Preface

Large public companies dominate the world in which we live, and have become increasingly important over the past century. Despite this fact there has never been unanimity amongst scholars, practitioners and directors as to what the objective of such companies is and should be. For many years there has been robust and, at times, caustic debate over the matter. While there has been much written on the topic I believe that there is still room for scholars to contribute to the debate, especially if they are not merely re-hashing the main points that have been made thus far.

This book seeks to consider the issue of the corporate objective normatively and to investigate what in fact should be the corporate objective. The book proposes an approach that is titled, the Entity Maximisation and Sustainability model. It is an ungainly title, perhaps, but it is descriptive of that which is proposed. Before articulating the model and seeking to apply and justify it, I discuss the two theories that have dominated the field, the shareholder primacy and stakeholder theories. It is necessary to do this for two reasons. First, I seek to synthesise, and provide in one place, the arguments for and against each theory. Hitherto, for a comprehensive appreciation of the two theories, from the viewpoint of various academic disciplines, one had to read a large volume of articles. Second, before propounding a fresh approach one must, as a matter of respect to other scholars and as a requirement for good scholarship, consider and assess the views that have been put forward for many years.

The fact that the debate is long-standing should not pre-empt further study, especially where there is not a simple re-hashing of the arguments already propounded. This work seeks to make a break from the existing situation, namely polarisation of arguments around one or other of the two predominant theories. The literature has focused on aspects of these theories, whereas this book seeks to move away from that and proposes a fresh approach, through the development of a new model, and to investigate its effects in a corporate setting.

It is acknowledged that this work will not end the debate, and it does not purport to do so. It is hoped that it will lead to further study. The value of the work is not necessarily in that it will change practical management in the short term. It is submitted that it might, however, form the foundation
for further work by, and consideration of, academics, law-makers and directors. It is hoped that work will provide an underpinning for the further development of corporate governance guidelines, mechanisms or regulation.

It is further hoped that this work will lead to a fresh consideration of the role and position of investors (often known as ‘stakeholders’) and new approaches to issues such as how companies should distribute the profits which they accumulate. Furthermore, previous theories have focused almost solely on how the managers should act in relation to either the shareholders or all stakeholders while the model that is being proposed in the book introduces a different way of approaching how companies should be run, and what issues should be considered by the directors. It will demonstrate that the corporate objective does not have to be assessed from the standpoint of the groups with interests in the company, but by asking how the company entity should act for its own enhancement.

Some of the material in the book draws on five articles which I have written and published, and where permission of the publishers has needed to be sought I have kindly been given the permission of the publishers (named below) to use them. The articles are:

- ‘Getting to Grips With the Shareholder Value Theory in Corporate Law’ accepted for publication in the Common Law World Review (Vathek Publishing).

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that is found within this book. In particular, I thank Harry Rajak, Chris Riley, Gerry McCormack and Joan Loughrey. I am responsible for all errors and the aforementioned parties should not be regarded as in any way responsible for what I have written.

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