Earth Value Maximization Theory: Corporate Governance Within Planetary Boundaries

ABSTRACT

The most influential views of the firm do not incorporate the natural environment in their theorizing. Thus, I propose a new corporate governance framework that prioritizes reducing pressure on the Planetary Boundaries. Living in a "polycrisis" demands appreciating each crisis's distinct nature. While geopolitical tensions and wars are expressions of conflict within our species. The people involved may be quite different – in terms of nationality, culture, and values – but still belong to the homo sapiens species. Another set of crises extends beyond us and concerns the profound alterations to the natural environment. Building on this distinction, I suggest Earth Value Maximization Theory (EVMT) to explain how some boards of directors prioritize nature. This is not introduced as a competing alternative to other views of the firm. Instead, EVMT is envisioned as an essential first-order condition that visionary boards of directors adopt to preserve nature. As the integrity of the Earth system is a necessary condition for human and non-human lives, maximizing Earth value is a precondition for boards of directors.

KEYWORD

Corporate Boards; Decision making theory; Voluntary environmental initiatives & self-regulation.

EXTENDED ABSTRACT

Corporate governance takes place in a vacuum. The most influential views of the firm, including the agency theory (Jensen & Meckling, 1976) and the stakeholder approach (Freeman, 1984), make this assumption and do not consider where business activities occur. Most recent works that extend these theoretical frameworks (Aguilera et al., 2022; Battilana et al., 2022; Stoelhorst & Vishwanathan, 2024) also do not capture the impact and dependence relationships between organizations and natural systems (Lahneman et al., 2025). Similarly, the Amis et al. (2020) "From the Editor" in the Academy of Management Review (AMR) journal, which highlights the need for a theory of stakeholder governance, is profoundly anthropocentric. For the most part, corporate governance scholars remain bound to the original stakeholders definition: "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984, p. 46).

However, human and corporate endeavors take place – predominantly – on planet Earth. Indeed, as a result of these activities, the planetary health has progressively deteriorated during the "Great Acceleration" (Crutzen, 2002; Steffen et al., 2015). In this phase, which began in the mid-20th century, natural scientists observed a significant transformation: our species' imprint on the Earth systems (Steffen et al., 2015, p. 83). In fact, some management scholars recognized the firms' influence on nature and the resulting risks 30 years ago. In 1995, the AMR featured a Special Topic Forum on "Shifting Paradigms: Societal Expectations and Corporate Performance" with selected pieces focusing on the natural environment (Gladwin et al., 1995). That research stream continued into the 21st century (Bansal & Hoffman, 2012; Etzion, 2007; Ventresca & Hoffman, 2002). More recently, academics have shifted their focus to build on the work of natural scientists, particularly Earth system scientists. Earth, as a single complex system, has

been studied for years (Steffen et al., 2005). Among different models, the Planetary Boundaries framework defines nine planetary boundaries within which humanity is expected to operate safely (Rockström et al., 2009). These nine processes regulate the stability, resilience, and life-support functions of the planet, and as of 2025, seven of the nine Planetary Boundaries have been breached (Sakschewski et al., 2025). As Earth system scientists better understand and measure how the planet behaves as a system, organizational scholars study how the Planetary Boundaries (PB) framework can facilitate the integration of natural sciences within organizations (Bansal et al., 2024; Lahneman et al., 2025; Sörlin, 2025; Whiteman et al., 2013; Williams et al., 2024).

Nevertheless, attending a corporate governance conference or a board of directors' meeting is sufficient to appreciate a clear theoretical gap. When it comes to corporate governance, agency theory – together with the stakeholder approach and other frameworks – still prevails, and planetary health is only timidly entering the sphere of management theorizing. In fact, most influential views of the firm and corporate governance frameworks are characterized by ontological blindness to nature (see Table 1). While nature does not enter the theorizing of corporate governance scholars, some frameworks have tried to embed the natural environment. Still, these efforts have not engaged – besides a few exceptions (Bower & Paine, 2017; Eccles et al., 2020; Whiteman et al., 2013) – with the role of corporate governance actors. That results in a theoretical gap as shown in Figure 1: Theoretical gap. As a result, the dominant theories on corporate governance remain unchallenged and profoundly influence practitioners.

Disciplinary origin	View of the firm	Neglecting Nature
Economics	Agency theory	Ontological exclusion
	Shareholder welfare	Ontological exclusion
Corporate law	Team production theory	Ontological exclusion
Sociology	Institutional theory	Inclusion through representation
	Resource dependency theory	Instrumental inclusion
	Behavioral theory of the firm	Ontological exclusion
Organization theory	Resource-based theory	Instrumental inclusion
	Stakeholder theory	Representation inclusion
	Stewardship theory	Ontological exclusion

Table 1: Views of the firm neglecting the role of nature

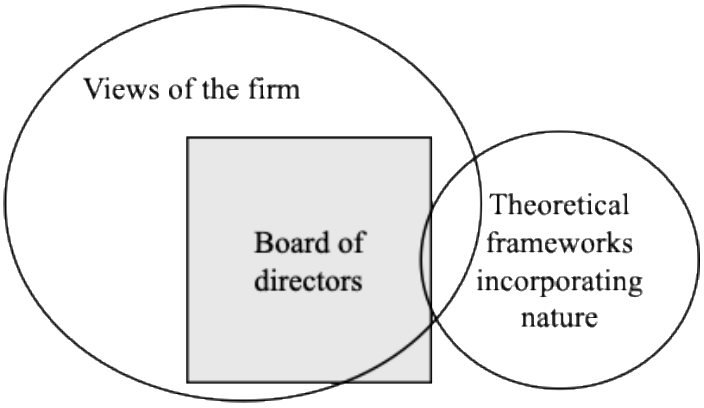


Figure 1: Theoretical gap

Still, some boards of directors make planetary health a priority. Patagonia Inc. famously declared, “Earth is now our only shareholder,” and adjusted the group’s ownership structure to address a succession challenge, avoid listing the firm on the stock exchange, and maintain its commitment to supporting grassroots activists and other sustainability projects. The Norges Bank

