SHORT-TERMISM AS A MILITATING FACTOR AGAINST CORPORATE PLURALIST APPROACH

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ABSTRACT

The need for big public companies to do away with over-indulgence in shareholder value approach and embrace stakeholder approach in its corporate approach can never be over-emphasised. Consequently, a lot of writers are focusing their attention on enlightening the public that, a company is not just an economic entity formed with the sole objective of making maximum wealth for its shareholders but also a social being which should as such, be concerned with and integrative of the interests and well-being of the broader society who, in one way or the other affect or are affected by its corporate decisions and corporate activities, otherwise popularly referred to as its stakeholders. To this end, some writers have been criticising anything which cause or has the effect of causing the directors to be unduly focused on maximising solely, the interests of the shareholders. One of those factors is the directors and investors placing unnecessary attention to the position of the company's share value in the stock market, and the amount of dividends paid to the company shareholders which ended up encouraging the directors to attach unnecessary attention to the short-term goals of the company, which are primarily beneficial to the investors/shareholders and the directors but in neglect to the long-term corporate objectives of the company; which will ensure its sustainability in the long run and promote the integration of the broader stakeholders' interests with its resultant benefits to the company and its shareholders in the long run. The writer thus, decided to look into the negative impacts of short-termism to the adoption of a wider stakeholder or pluralist corporate approach. He did this by adopting a doctrinal research methodology. It was observed that short-termism is actually discouraging corporate broader approach as directors are focused on having or achieving immediate result of their corporate policies, and decisions commonly evidenced by the rapid appreciation in the value of the company's shares and higher dividends declared at the end of the corporate year, which causes them to sacrifice building a lasting relationship with non-shareholding stakeholders. Of course, building such a desired relationship is a long-term project which may not yield immediate returns for or have immediate positive effects on the company, yet appears to have serious immediate in-roads on the resources of the company. The work, however, concluded that long-term corporate approach is beneficial to the company as a whole and its shareholders in particular as it helps to ensure the sustainability of the company and in the promotion or maintenance of long lasting cordial relationship with the company's stakeholders which is ultimately beneficial to the shareholders, especially in the long run.

INTRODUCTION

> *In the drive to maximise shareholder value, the critical relationships with employees, customers, suppliers and the community have been sacrificed and long-term shareholder value has been destroyed.*[1]

There is no gain-saying the fact that shareholder primacy corporate approach – a corporate approach which requires the directors of the company to focus primarily on making maximum economic returns to the shareholders of the company, has the obvious tendency of encouraging the directors to be short-term-oriented in their corporate managerial or directorial approach as it causes them to do whatever they can, to ensure quick appreciation of the company's share value in the capital market and to make sure they pay huge dividends to the investors/shareholders at the end of each financial year. This will arguably, cause or lead the directors to involve themselves in cutting corners; engaging in unwholesome corporate practices and in some cases, breaching the law especially where doing so, will yield more profit for the company when juxtaposed with the sanctions that will be attracted by non-compliance. It will also likely to cause them to pay little or no attention to the interests of the non-shareholding stakeholders. In a shareholder primacy jurisdiction[2], it can hardly be doubted that it is only a board that cares about the long-term future of the company that will be concerned with, and integrative of the interests of the wider society. Such a broad-minded and stakeholder-oriented board may be difficult to be found in such a jurisdiction, as such an approach appears especially at its early stage, to be costly and have serious negative impacts on the coffers of the company, thereby depleting the money which would have otherwise been available to the shareholders. Of course, focusing solely on the shareholders and targeting short-term goals or earning make members of the board to shine and be more marketable as their directorial efforts can easily be seen and appreciated by those investors, whose sole target for investing in the company is to earn maximum returns for their investments within the shortest possible time. It is only 'responsible' investors, normally few in number, that will understand and appreciate a board that is integrative, stakeholder-minded and long-term-oriented. Such a board would certainly, especially in the long run, make the company and its shareholders proud, as such a company is sustainably, attracts the best employees; attracts and retains the patronage of its customers and creditors; have a favourable and cordial relationship with the local community; may attract little or no strict monitoring and less sanctions from government and will have a good reputation as a responsible and good corporate citizen. All these will in turn, result to increase earnings for the shareholders especially in the long run, and to a friendlier, happier, more tolerant

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[1] Cassidy, D (2003) "Maximising Shareholder Value: The Risk to Employees, Customers and the Community" 3 (2) Corporate Governance 32, at p. 32.

[2] A nation with a corporate regime or legislation which mandates the board to pay its attention to maximising the investment returns for the shareholders. In such a jurisdiction, the board will pay attention to the interests of the non-shareholding stakeholders only if doing so will enhance maximally the economic interests of the shareholders. For a detailed discussion of the meaning of shareholder value or shareholder primacy approach and the stakeholder approach, see Eze, J.A. (2017) "The Corporate Objective Question: In Whose Interests should a Company be run in Nigeria?" 3(1) COOULJ 147.

corporate stakeholder constituencies and a saner, better and more stable corporate environment.

