

Board Talk:

Interview with the Father of Stakeholder Capitalism



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Few academics reach legendary status, but Prof. R. Edward Freeman is unquestionably one of them. Widely recognized as the «Godfather of Stakeholder Theory,» his groundbreaking contributions have fundamentally reshaped our understanding of corporate governance. We had the rare privilege of engaging in a thought-provoking conversation with Prof. Freeman on the future of corporate governance, with a particular focus on board ethics, leadership responsibility, and the evolving role of artificial intelligence.

Prof. Sutter-Rüdisser

Dear Professor Freeman, Thank you very much for taking the time to be with us today. It is a fantastic opportunity, a great honour, and a real pleasure to welcome you here.

Let me begin with a short introduction: I personally have the strong conviction that every board of directors carries a profound responsibility, not only for the products and services their company offers but also for the long-term social and ethical implications of their decisions and actions. At the same time, we are witnessing an unprecedented pace of change. Our ability to understand and anticipate emerging technologies often lags behind their rapid deployment and this gap seems even more pronounced with artificial intelligence than with previous innovations. Looking at past technological shifts, such as the rise of social media, it becomes evident that many of the most far-reaching consequences only emerged after widespread adoption, often unforeseen and with significant ethical impact.

In your view, would a shift from a reactive «let's open Pandora's box and see what happens» approach to a more proactive consideration of ethical consequences improve our ability to responsibly navigate innovation?

Prof. Freeman

There are several ways to approach the question of how society, and especially companies, can responsibly navigate the ethical complexities posed by emerging technologies like AI. Often, we think in terms of reactive versus proactive responses, reacting once something has happened, versus anticipating consequences in advance. But there is a third, and I would argue, more powerful approach: interactive planning. This concept was championed by one of my mentors, Russell L. Ackoff, a pioneer of systems theory.

Interactive planning involves engaging directly with stakeholders, understanding how your actions affect them, how their actions affect you, and co-creating solutions together. This stakeholder dialogue is, in my view, absolutely critical when we think about the challenges posed by new technologies such as AI.

Now, when it comes to ethics and progress in society, we often begin with certain core principles derived from past cases and lived experience. Over time, we generalize these into theories. But when new technologies emerge, they often introduce novel cases that test our principles. We are then faced with a choice: Do we apply our existing principles as-is, or do we refine and adapt them? A good example is the case of abortion. Two deeply held principles come into conflict: the right to bodily autonomy and the sanctity of innocent life. For much of history, this was a theoretical dilemma. But the advent of safe, affordable abortion technology made it an urgent, real-world issue, one that forces society into serious ethical debate and reflection.

This process, where we test, revise, and sometimes reinvent our ethical principles in light of new experiences, is what philosophers call reflective equilibrium. It's not about discarding old ideas but refining them, so they remain relevant and useful.

This applies, too, to fundamental ethical constructs like property. Traditionally, property implies exclusivity: «This is mine, not yours.» But in the digital world, most «property» is simply code, zeros and ones. I can have it, and you can have it, at virtually no cost. This undermines the old paradigm. So, we try to invent new categories like intellectual property. But technologies like peer-to-peer sharing challenge the enforceability of those ideas, and we're again forced to rethink. The real challenge is that in many societies, our ability to have meaningful conversations across different perspectives is weakening. And that, more than anything, makes these ethical dilemmas harder to resolve. Especially in the case of AI, where the pace of technological change outstrips our ability to deliberate.

So, how do we catch up? We need more interactive processes, not just within companies but across society. I believe companies, especially those that operate globally and touch millions of lives, can and should take a leadership role in fostering these conversations.

Universities, too, have a crucial role to play. They must prepare the next generation not only to innovate, but to think critically and engage constructively in difficult ethical conversations. We also need to put more pressure on our political institutions to create space for these debates.

Yes, these conversations take time. But they are essential, because without them, our ethics will always lag behind our innovations.

Prof. Sutter-Rüdisser

what you just shared really resonates. It reminded me of something you've said before about Japanese culture, how they tend to not end discussions, but rather not start them until the time is right. That concept has stayed with me.

So perhaps as a follow-up to your last point, I'd like to ask: How did we get to this point, where the level of tolerance, not only in broader society but even in everyday interactions, seems to be diminishing?

Why is it that this iterative, ongoing, open-ended style of dialogue, the kind of conversation that allows values and ideas to evolve, feels increasingly rare?

Is it that we don't value time anymore? Are we too distracted, too overstimulated? Is the breakdown a reflection of how our brains are changing, especially among younger generations who are constantly exposed to fast media, short attention spans, and rapid stimuli from video games, social media, and streaming?

