

The Political Turn that Made *Total Governance* Impossible to Ignore

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I. INTRODUCTION

In their article, *Total Governance*, Professors Sergio Alberto Gramitto Ricci & Daniel Greenwood respond to the limitations of traditional corporate governance and call for a new model.¹ Recognizing the complex role individuals play with corporations—as shareholders, employees, consumers, community members, and activists—and seek to humanize corporate governance by placing people, rather than narrowly defined stakeholder roles, at the center of corporate decision-making, referring to this participatory model as total governance. Total governance embraces the idea that people can coordinate across roles to influence corporate behavior in line with shared values, not simply focusing on maximizing profits, challenging traditional governance structures, and rejecting shareholder primacy, offering a more participatory and values-driven framework for corporate accountability.

Gramitto Ricci & Greenwood critique the current U.S. corporate governance model for failing to reflect liberal republican theory or American values, arguing that this leads to public dissatisfaction and a sense of disenfranchisement. They further argue that social media and online communication enable this intersectional, crowd-based approach by allowing stakeholders to coordinate across traditional categories and prioritize shared human values over role-based interests.

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1. Sergio Alberto Gramitto Ricci & Daniel Greenwood, *Total Governance*, 50 J. CORP. L. 353 (2025).

Amid the shifting political landscape, this brief essay explores how today's political climate has amplified both the appeal and necessity of total governance. Following the publication of *Total Governance*, the Trump administration has emphasized anti-ESG, anti-DEI, and shareholder-first policies. In essence, the Trump administration has cultivated a political climate that not only manipulates governance in corporate America but requires corporate America to fall in line. However, while corporations change their governance to be more "shareholder" centric, shareholder behavior is also changing; there is growing evidence that shareholders increasingly value stakeholder-aligned action, even when it challenges traditional short-term profit maximization, thereby supporting shareholders' desire for total governance.

II. THE POLITICAL RESURGENCE OF SHAREHOLDER PRIMACY IN 2025

Since his inauguration, Trump's second-term administration has ushered in a strikingly hostile political climate toward ESG, DEI, and broader stakeholder-driven corporate governance. The push for shareholder primacy, bolstered by conservative rhetoric labeling ESG and DEI initiatives as "woke capitalism,"² is an aggressive shift from business leaders urging corporations to consider not only profit maximization but also their stakeholders.³ Prominent Republican politicians have condemned ESG, with J.D. Vance calling social conscious financial strategies a "massive racket."⁴ At the same time, Republican governors, lawmakers, and conservative media outlets have framed stakeholder-driven corporate practices as, at best, threats to shareholder value and, at worst, illegal—contributing to a climate of political and legal risk for companies considering broader social or environmental commitments.⁵

This political climate has resurrected a long-standing debate: What is the purpose of a business? Under shareholder theory, a corporation's purpose is to maximize profits for shareholders. Milton Friedman popularized this theory with his 1970 argument that "the

2. Hannah Levintova, *How 'Woke Capitalism' Became a Right-Wing Obsession*, MOTHER JONES (Jan. & Feb. 2024), <https://www.motherjones.com/politics/2024/01/woke-capital-vivek-ramaswamy-esg-capitalism-finance/> [<https://perma.cc/W2P2-BLR9>].

3. See, e.g., *Business Roundtable Redefines the Purpose of a Corporation to Promote 'An Economy That Serves All Americans'*, BUS. ROUNDTABLE (Aug. 19, 2019), <https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans> [<https://perma.cc/3EVU-P4L7>] [hereinafter *Business Roundtable*] (describing their statement on the principles of corporate purpose as no longer supporting shareholder primacy).

4. Scott Walman & Corbin Hiar, *J.D. Vance, Critic of Climate Action, Has a Green-Tinted Portfolio*, E&E NEWS BY POLITICO (July 16, 2024), <https://www.eenews.net/articles/j-d-vance-critic-of-climate-action-has-a-green-tinted-portfolio/> [<https://perma.cc/T5QY-ELX3>].

5. See, e.g., Chris Tomlinson, *Texas Republicans Beat Down the Big Banks—and Consumers Will Pay the Price*, HOUS. CHRON. (Feb. 4, 2025), <https://www.houstonchronicle.com/business/columnists/tomlinson/article/texas-republicans-banks-esg-climate-20104611.php> [<https://perma.cc/LJ23-X2W3>] (describing how Texas blacklisted BlackRock under the state's new laws "banning government entities from doing business with any company that acknowledged climate change, avoided gunmakers or criticized Israel"); Jody Godoy & Ross Kerber, *US Supports Republican States' Argument in BlackRock Climate Case*, REUTERS (May 22, 2025), <https://www.reuters.com/sustainability/boards-policy-regulation/us-expected-support-republican-states-argument-blackrock-climate-case-2025-05-22/> [<https://perma.cc/3AWT-WU6X>] (describing DOJ and FTC support for states' antitrust cases against BlackRock on the theory that BlackRock's climate activism amounting to a conspiracy to decrease coal production).

social responsibility of business is to increase its profits.”⁶ In modern days, there has been a shift away from shareholder theory towards stakeholder theory.⁷ Stakeholder theory holds that corporations should consider the interests of all stakeholders, in other words, of all those who are affected by the corporation’s decisions.⁸ Depending on the type of corporate decision, stakeholders could include employees, consumers, communities, and, of course, shareholders. However, the Trump administration and many GOP lawmakers explicitly reject stakeholder theory and are actively attempting to reshape governance norms through anti-ESG efforts aimed at rolling back stakeholder governance practices.

