ABSTRACT. This article furthers the argument for a stakeholder theory that integrates into managerial decision-making the relationship between business organizations and the natural environment. The authors review the literature on stakeholder theory and the debate over whom or what should count as a stakeholder. The authors also critique and expand the stakeholder identification and salience model developed by Mitchell and Wood (1997) by reconceptualizing the stakeholder attributes of power, legitimacy, and urgency, as well as by developing a fourth stakeholder attribute: proximity. In this way, the authors provide a stronger basis for arguing for the salience of the natural environment as the primary and primordial stakeholder of the firm.

KEY WORDS: environment, relationships, stakeholder, sustainability

Primordial – 1. Being or happening first in sequence of time; original
2. Primary or fundamental


The concept of “stakeholder” has been used as a heuristic in the management literature for nearly two decades. The stakeholder framework has been forwarded to help managers to both define an organization’s social obligations and manage relationships with its respective stakeholders. While most stakeholder theories have progressed to the point in which the natural environment is given stakeholder status, some academics continue to be reluctant to include the natural environment as one of the firm’s primary stakeholders. Although an increasing number of scholars are now focusing their attention on management – natural environment relationships and a growing number of conference and publication outlets for research in this area (e.g. the increasing membership of the Organization and the Natural Environment interest group in the Academy of Management and the increasing number of related journals such as Organization & Environment), most management theories continue to have a very limited concept of “environment” (Gladwin et al., 1995; Shrivastava, 1994, 1995a). Similarly, although many companies are increasingly upholding environmental sustain-
ability as a value (Berry and Rondinelli, 1998), some practitioners have been reluctant to consider the natural environment as a primary stakeholder. Some research has shown that when companies make trade-offs among stakeholders, the natural environment is often placed low on the list (Bendheim et al., 1998; Nasi et al., 1997). Other scholars have suggested that companies overlook strategic environmental considerations, believing that the global economic system is somehow independent of the Earth’s ecological system (Gladwin et al., 1995; Jennings and Zandbergen, 1995; Schmidheiny and Zorraquin, 1996; Shrivastava, 1994; Stead and Stead, 1996). Therefore, although many business organizations apparently are attempting to green themselves through self-regulation, technological innovation, industry-wide codes, and certifications, these voluntary mechanisms are being implemented slowly, and their record has not been overly successful in halting environmental damage caused by business activity (King and Lenox, 2000).

This article advances the conceptual consideration of the natural environment’s status as a stakeholder of the firm. For purposes of this article, we distinguish between environmental institutions (groups, organizations, associations, or networks) as stakeholders and the natural environment as one or more stakeholders. In this sense, the natural environment is seen as a stakeholder entity in the same sense as the local community, the general public, future human generations, and developing countries might be. Carroll (1993) has described these generic stakeholders as those common to all types of enterprises. Here, natural environment encompasses the atmosphere, hydrosphere, lithosphere, ecosystem processes, and all human and non-human life forms.

First, we briefly review the literature on stakeholder theory and the debate on who or what should count as a stakeholder, in particular focusing on the Mitchell et al. (1997) stakeholder framework. Then, applying the case of the natural environment, we critique the beliefs and assumptions underlying the stakeholder attributes of power, legitimacy, and urgency that are an integral part of the Mitchell et al. framework. In addition, we suggest additional stakeholder criteria, thereby providing a stronger basis to argue that the natural environment should be included as one or more primary stakeholders of the firm. This article focuses on the development of the attribute of proximity and we build on the work of Mitchell and his colleagues, contributing to a normative theory of stakeholder identification and salience. Our goal is to expand their framework to argue that the natural environment can be identified as the primary stakeholder of the firm in its own right and that it should have salience for all managers.

I. The stakeholder concept

Stakeholder theory concerns the nature of the relationships between organizations and their respective stakeholders and the processes and outcomes of these relationships for organizations and their stakeholders (Jones and Wicks, 1999). The manager is typically placed at the center of the contractual relationship between a business organization and its stakeholders (Hill and Jones, 1992). Definitions of stakeholder in the literature range from the broad and inclusive to the narrow and exclusive. The inclusive definition is typically prescriptive, adopting a public relations or moral focus. For example, stakeholders have often been considered to include any groups or individuals who can significantly affect or be affected by an organization’s activities (Evan and Freeman, 1988; Freeman, 1984; Donaldson and Preston, 1995; Greenley and Foxall, 1997), but has been broadened to include non-humans (Buchholz, 1993; Starik, 1995; Stead and Stead, 2000). More narrow definitions include or exclude stakeholders based on managerial perceptions of stakeholder power, resource dependence, or risk (e.g., Barney, 1997; Clarkson, 1994; Greenley and Foxall, 1997; Harrison and St. John, 1996; Nasi, 1995; Nasi et al., 1997). In for-profit corporations, maximization of shareholder wealth is typically considered to be the primary stakeholder goal (Shrivastava, 1995a). To avoid “excessive complications”, conventional management encourages managers to limit the number of stakeholders and focus primarily on financial indicators (e.g., Barney, 1997; Grant,