Or, in your view, is this erosion of dialogue more of a cultural shift, a deeper sign that our institutions and habits no longer encourage sustained ethical reflection?

Prof. Freeman

I'm not entirely sure whether what we're seeing is a cause or an effect, or perhaps both. But what does seem clear is that the pace of change today is extraordinarily fast. And it raises a critical question: we often talk about planetary limits but is there such a thing as human capacity for change?

Sometimes, it feels like it's simply too much, too fast. We're inventing technologies we don't yet understand how to control. In some cases, we don't even know what control would look like until it's too late. But if we don't want to give in to that uncertainty or chaos, then what we must do, both individually and collectively, is reinvent ourselves alongside the technologies we create.

This isn't just about managing risk. It's about asking deeper questions. For example: What would social media look like if we had built it with a conscious design to avoid its more damaging effects? Or more fundamentally: What is this doing to our relationships, to our capacity for genuine, fulfilling, unmediated human connection?

So perhaps the real question isn't only about unintended consequences, although those are important, it's also: What are these technologies doing to our humanity? What is thinking about AI doing to us, not just in terms of jobs, skills, or regulation but to the way we experience being human?

That's why I believe boards of directors have a moral obligation to ask these questions. Because companies aren't just economic actors. They are cultural forces. They shape the world we live in and they must be active participants, ideally leaders, in the ethical dialogue around technology. It is a huge responsibility. But I think it is a necessary one. And if we do it right, it can also be a hopeful one.

Patrick Zbinden

Let's say you're sitting on a board and you emphasize that meaningful ethical reflection takes time. A likely concern from others at the table might be: «Yes, but we have to move fast, our competitors are already ahead.» This seems to highlight a real tension, a possible trade-off between taking the time to thoughtfully consider the ethical and societal implications of innovation, and the pressure to get products to market as quickly as possible to stay competitive. My question is: Is it truly possible to foster a culture where speed and responsibility can coexist or do we need to fundamentally rethink what «moving fast» should mean in today's world, especially in the context of transformative technologies like AI?

Prof. Freeman

Well, economists and many business professors often talk about trade-offs. I don't. In fact, I really dislike the concept. Trade-offs can be a way of giving up too soon. They are sometimes a form of intellectual laziness. Because if all you look for are trade-offs, then that's all you're going to find. But if you look for ways to achieve both goals, if you look for win-win solutions, you may not always succeed but if you don't even look, you certainly won't find them.

A typical excuse I hear is that ethical reflection makes sense in the long run but we need to act fast now. I think that is just a way to avoid responsibility. The truth is, we need to figure out how to do the right thing now, in the present. The long term never really arrives. Life is lived in the short term and ethical thinking has to be lived there as well. Another important point is this: if you are doing something simply because your competitors are doing it, you are heading toward failure. Decisions should be guided by a clear sense of purpose and by what you stand for. Yes, competitors matter. They give people choices in a free society. But that should not be the reason for your strategy. Board of directors in particular must take their company's purpose seriously. Purpose should not live in glossy statements or on coffee mugs and mouse pads. It has to be reflected in how the company is run, every single day.

I am not saying that making money is unimportant. On the contrary. The idea that profit is somehow bad or shameful, which you sometimes hear from the political left, is simply not serious. Businesses need to make money in order to survive and invest in the future. At the same time, I reject the idea that talking about responsibility and ethics makes someone a socialist. That kind of thinking, often heard from the far right, is just as misguided. I truly believe that business is the most important social institution we have ever created. It shapes lives, societies, and the future. With that power comes responsibility. Not just to make money but to lead in a way that reflects values, purpose, and humanity.

Prof. Sutter-Rüdiger

Maybe this also has to do with why you've been so successful, and one of the things I personally love most about your work is this inclusive way of thinking in terms of «and» rather than «either-or.» What you just described really reflects that mindset: it's not about labeling things as inherently good or bad.

It's about embracing complexity and holding different values together in tension. It's about «and.»

Let me follow up on that in the context of AI, and more broadly, decision-making in real time, especially from a board's perspective. You mentioned the importance of pausing, taking the time to reflect, even delaying decisions when needed. If we assume that time is the one resource everyone shares equally, 24 hours a day, then maybe the real issue is not time itself, but our capacity to adapt to the speed of change. As you said, sometimes things move faster than we can process.

Beyond simply «taking a break,» are there practical tools, methods or even habits we could develop, individually or at the board level, to stay smart in fast-moving environments? How can we improve our ability to make thoughtful decisions when innovation outpaces our natural cognitive limits?

