**Will a Global Pandemic and Recession Hit the Reset Button for Corporate Governance and Business/Stakeholder Relationships?**

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Will a global pandemic and recession push businesses to hit the reset button in their business/stakeholder relationships? Will upper echelons (finally) walk the talk that they set out to accomplish, as represented in the [2019 Business Roundtable’s (BRT) Statement on the Purpose of a Corporation](https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans) signed by 181 CEOs who committed to lead their companies for the benefit of all stakeholders (and not just shareholders)? The COVID-19 pandemic might provide a litmus test of how serious the BRT signatories really are.

[A common thread](https://www.cengage.com/c/business-society-ethics-sustainability-stakeholder-management-10e-carroll/9781305959828/) when talking about the management of risk, issues and crises, is that all three processes focus on improving stakeholder management and enabling organizations to be more ethically responsive to stakeholders’ expectations. For a firm, the ultimate objective in crisis management is to close the gap between a firm’s situation and its stakeholders’ expectations. The responsibility for this lies with the upper echelons who govern. Might a pandemic actually refocus businesses (and the upper echelons that lead them) to accomplish this objective as firms and stakeholders get in the trenches together to literally and figuratively stay alive?

Answering these questions requires revisiting the concept of director primacy. The director primacy model of corporate governance sees boards as mediating hierarchs who are responsible for balancing the oft-competing interests of stakeholders under a team production model—presumably what the BRT was attesting to, in 2019. This is in contrast to a traditional “Anglo Saxon” and shareholder primacy view of governance—where maximizing share value is emphasized and improving corporate governance entails reducing board power. This latter view is still very much prevalent in US business, as noted in the [Council of Institutional Investor’s response to the BRT edict:](https://www.cii.org/aug19_brt_response) “*…we respectfully disagree with the statement issued by the BRT earlier today. The BRT statement suggests corporate obligations to a variety of stakeholders, placing shareholders last, and referencing shareholders simply as providers of capital rather than as owners*.”

Unfortunately, it is hard to assess the current mindset of corporate leaders regarding stakeholder engagement in this COVID environment. With the exception of nice stories of philanthropy highlighting the CEOs who donate money, masks, and planes…and presumably the sign-off of boards as companies reconfigure their business models to help with the crisis (auto companies making ventilators, distilleries making hand sanitizers), one might ask, “what are those mediating hierarchs doing to balance stakeholder interests?” A quick Google search about directors and COVID produces a bunch of attorney websites suggesting boards focus on issues like longer-term planning, getting ready for industry risks, reviewing insurance policies, and reminding directors that their core duty is to act in the best interest of the company. Anecdotally, this suggests that should US businesses and boards follow this sage advice, they might throw the BRT edict out the window. What a shame that would be, particularly since crisis management should push companies towards managing stakeholder expectations. Hope is found when we hear stories about large strategic initiatives presumably endorsed by boards for the benefit of stakeholders…for example, [CVS Health hiring furloughed workers from the Marriott and Hilton hotel chains.](https://www.marketwatch.com/story/cvs-plans-to-hire-furloughed-workers-from-its-customers-as-companies-get-creative-during-coronavirus-2020-03-23)

Academics spend time debating the pros and cons of corporate governance under shareholder or director primacy models---most notably with UCLA professor [Stephen Bainbridge](https://www.professorbainbridge.com/about.html) in the director primacy camp and Harvard professor [Lucian Bebchuk](http://www.law.harvard.edu/faculty/bebchuk/) in the shareholder primacy camp. However, on February 26th 2020 Professor Bebchuk released a manuscript titled, “[The Illusory Promise of Stakeholder Governance](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3544978),” co-authored by Roberto Tallarita---which was then [endorsed by his nemesis Bainbridge](https://www.professorbainbridge.com/professorbainbridgecom/2020/03/lucian-bebchuk-comes-out-against-stakeholder-governance.html) on March 4th, who noted they align regarding skepticism about the consequences of “stakeholderism.” Talk about timing. I wonder if they share the same view today?

It would be a shame if the CEOs and boards that endorsed the BRT Statement fall back into a shareholder primacy mindset—particularly at a time that (dare I say it) presents an *opportunity* to reset many of their relationships and to test the parameters of director primacy and a stakeholder-oriented governance model, as the COVID crisis brings broader stakeholder claims to the forefront of executive decision making. Bebchuk’s empirical study that attests to studying the consequences of stakeholder engagement and “meaningful change” with implications for “those who care deeply about the welfare of stakeholders” might consider the natural experiment of the COVID crisis and the context of crisis management. Or perhaps it is at least worthy of a note for the “limitations” section! Let’s hope that the BRT statement was not just another example of greenwashing; however, business reactions to the COVID-19 pandemic might put it to the test.