

Defending Stakeholder Governance

Kent Greenfield

In a time of economic crisis and political change, it might have been expected that proposals to change corporate governance would be prominent on the political agenda in the United States. But among the numerous responses to the current financial crisis, the focus has been on increased regulation of banks and financial products. Corporate governance reforms are hardly mentioned and quickly marginalized when they are.

Stakeholder governance needs more proponents and defenders. It offers a promising alternative to more invasive regulatory efforts to repair and reform U.S. Business. It also reflects a central truth about corporations: that they are collective enterprises, drawing on investments from various stakeholders who contribute to the firm's success. For a business to succeed over time, it must induce people and institutions to invest money; employees to invest their labor; and local communities to invest infrastructure. A governance structure that recognizes these investments and induces reliance among all investors will maximize the probability of firm success over time.

This talk will defend stakeholder governance from its naysayers. It will compare the benefits of stakeholder governance to those of other kinds of financial and business regulation.