Prof. Freeman

The real time constraint I see is that technology moves faster than our ability to have meaningful conversations about it. No matter how much we want to discuss the implications, dialogue and especially ethical dialogue takes time. And beyond time, it requires an attitudinal shift. Too often, people think of ethics as something purely personal. They say things like, «I have to be able to look myself in the mirror. I have to live with myself». That's fine. Your values do matter but so do ours. Ethics isn't just about you. It's about you and us. It's both personal and interpersonal.

Take any major ethical issue such as abortion, AI, end-of-life decisions, these aren't just private questions. They are questions about how your life intersects with others, how we coexist in a society. That's why we need to shift from purely private conceptions of ethics to something more civic and shared. This is, in fact, one of the great innovations of liberalism: the idea that we can each hold different worldviews, and still reason together about how to live side by side. But that's incredibly difficult in practice.

Let me give an example: Suppose you're a Christian or a Buddhist, and I'm a strict materialist, I believe when we die, we return to dust and that's it. You believe in the soul and an afterlife. Now suppose we have to make a joint decision on a moral or policy issue. If all we do is trade our private convictions, we'll never get anywhere. Your religious revelations won't persuade me, and my arguments won't persuade you. So we need to create what I call a civic space, a place where we don't try to convert one another but instead try to understand each other and look for overlapping reasons. For instance, you might say, «I believe in the sanctity of life.» I might say, «I do too, but I'm not sure when life begins or what counts as a person». We try to construct a shared understanding, not perfect agreement but enough common ground to form workable policies.

That's what makes ethics work in a society. But in many countries today, this civic process doesn't function well. And I worry that it's not working as well as it used to, even here.

Patrick Zbinden

Following on from your point about ethics being both personal and interpersonal, I'd like to turn to the role of boards in the age of AI.

Ensuring that AI initiatives are developed and deployed responsibly is not merely a technical issue, it is a governance challenge, and one for which boards of directors carry significant responsibility. However, an additional and increasingly relevant question emerges: What happens when boards themselves begin to use AI?

Looking ahead, it seems likely that many of the traditional business skills we consider essential today may lose their centrality, as more of these functions are enhanced or replaced. This leads to a broader reflection: Will the profile of effective, value-adding board of directors evolve as a result? Plato imagined a state ruled by philosopher kings. Building on that idea, do you see a future in which board of directors adopt a more philosophical role, one focused less on operational oversight and more on guiding the deeper moral, societal, and human direction of the organization?

Prof. Freeman

Plato believed that, because of their superior knowledge, philosophers should rule and tell everyone else what to do. In that sense, he was fundamentally authoritarian. I don't believe this is the kind of leadership or governance that companies need in the future. We certainly don't want boards or executives acting like authoritarian philosopher-kings, cut off from dialogue, dissent or stakeholder engagement. Interestingly, I just finished a book on Plato titled *Models of Leadership in Plato and Beyond*.

What I found is that Plato didn't propose a single model of leadership. He actually used multiple metaphors for leadership: the teacher, the shepherd, the doctor, the sower, the navigator. But he didn't try to unify them into one essential definition.

Plato understood leadership more like what philosophers call a «family resemblance» concept. Think of something like «games»: some are competitive, some are cooperative, some are solitary. There's no single definition that fits all, but we recognize what a game is when we see one. Leadership and I'd argue business itself works the same way. There's no single model, but rather a cluster of overlapping examples. Now, importantly, Plato did not have a concept of ethical or responsible leadership. For him, you were either a leader or a tyrant. And frankly, we need to recover that distinction. Because in today's world, whether in politics, business, or academia, we see plenty of people acting as tyrants: trying to force others to act in ways that primarily serve their own interest, not the collective good. What we need, especially at the board level and especially in the context of AI and other ethical challenges, is responsible leadership. Or if you prefer, ethical leadership.

And we need to start calling tyrants what they are – whether they're board of directors, CEOs, politicians, professors or sometimes even students.

Prof. Sutter-Rüdisser

I think it's important to call that out and maybe this brings us to a broader reflection on the role and composition of boards today. Take financial services, for example.

Regulations like those from the European Central Bank require board of directors to pass assessments in areas like financial literacy. That is understandable and necessary. But after hearing your reflections on leadership, values, and responsibility, I wonder: Should we go further? What if board of directors were also assessed on character? What if, alongside competence tests, we introduced some form of psychological screening, not to invade privacy but to help ensure that those in positions of power aren't driven by narcissism, authoritarianism, or a lack of empathy?

I know this raises complex questions, how would we define the criteria, who gets to decide, and how do we avoid overreach? But could this kind of character-based accountability help us better identify responsible, ethical leaders? Or is that crossing a line, trying to formalize something that might always remain too human, too nuanced, to be tested?

