From Shareholder Primacy to Stakeholder Governance: Dismantling the Agency Theory Orthodoxy in Post-Pandemic Corporate Strategy

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Abstract. The enduring dominance of agency theory as the foundational logic of corporate governance has been subjected to unprecedented scrutiny following systemic market disruptions of the early 2020s. This study critically re-examines the shareholder primacy doctrine by employing a mixed-methods research design, integrating panel data analysis of 312 publicly listed firms across six OECD economies (2019–2024) with structured executive interviews. Findings reveal statistically significant correlations between stakeholder-inclusive governance frameworks and long-run firm resilience metrics, including risk-adjusted return on invested capital and organizational adaptive capacity. Contrary to prevailing agency-theoretic prescriptions, the evidence suggests that residual claimant hierarchies systematically undervalue relational capital and suppress managerial ambidexterity. The study advances a revised stakeholder governance model and offers actionable implications for board composition, fiduciary duty legislation, and executive incentive alignment.

Keywords: stakeholder governance, agency theory critique, shareholder primacy, corporate strategy, board composition, managerial ambidexterity, fiduciary duty, organizational resilience, relational capital

Introduction

The architecture of modern corporate governance has long been constructed upon the theoretical scaffolding of agency theory, as formalized by Jensen and Meckling (1976) and subsequently operationalized through decades of legislative reform, executive compensation design, and capital market regulation. At its core, the shareholder primacy doctrine posits that the singular obligation of corporate management is the maximization of residual returns accruing to equity holders, with all other organizational relationships subordinated to this overriding imperative. For nearly five decades, this paradigm has functioned as the default grammar of strategic management education, boardroom deliberation, and institutional investor activism across Anglo-American and, increasingly, continental European corporate landscapes. However, the compounding crises of the post-2020 global environment — including the COVID-19 pandemic, accelerating climate-related disruptions, geopolitical supply chain fragmentation, and widening socioeconomic inequality — have exposed structural vulnerabilities inherent to narrowly financialized governance architectures. Firms operating under rigid shareholder-centric mandates demonstrated measurably lower adaptive responsiveness during exogenous demand shocks, as documented by the World Economic Forum's 2023 Global Competitiveness Report and corroborated by emerging empirical literature in strategic management. The inadequacy of short-termist return maximization frameworks is no longer a peripheral academic contention; it has penetrated mainstream institutional discourse, evidenced by the Business Roundtable's landmark 2019 Statement on the Purpose of a Corporation and the European Commission's 2022 Corporate Sustainability Due Diligence Directive. Despite this shifting normative terrain, the academic literature has not yet produced a rigorous, empirically grounded reconceptualization of governance theory that moves beyond the normative critique of agency models toward a falsifiable and operationalizable alternative. The majority of stakeholder theory scholarship remains prescriptive and ideational, lacking the econometric robustness necessary for adoption by regulators and institutional investors. This gap constitutes a significant theoretical and practical lacuna in the management sciences as of 2024–2026. The present article addresses this deficiency through a theoretically integrated and empirically anchored investigation. It proceeds as follows: Section 2 reviews the intellectual genealogy of agency theory and its principal normative extensions. Section 3 develops the theoretical framework for a stakeholder governance model grounded in relational contract theory and organizational ambidexterity literature. Section 4 details the mixed-methods research design, including panel data specifications and interview protocols. Section 5 presents quantitative and qualitative findings, followed by a structural model estimation. Section 6 discusses implications for fiduciary duty reform, board heterogeneity, and long-term incentive architecture. Section 7 concludes with theoretical contributions and directions for future research.

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