



Report finds directors' interests cover all

An Australian-first report into how company directors rank employees, shareholders and other stakeholders, shows that Australian directors prioritise shareholders only slightly over employees, distinguishing them from their US counterparts.

The Melbourne University report – *Company directors' views regarding stakeholders* – reveals that a majority (55 per cent) believe that acting in the best interests of the company means they are required to balance the interests of all stakeholders.

Very few equated the best interests of the company with the short-term interests of shareholders (0.3 per cent).

John Purcell, CPA Australia policy adviser – corporate regulation, says the research provides significant insights into a number of aspects of the evolving corporate social responsibility and corporate governance debates, including:

- balancing of stakeholder interests
- balancing of short and long term interests, and more broadly
- evolving expectations placed on corporations to effect positive environmental and social change

'The research highlights a clear consensus among directors that the law of directors' duties allows consideration of interests other than shareholders,' Mr Purcell said.

'This in turn is reflected in the view that key stakeholders have the capacity to influence management.'

'CPA Australia believes that this does not necessarily translate to a positive obligation to consider wider stakeholder interests.'

According to Mr Purcell, the fact that creditors were seen as having significantly less power to influence management is significant.

'This finding supports the current structure of the insolvent trading rules which affords specific protections to unsecured creditors,' he said.

Among the categories of stakeholders, Mr Purcell points out, the researchers observed that the relationship with employees was to a significant degree characterised as one of a partnership.

'Again, such insight may assist future consideration of how companies deal with the differential demands of a widening constituency of interest.'

Led by Professor Ian Ramsay, from Melbourne University's centre for corporate law and securities regulation, and Professor Richard Mitchell, from the centre for employment and labour relations law, the project involved the first in-depth survey of 4000 directors from a diverse range of Australian companies, including rarely studied small companies.

For further information please visit the [Melbourne University website](#).

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http://www.cpaaustralia.com.au/cps/rde/xchg/cpa/hs.xsl/1017_24140_ENA_HTML.htm

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