A. *A New Era of Anti-ESG Governance*

Trump did not waste any time upon his return to presidency to launch a wide-reaching campaign to dismantle ESG and DEI frameworks within corporate governance. Within his first week, Trump issued two executive orders not only eliminating DEI mandates across federal agencies and contracts but also requiring the elimination of DEI programs. Simultaneously, Trump moved to dismantle Biden-era ESG investment rules, encouraging the Department of Labor to repeal guidelines that allowed ESG factors in retirement plan decisions.⁹

Executive Order 14,151—“Ending Radical and Wasteful Government DEI Programs and Preferencing”—eliminated DEI mandates across federal agencies and federal contracts.¹⁰ It also prohibits federal contractors from maintaining DEI initiatives and requires agencies to report contractors engaged in such efforts.¹¹ Federal institutions, such as the State Department, were directed to eliminate DEI criteria from hiring and promotion processes and eradicate DEI offices and roles across all federal agencies.¹² Essentially, the Trump administration holds DEI policies and programs “illegal” in violation of federal civil rights laws.¹³

Executive Order 14,173—“Ending Illegal Discrimination and Restoring Merit-Based Opportunity”—rescinded Executive Order 11,246¹⁴ and directed the Office of Federal

6. Milton Friedman, *A Friedman Doctrine—The Social Responsibility of Business Is to Increase Its Profits*, NY TIMES (Sept. 13, 1970), <https://timesmachine.nytimes.com/timesmachine/1970/09/13/issue.html> [<https://perma.cc/BAQ7-BYSP>] (arguing that the “social responsibility” movement of the time would undermine freedom if it caught on because it sought to tax shareholders without securing democratic consent through the political process).

7. See, e.g., *Business Roundtable*, *supra* note 3 (rejecting shareholder theory).

8. *Stakeholder Theory*, UNIV. OF VA. DARDEN SCH. OF BUS., <https://www.darden.virginia.edu/stakeholder-theory> [<https://perma.cc/L9D4-X7E5>].

9. *Trump Administration Moves to Overturn ESG Investment Rule for Retirement Plans*, ESG NEWS (June 3, 2025), <https://esgnews.com/trump-administration-moves-to-overturn-esg-investment-rule-for-retirement-plans/> [<https://perma.cc/6KNJ-67MX>].

10. Exec. Order No. 14,151, 90 Fed. Reg. 8339 (Jan. 29, 2025).

11. *Id.* at 8339–40.

12. Alexandra Olson & Zeke Miller, *Trump Administration Moves to Begin Cutting All Federal DEI Staff*, PBS NEWS (Jan. 22, 2025), <https://www.pbs.org/newshour/politics/trump-administration-moves-to-begin-cutting-all-federal-dei-staff> [<https://perma.cc/2HV6-465G>].

13. Exec. Order No. 14,173, 90 Fed. Reg. 8633 (Jan. 31, 2025).

14. *Id.* Executive Order 11,246 required contractors to agree not to discriminate “against any employee or applicant for employment because of race, creed, color, or national origin” and required that contractors “take affirmative action to ensure that applicants are employed . . . without regard to their race, creed, color, or national origin.” Exec. Order No. 11,246, 3 C.F.R. 339 (1964–65).

Contract Compliance Programs (“OFCCP”) to cease promoting diversity and encouraging or allowing Federal contractors and subcontracts “to engage in workforce balancing based on race, color, sex, sexual preference, religion, or national origin.”¹⁵ It also created new requirements for federal contractors, requiring them to “(1) agree that their compliance with federal anti-discrimination laws is material to the government’s payment decisions for purposes of section 3729(b)(4) of title 31, United States Code (concerning false claims); and (2) certify that they do not operate any programs promoting DEI that violate any applicable federal anti-discrimination laws.”¹⁶

Significantly, Executive Order 14,173 did not stop at federal contracts, it further challenges DEI policies and programs in the private sector and calls for investigations into the private sector’s “illegal DEI discrimination and preferences.”¹⁷ The week following the issuance of Executive Order 14,173, the Attorney General released a memorandum stating that “the Department of Justice’s Civil Rights Division will investigate, eliminate, and penalize illegal DEI and DEIA preferences, mandates, policies, programs, and activities in the private sector and in educational institutions that receive federal funds.”¹⁸

Meanwhile, at the state level, several Republican-led legislatures have enacted significant restrictions targeting public institutions and corporate DEI activities.¹⁹ By April 2025, at least 15 states had passed laws or issued executive orders to limit DEI programs in public institutions and state-funded organizations.²⁰ The dismantling of DEI frameworks has been justified on grounds of legal neutrality, cost-effectiveness, or the promotion of “merit-based” systems.²¹

