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de Monterrey**

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W H I T E   P A P E R

# **The Stakeholder Mindset**

*Six Ideas for Creating Value Without Trade-Offs*

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February 2026

# Executive Summary

Most people intuitively grasp that business involves more than shareholders. But that recognition alone is not enough. The stakeholder idea, properly understood, is not merely an acknowledgment that multiple constituencies exist; it is a fundamentally different way of thinking about how value is created, how conflicts are resolved, and how businesses endure.

This paper presents six interconnected ideas that, taken together, constitute what might be called the stakeholder mindset—a practical and philosophical framework refined over four decades of working with companies around the world:

#	Idea	Core Principle
1	<b>Stakeholder Harmony</b>	Replace “balancing” with the richer metaphor of harmony—different notes played together to create something greater than any one alone.
2	<b>Jointness of Interests</b>	Stakeholder relationships are interdependent, not competing. Shareholder value is an outcome of managing relationships well, not an objective to maximize directly.
3	<b>Rejection of Trade-Offs</b>	Any situation where one stakeholder must lose for another to gain is a failure of imagination, not an inevitability.
4	<b>Creative Imagination</b>	The essential human capacity that dissolves apparent conflicts and invents new possibilities for value creation.
5	<b>Conflict as Value Creation</b>	Conflict signals unmet needs; where there are unmet needs, there is potential for innovation and value creation.
6	<b>Continuous Engagement</b>	Stakeholder relationships are ongoing relationships, not discrete transactions—requiring sustained relational commitment.

Together, these ideas challenge the dominant narrative that business is fundamentally about managing competing claims on scarce resources. They offer instead a vision of business as a creative, relational, and deeply human enterprise—one where the refusal to accept trade-offs becomes the engine of innovation, and where enduring value is created not by choosing winners and losers among stakeholders, but by finding ways to make everyone better off.

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# Introduction

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What is the stakeholder mindset? Most people can readily see that business involves more than shareholders and that these various groups are somehow connected. But all too often, the conversation stops there. The stakeholder idea deserves more nuance and more practical substance than it typically receives.

This paper offers six ideas to deepen and sharpen the stakeholder concept, drawn from four decades of working with companies around the world. There are many ways to frame stakeholder thinking. Some approach it through the lens of corporate social responsibility. Others see it primarily as a matter of corporate communication or reputation management. The perspective offered here is different: it treats the stakeholder idea as a mindset—a way of seeing, thinking, and making decisions that transforms how value is created.

The six ideas that follow are not a checklist or a set of best practices. They are habits of mind that, once internalized, change everything about how a leader approaches business: stakeholder harmony, jointness of interests, the rejection of trade-offs, creative imagination, the productive power of conflict, and continuous relational engagement.

## 1. Stakeholder Harmony

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The first idea is that building and leading a business is fundamentally about getting stakeholder interests going in the same direction. This sounds straightforward, but the metaphor we choose for this task matters enormously, because it shapes what we believe is possible.

The most common metaphor is balance: a leader must balance the interests of various stakeholders. This implies a zero-sum dynamic—if one side goes up, the other must come down. A second, somewhat better metaphor is alignment: getting stakeholder interests lined up in a common direction. This is an improvement, but alignment suggests making interests the same, which risks requiring some stakeholders to surrender what they actually need.

*A third and richer metaphor is harmony. In music, harmony does not require that every note be identical. The notes are different—they must be different—but the magic happens when they are played together. A chord is more powerful than any single note precisely because it integrates distinct elements into something greater.*

The same is true of stakeholder interests. Customers, suppliers, employees, communities, and investors each bring distinct needs to the table. The challenge is not to make those needs identical or to trade one off against another, but to compose them into a coherent whole that resonates.

This is more than a semantic distinction. When leaders adopt the harmony metaphor, they begin to see stakeholder diversity as a source of richness rather than a problem to be managed. They stop asking “Which stakeholder wins?” and start asking “How do we make these different interests reinforce each other?” The evidence from practice is that this shift in framing produces dramatically better outcomes. When customers, suppliers, employees, communities, and financiers are in harmony, they create a mutually reinforcing system in which each stakeholder’s success amplifies the success of the others. But this possibility only opens up if leaders believe it is possible. Those who begin from the assumption that stakeholder interests are fundamentally in conflict will inevitably find themselves managing conflicts rather than creating harmony.

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## 2. Jointness of Interests

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The second idea addresses what is perhaps the most widely misunderstood aspect of stakeholder theory. For many years, people assumed that the key insight of the stakeholder approach was simply that there are multiple stakeholders and that leaders need priority rules for determining who is more important. This interpretation is misleading at best. The deeper and more consequential insight is jointness: stakeholder interests are interdependent, not independent.

