

# *Triple Loop SEOD and The Emergence of Stakeholder Capitalism in a Time of Shareholder Capitalism Decline*

Dr. David Boje, June 26, 2025

## **Abstract**

David Boje's (2017, 2018, [2024](#)) with colleagues Grace Ann Rosile (2024), with Khadija Al Arkoubi (2005), with Yue Cai Hillon (2017), with Hank Strevel (2018), and with Rohny Saylor (2023) develop their triple-loop model of Socio-Economic Organizational Development, providing a framework for moving organizations from the narrow, control-oriented logic of shareholder capitalism (single loop) to adaptive, stakeholder-focused learning (double loop), and ultimately to systemic transformation (triple loop) that integrates all stakeholders, recycles hidden costs, and creates sustainable net value in the rise of stakeholder capitalism. Their approach is grounded in the work of Argyris and Schön (1978), Boulding, Savall and Zardet (2022), and contemporary advocates such as Cooperrider (2021), Peter Demarest and Harvey Schoof (2010), Olivia Par-Rud (2009, 2011, 2012, 2018), and Tom Lemke (2022), offering a practical roadmap for the future of stakeholder capitalism. There are significant criticisms of previous attempts to move from double to triple loop learning and OD (See Tosey, Visser, & Saunders, 2012 for a review).

**Keywords:** Triple loop, Socio-Economic OD, Shareholder Capitalism, Stakeholder Capitalism, Appreciative Inquiry, Hidden Costs, Anxiogenics

## **Practical Implications of Bojean Triple Loop Learning for Stakeholder Capitalism**

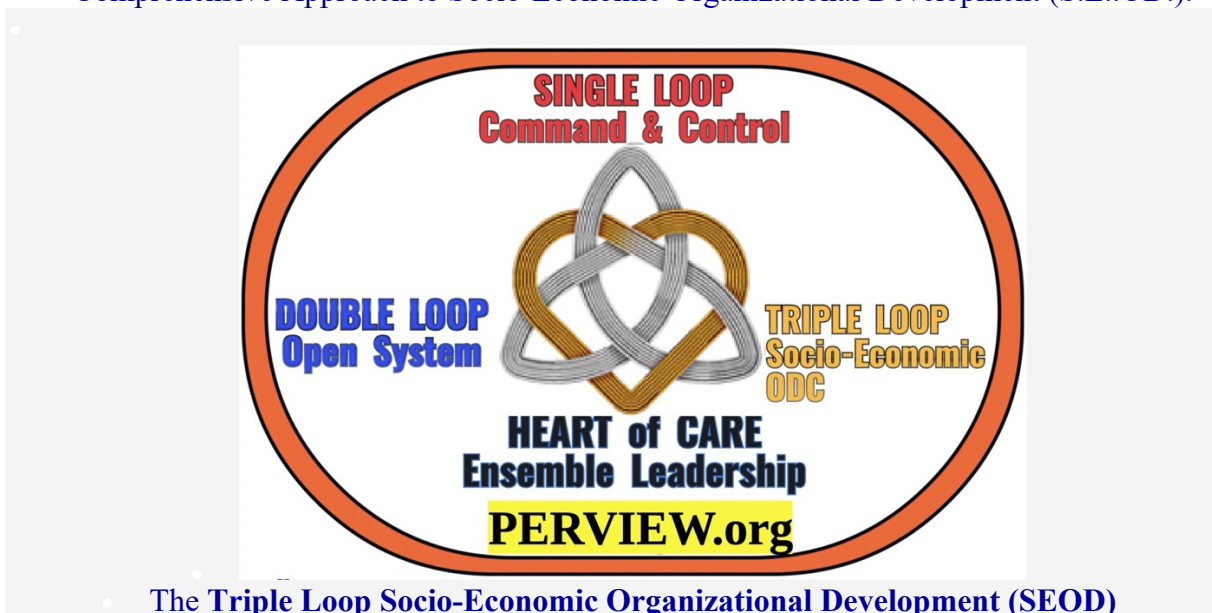
- **Single loop:** Maintains the status quo of shareholder capitalism, prioritizing shareholder short-term metrics and efficiency by cost-cutting initiatives, often at the expense of innovation and stakeholder well-being.
- **Double loop:** Challenges assumptions of shareholder capitalism, encourages organizational learning, and opens the system to a broad range of stakeholder input, fostering adaptability and long-term value.
- **Triple loop:** Achieves systemic transformation by integrating all stakeholders with a broader definition of stakeholders, measuring Savall and Zardet's (2008) hidden costs, and creating new revenue streams through collaborative action and continuous learning by releasing human potential to recycle hidden costs into untapped revenue streams.