For example, soon after his term began, West Virginia Governor Patrick Morrisey issued Executive Order 3-25, which prohibits public agencies and universities from utilizing DEI policies completely.²² In the order, the Governor states that DEI theories promote “differential treatment of or provide special benefits to individuals on the basis of race, color, sex, ethnicity, or national origin.”²³ He goes on to say that DEI policies are contrary to the guarantees of the equal protection clause of the Constitution of the United

15. Exec. Order No. 14,173, *supra* note 13.

16. *Id.*

17. *Id.* See also Michelle L. Price & Zeke Miller, *Trump’s Orders to End DEI Programs Reflect His Push for a Profound Cultural Shift*, ASSOCIATED PRESS (Jan. 22, 2025), <https://apnews.com/article/trump-executive-orders-dei7ef0bf4ce1d465f6b61f3fcfde5445937ef0bf4ce1d465f6b61f3fcfde544593> [<https://perma.cc/67X6-PQF9>] (arguing that these executive orders are “a marked attempt to chill DEI initiatives across the country, placing them in the crosshairs of the federal government such that even if conducted lawfully, private employers may be forced to respond to federal probes”).

18. Memorandum from the Office of the Attorney General for All Department Employees on Ending Illegal DEI and DEIA Discrimination and Preferences, Off. of Att’y Gen. (Feb. 5, 2025), <https://www.justice.gov/ag/media/1388501/dl?inline> [<https://perma.cc/3RVG-68BA>].

19. Jessica Bryant & Chloe Appleby, *These States’ Anti-DEI Legislation May Impact Higher Education*, BEST COLLS. (May 6, 2025), <https://www.bestcolleges.com/news/anti-dei-legislation-tracker/> [<https://perma.cc/WA3J-ETSZ>]. The authors include a full list by state where DEI legislation had been introduced, approved, or failed as of April 2025. *Id.*

20. *Id.*

21. *Id.*

22. W. Va. Exec. Order No. 3-25 (Jan. 14, 2025), <https://apps.sos.wv.gov/adlaw/executivejournal/readpdf.aspx?DocID=97521> [<https://perma.cc/H6A7-59Z8>].

23. *Id.*

States and West Virginia.²⁴ The order was quickly met with backlash from the American Civil Liberties Union of West Virginia (ACLU-WV), who called on the governor to rescind the executive order because of its broad language.²⁵ The ACLU-WV cautioned that the language was too broad and that it infringed on “free speech rights of college educators and others.”²⁶ The organization warns that if the broad language is not revised, the state will be faced with expensive litigation.²⁷

Similarly, in Indiana, Governor Mike Braun signed an Executive Order on January 14, 2025, dismantling DEI policies within the state’s government and forbade state agencies from using any funds or resources to fund DEI positions, activities, departments, or programs.²⁸ The order also mandates the closure of the state’s Chief Equity, Inclusion, and Opportunity Office and requires agencies to report on DEI-related activities by July 1, 2025.²⁹ Braun has characterized the order as an effort to make the state more efficient and cost-effective, intending to replace DEI with MEI, “merit, excellence and innovation.”³⁰

North Carolina legislators introduced HB 171, titled “Equality in State Agencies/Prohibition on DEI.”³¹ The bill will prohibit state agencies, local governments, and public schools from funding or providing DEI polices.³² The bill also prohibits DEI policies from being implemented in hiring and employment practices throughout the state and requires any DEI employee training programs and positions to be eliminated.³³ Supporters of the bill say its purpose is to ensure that employment decisions are based solely on merit, not sex, race, or gender.³⁴ Notably, the bill also includes provisions stating that any state employee who is in violation of the bill will be subject to removal from office with fines up to \$10,000 per violation.³⁵

The Advance Ohio Higher Education Act (Senate Bill 1), signed by Governor DeWine in March of 2025 and effective June 27, 2025, marks Ohio’s efforts to dismantle DEI efforts within the state.³⁶ The bill bans public universities from engaging in DEI-based hiring and admissions.³⁷ It also prohibits faculty strikes and restricts institutions from

24. *Id.*

25. *ACLU-WV Demands Morrissey Rescind DEI Executive Order*, ACLU (Jan. 20, 2025), <https://www.acluww.org/en/press-releases/aclu-wv-demands-morrissey-rescind-dei-executive-order> [<https://perma.cc/MS9B-7DLL>].

26. *Id.*

27. *Id.*

28. Ind. Exec. Order No. 25-14 (Jan. 14, 2025), <https://www.in.gov/gov/files/EO-25-14.pdf> [<https://perma.cc/3KVX-GB5B>]; see also Mark McGraw, *Indiana Governor Orders Elimination of State Government DEI Initiatives*, PSHRA (Feb. 5, 2025), <https://pshra.org/indiana-governor-orders-elimination-of-state-government-dei-initiatives/> [<https://perma.cc/528X-ZRBN>].

29. Ind. Exec. Order No. 25-14, *supra* note 28.

30. Susan H. Greenberg, *Indiana Governor Eliminates DEI by Executive Order*, INSIDE HIGHER ED (Jan. 17, 2025), <https://www.insidehighered.com/news/quick-takes/2025/01/17/indiana-governor-issues-executive-order-eliminating-dei> [<https://perma.cc/D9FC-GAFN>].

