Assignment - Describe today's pluralist society and outline the challenges and opportunities it presents for modern businesses. Do you believe this provides further justification for a stakeholder approach to business? Provide evidence for your argument.

The objective of this essay is to outline a pluralist society, and the challenges and opportunities it presents for modern businesses. For this purpose, we would first begin by understanding what is a pluralist society? We would then try to gather an understanding what a pluralist society means in context of modern businesses. This understanding will help us in analyzing the challenges and opportunities that a pluralist society presents for modern businesses. Once we gather all the above information, we would then set out on discussing the stakeholder approach to business. From there on, we would then move to question and reason whether a pluralist society justifies the stakeholder approach to business or no, and give reasons for the same.

Pluralism in Australia accepts the rights of cultural majority and allows people to keep culture, religion, law, and language above the minority cultures. It provides quite a fair degree of autonomy to minority people while encouraging them to come together and integrate around one culture and one law. Pluralism offers a great opportunity to our country to seek happiness for the majority of people, and is quite different from multiculturalism.

Our pluralistic society makes business relations more novel and interesting as compared to other countries or societies. Joseph W. McGuire (1963) defines pluralistic society as the one where there is wide decentralization and diversity in power concentration. The key words that need to be looked at in this definition are "decentralization" and "diversity." The definition implies that pluralism is a state where the power is diffused among society's groups and organizations.

The key point to remember is that the power is dispersed. It means that power is not concentrated in the hands of any one institution. It could be any government, business, the military, or labor establishment, or any small number of groups. Many years ago, James Madison (1908) had speculated that pluralism was a virtue to the society and business. He had rightly anticipated the emergence of several organizations in our society as its consequence.

There are many advantages of a pluralistic society to modern businesses. Firstly, it does not allow the power to be concentrated in the hands of a few. Secondly, a pluralistic society provides maximum freedom of expression and action. It succeeds in striking a balance between monism and anarchy. Thirdly, a pluralistic society creates a diversified set of loyalties to different business organizations. This ensures that interests of all sections of society are taken care of. Fourthly, pluralism provides for a check and balance review. It ensures that no group exerts power over other, and no single organization dominates and becomes influential.

A pluralistic society comes with its set of challenges too. While it ensures power dispersion, it simultaneously creates a business structure in which several institutions pursue only their self-interest. This results in lack of central direction to unite individual pursuits. One of the key challenges is the reigning chaos or confusion. Multiple institutions and groups proliferate so much that their aspirations and goals tend to overlap. This leads to confusion and indecisiveness as to which group best serves the interest of a business. Pluralism causes conflict because of its freedom to autonomy, with each group advocating its own objectives. Another disadvantage is that it promotes inefficiency. One group can blame other for the work undone or the failure in raising pertinent issues.

In the light of above challenges, it might appear that a pluralistic system is not very beneficial to modern businesses. However, experience and history have demonstrated it otherwise. They show that the merits of pluralism overpower its demerits. The main justification in favour of the pluralistic society is that it helps in achieving equilibrium in the power play of dominant institutions.

After discussing the advantages and disadvantages of a pluralist society, let us now throw some light on how a pluralist society affects stakeholders approach to business. To understand that, it is imperative that we understand what do we mean by stakeholders and what is the stakeholder theory.

To begin with, stakeholders are considered those individuals or groups with whom a business organization interacts or depends on. The stakeholder theory is a theory that focuses on organizational management and business ethics, and addresses values and morals in running a business organization. The credit of its origin goes to R. Edward Freeman (1984). His book ‘Strategic Management: A Stakeholder Approach’ models and identifies the groups that are considered stakeholders of a business corporation. In this theory, he describes and recommends methods through which business management can focus on giving due regards to the interest of these groups. In brief, the stakeholder theory tries to look at the issue of ‘who counts’ or ‘what counts.

As per the traditional view, owners or shareholders of any business corporation are the important set of people whose needs are of prime importance. The Stakeholder theory argues on these points, saying there are other groups or parties too that are involved in the business, and are thus, affected by the business’s success or failure. They may include governmental bodies, customers, trade unions, political class, employees in a corporation, key suppliers, business financiers, and trade unions, communities. Sometimes, even competitors are included as stakeholders, in the sense that they have the capacity to affect the business organization. Who constitute or come under the definition of stakeholders is, thus, highly debatable (Miles, 2012).

