

AGM Theatres



February 9th, 2003

Proposals by Sir Richard Sykes, the former chairman of GlaxoSmithkline, to exclude small shareholders from annual meetings, seem to reveal an unpleasant side of the business elite.

Some years ago, I wrote to Investors Chronicle opposing a similar proposal from Paul Myners, who was the boss of Gartmore fund managers.

Various City institutions thought AGMs should be abolished. Well, that may be fine for investors who are able to get private sessions with directors. But there is still a risk of having the wool pulled over one's eyes, while a public meeting makes directors truly accountable.

Some shareholders can be tiresome at AGMs, and action groups absorb time. But it is up to each chairman to create engaging theatre on the key issues.

The real problem is not small shareholders or activists; it is directors who cannot face defining their objectives and being held accountable.

That is a simple yet effective approach to corporate governance, compared with all the time spent on compliance with codes. Isn't it up to directors and shareholder owners to affirm what best suits each company?

Good chairmen relish even controversial AGMs because it is possible to seize the shareholders' interest and engage it in the wider corporate purpose.

Sykes' project is sponsored by the Tomorrow's Company think-tank.

Few people know its origins were a Royal Society of Arts committee whose interim report favoured "stakeholder" priorities instead of shareholders'. The stakeholder theory was abandoned, yet blue-sky waffle about long-termism remains.

Mark Goyder, the director of Tomorrow's Company, was last week reported as saying that there is too much emphasis on short-term gains. This is old hat and excuses weak boards.

All investors, big and small alike, would like to hold shares in companies that build steady and sustainable value. But outcomes often involve dashed hopes and the need to reallocate capital to more deserving managers.

Effective capitalism means shareholders - all equal in law - holding directors accountable for both the short and long term. When directors reward themselves fabulously for mediocre performance, an AGM revolt is healthy.

A company's annual report ought to convey "what we did and didn't achieve, against our objectives", with the AGM a forum for accountability.

You cannot lose sight of the share price, which is one litmus test of management's performance.

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IN THE NEWS

By definition, most analysts and investors are mainly concerned with a company's medium to long-term prospects. "Intrinsic value" means discounting them to a present value. Short and long-term perspectives are inseparable.

On the web site - www.tomorrowcompany.com - it should clarify who are the financial backers for this think-tank. Do they include various big companies whose bosses are fed up with "small" people questioning their pay?

When business leaders vilify small shareholders it disturbs me because it strikes at the heart of liberal capitalism, the values we cherish.

Sir Winston Churchill echoed Voltaire's definition of a liberal society by saying that even if he disagreed with someone's opinion he would still fight for their right to express it.

Thank goodness this spirit is alive in the millions of people who recently voted Churchill The Greatest Briton - even if some businessmen show less tolerance.

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