This essay explores these questions: What is the history, and what are the key authoritative authors of the consequences of shareholder capitalism and stakeholder capitalism? How can David Boje's (2022) single, double, and triple loop model of 'socio-economic organizational development' apply. In a single loop, managerialism maximizes shareholder value through cybernetic system applications that control deviations from shareholder capitalism's value choices, which, over the last few decades, have destroyed stakeholder capitalism's double loop of agility, adaptability, and intrapreneurial innovation, replacing these with micromanagement, bureaucratic policies, minor management, and hierarchy. Double-loop learning sets out to rekindle double-loop learning (Argyris and Schon, 1970s and 1980s), which has all but

disappeared under the burgeoning short-term value choices of shareholder capitalism. Double loop rekindles the second loop of open systems call deviation-amplification so that single loop cybernetic systems of deviation-counteraction is not working solo in shareholder capitalism (see work by Louis Pondy, Kenneth Boulding, and David Boje). What happens as double loop is relaunched, is the single loop is not generating extrinsic and system values that dominate what Henri Savall and Veronique Zardet calls the creation of human potential and what Peter Demarest and Harvey Schoof in book Answering the Central Questions call 'creation of net value' by placing people as more important than extrinsic control and 'abstract' systemic concepts.

In sum, this essay builds upon the provided summary and expands on the concepts of stakeholder capitalism and shareholder capitalism, their historical context, consequences, key authors, and the application of David Boje's (2024) triple-loop model for organizational development.

**Triple-Loop STORYTELLING ORGANIZATION Transformation: A Comprehensive Approach to Socio-Economic Organizational Development (S.E..OD.).**



**Boje's Single, Double, and Triple Loop Model in Context**

**Single Loop (Shareholder Capitalism/Managerialism)**

- Focuses on correcting deviations from preset goals (e.g., maximizing shareholder value) without questioning those goals.
- Implements cybernetic systems (feedback and control) to ensure compliance and efficiency.

- Over time, this has led to micromanagement, bureaucracy, and a stifling of innovation and agility, as organizations prioritize short-term financial metrics over broader value creation.

### **Double Loop (Stakeholder Capitalism/Adaptive Systems)**

- Inspired by Argyris & Schön (1978), double loop learning questions underlying assumptions and values, not just actions.
- In stakeholder capitalism, this means organizations ask not just "Are we meeting shareholder targets?" but "Are these targets serving our broader mission and stakeholders?"
- Double loop learning introduces open systems thinking and deviation-amplification (allowing for innovation and adaptability), as described by Boulding and Boje.
- This rekindles agility, adaptability, and intrapreneurial innovation, countering the stagnation of single-loop managerialism.

### **Triple Loop (Socio-Economic Organizational Development/SEOD)**

- Boje's triple loop extends beyond the double-loop by integrating communication, cooperation, and coordination—the "3 Cs" of Savall and Zardet (2022)—across all stakeholder territories.
- This loop fosters deep, systemic transformation, enabling organizations to build cultures of gratitude (Lemke), sustainability (Cooperrider, 2021; Cooperrider & Selian, 2021; Cooperrider & Fry, 2010), and the Axiogenics' net value work (Demarest & Schoof 2010).
- Triple loop learning by Boje and colleagues operationalizes Savall & Zardet's approach by recycling hidden costs into socio-economic performance, using Activity-Based Costing (ABC) and the D.P.I.E. process (Diagnostics, Project-planning, Implementation, Evaluation).
- The result is a move from extrinsic, short-term control to intrinsic, human-centered value creation—what Savall & Zardet call "socially responsible capitalism" and Cooperrider calls "stakeholder capitalism."

## **1. Historical Context: Shareholder vs. Stakeholder Capitalism**

- **Shareholder Capitalism:** This model, often attributed to economist Milton Friedman, emerged in the 1970s and became dominant in the latter half of the 20th century. Friedman argued that the sole social responsibility of a business is to maximize profits for its shareholders, as long as it operates within the bounds of the law and ethical customs. This emphasis on shareholder value maximization led to increased financialization and a focus on raising share prices, sometimes at the expense of other stakeholders like employees and the environment. Companies like GE under Jack Welch exemplified this approach, prioritizing quarterly profits and shareholder value, sometimes through aggressive cost-cutting measures.
- **Stakeholder Capitalism:** While gaining renewed attention recently, the concept of stakeholder capitalism is not new. Early proponents, like Adolf Berle and Gardiner

Means in 1932, argued that public firms should balance the claims of various stakeholders, including the public interest. In the 1980s, R. Edward Freeman's work on "Strategic Management: A Stakeholder Approach" further promoted the benefits of addressing the needs of all stakeholders, solidifying the foundation for what is now known as Stakeholder Theory. Stakeholder capitalism emphasizes a more inclusive and sustainable approach, focusing on long-term value creation by considering the impact of corporate actions on all stakeholders, not just shareholders.