31. H.B. 171, 2025 Gen. Assemb., Reg. Sess. (N.C. 2025).

32. Sarah Clements, *House Bill 171 Intended to Remove DEI in State, Local Government*, THE DAILY TAR HEEL (Apr. 20, 2025), <https://www.dailytarheel.com/article/2025/04/city-local-gov-hb171> [<https://perma.cc/NL83-XXLB>].

33. *Id.*

34. *Id.*

35. *Id.*

36. S.B. 1, 136th Gen. Assemb., Reg. Sess. (Ohio 2025).

37. *Id.*

addressing “controversial” topics—effectively curtailing DEI efforts in academia.³⁸ Promoters of the bill claim that it “focuses [public universities and colleges] on the mission of education rather than the divisiveness of indoctrination”³⁹ Leaders of the Ohio Senate also claimed the motivation behind the bill was for “all Ohio students, regardless of race, gender, or religion, to receive a world-class education.”⁴⁰

The joint efforts by federal and state actors to dismantle DEI and ESG initiatives signal a broader ideological and deeper political shift, one against stakeholder-driven governance models and toward the return to shareholder primacy as the dominant paradigm. These federal and state actions explicitly frame stakeholder theory as deviant, labeling ESG and DEI initiatives as the liberal woke agenda and wasteful. The political message is clear: corporate directors and officers are expected to prioritize profit maximization by focusing on short-term shareholder returns, rather than base their business decisions on broader stakeholder considerations and suggest that any corporate activity not yielding immediate financial returns may expose firms to legal and political risk.

B. *Aligning with Shareholder Theory Under Pressure*

In response to the Trump administration’s intense political pressure, major corporations and financial institutions have significantly adjusted their approaches.⁴¹ Many corporations have downsized or eliminated DEI programs to comply with political pressure and new regulations—particularly those operating in red states.⁴² Faced with the political pressure from both the Trump administration and Republican lawmakers, corporations are appeasing politicians by indicating their alliance with the prevailing anti-ESG and anti-DEI agenda to reduce the risk of political backlash.⁴³

Over his first months in office, Trump signed executive orders targeting the legal profession, going so far as to directly name large law firms in the title of the executive orders.⁴⁴ The law firms he targeted had represented political opponents or had lawyers

38. *Id.*

39. John Fortney, *Historic Higher Education Reform Bill Signed into Law*, THE OHIO SENATE (Mar. 28, 2025), <https://www.ohiosenate.gov/news/on-the-record/historic-higher-education-reform-bill-signed-into-law> [https://perma.cc/Y8BJ-BB9N].

40. Jerry C. Cirino, *My Bill Aims to Usher in Golden Age in Ohio Academia*, THE OHIO SENATE (Jan. 24, 2025), <https://ohiosenate.gov/news/on-the-record/my-bill-aims-to-usher-in-golden-age-in-ohio-academia> [https://perma.cc/VT67-ZFD4].

41. *US Companies Scale Back and Modify Diversity Policies After Trump’s Order*, REUTERS (Feb. 28, 2025), <https://www.reuters.com/world/us/factbox-us-companies-drop-diversity-policies-after-trumps-order-2025-02-27/> [https://perma.cc/DPP6-223G].

42. See Conor Murray & Molly Bohannon, *IBM Reportedly Walks Back Diversity Policies, Citing ‘Inherent Tensions’: Here Are All the Companies Rolling Back DEI Programs*, FORBES (Apr. 11, 2025), <https://www.forbes.com/sites/conormurray/2025/04/11/ibm-reportedly-walks-back-diversity-policies-citing-inherent-tensions-here-are-all-the-companies-rolling-back-dei-programs/> [https://perma.cc/9Q5L-QJJ5] (providing a full list of companies that have rolled back DEI as of April 11, 2025, including Walmart and Target).

43. Sarah Bruan, *Exclusive: It’s Not Just DEI—Corporate ESG Initiatives Are Under Threat in the Trump Era and 80% of Companies Say They’re Adjusting Their Policies*, FORTUNE (May 29, 2025), <https://fortune.com/2025/05/29/esg-under-threat-trump-era-majority-companies-changing-policies/> [https://perma.cc/YA27-TKUT].