One version of stakeholder theory defines the particular stakeholders of a company as per stakeholder identification’s normative theory and further examines the conditions under which business managers consider these parties as their stakeholders, as per Stakeholder salience’s descriptive theory (Phillips, 2003). Instrumental stakeholder theory is often related to the pluralistic society, based on corporate governance model (Letza et al., 2004). Like social entity theory, the pluralistic model believes that any business entity should give proper attention to its stakeholders’ interests besides catering to the interest of its shareholders. However, it justifies the importance of stakeholders for their intrinsic worth and also for their role in improving profitability, efficiency, competitiveness, and financial success of an organization. The theory also argues that it is the stakeholders only who invest and contribute in a business firm and take risks. Therefore, it becomes imperative for them to get involved in the process of decision-making and, thus, contribute to enhance the efficiency of a business corporation (Blair, 1995; Kelly and Parkinson, 1998). Therefore, stakeholding is not just an entity in itself, but is also a means for effectively achieving set goals, as justified in the instrumental stakeholder theory (Stoney and Wistansley, 2001).

The argument on corporate governance hinges between shareholder's perspective and a stakeholder's perspective (Letza et al., 2004; Szwajkowski, 2000; Vinten, 2001). The two contrasting arguments present different ways of justifying and understanding key questions regarding the purpose of business organization and its associated governance structures. On one side, there is this traditional shareholding model, according to which the corporation is the legal instrument for shareholders to prioritize their self interests, which means investment returns. On the other side, there is a relatively new approach of stakeholding, according to which the corporation is at the centre of responsibility, and is responsible for not just shareholders' wealth but also for external stakeholders' interests.

Apart from this theoretical debate, present measures to judge good governance practices are mostly consistent with the dominant approach of holding shareholder's perspective in high regards (Wheeler and Davies, 2004). These measures review the following: the board' duties and that of their representatives such as the CEO and senior management, their independence, oversight of compensation and incentives to assure accountability for shareholders' wealth. This is one of the main evidences of success of stakeholder approach to business in a pluralistic society.

However, the empirical evidences to back the same claim are far and few. Dalton et al. (1998) performed an analysis on the data gathered from 80 studies. He found out that no evidence is there to confirm that there exists any kind of systematic and consistent relationship between financial performance and the governance structure. The codes of corporate governance stress on stakeholder governance practices, usually in relation to environmental and social responsibility (Wieland, 2005). But in spite of so much attention on these issues (Alkhafaji, 1998; Clarke, 1998), very little research has been done on how to combine the interests of different stakeholders.

Stakeholder theory has connection with the literature of corporate sustainability. The theory also builds a connection with the concept of corporate social responsibility (CSR). The theory also provides a theoretical framework for studying the relation between society and business (Clarkson, 1995; Donaldson and Preston, 1995; Waddock and Graves, 1997). Clarkson (1995) says that business corporations should make corporate social responsibility a business objective. He argues that this can be achieved by transforming intangible environmental and social issues into tangible interests of stakeholder. In this way, the stakeholder approach to business fits appropriately in the functioning of the business that wants to provide sustainable value to stakeholders (Wheeler and Davies, 2004).

However, very little focus has been laid on implications of corporate governance in respect to corporate sustainability (Ricart et al., 2005). There has been no consensus in the literature concerning corporate governance to prove that variables are the ones that best represent the stakeholder model. There are, however, many researchers who suggested that by satisfying the needs of multiple stakeholders, any firm adds value to its creation (Clarkson, 1995; Donaldson and Preston, 1995; Jones, 1995). Few other researchers have quantified organizational attitudes towards stakeholders. In the marketing field, researchers studied companies' measures to cater to the needs of customers, competitors, employees, unions, shareholders and found out that they all had a positive effect on the performance of business (Greenley and Foxall, 1997; Luk et al., 2005).

We can say that the stakeholder theory has been accepted and justified in the literature that exists on the subject of management. It has been ticked right on the basis of instrumental power, descriptive accuracy, and normative validity. The three sides of this theory are quite different but interrelated. These sides involve various kinds of argument and evidence and, thus, have different consequences.

To conclude, in this piece we discussed various aspects of the theory, and integrated different contributions available in the literature into one another. The discussion on corporate governance relied on two different perspectives, a shareholder and a stakeholder. Supporters of each theory tried to advocate the merits of their respective theories. They argued that the universality and rationality of their model was better than the other in theory. However, they failed to pay attention on the old assumptions, conceptions, and presuppositions that underpinned their take on the theory, albeit less valid and credible. This essay surveyed and reviewed main theories of business governance. By doing so, it outlined the shortcomings of conventional theories and advocated for considering a new modern way of functioning in corporate governance.

By studying various theories revolving around stakeholders theory, we came to the conclusion that pluralist society indeed is fundamental to the growth of a nation. We found out that stakeholder theory as a genre is very rich. It is one of the many ways to combine together all key concepts of business with the fundamentals of ethics. Instead of taking or discussing each business concept separately, it brings together the whole business as one entity. The theory provides a distinct perspective in the light of ethics and ethical standards followed in business. The pluralist society in wake of the arguments presented also justifies the stakeholder approach to business. This essay provides a clear idea of our viewpoint and can serve as an important instrument to clarify the stakeholder theory in business.

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