- A Shift in Focus: The recent interest in stakeholder capitalism represents a departure from the traditional shareholder-centric model, where business decisions were driven primarily by financial returns. This shift is influenced by growing awareness of the negative consequences of shareholder capitalism, such as environmental destruction and social inequality.

## 2. Consequences of Shareholder Capitalism

- Short-Term Focus: A key criticism of shareholder capitalism is its tendency to prioritize short-term profits over long-term value creation. This can lead to underinvestment in areas like research and development, employee training, and environmental sustainability, which might not yield immediate returns but are essential for long-term growth and success.
- Negative Externalities: The pursuit of profit maximization can result in negative externalities, such as pollution and exploitation of employees, which can harm communities and the environment.
- Increased Inequality: Shareholder capitalism has been linked to increasing income inequality, as profits are primarily distributed to shareholders, often at the expense of fair wages and benefits for employees.
- Erosion of Trust: Companies that prioritize shareholder interests above all else can erode trust with their customers, employees, and the public, potentially damaging their reputation and long-term viability.

## 3. Key Authors on the Consequences of Shareholder Capitalism

- Milton Friedman: While a proponent of shareholder capitalism, Friedman's work also acknowledged the potential negative consequences of unchecked profit maximization, particularly in areas like pollution and environmental degradation, where government intervention might be necessary.
- Jack Welch: The former CEO of GE is often cited as an example of a leader who prioritized shareholder value to an extreme, leading to significant workforce reductions and questions about the sustainability of this approach.
- Other Critics: Many contemporary authors and organizations, such as the Business Roundtable, have raised concerns about the negative impacts of shareholder capitalism and advocated for a more stakeholder-centric approach.

## 4. The Role of David Boje's Triple-Loop Model

- David Boje's (2024) Triple-Loop Model: This model, grounded in the work of Argyris and Schön (double-loop learning) and other influential thinkers, provides a framework for organizations to transition from a narrow, control-focused approach to a more holistic and sustainable one.
- Single Loop: This represents the traditional shareholder capitalism approach, where organizations focus on maintaining the status quo, prioritizing efficiency and shareholder metrics, and often ignoring or suppressing information that challenges existing assumptions. This approach can lead to micromanagement, bureaucracy, and a decline in agility and innovation.
- Double Loop: This level involves challenging underlying assumptions and mental models, encouraging learning and open communication with stakeholders, and fostering adaptability and long-term value creation. It involves examining and modifying the "governing variables" that drive organizational behavior, leading to a deeper understanding of cause-and-effect relationships and the potential for transformational change.
- Triple Loop: This represents the highest level of learning and transformation, where organizations integrate all stakeholders, measure hidden costs and externalities, and create sustainable net value through collaborative action and continuous learning. This involves a shift from a reactive, problem-solving mindset to a proactive, transformative one, where organizations continuously evolve and adapt in response to their environment and the needs of their stakeholders.

## 5. The Need for Change: From Single Loop to Double and Triple Loop

- Shareholder capitalism's single-loop focus on maximizing shareholder value has arguably contributed to a decline in agility, adaptability, and intrapreneurial innovation. This is because it often leads to micromanagement, bureaucratic policies, and a culture of fear that discourages risk-taking and experimentation.
- To address these challenges, organizations need to move beyond single-loop learning and embrace double-loop learning, which involves questioning fundamental assumptions and mental models. This can help organizations identify and correct the underlying causes of problems, rather than just treating the symptoms.
- Ultimately, the goal is to achieve triple-loop learning, where organizations become truly systemic and transformative, integrating all stakeholders and creating sustainable net value. This requires a fundamental shift in mindset and a commitment to continuous learning and adaptation.

## Socio-Economic Organizational Development (aka SEOD)

What David Boje proposes in Socio-Economic Organizational Development (aka SEOD) is the third loop of the triple-loop. This develops the three cs of SEO: communication, cooperation, and coordination, which are central to Savall and Zardet's approach. The triple loop extends from the reimagined double loop into stakeholder territorial interactions, bringing customers, shareholders, workers, managers, executives, and institutional actors together to build what Tom Lemke's calls gratitude cultures, and David Cooperrider, calls the move from just shareholder capitalism to the sustainability and appreciative inquiry of 'stakeholder capitalism' that can create