44. Executive Order 14,230 barred the federal government from using Perkins Coie’s services, suspended all employee security clearances, revoked access to federal buildings, and initiated agency reviews to cancel contracts with its clients. Exec. Order No. 14,230, 90 Fed. Reg. 11781 (Mar. 11, 2025). Action was based on

involved in investigations into his first term or false election claims.⁴⁵ In March, the U.S. Equal Employment Opportunity Commission (EEOC) sent letters to 20 law firms inquiring about their DEI-related employment practices.⁴⁶ According to the letters, the EEOC was concerned that the firms' DEI employment practices may be in violation of Title VII of the Civil Rights Act of 1964 (Title VII).⁴⁷ In response, several prominent law firms reached agreements with Trump.⁴⁸ Two powerhouse firms, Paul, Weiss, and Skadden, Arps, entered into agreements pledging to provide large amounts, \$40 million⁴⁹ and over \$100 million,⁵⁰ respectively, of pro bono work for "initiatives backed by his administration."⁵¹ Further aligning with the administration's campaign against DEI, Skadden removed all references to racial justice and DEI from its prestigious public interest fellowship application, including eliminating language encouraging "members of groups that historically have been underrepresented in the legal profession."⁵²

Additionally, early 2025 brought major retailers, like Target and Walmart, to pull back their DEI initiatives.⁵³ Both companies officially ceased participation in external DEI

accusations of "dishonest and dangerous activity" including alleged racial discrimination and diversity practices. *Id.* Executive Order 14,327 targeted Paul, Weiss, Rifkind, Wharton & Garrison after a high-profile pro bono lawsuit. Exec. Order No. 14,327, 90 Fed. Reg. 13039 (Mar. 14, 2025). Trump suspended clearances and threatened contracts but rescinded the order after the firm agreed to withdraw DEI programs and donate \$40 million in pro bono legal services. *Id.* at 13039–40; *see also* Katherine Tangalakis-Lippert & Katherine Li, *Trump Ordered the Attorney General to Report 'Frivolous' Lawsuits Against His Administration So He Can Consider Executive Actions Against Firms. Read the Memo.*, BUS. INSIDER (Mar. 21, 2025), <https://www.businessinsider.com/donald-trump-attorney-general-memo-identify-target-law-firms-2025-3> [<https://perma.cc/6UTM-Y3DA>] (providing a memo by U.S. Attorney General Pam Bondi and explaining its context and origin in a request from President Trump).

45. Zach Montague, *Trump's Order Targeting Law Firms Perkins Coie Is Unconstitutional, Judge Rules*, NY TIMES (May 2, 2025), <https://www.nytimes.com/2025/05/02/us/politics/trump-law-firms.html> [<https://perma.cc/M3V4-XHSL>].

46. Press Release, EEOC, EEOC Acting Chair Andrea Lucas Sends Letters to 20 Law Firms Requesting Information About DEI-Related Employment Practices (Mar. 17, 2025), <https://www.eeoc.gov/newsroom/eeoc-acting-chair-andrea-lucas-sends-letters-20-law-firms-requesting-information-about-dei> [<https://perma.cc/2JK3-9J52>].

47. *Id.*

48. Letters from Gerald E. Connolly & Dave Min, Ranking Member & Member of Congress, U.S. House of Representatives Comm. on Oversight and Gov't Reform, to Skadden, Arps, Slate, Meagher & Flom LLP and Affiliates; Kirkland & Ellis LLP; Allen Overy Shearman Sterling LLP; Simpson Thacher & Bartlett LLP; Latham & Watkins LLP; Paul, Weiss, Rifkind, Wharton & Garrison LLP (Apr. 28, 2025), <https://oversightdemocrats.house.gov/sites/evo-sites/democrats-oversight.house.gov/files/evo-media-document/04.28.25-gcc-to-law-firms.pdf> [<https://perma.cc/J5JM-KFD5>] [hereinafter *Letters to Major Law Firms*].

49. *See* Exec. Order No. 14,244, 90 Fed. Reg. 13685 (Mar. 26, 2025).

50. *Letters to Major Law Firms*, *supra* note 48.

51. Melissa Quinn, *Law Firm Skadden Cuts \$100 Million Pro Bono Deal with Trump to Avoid Executive Order*, CBS NEWS (Mar. 28, 2025), <https://www.cbsnews.com/news/law-firm-skadden-cuts-100-million-pro-bono-deal-trump-avoid-executive-order/> [<https://perma.cc/2S87-NUEM>]; *see also* *Letters to Major Law Firms*, *supra* note 48.

52. David Thomas, *Skadden Law Firm Fellowship Revamps Application to Omit 'Racial Justice,' 'Equity'*, REUTERS (June 13, 2025), <https://www.reuters.com/legal/government/skadden-law-firm-fellowship-revamps-application-omit-racial-justice-equity-2025-06-13/> [<https://perma.cc/8NHZ-28XD>].

53. *See* Murray & Bohannon, *supra* note 42.

benchmarking and quietly dropped formal DEI goals.⁵⁴ This shift came in direct response to growing legal and political pressure under the Trump administration, which has made eliminating DEI practices a central policy agenda.⁵⁵

Financial institutions have taken a similarly cautious approach. Following Trump's executive order to restrict DEI programs, JPMorgan Chase made changes to their DEI programs and language, renaming "equity" to "opportunity" for Diversity, Opportunity, and Inclusion.⁵⁶ Citigroup changed its hiring policies to "no longer require a diverse slate of candidates for job interviews," while also changing "Diversity, Equity and Inclusion and Talent Management" to "Talent Management and Engagement."⁵⁷ Likewise, Goldman Sachs reversed its policy of "exclusively taking public companies with at least two diverse board members," while also removing its "diversity and inclusion" section from its annual filing.⁵⁸ These actions are direct efforts by financial institutions to avoid scrutiny from the Trump administration, which has targeted such practices as ideological corporate behavior.⁵⁹

To align with the political shift, major oil companies are pulling back their renewable energy investments.⁶⁰ For example, Chevron announced that it would reduce its low-carbon investments by 25% in 2025, from \$2 billion to \$1.5 billion.⁶¹ This shift focuses on prioritizing profits over energy output, aligning with the Trump administration's push for profits over all else.

