Beyond Shareholder Primacy: Reconceptualising Fiduciary Duty in Stakeholder-Centric Corporate Governance Frameworks

Henry Lewis
Professor
University of Leeds
University of Leeds, Leeds Business School, Maurice Keyworth Building, Leeds, LS2 9JT, United Kingdom

Alex Adams
Associate Professor
McMaster University
McMaster University, DeGroote School of Business, 1280 Main Street West, Hamilton, Ontario, L8S 4M4, Canada

Nico Taylor
PhD
Erasmus University Rotterdam
Erasmus University Rotterdam, Rotterdam School of Management, Burgemeester Oudlaan 50, 3062 PA Rotterdam, Netherlands

Taylor Hall
D.Sc
University of Melbourne
University of Melbourne, Faculty of Business and Economics, 198 Berkeley Street, Carlton, Victoria, 3010, Australia

Abstract. The doctrine of shareholder primacy has long dominated corporate governance theory, yet its structural inadequacies have been exposed by mounting stakeholder conflicts, ESG accountability deficits, and post-pandemic organisational resilience failures. This paper critically re-evaluates the fiduciary duty construct within Anglo-American governance paradigms, interrogating its continued applicability in multi-stakeholder environments characterised by intensified regulatory scrutiny and non-financial value creation imperatives. Drawing on a mixed-methods research design — combining systematic literature synthesis with comparative institutional analysis across OECD jurisdictions — the study identifies structural tensions between shareholder value maximisation and long-term enterprise sustainability. Findings indicate that stakeholder-centric governance models demonstrably outperform shareholder-primary counterparts on composite performance indices over five-year horizons. The paper proposes a reconceptualised fiduciary duty architecture, integrating relational contract theory and stewardship governance principles.

Keywords: corporate governance, fiduciary duty, shareholder primacy, stakeholder theory, ESG accountability, stewardship governance, relational contract theory, institutional governance frameworks, non-financial value creation

Introduction

Corporate governance frameworks across advanced economies have, for over four decades, been anchored to the doctrine of shareholder primacy — a normative construct asserting that the singular fiduciary obligation of corporate directors is the maximisation of shareholder value. Originating in the seminal theoretical contributions of Friedman (1970) and subsequently operationalised through the principal-agent model advanced by Jensen and Meckling (1976), this paradigm became the dominant logic embedded in board structures, executive compensation schemes, and capital allocation mechanisms across Anglo-American jurisdictions. Yet, as the global business environment transitions into an era of heightened institutional accountability, climate-linked systemic risk, and stakeholder legitimacy demands, the structural architecture underpinning shareholder primacy is increasingly untenable. The urgency of this re-evaluation is underscored by several converging macro-level dynamics observable in the 2024–2026 strategic landscape. First, the proliferation of mandatory ESG disclosure regimes — including the European Union's Corporate Sustainability Reporting Directive (CSRD) and the International Sustainability Standards Board (ISSB) frameworks — has formally institutionalised non-financial performance metrics within the governance accountability architecture. Second, a series of high-profile corporate governance failures across sectors, from financial services to extractive industries, have empirically demonstrated the systemic inadequacy of short-termist value extraction models in sustaining enterprise resilience across economic cycles. Third, institutional investors, including sovereign wealth funds and large-scale pension fund managers, have progressively repositioned their stewardship mandates to encompass long-term value creation, explicitly de-emphasising quarterly earnings optimisation in favour of durable stakeholder value indices. Against this backdrop, the theoretical coherence of fiduciary duty as a shareholder-exclusive construct has been subjected to sustained critique across legal scholarship, organisational theory, and strategic management literature. However, the field currently lacks a comprehensive, empirically grounded reconceptualisation that integrates fiduciary duty doctrine with stakeholder-centric governance theory. The present study addresses this lacuna directly by interrogating the normative and operational dimensions of fiduciary duty across comparative institutional settings, and by advancing a governance architecture that formally accommodates multi-stakeholder fiduciary obligations without sacrificing board decisiveness or managerial accountability. This paper proceeds as follows. Section 2 provides a critical synthesis of the theoretical foundations of shareholder primacy and its embedded assumptions within agency theory. Section 3 presents the methodological framework, encompassing systematic literature review protocols and the comparative institutional analysis design applied across selected OECD member economies. Section 4 presents empirical findings drawn from governance performance data across stakeholder-primary and shareholder-primary firms over a five-year longitudinal horizon. Section 5 develops the proposed reconceptualised fiduciary duty architecture, grounded in relational contract theory and stewardship governance principles. Section 6 discusses policy implications for regulatory bodies, institutional investors, and corporate boards. Section 7 concludes with theoretical contributions, practical recommendations, and directions for future research.

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