How a company creates value for its customers directly affects how it can create value for its suppliers—enabling or constraining possibilities for both. How it creates value for customers and suppliers together shapes what is possible for communities. Each stakeholder relationship exists not in isolation but as part of an interconnected system. Changing one relationship changes the possibilities for all the others.

When you add purpose to this picture—a clear understanding of what the company is trying to accomplish and why—you arrive at what can properly be called a business model. A business model, in this view, is not a financial spreadsheet. It is the answer to two intertwined questions: What is our purpose, and how do we create value for all our stakeholders in a way that keeps them harmonized?

### Shareholder Value as Outcome, Not Objective

One of the most useful implications of jointness is a reframing of shareholder value. Rather than treating shareholder value as the objective that drives all decisions, it becomes far more productive—and far more accurate—to see it as an outcome. The quality of a company’s

stakeholder relationships determines the level of value it can create for shareholders. Stakeholders are the causal mechanism; shareholder returns are the result.

This reframing resolves one of the most persistent confusions in business thinking. Trying to maximize shareholder value directly is like trying to maximize happiness. People who are obsessed with their own happiness—who evaluate every experience against the metric of whether it makes them happy—tend to be deeply unhappy. Why? Because happiness is a function of many things: what we stand for, the quality of our relationships, the meaning we find in our work and our suffering. There is enormous uncertainty and complexity in life. Happiness, as Viktor Frankl taught us, cannot be pursued; it ensues. It comes from doing work that matters, loving without condition, and finding meaning even in the midst of difficulty.

*The same is true of shareholder value. It ensues from the quality of a company's relationships with all its stakeholders. Pursue it directly, and you distort the very relationships that produce it. Manage the relationships well, with genuine care and creativity, and the financial results follow.*

### 3. The Rejection of Trade-Offs

If stakeholder interests are joint and can be harmonized, the natural question becomes: how do you get them going in the same direction without trading one against another? The third idea is a bold starting principle: reject trade-offs. Not as a naïve denial that hard choices sometimes arise, but as a discipline of mind—a commitment to exhaust every creative possibility before accepting that one stakeholder must lose for another to gain.

#### The DuPont Story

Edgar Woolard, CEO of DuPont, provided one of the most compelling illustrations of this principle in the early 1990s. DuPont had committed to reaching zero pollution—a goal that would take generations for a company of its scale and history, but that leadership treated with the same seriousness as the company's long-standing commitment to safety. The approach was systematic: well-defined, time-bound targets for gradual reduction, pursued in a businesslike way.

But at one facility, engineers pushed back. The plant's equipment was too old, the process too dirty. Meeting even the interim pollution targets was impossible, they said. Woolard's response was unequivocal: then we will shut the plant. He presented the engineers with what appeared to be a stark trade-off: the environment on one side, employees' jobs on the other. And he made clear which side he was prepared to choose.

Stunned, the engineers went away. They returned a few weeks later with unexpected news: they had found a solution. When asked what it would cost, they replied with some embarrassment that the new approach would actually save money.

*This story illuminates a profound truth about how trade-offs function in organizations. When a trade-off is deemed acceptable, people accept it. When a trade-off is declared unacceptable—when the leader refuses to let anyone off the hook—something remarkable happens: people dig deeper. They tap into the only truly infinite resource available to any organization: what is inside the human mind.*

This does not mean that trade-offs never occur. Sometimes, despite every effort, a painful choice must be made. But the stakeholder mindset treats every such instance as a managerial failure—a failure of creative imagination—rather than as an inevitable feature of business. The difference in framing is decisive. If trade-offs are seen as normal, leaders will accept them routinely. If they are seen as failures to be learned from, leaders will try harder, longer, and more creatively before conceding.

## 4. Creative Imagination

If trade-offs are failures of imagination, then the cultivation of imagination becomes a strategic imperative. The fourth idea elevates creative imagination from a nice-to-have to the central human capacity that makes the stakeholder mindset work.

What distinguishes human beings from every other species is our ability to invent vocabularies to describe and solve our problems, and then to cooperate to implement the solutions. Consider the smartphone. Its existence required the invention of entirely new vocabularies—in metallurgy, in glass science, in the physics of semiconductors, in software architecture, in user experience design. None of these things fell from a tree. Each required acts of imagination: the ability to envision something that did not yet exist and to create the language, tools, and disciplines needed to bring it into being.

This is why business, at its best, is such a remarkable institution. In a relatively free society, it allows human beings to use their imagination to invent solutions, create new vocabularies, and accomplish things that were previously thought impossible. Every great product, every breakthrough service, every company that has changed the world began as an act of creative imagination.