It may be no surprise that in a political climate where efforts to address social issues are treated not only as partisan activism, but possibly illegal, many companies are adjusting their policies and strategies. However, companies should remain aware of other societal values. Over the past decade, shareholders have become more engaged, demonstrating an increase in shareholder activism. Shareholders and other stakeholders increasingly regard corporate social responsibility as vital to both ethical decision-making and long-term financial success.⁶² By conforming to political pressure and prioritizing maximizing short-

54. Melissa Repko, *Target Rolls Back DEI Initiatives, The Latest Big Company to Retreat*, CNBC (Jan. 24, 2025), <https://www.cnbc.com/2025/01/24/target-rolls-back-major-dei-initiatives.html> [<https://perma.cc/8V98-YB2J>].

55. *Id.*

56. Nupur Anand, *JPMorgan Makes Changes to its Diversity Programs, Memo Says*, REUTERS (Mar. 21, 2025), <https://www.reuters.com/business/finance/jpmorgan-makes-changes-its-diversity-programs-memo-says-2025-03-21/> [<https://perma.cc/HC4N-F6SU>].

57. *Id.*

58. *Id.*

59. *Id.*; see also Kalyeena Makortoff & Lauren Aratani, *Goldman Sachs and Deloitte Are Latest to Scrap Diversity Initiatives*, THE GUARDIAN (Feb. 11, 2025), <https://www.theguardian.com/business/2025/feb/11/deloitte-staff-us-government-contracts-pronouns-emails-trump-anti-diversity> [<https://perma.cc/G522-6EVM>].

60. Conglin Xu & Laura Bell-Hammer, *Majors Pull Back from Renewable Energy Investments*, OIL & GAS J. (Apr. 1, 2025), <https://www.ogj.com/general-interest/economics-markets/article/55278829/majors-pull-back-from-renewable-energy-investments> [<https://perma.cc/J6BD-XGPL>].

61. Kevin Crowley, *Chevron is Cutting Low-Carbon Spending by 25% Amid Belt Tightening*, BLOOMBERG (Dec. 6, 2024), <https://www.bloomberg.com/news/articles/2024-12-06/chevron-cutting-low-carbon-spending-by-25-amid-belt-tightening> (on file with the *Journal of Corporation Law*).

62. See, e.g., Geeta Menon & Tina Kiesler, *When a Brand Stands up for Racial Justice, Do People Buy It?*, HARV. BUS. REV. (July 31, 2020), <https://hbr.org/2020/07/when-a-brand-stands-up-for-racial-justice-do-people-buy-it> [<https://perma.cc/C5FM-54JN>] (reporting that "60% [of Americans] say brands should take steps to address the root causes of racial inequity and 57% say brands must educate the public").

term profit over all else, companies risk alienating stakeholders, including their shareholders. This undermines the very duty they are charged with protecting: shareholder value. Thus, can shareholder interests truly be served by abandoning the broader commitments that underpin long-term corporate resilience and market trust?

III. WHEN STAKEHOLDER THEORY SERVES SHAREHOLDERS: MARKET REACTIONS IN 2025

This resurgence of profit maximization above all else not only undermines evolving legal interpretations that recognize fiduciary duties to a broader set of stakeholders, but it also fails to acknowledge a powerful reality: stakeholder-aligned strategies often better serve shareholders. Recent market responses to corporate decisions in 2025 demonstrate that when companies alienate or disregard key stakeholder groups, the market swiftly reacts—with reputational damage, consumer defection, employee unrest, and investor pullback converging into measurable financial harm. Demonstrating that today’s individuals often bring unified values to their multiple engagements with a firm and are increasingly capable of coordinated, cross-role action to hold corporations accountable.

As previously mentioned, amid great political pressure from the Trump Administration, Target officially announced that they would cease all DEI programs within the company on January 24, 2025.⁶³ Target ended its Racial Equity Action and Change (REACH) initiative and rebranded “Supplier Diversity” as “Supplier Engagement.”⁶⁴ The decision rapidly undermined the company’s public image and soon led to financial consequences. By the end of February, Target’s stock had plummeted by approximately \$27.27 per share, reducing its market value by about \$12.4 billion.⁶⁵

Within a month following the decision to end its DEI programs, investors filed suit against Target, alleging the company had concealed the financial risks associated with its diversity and social initiatives.⁶⁶ The State Board of Administration of Florida filed a securities fraud lawsuit in federal court, accusing Target of misleading its investors and consumers by making false statements in its financial reports regarding its ESG and DEI commitments.⁶⁷ According to the shareholders’ complaint, Target portrayed the rollback of the DEI program as a neutral business decision while executives “knew it could trigger backlash and increase stock volatility.”⁶⁸

63. *Target’s DEI Rollback Update (Feb 2025): Comprehensive Analysis of Backlash, Legal Challenges, and Financial Implications*, DIVERSITY.COM (Feb. 19, 2025), <https://diversity.com/post/target-dei-rollback-2025-impact-update> [https://perma.cc/R5EV-7MW6].