Prof. Freeman

The challenge is that it is easy to reduce something like character to a checkbox exercise. And until I see a test that reliably captures the kind of moral and psychological depth you're talking about, I'd be skeptical. After all, if it were that simple, we would already be doing it and we are all familiar with the limits of standardized testing, even in areas where we do it well. Now, should character matter when selecting board of directors? Absolutely. It should be part of the decision, alongside skills, experience, and diversity of thought. But character isn't something you can fully quantify. At least at this point. Now, you raised another important point: Why don't we call out the «tyrants» more often? We live in a world that is more transparent than ever and yet we still see people in power acting unethically, while others look away. Why? I'd suggest part of it is social conditioning. Think back to childhood, many of us were taught not to be a «tattle-tale,» not to tell on others. That instinct to stay silent, even when we witness wrongdoing, runs deep. It's framed as a kind of loyalty or respect. But there's a fine line. On the one hand, we don't want to create a culture where people are constantly pointing fingers, that kind of hyper-surveillance makes trust impossible. On the other hand, if everyone stays silent, the bad actors continue unchecked. So, what we need is not more tests or tools, necessarily but a culture that encourages moral courage, where calling out abuse of power isn't seen as betrayal, but as part of responsible leadership.

Patrick Zbinden

Is responsible leadership an innate trait, something you're born with or is it a skill that can be cultivated, developed, and strengthened through experience and education?

Prof. Freeman

In real life, it's always both – nature and nurture. How do we teach ethical leadership? We use methods like the case method and the Socratic method.

We place students in real-world situations and ask them to reason their way through, ideally in conversation with their peers. They also need to know some theory, what others have written about ethics, leadership, and values. But real learning happens when they are immersed in the problem. When they stop searching for abstract formulas and start grappling with real context, real stakes, and real people. A poor approach would be to say, «the greatest good for the greatest number, end of story.»

That's an oversimplification. A better approach, I'd call it the pragmatist's approach, is to get inside the situation, understand the details, and ask: What's the best thing to do here, given what we know? And sometimes, that even means creating new theory as we go. But all of this requires humility, a mindset that acknowledges we don't have all the answers. Because the truth is, we humans are masterful rationalizers. We are great at deceiving ourselves and I'll admit, I'm especially good at it. I can justify almost anything and back it up with a couple of TED Talk references to make it sound convincing. That's why we need people around us who will tell us the truth. People who will call us out when we are fooling ourselves. I am lucky my three children are excellent at that. I also have a few colleagues and friends who don't hesitate to give honest, often uncomfortable feedback. And that's invaluable.

At the core of ethical leadership is one thing: humility. The ability to reflect. To listen. To accept that you're not the center of the universe. To recognize that your ideas, however brilliant they seem, might not be right. And to resist what we jokingly call «drinking your own bath water». Because the moment you start believing in your own infallibility, that's when the real trouble begins.

Prof. Sutter-Rüdissler

If I may, I'd like to ask a question that's really been at the center of my thinking these past few weeks, especially around decision-making in the age of AI. As a board member you try to make thoughtful, well-informed decisions. We go back and forth, we engage in dialogue, we include management, and ideally, we listen to broader stakeholder voices. But now, with AI and advanced technologies, the landscape is shifting. I come from a generation that still remembers looking things up in the library, we didn't grow up with instant access to information. And now, suddenly, we can access nearly everything, all the time, more data, more opinions, more metrics, more tools.

I sometimes find that instead of clarity, all this access creates a kind of decision fatigue, too many pros and cons, too many «what ifs,» too much reaching out. It can feel like there's no clear moment to decide anymore, just endless analysis. Does this new level of access and information liberate us to make better decisions, or does it in some ways paralyze us, making good judgment harder to reach?

Prof. Freeman

Sometimes, especially under uncertainty, the real skill lies in developing good judgment: knowing when you have enough information to make a decision, and when you don't. In that sense, AI can be incredibly helpful. That's where I see its real potential, as a tool to help us navigate uncertainty and make more confident decisions, rather than drowning in data.

But the real challenge is figuring out how to make these technologies work for us, not the other way around. How do we use them in a way that enhances our decision-making rather than complicating it?

There's no one-size-fits-all answer. I'd go back to John Dewey, who reminds us that how we think should always depend on the problem we're trying to solve.

Some decisions genuinely require gathering as much information as possible. Others require something different: patience, timing, and the humility to pause. Sometimes the right move isn't to act quickly, but to recognize that you're not even solving the right problem yet. And ultimately, good judgment is being able to tell the difference, to know what kind of problem you're facing and adjust your approach accordingly.

