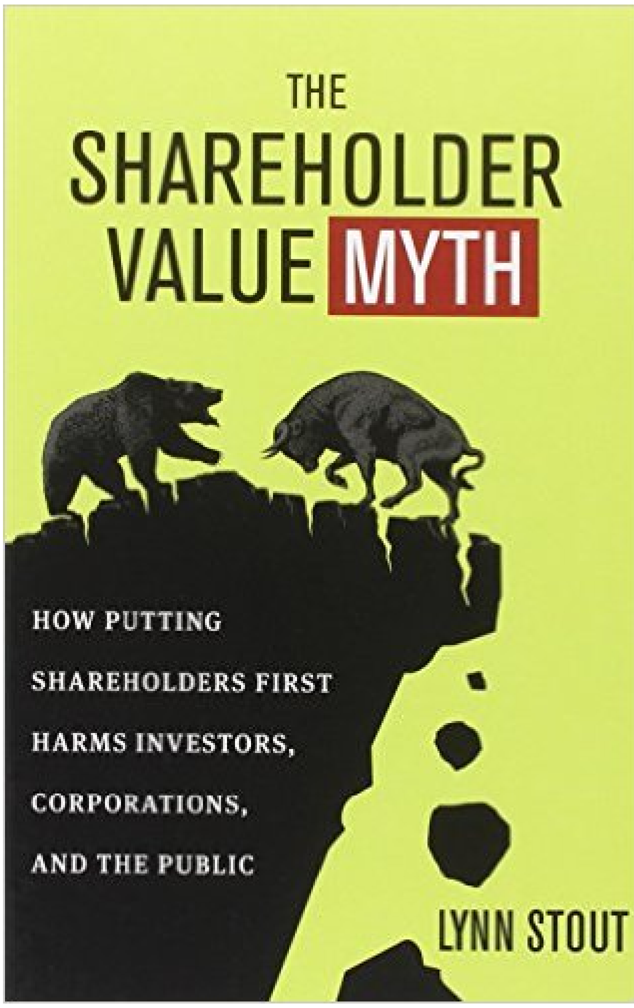
The Shareholder Value Myth: How Putting Shareholders First Harms Investors, Corporations, And The Public



Synopsis

Executives, investors, and the business press routinely chant the mantra that corporations are required to â œmaximize shareholder value.â • In this pathbreaking book, renowned corporate expert Lynn Stout debunks the myth that corporate law mandates shareholder primacy. Stout shows how shareholder value thinking endangers not only investors but the rest of us as well, leading managers to focus myopically on short-term earnings; discouraging investment and innovation; harming employees, customers, and communities; and causing companies to indulge in reckless, sociopathic, and irresponsible behaviors. And she looks at new models of corporate purpose that better serve the needs of investors, corporations, and society.

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Customer Reviews

If you so much as skim the business pages in a newspaper, there’s little doubt you’ve heard it said or seen it written that corporate officers and directors are required by law to maximize shareholder value and that they’re subject to lawsuits if their decisions favor any other stakeholder such as employees, customers, or suppliers over profit. The well-entrenched view that shareholders are paramount is widely regarded as the cornerstone of contemporary business law -- and it’s flatly untrue.In The Shareholder Value Myth, business law professor Lynn Stout proves this point, citing chapter and verse in court decisions going back more than a century. "So long as a board can claim its members honestly believe that what they’re doing is best for `the corporation in the long run,’ courts will not interfere with a disinterested board’s decisions -- even decisions that reduce share price today." Having laid the legal groundwork, Stout then proceeds to explain how this mistaken view of shareholder primacy is bad for business."Put bluntly," she writes, "conventional shareholder value thinking is a mistake for most firms -- and a big mistake at that. Shareholder value thinking causes corporate managers to focus myopically on short-term earnings reports at the expense of long-term performance; discourages investment and innovation; harms employees, customers, and communities; and causes companies to indulge in reckless, sociopathic, and socially irresponsible behaviors." Among the examples Stout cites is the Gulf oil spill, caused by excessive cost-cutting on the part of BP. "In trying to save $1 million a day by skimping on safety procedures at the Macondo well, BP cost its shareholders alone a hundred thousand times more, nearly $100 billion." Q.E.D.

[...]Anyone who has spent any time employed by a public company quickly learns the phrase â œin the best interests of the shareholders.â • It is used to justify decisions on issues including (and certainly not limited to) strategy, resource allocation, risk, personnel, marketing and reputation. â œIn the best interests of the shareholdersâ • â " much like that booming voice in the â œThe Wizard of Ozâ • â " always bellows forth from the walled-off chambers of upper management, conveying an unambiguous intention that it should (or must) reverberate from top to bottom, ultimately finding its way into every corporate message and mission statement.Enhancing shareholder value has become THE indispensable corporate sound bite: difficult to refute, extremely convenient and containing a uniquely disarming aura that quite successfully disguises a dangerously naÃƒÂ ve lack of nuance. After all, if a companyâ ™s share price is going up, what could the problem possibly be, right? Shareholders and, by extension, management, employees, regulators, vendors and other constituents (pretty much anyone without a short position) ought to be happy. Besides . . . if everybody is saying it . . .Thankfully, even when it comes to Gospel-esque axioms like shareholder value, the financial world still has fearless and eloquent contrarians. In this case, Lynn Stout, a professor at Cornell University Law School, specializing in corporate and business law, has written an insightful new book entitled, â œThe Shareholder Value Myth.â • She boldly challenges this orthodoxy â " and does so from multiple angles.From the first page to the last, it becomes easier and easier to understand how and why Ms. Stout has earned significant stature in the world of business/legal academia. Sheâ ™s certainly no pushover.

The Shareholder Value Myth: How Putting Shareholders First Harms Investors, Corporations, and the Public Creating Shareholder Value: A Guide For Managers And Investors The Shareholder Action Guide: Unleash Your Hidden Powers to Hold Corporations Accountable Essential Case

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