what Demarest and Schoof call the 'net-value' answer to their central question. What David Boje proposes is teaching and training single-loop leaders and managers to develop Activity Based Costing (ABC) or what Savall and Zardet call 'the recycling of hidden costs into socio-economic performance. This provides indicators and measures that go beyond the limited types of indicators and measures in the annual and quarterly reporting systems of corporate accounting. By providing measures of hidden costs (beyond the usual accounting reports), decision-makers have an information system that reveals the consequences of over-reliance on shareholder capitalism, such as an obsession with cost-cutting to meet quarterly shareholder report measures. Recycling hidden costs is the solution for converting the dysfunctions of managerialism into revenue-generating initiatives of SEOD, such as unleashing teams to perform diagnostics, project planning, and the Implementation of recycling hidden costs into untapped revenue streams, as well as evaluating results and disseminating them (D.P.I.E. is the acronym). The result of developing the three loops of triple loop is the inclusion of sit-in-action as stakeholder capitalism, and the development of what Savall and Zardet call socially responsible capitalism, and what David Cooperrider and Audrey Selian (2021) call 'Stakeholder Capitalism.'

David Boje (2024) develops these links of thinking for a triple loop approach to Socio-economic Organizational Development (SEOD). Develop these ideas and references to make the case that David Boje is laying out here.

### **Potential Benefits of Stakeholder Capitalism:**

- **Enhanced Performance:** Research suggests that companies that prioritize stakeholder needs can achieve higher employee engagement, customer loyalty, and ultimately, better financial performance.
- **Attracting and Retaining Talent:** Companies with a strong purpose beyond profit are more attractive to employees who seek meaning in their work.
- **Improved Reputation and Trust:** Focusing on ethical practices and social responsibility can enhance a company's reputation and build trust with customers and the wider community.
- **Sustainable and Inclusive Growth:** Stakeholder capitalism is seen as a way to address systemic issues like inequality and climate change, fostering a more resilient economy.

### **History and Key Authors: Shareholder vs. Stakeholder Capitalism**

**Shareholder capitalism** emerged as the dominant model in the late 20th century, particularly after Milton Friedman's 1970 essay in The New York Times, which argued that a corporation's sole responsibility is to maximize shareholder value. This approach was institutionalized in the U.S. by the late 1970s, with the prevailing logic that prioritizing shareholder wealth would

ultimately benefit society as a whole. However, critics have pointed out that this model often leads to short-termism, cost-cutting (including layoffs), and the neglect of broader societal and stakeholder interests.

**Stakeholder capitalism** is a system where businesses consider the interests of all their stakeholders – employees, customers, suppliers, communities, and shareholders – rather than solely focusing on maximizing shareholder value. Stakeholder capitalism has deeper historical roots, with early ideas appearing in the 1930s and 1960s (e.g., the Stanford Research Institute's 1963 paper on stakeholders). Peter Drucker, Edward Deming, and later Klaus Schwab (founder of the World Economic Forum) have been influential advocates. Schwab's 1973 Davos Manifesto explicitly called for companies to serve not only customers, employees, and suppliers, but also communities, not just shareholders. The stakeholder model emphasizes the creation of long-term value, employee engagement, innovation, and social responsibility. Sustainable business practices for 'net' value are a driving force, according to Demerest and Schoof, in their book, *Answering the Central Question*. It is long-term value creation, rather than prioritizing the managerialism of short-term profit on quarterly accounting reports. A key outcome is sustainable environmental responsibility and socially responsible business practices, as well as increased agility, intrapreneurship, and resilience, according to Savall and Zardet (2023).

### Key Authors and Influencers

- **Milton Friedman** (shareholder primacy)
- **Peter Drucker** (management for multiple stakeholders)
- **Edward Deming** (quality management, stakeholder focus)
- **Klaus Schwab** (stakeholder capitalism, WEF)
- **Chris Argyris & Donald Schön** (single and double loop learning)
- **Kenneth Boulding** (systems theory, roles in organizations)
- **Henri Savall & Véronique Zardet** (Socio-Economic Approach to Management, hidden costs, stakeholder value)
- **David Cooperrider** (appreciative inquiry, stakeholder engagement)
- **Peter Demarest & Harvey Schoof** (net value, central question)
- **David Boje** (triple-loop learning, storytelling, SEOD)  
<https://davidboje.com/CSIstory/CSIsocioeconomics.html>

## Conclusion

The decline of shareholder capitalism and the emergence of stakeholder capitalism highlight the need for a more inclusive and sustainable approach to business. David Boje's triple-loop model provides a framework for organizations to navigate this transition, moving from a narrow, control-oriented focus to a more holistic and transformative one. By embracing double-loop and triple-loop learning, organizations can create long-term value for all stakeholders, not just shareholders, and contribute to a more sustainable and equitable future

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