64. *Id.*

65. Stacy M. Brown, *Target Takes a Hit: \$12.4 Billion in Value Lost After Boycott*, THE CHARLOTTE POST (Mar. 6, 2025), <https://www.thecharlottepost.com/news/2025/03/06/business/target-takes-a-hit-12.4-billion-in-value-lost-after-boycott/> [https://perma.cc/V4BS-SADJ]. As of June 20, 2025, Target’s stock is down nearly 31% since the start of the year. *Target Corp. (TGT)*, YAHOO FIN., <https://finance.yahoo.com/quote/TGT/history> [https://perma.cc/2ZTV-Y2RZ].

66. Pamela N. Danziger, *Target Hit With Shareholder Lawsuit, Claiming Investors Were Defrauded About DEI Risks*, FORBES (Feb. 4, 2025), <https://www.forbes.com/sites/pamdanziger/2025/02/04/target-hit-with-shareholder-lawsuit-claiming-investors-were-defrauded-about-dei-risks/> [https://perma.cc/JFQ6-YWLF].

67. Jonathan Stempel, *Target Sued by Florida for Defrauding Shareholders About DEI*, REUTERS (Feb. 20, 2025), <https://www.reuters.com/legal/target-sued-by-florida-defrauding-shareholders-about-dei-2025-02-20/> [https://perma.cc/7LPV-7GZY].

68. *Target’s DEI Rollback Update*, *supra* note 63.

The decision also triggered significant backlash from shareholders and the general public. Activists encouraged people to avoid shopping at Target altogether.⁶⁹ Jamal Bryant, a senior pastor at New Birth Missionary Baptist Church, launched a prominent boycott where he encouraged followers to “fast” from shopping at Target during Lent.⁷⁰ Hashtags like #BoycottTarget began trending throughout social media platforms.⁷¹ The boycott has been perceived as widely successful. While there is no way to directly correlate the boycott with stock price, during the 40 days of Lent, Target’s stock price tumbled 20.12%, from \$116.56 on March 5, 2025, to \$93.11 on April 17, 2025.⁷²

Likewise, Amazon also opted to roll back their DEI practices in light of the executive order.⁷³ In the past, the company emphasized inclusivity and diversity in its business model.⁷⁴ However, in their 2024 annual report, the company removed references to diversity and inclusion.⁷⁵ As a result of this decision, the company’s stock dropped 2.12% and their website traffic decreased by 4.6%.⁷⁶

By disregarding stakeholder values and focusing solely on maximizing profits, Target and Amazon suffered great financial losses and harmed their shareholders. While being the traditional course of action, failing to consider key stakeholders in the company’s decision to rollback DEI programs proved to be detrimental to the company. Target learned the hard way that disregarding stakeholder interest is no longer a moral hazard; it is a legal and financial one.

Unlike Target, Costco has stood firm on its commitment to DEI programs amidst political pressures. Costco directors urged shareholders to vote against the proposal, arguing that diversity fostered “creativity and innovation in the merchandise and services that we offer” which is what keeps their members confident in their services.⁷⁷ In the annual shareholder meeting, more than 98% of shares voted against the proposal to eliminate DEI.⁷⁸ While Target was suffering severe financial loss, Costco reported a 9% increase in revenue in the same quarter and a 7-million-shopper increase over the span of four weeks.⁷⁹ Over the span of a year, Costco stock increased by 36%.⁸⁰

Costco is a prime example of how approaching corporate governance with a values-driven framework can enhance shareholder value. Understanding the shared values of all stakeholders drives strong financial returns and promotes long-term shareholder value.

69. Lila Maclellan, *Target Boycott: Inside the CEO’s Meeting with Black Leaders Amid DEI Protests*, FORTUNE (Apr. 25, 2025), <https://fortune.com/article/target-boycott-fast-ceo-meeting-black-leaders-georgia-pastor-jamal-bryant-al-sharpton-brian-cornell/> [<https://perma.cc/82L9-H3KV>].

70. *Id.*

71. *Target’s DEI Rollback Update*, *supra* note 63.

72. *Target Corp. (TGT)*, *supra* note 65.

73. Chain Store Guide, *Making Waves: Costco Doubles Down on DEI, Reaps Rewards While Competitors Falter*, LINKEDIN (Mar. 20, 2024), <https://www.linkedin.com/pulse/making-waves-costco-doubles-down-dei-reaps-rewards-while-svy2e/> [<https://perma.cc/78QY-NZ88>].

74. *Id.*

75. *Id.*

76. *Id.*

77. *Costco Shareholders Reject an Anti-DEI Measure, After Walmart and Others End Diversity Programs*, CBS NEWS (Jan. 24, 2025), <https://www.cbsnews.com/news/costco-dei-policy-board-statement-shareholder-meeting-vote/> [<https://perma.cc/4QKE-ZP9K>] [hereinafter *Costco Shareholders Reject an Anti-DEI Measure*].

