Business Ethics Journal Review
SCHOLARLY COMMENTS ON ACADEMIC BUSINESS ETHICS
businessethicsjournalreview.com

Cite as: **Bus Ethics J Rev** 11(1): 1–7, https://doi.org/10.12747/j1k01

Edited by **Chris MacDonald** & **Alexei Marcoux**

ISSN: 2326-7526

NEW AVENUES IN STAKEHOLDER GOVERNANCE

Timothy J. Hargrave and Jeffery Smith[1]

A COMMENTARY ON Flore Bridoux and J. W. Stoelhorst (2022), "Stakeholder Governance: Solving the Collective Action Problems in Joint Value Creation," ***Acad Mgmt Rev*** 47(2): 214–236, https://doi.org/10.5465/amr.2019.0441

ABSTRACT

Bridoux and Stoelhorst (2022) employ Nobel laureate Elinor Ostrom's institutional design principles to develop two models of stakeholder governance. They argue that these "community governance" models will help achieve a fairer distribution of stakeholder value compared with approaches that centralize governance in the hands of management. We identify four characteristics, however, that thwart any straightforward application of these community governance models to business firms: ease of exit; lack of legacy social capital; heterogeneity of interests; and power imbalances. We then conclude, following Ostrom herself, that governance often requires external institutional arrangements that stakeholder theorists have not fully appreciated.

NOTICING THAT BUSINESS managers increasingly face challenges in reconciling the interests of multiple stakeholders, leading management scholars have called for development of a theory of stakeholder governance (Amis et al 2020). "Stakeholder governance" refers to the set of firm-level rules that regulate decisions about the creation, appropriation, and distribution of value to the firm's various stakeholders. These rules help address collective action problems, notably situations where some stakeholders withhold their resources for fear that other

[1] Central Washington University and Seattle University (respectively).
Email: Timothy.Hargrave@cwu.edu, smitjeff@seattleu.edu