the disciplines in what I would call fully moral terms. For instance, a consumer is a person. Person is the first P in marketing; others include price, product, person, promotion, place, etc. So, seeing the disciplines of business in more fully moral terms is, I think, a real challenge because many business school professors have this self-image of themselves as scientists, and they have this idea of science. Science doesn't deal with values but anybody who saw Oppenheimer knows that when they torched off the first atomic reaction, the probability that the atmosphere was going to turn to sand was not zero. So, the scientists are making moral choices in physics. I was lucky enough to study with a philosopher who wrote this wonderful paper in 1953, which I give to every PhD student and is called "The scientist qua scientist makes value judgments" in the journal *Philosophy of Science*; and the author (Rudner) laid out how that works. So, if physicists make value judgments, by the time we get down to the business disciplines, down the sort of disciplinary chain to business disciplines, we make value judgments all the time. Getting rid of this fact value divide, I think, is critical to really applying stakeholder theory in the disciplines of business.

Aside from that, what business schools need to do is they need to double down on figuring out how to unleash the creativity that's there in their students. Look, AI is going to do everything else. All we've got is our creative imagination. That's how you find win-win-wins. The way we do it at Darden is we have a bunch of courses that are kind of humanities courses. We do business ethics and literature. We do a course on theater. We've done a course on music.

[DL]: Within the business school?

[EF]: Yes. The way you teach somebody to be creative is you immerse them in the creative arts. And, you have to really immerse them and not play games with them. Seven of us are going to pretend to act like a symphony. No, no, you have to actually immerse them. And of course, they have to write an original piece of music and they may not even know how to play anything. Or, they have to write an original script and perform in front of an audience. You engage them in the creative task of their creative arts. Business schools need to do a lot more about that, I think.

I hope it's not too late. People are enormously creative. But if they don't use that muscle, they lose it. And we don't do nearly enough. Again, I'm lucky to be in a place that lets me do stuff like that.

[DL]: That's really interesting. Now let's talk about faculty, particularly those at an early stage of their careers. Any advice you would like to share with our doctoral students and junior colleagues on career development given the multidimensional demands of their time and talents?

[EF]: It's hard. It's hard at Darden because we take teaching really seriously. We send people's cases and syllabuses and that sort of thing out for review. And they have to meet the same external standard everybody else does because we're a R1 school, so they have to do both. We also have to give them the resources to be able to do that. I see doctoral students go to a lot of doctoral consortia. I try to always go when I'm invited. They say things like *Well, I've got this great data, but I don't know what theory to use*. And my advice is always don't think about that. Immerse yourself in the phenomena. You know, just immerse yourself in the phenomena, and then you'll see how to come to terms with it. And it won't be one theory. It might be a piece from here and a piece from there, and you'll invent your own, and of course, that's hard to do and it takes time. And that person needs to have a mentor who believes that. Rather than write three papers and get them published, and that's it. That to me doesn't lead to much depth. So, I would say, immerse yourself in the phenomena.

The second thing is… I get students who say to me *Well, my advisor wants me to do this. I don't really want to do it.* And so, I say *Look, sometimes you have to make tradeoffs.* But if you can't follow your passion, there's no need to do this. It's too hard. It's just too hard. If you don't have passion, if you don't have fire in the belly to do something, there are lots of ways to make a living in the world, and this is a particularly difficult one. And then they will say to me *Well, what about publication? You know, because I've got to publish and there's certain ways to do it, etc.* You do have to learn how to do that now. I never had to learn how to do it because I wrote this book, mistakenly. But the best way to do that is to find a coauthor, find someone to work with, who knows how to do that. If your adviser is not helpful to you, you have to find others. That's why when we run our stakeholder summer school, we bring 30 or so people who are advanced doctoral students or early career scholars. We say bring us your paper and we'll give you feedback from the people who are doing research in this field. And the second thing we want you to do is to start a paper with somebody you meet at the summer school. And to try and help these early career scholars to find the right people to work with. That's been pretty successful so far.

So, finding good coauthors, establishing relationships with them. My PhD students are so important. You have a PhD student for life. You write with them and they're like your kids. They're there; the problems are different as they progress in their career. I have PhD students that I've written with for many years. And that's wonderful because they're lifelong. So, thinking about this in relationship terms and stakeholder terms…Try to find relationships that are there that are not just transactional but are going to be there because you care about each other and you like working together, etc. That's what makes this a very sweet gig.

[DL]: Very sweet. This is the first AIB conference where my mentor, Lorraine Eden, is not attending. She recently retired. It feels different… something is missing.

[EF]: Yeah. I'm going to retire in a few years, probably three years. But I don't know if I could stop going to meetings because that's when I see my former students. You know, I don't want to just stop.

[DL]: My dissertation co-chairs Mike (Hitt) and Lorraine both retired but have remained busy academically.

[EF]: Yeah. Well, I don't know how to do anything else. I don't know what retirement will mean. It'll mean I don't get paid, I'm certain about that.

[DL]: Is there anything that I have not asked you and you think is important for us to talk about?

[EF]: I don't think so. It's a great honor.

[DL]: Thank you very much for sharing your experiences and insights. And congratulations on the award.

ABOUT THE AUTHORS

R. Edward Freeman is Bachand University Professor, Olsson Professor, and Academic Director of the Institute for Business in Society at the University of Virginia Darden School of Business. He is best known for his award-winning book, *Strategic Management: A Stakeholder Approach* (Pitman, 1984; and reprinted by Cambridge University Press in 2010). He has received seven honorary doctorates (Doctor Honoris Causa) from: Radboud University; Universidad Pontificia Comillas; the Hanken School of Economics; Tampere University; Sherbrooke University; Leuphana University; and HEC Paris for his work on stakeholder theory and business ethics. He hosts *The Stakeholder Podcast,* via Stakeholder Media, LLC.

Dan Li is the L. Leslie Waters Chair and Professor of International Business and the Executive Associate Dean for Faculty and Academic Affairs at the Kelley Business School, Indiana University, and an AIB Fellow. She writes about global strategies by both established multinational enterprises and new international ventures. She was an associate editor of *Global Strategy Journal* and editor-in-chief of *Business Horizons*, and is currently an area editor of *Journal of International Business Studies*.