And yet, despite its centrality, we pay surprisingly little systematic attention to developing this capacity. When leaders are asked how many of them played music, created art, performed in

theater, or read serious fiction growing up—activities that build and exercise the creative imagination—the numbers are often high. When asked how many still do, the numbers drop dramatically. This is not a trivial observation. As automation and artificial intelligence absorb more of the analytical and procedural work that once defined professional life, creative imagination becomes not just important but essential. It is the one capacity that cannot be replicated by machines. And like any muscle, it atrophies without regular use.

*For business leaders, the implication is clear: the stakeholder mindset demands creativity as a core competence. The refusal to accept trade-offs is only meaningful if there is sufficient creative capacity to find alternatives. Investing in the creative development of leaders and teams is not a luxury. It is the infrastructure on which stakeholder harmony depends.*

## 5. Conflict as a Source of Value Creation

The fifth idea will strike many as counterintuitive: conflict among stakeholders is not a problem to be avoided but an opportunity to be seized. Where there is conflict, there are unmet needs. And where there are unmet needs, there is potential for value creation.

Consider a simple example. When people travel, they want to listen to their own music, not everyone else's. That conflict—between my desire for my music and your desire for yours—was not resolved by asking someone to compromise. It was dissolved by innovation: first the Sony Walkman, then the iPod and its descendants. A conflict that seemed intractable became the catalyst for an entirely new category of products that created enormous value for millions of people.

This is how capitalism works at its best: it enables human beings to find creative ways of dissolving conflicts, transforming friction into opportunity. The stakeholder mindset extends this insight from markets to all stakeholder relationships. Wherever there is tension between what different stakeholders need, there is a signal pointing toward a creative solution that could make everyone better off.

This perspective even applies to the most challenging industries. A product that delivers pleasure but causes harm is not a permanent moral dilemma; it is an unsolved problem. From a stakeholder mindset, the response is not to accept the trade-off between pleasure and health but to refuse it: find a way to deliver the pleasure without the harm, or better yet, to deliver the pleasure while actively improving well-being. The conflict is not the enemy; the failure to engage with it creatively is.

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## 6. Continuous Engagement and Relational Orientation

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The sixth and final idea sounds deceptively simple: doing all of this requires continuous engagement. The stakeholder mindset is not a framework to be applied in discrete moments of decision-making; it is a relational orientation that must be sustained over time.

What does it mean to be in a relationship with someone? It means there is a presumption of continuity—this connection is going to endure. It means that score-keeping is corrosive. Imagine approaching a spouse of forty-three years and saying, “I think you’re up three; you owe me.” No healthy relationship works that way. And yet, this is precisely how most businesses treat their stakeholders: as participants in a series of discrete transactions, each evaluated on its own merits, with winners and losers tallied at the end of every quarter.

The distinction between transactional and relational thinking is not, as is often suggested, simply a matter of short-term versus long-term orientation. It is a fundamentally different way of engaging with the world. In a transactional frame, each interaction is self-contained, and the question is always “What am I getting out of this?” In a relational frame, each interaction is part of an ongoing story, and the question is “How are we building something together?”

This relational orientation is the thread that connects all six ideas. Harmony requires sustained attention to how stakeholder interests evolve over time. Jointness can only be understood through deep, ongoing knowledge of how stakeholder relationships affect one another. Rejecting trade-offs demands the patience to search for creative solutions rather than accepting the first apparent conflict. Creative imagination flourishes in the context of trusted relationships where people feel safe to experiment and fail. Conflict reveals its creative potential only when the parties involved are committed to working through it together rather than walking away. And all of this requires the kind of continuous, genuine engagement that only comes from seeing stakeholders not as instruments or adversaries, but as partners in a shared endeavor.

## Conclusion

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These six ideas—stakeholder harmony, jointness of interests, the rejection of trade-offs, creative imagination, the productive power of conflict, and continuous relational engagement—form an integrated whole. Each reinforces the others, and together they constitute a mindset that fundamentally transforms how leaders think about business.

The dominant narrative of business over the past several decades has treated stakeholders as competing claimants on a fixed pool of value, with the leader's job being to allocate that pool according to some priority scheme. The stakeholder mindset rejects this narrative entirely. Value is not fixed; it is created through the quality and creativity of stakeholder relationships. Stakeholder interests are not inherently opposed; they are joint, and their apparent conflicts are invitations to innovate. Trade-offs are not inevitable; they are failures of imagination that disciplined creativity can overcome.

*This is easy to say and hard to do. It requires a different kind of leader—one who is as comfortable with ambiguity as with analysis, as committed to relationships as to results, and as invested in creative development as in financial performance. But the evidence from four decades of practice is unambiguous: it is very much worth it.*