Investment Management, the investor manager of the world's largest sovereign wealth fund, recently reitered the ambition for its portfolio companies to achieve net-zero emissions by 2050. The investor, which emphasised essential learnings from its nearly 1,000 engagements with portfolio companies on climate-related topics, committed to targeting even more heavily board-level interactions on climate. This indicates that, due to the urgency of the issue, it needs to be brought before the highest decision-making authority within organisations. These cases show how the board of directors can set the direction.

This extended abstract briefly introduces a new view of the firm, grounded in Earth systems science through the Planetary Boundaries framework (Rockström et al., 2009), as a theoretical lens for explaining how specific boards of directors prioritize nature. This framework is characterized by business assumptions in contrast with those of the most influential theories (see Table 2). Finally, to emphasise conditions that increase the likelihood of EVMT adoption – to get past individual stakeholders' needs by shifting the focus on critical natural systems – six propositions are advanced (see Figure 2).

Mainstream views of the firm	**EVMT**
Agency Theory	Systems Thinking
Shareholder Primacy	Planetary Health
Profit-maximization	Purpose-orientation
Wealth	Health
Competition	Coalition

Table 2: Key business assumptions

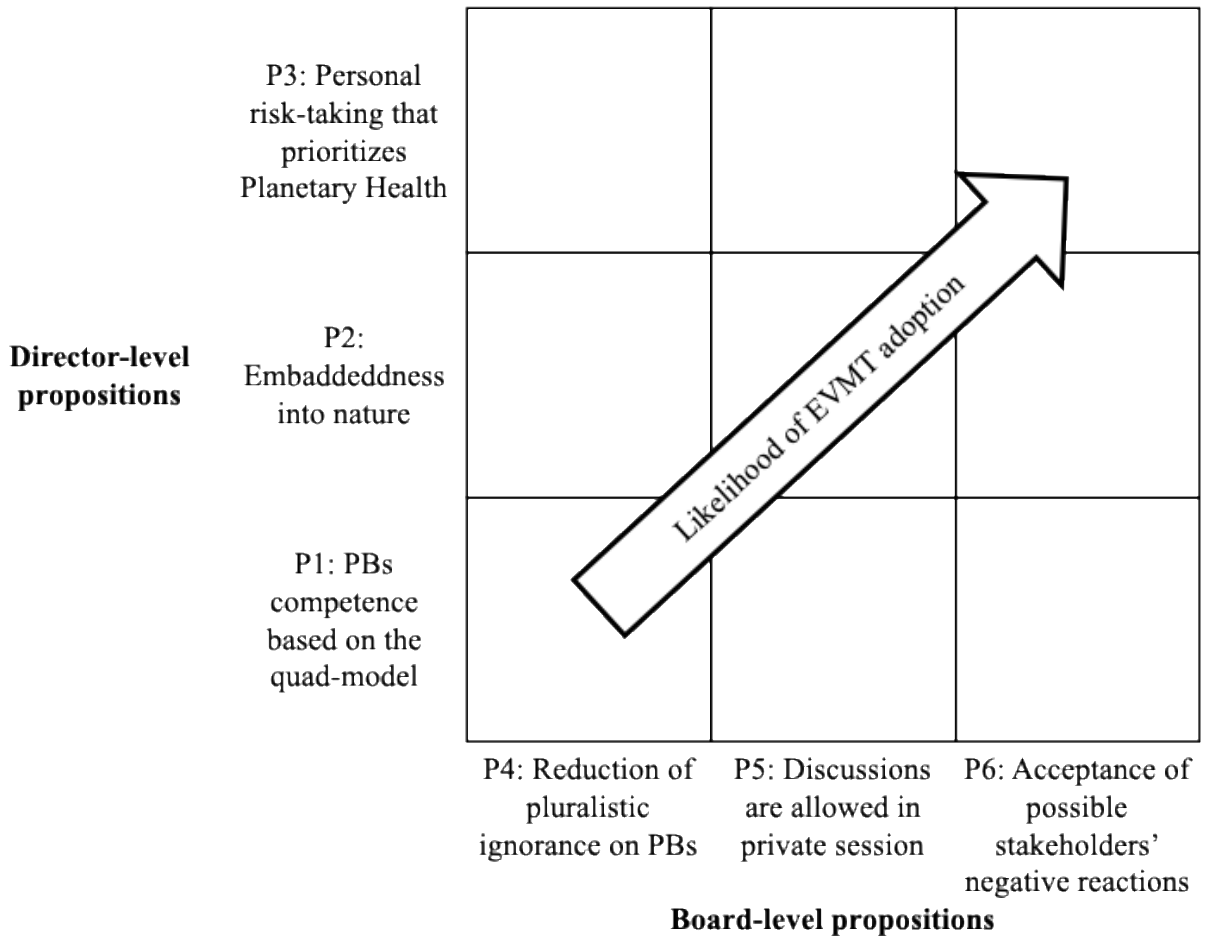


Figure 2: The likelihood of boards to adopt EVMT

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