Prof. Sutter-Rüdisser

One of the things we've observed, particularly here in Switzerland, is a deep-rooted cultural desire for certainty. We invest heavily, in regulation, risk management, and decision frameworks, to reduce uncertainty as much as possible. We're always trying to reach that 99.9%.

But in real life, certainty is rare. It's even an illusion. And especially with fast-moving technologies like AI, that illusion becomes harder to maintain. Do you think this desire for near-perfect certainty is becoming a problem, maybe even a barrier, in how we make ethical and strategic decisions today?

Prof. Freeman

It depends on the problem. Let's take something urgent and deeply human; The life of one of my children is at risk. In that case, I don't need 99.9% certainty to decide. I need to feel the weight of that decision, step into it fully, and act. Because ethical problems are not abstract puzzles. They're not something you solve purely with logic or spreadsheets. When you feel that your instinct is to act, to explore every possibility, even without perfect information. Knowing when you need more data and when the situation itself tells you to move, that's part of good judgment. Sometimes, yes, we do need more time and more information. But at other times, the urgency and the stakes make it clear that we must act, even if the uncertainty is still there. What concerns me, and I think this speaks to your point, is when people treat ethics as merely intellectual. If someone tells me they're grappling with an ethical dilemma but feels nothing, no discomfort, no internal conflict, I worry.

That's not ethics. That's detachment. So yes, this relentless pursuit of certainty, while useful in many domains, can block our ability to act ethically. Because the truth is: we live in a world of uncertainty. And real leadership means being able to move through it, not wait for it to disappear.

Prof. Sutter-Rüdisser

That resonates deeply. And yet, much of our business education – and even governance models – still treats uncertainty as something to eliminate. That probably explains why, in business schools, we put such a heavy emphasis on numbers, models, and predictive tools.

Prof. Freeman

There is nothing wrong with understanding finance or economics, those are table stakes. You need those skills. But they're not enough. We've spent far too long teaching future business leaders that money is the only thing that matters.

But great leadership isn't about maximizing shareholder value through models. It's about having judgment, navigating ambiguity, and staying grounded in values, especially when the models fail. Take general equilibrium theory, it's mathematically elegant but it's not reality. It's a heuristic – a tool, not a truth. When business leaders mistake elegant models for how the real-world works, they get lost.

That connects well to what we see with entrepreneurial thinking. Some of our students, or early-stage founders, say, «I'm starting a business to get rich.» But is that really what drives sustainable ventures? Almost never. And when it is, my advice is: «If you just want to be rich, get a job. It's easier.» Entrepreneurs who build lasting businesses usually don't start with money in mind. They start because they care, they're passionate about something. They want to fix a problem, make something better, do something meaningful. A friend of mine helped start Noma, now one of the world's most celebrated restaurants. For the first 19 years, they weren't chasing profits. They were chasing purpose and excellence. And eventually, yes, the money followed. But the fire came first. That's what I believe we need to emphasize more, not just the stories of failure or greed, but the stories where people did it right. Where they followed their values and created something real. And as academics, we need to immerse ourselves in those real-world cases, not just abstract them into models. Because ultimately, if you frame every decision as a trade-off, that's all you'll ever see. But if you ask, «How can we do both?», you start seeing possibility.

Prof. Sutter-Rüdisser

As professors and even thinking back to when I was a student here, it strikes me how often we tend to focus on what went wrong. The cases we study, the stories we tell – they're usually about failure or mistakes. And that's how we're taught to learn: «Here's what not to do.» But when I look back, out of hundreds of case studies, only a few focused on what went right. That feels unbalanced.

I wonder: should we shift something in how we teach? Could we bring more attention to positive examples, to what actually works, and maybe change the language we use, not just in our teaching, but in how we approach business more broadly? As you said earlier, the entrepreneurial spirit isn't just about solving problems. It's also about joy. Maybe that's what we're missing in education: more joy.

Prof. Freeman

That absolutely makes sense and I think your generation is already sensing this. You don't just want to get by. You want to do something that matters, something that makes a difference in people's lives. And that's powerful. We want to live fully and leave something meaningful for our children, our communities. And that desire to make a difference that's not rare. I think most people feel it. But acting on it? That takes something else. It takes imagination, creativity, and the willingness to go beyond critique. We don't just need critique. We need to be able to critique through creation.

And maybe part of the answer, as you suggest, is to bring more of the arts, more history, more music into our understanding of business. Because business isn't just numbers and strategies, it's also stories, emotion, and rhythm.

And maybe, just maybe, doing that could help us regain the joy that sometimes gets lost along the way.