78. *Id.*

79. Chain Store Guide, *supra* note 73.

80. *Costco Shareholders Reject an Anti-DEI Measure*, *supra* note 77.

However, not all companies standing by their DEI initiatives have experienced the same level of support. While Costco has been rewarded for its stakeholder approach, Starbucks has been confronted with various political and legal challenges. In February 2025, Missouri Attorney General Andrew Bailey filed a lawsuit against Starbucks over DEI practices, claiming they are illegal and discriminatory.⁸¹ The action also alleges that Starbucks' DEI policies have allowed incompetent employees to work at the company, forcing Missouri consumers to pay higher prices for subpar services.⁸²

Despite the lawsuit, Starbucks refused to back down and reiterated its commitment to facilitating opportunities for all types of employees. The company's website reads, "[w]e are expanding workforce diversity to bring new perspectives and experiences that improve our business and workplace."⁸³ Starbucks CEO Brian Niccol emphasized his belief that diversity will always be a key strength of the business and "frankly, helps [them] connect with [their] customers at another level."⁸⁴

The contrasting paths taken by Target, Starbucks, and Costco illustrate that, considering the shared values of stakeholders, a value-driven framework for corporate decisions does not conflict with shareholder interest. The success of Costco and Starbucks demonstrates that a company's success depends greatly on the trust and support of its employees, consumers, suppliers, and community members. Investing in stakeholder interest through social responsibility sustains financial performance and promotes long-term success. By not considering the social and political values of all stakeholders, Target turned its shareholders against them rather than securing more profit *for* them. The experiences of all three of these companies signal that this older, narrow ideology of a corporation's only purpose is to maximize profits is increasingly out of step with both economic and social realities. Rather, it emphasizes, as Professors Alberto Gramitto Ricci and Greenwood would argue, it is time for a new model—total governance—that recognizes the complex, intersecting roles individuals play and the collective power they wield to shape sustainable corporate behavior.⁸⁵

IV. TOWARD A TOTAL GOVERNANCE MODEL

The political climate of 2025 only reinforced Professors Gramitto Ricci and Greenwood's call for total governance. It exposed the fragility of traditional governance frameworks, especially shareholder theory, which ignores market realities. While the Trump administration and state legislatures have attempted to reestablish profit maximization above all else, they failed to account for evolving market realities and stakeholder expectations. Investor behavior is not set by political rhetoric. Due to online

81. Sarah Bregel, *Missouri Sues Starbucks Over its Diversity Programs*, FASTCO. (Feb. 14, 2025), <https://www.fastcompany.com/91279420/missouri-sues-starbucks-over-its-diversity-programs> [<https://perma.cc/G4LB-24RB>].

82. *Id.*; see also Complaint at 12, *State of Missouri v. Starbucks Corp.*, No. 4:25-cv-00165 (E.D. Mo. Feb. 11, 2025).

83. Bregel, *supra* note 81.

84. Daniella Genovese, *Starbucks CEO Defends Company's Diversity, Says They Are 'Key' Strength of Business*, FOX BUS. (Mar. 13, 2025), <https://www.foxbusiness.com/lifestyle/starbucks-ceo-defends-companys-diversity-says-key-strength-business> [<https://perma.cc/JX7U-TUPG>].

85. See generally Gramitto Ricci & Greenwood, *supra* note 1, at 354 (arguing that "[h]uman stakeholders can coordinate on a global scale to exert leverage on corporations to make them answerable to human beings").

communication, such as social media, investor behavior is swift to react to corporate decision-making.

In 2025, investor behavior has demonstrated that long-term shareholder value cannot be sustained without meaningful stakeholder inclusion. It is not profit-maximization that controls investor behavior. Thus, this political climate only demonstrated the need for a fundamental rethinking of governance models, not along partisan lines, but through structures that reflect how value is actually created and preserved in a pluralistic, participatory economy.

Professors Gramitto Ricci and Greenwood's *Total Governance* model offers a reimagined path forward, accounting for the reality that individuals are not confined to a single role. Total governance engages with stakeholders not in their singular role, but in the complexity of holding simultaneous stakeholder positions.⁸⁶ By coordinating those overlapping roles, individuals can influence corporate behavior to be in line with shared values, demand integrity, responsibility, and sustainability. This offers a more participatory, value-driven framework for corporate accountability in place of traditional governance frameworks. Total governance shifts the lens from the narrow fiduciary duty of maximizing profit to a broader conception of corporate accountability—one that centers reputational, human capital, and societal risk as core to enterprise value.

Total governance shows us that the market is not blind to ethics—it's shaped by them. The future of governance lies not in choosing sides but in recognizing the power of aligned stakeholders acting in concert to create resilient, value-driven corporations.

* * *

86. *Id.* at 353 (“Total governance recognizes that individuals can engage with public corporations from multiple angles, as investors, employees, online activists, community members, and consumers. While we often think in terms of monolithic roles, imputing interests to shareholders, for example, on the assumption that shareholders are only shareholders, this is never true.”).