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Shareholders the top priority - just

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Company directors prioritise shareholders only slightly over employees, a study from the University of Melbourne shows.

The university's Centre for Corporate Law and Securities Regulation analysed the way directors balanced competing interests of stakeholders including employees, creditors and shareholders. It found 55 per cent of directors believed acting in the best interests of the company means they are required to balance the interests of all stakeholders.

Few directors, only 0.3 per cent, equate the company's best interests with the short-term interests of shareholders.

The study surveyed 375 company directors across all industries in June 2006. Primary researcher Meredith Jones says the research proves Australian directors have very different priorities to their counterparts in the United States.

"US studies show that around eight out of 10 directors rank shareholders ahead of all other stakeholders, including employees," Jones says. "The Melbourne University study shows that only four out of 10 Australian directors rank shareholders first. In contrast, in Japan studies have shown employees to be ranked highly over other stakeholder groups."

Professor Ian Ramsay, of the CCLSR, says the survey calls into question the need to amend law to require directors to take into account the interests of defined groups of stakeholders.

"The survey shows that an overwhelming majority of directors, 94.5 per cent, believe that the law concerning directors' duties is broad enough to allow them to consider the interests of stakeholders other than shareholders," Ramsay says.

The study also found directors rated as important the need to ensure customers were satisfied, growing the business and ensuring employees are fairly treated.

A copy of the report can be downloaded from the University of Melbourne Centre for Corporate Law and Securities Regulation website: <http://cclsr.law.unimelb.edu.au>

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