ments in a context of established and emerging power relationships. The locus of the moral debate should therefore be shifted from looking at the governance model in isolation to questions about how the firm ensures it has a CEO of integrity and moral imagination at the helm. This is not to say questions of governance are not important, only that they are secondary to the choice of a person with demonstrable skills and virtues to carry out the normative vision of the corporation.

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Response to Kevin Gibson

KEVIN GIBSON'S RESPONSE TO MY ARTICLE "From Hired Hands to Co-Owners" raises some important issues in my assessment of the changed role of the CEO (Boatright 2009). In that article, I offered a defense of the moral desirability of the way in which the chief executive role in American corporations had changed in the past two decades, since roughly 1990. The main moral objections of this changed role, against which my argument was directed, are founded, in large part, on a team production model (TPM) of corporate governance, as opposed to the conventional understanding of corporate governance that is built primarily on the agent-principal model (APM). Although a rejection of the TPM in favor of the APM does not logically entail the falsity of the critics' positions—that would be the fallacy of denying the antecedent—is does undermine the ground of any criticism based on the rejected model and suggests that critics need better reasons for their opposition.

My argument is open to criticism from various directions. One response is to question the rejection of the TPM, which Gibson does by raising an issue about the sense in which a mediating hierarch is neutral. It is true, as Gibson observes, that neutrality could mean that a mediating hierarch is impartial rather than, as I suggest, unaccountable or even unprincipled and capricious. I do not deny that a neutral mediating hierarch might have any number of characteristics, good or bad. The rel-

https://doi.org/10.1017/S1052150X00010575 Published online by Cambridge University Press

evant concern, however, is what incentives might induce a CEO to be neutral in any desirable sense and, in Gibson's words, "to increase the welfare of many affected parties." Merely because a CEO *might* act in ways that we deem morally desirable, does not mean, absent sufficient incentives or a rigorous selection process, that he or she will do so. At a minimum, Gibson, along with advocates of the TPM, needs to provide some reason to believe that this vision of the ideal mediating hierarch is likely to be realized in a capitalist economy. My argument requires merely that such a likelihood is not assured by the TPM.

A second line of criticism is to reject the doctrine of shareholder primacy, which is central to the conventional understanding of corporate governance. Such a rejection seems to be implicit in Gibson's discussion of stakeholder theory as a solution to the problem posed by the need to secure the cooperation of many stakeholder groups in the process of wealth creation. As a point of logic, my argument assumes the standard view of corporate governance, including shareholder primacy. If one rejects this view, then, of course, the justified role of the CEO will be different, and how it is different will depend on the alternative proposed. Any discussion of the CEO's role must take place within some assumptions about the justified form of corporate governance. If a stakeholder, rather than a stockholder, conception of the corporation is adopted, then, obviously, a different role for the CEO would be regarded as morally justified. However, such an argument would transform the debate from the role of the CEO to the justification of shareholder primacy and, ultimately, to the merits of the stakeholder and stockholder views of the corporation. This is a debate worth conducting but one outside the scope of my article.

Any debate over stakeholder versus stockholder views can be sidestepped, however, by focusing on the "problem" that Gibson cites about the need for a CEO to be able to induce cooperation by all stakeholder groups (which is also known as the underinvestment or hold-up problem). If a critical task for a chief executive cannot be met within any given conception of the CEO's role, then that conception is morally, as well as practically, faulty. Indeed, the main motivation for the TPM is the belief that a mediating hierarch is needed to overcome the underinvestment or hold-up problem and induce all stakeholders to cooperate in the process of wealth creation, and that this problem is more pressing that the shirking problem of agency theory. It is true, as Gibson observes, that the stakeholder theory developed by R. Edward Freeman offers another "solution" to this problem by identifying a normative core of shared understandings that can serve to induce CEOs to engage in stakeholder management. Gibson's objection to my position can be briefly stated in the claim that the "problem" of securing stakeholder participation in production—that is overcoming the underinvestment or hold-up problem—can be achieved only by a CEO who is either a mediating hierarch or a stakeholder manager. Presumably, a shareholder advocate CEO cannot serve this role.

This objection is faulty on two grounds. It makes the related assumptions, first, that securing stakeholder cooperation is a critical role of management and, second, that this task cannot be filled successfully by a shareholder advocate CEO. The standard account of corporate governance assumes that stakeholder involvement is achieved primarily in a market by financial incentives and contractual assurances.

https://doi.org/10.1017/S1052150X00010575 Published online by Cambridge University Press

(Employees can be induced to cooperate with sufficient pay and adequate guarantees of payment and job security, for example.) That this conventional assumption is not wholly true has been convincingly shown, in my view, by Post, Preston, and Sachs (2000a, 2000b), who identify the capacity to manage stakeholder relationships as a source of organizational wealth. They make their case, however, only for what they call "the extended enterprise," which is defined as "the nodal element within a network of interrelated stakeholders that create, sustain, and enhance its value-creating capacity" (Post, Preston, and Sachs 2000a: 7). Such firms are typically in knowledge-based industries that must deal with rapid technological change, complex supply chains, and difficult political environments. Although extended enterprises are becoming more common, this emerging category does not include all, or even most, present-day firms. Consequently, one can question the extent of the "problem" Gibson cites, and hence the need for a "solution" to it.

With regard to the second assumption, I argue in the article, with respect to the TPM, that insofar as the process of wealth creation requires a CEO to be a kind of "honest broker" among stakeholder groups, there is no reason in principle why a shareholder advocate CEO cannot serve this role or, indeed, why shareholders would not select and provide incentives for such a CEO. Moreover, Preston, Post, and Sachs do not suggest that any change from shareholder primacy would be required to manage an extended enterprise in the ways they propose; the benefits to shareholders from stakeholder management should be sufficient. Furthermore, even if the challenges of managing the extended enterprise did require some changes in corporate governance, these are, for most corporations, in the future. I claim only that the needs addressed by the TPM are not sufficiently pressing *at the present time* to warrant a change in corporate governance.

Finally, in response to Gibson's comments about my use of the Nirvana fallacy, I certainly do not to deny the value of seeking an unrealizable ideal in a way that leads to realizable outcomes. However, it is incumbent on anyone who proposes change on such grounds to present good reasons for believing that genuine improvement is a likely result. Thus, distributional justice, to cite one issue raised by Gibson, is a morally important matter, but whether it can be promoted by changes in corporate governance is highly dubious.

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