Thus, though Sternberg is one of those who champion criticisms against stakeholder theory, she admits that the approach can be very valuable since ".....business can't afford to ignore any stakeholder concern that might affect its ability to generate long-term owner value."[3] Generation of long-term shareholder value is, arguably, more possible and easier to come by where the board is long-term inclined or oriented. A short-term-oriented board hardly thinks about or generate long-term owner value but is rather, preoccupied with maximising returns in the short term. This takes us to the meaning of short-term managerial approach - commonly adopted under shareholder value approach - and its possible negative impacts on corporate inclusivity cum stakeholder approach.

Meaning and the Negative Effects of Short-Termism to Corporate Stakeholder Approach:

Simply put, in the corporate parlance, the term 'short-termism' refers to a situation where the corporate board and/or managers of public companies focus excessively on immediate or short-term results of their corporate policies, decisions or programmes at the expense or detriment of long-term interests.[4] The pressure for short-term performance usually comes from the investors with their excessive focus on quarterly earnings, with less attention given to strategy, fundamentals and long-term value creation. Pressure for such an approach do equally, comes from the directors and managers themselves who are overly eager to impress their investors/shareholders, by maximising their investment returns within the shortest possible time and oftentimes - at the detriment of the long-term sustainability and profitability of the company. In its quest to maximise short-term earnings, the board may end up reducing its expenditures on research and development. It may also forego investment opportunities that have positive long-term potentials as well as drop, ignore or overlook some programmes and policies that are beneficial to their non-shareholding stakeholders. In other words, these sorts of corporate decisions can weigh against companies' development of sustainable products or investment in programmes or measures that promote or ensure operational efficiencies, develop their human capital; or effectively, manage and efficiently discharge the social and environmental responsibilities of the company.

[3] Sternberg, E. (1997) "The Defects of Stakeholder Theory" 5(1) Corporate Governance 3.

[4] Short-termism is the pressure public companies often face to return big profits as quickly as possible. It has also been defined as "Seeking short-term gain to the exclusion of long-term achievement." Mullins, D "Foreword" in M.T Jacobs, (1991) *Short-term America,* Boston: Harvard Business School Press, and quoted in Grinyer, J *et al* (1998) "Evidence of Managerial Short-termism in the UK" 9 British Journal of Mgt 13, at p. 13. It has also been defined as "foregoing economically worthwhile investments with longer-term benefits in order to increase reported earnings for the current period." (Grinyer*et al*, ibid, at p. 15.) It is believed that a board that is after maximising profit for the long term value would aim to balance the seeking of opportunities to make profits now with opportunities to make profits in the future. See Lydenberg, S. (2005) *Corporations and the Public Interests: Guiding the Invisible Hand*, San Francisco: Berrett-Koehler. Jackson and Petracki view short-termism as involving situations where "corporate stakeholders (e.g. investors, managers, board members, employees etc) show a preference for strategies that add less value but have an earlier payoff relative to strategies that would add more value but have a later payoff" Jackson, G and Petracki, A (2011) *The Sustainable Company: A New Approach to Corporate Governance*, European Trade Union Institute, at p 200.

The shareholder's value principle has been criticised for being short-term[5] oriented and focused in approach. Shareholder value approach though, not necessarily but most often, leads to short-termism with its attendant fixation on the quarterly corporate earnings and their share value.[6] This view seems to be shared by the United Kingdom Company Law Review Steering Group (CLRSG) when it said that:

> *.....the state of directors' duties at common law are often regarded as leading to directors having undue focus on the short-term and the narrow interests of members at the expense of what is in a broader and a longer term sense of the best interests of the enterprise.....*[7]

In their bid to maximise profit for the shareholders, the managers tend to make short-term earnings performance overshadow everything else.[8] This has negative effect on social wealth maximisation, that is, on the proactive integration of the interests of the broader corporate stakeholders,[9]as companies become focused on turning over short-term profits in order to benefit their shareholders resulting in possible adverse affects on various non-shareholding stakeholder constituencies.[10]Such short-term practices impede managements' thinking about the long-run objectives of the company. The company itself is thus, not safe as its long-term well-being and sustainability may be endangered by the short-term practices.[11] A very good example is Enron's excessive focus on share price, which eventually leads to its collapse.[12] Shareholders' economic interest is also threatened by short-termism in that, their long-term wealth maximisation can hardly be served by short-term profit maximisation; if the latter results "in dissatisfied suppliers, antagonistic employees and angry community."[13] Speaking in an American context, Williams and Conley accuse the mergers and acquisitions culture,

[5] In this context, distinguishing between what is the short term and what is the long term may prove difficult. In the words of Allen (former Chancellor of the Delaware Court of Chancery): "The law 'papered over' the conflict in our conception of the corporation by invoking a murky distinction between long-term profit maximisation and short-term profit maximisation." Allen, W (1992) "Our Schizophrenic Conception of the Business Corporation" 14 Cardozo L.R 261, at p. 273.

[6] See Millon, D (2002) "Why is Corporate Management Obsessed with Quarterly Earnings and What Should Be Done about It?" 70 George Washington L.R 890, especially at p. 902.

[7]CLRSG, *The Strategic Framework,* (London, DTI, 1999) at para 5.1.17.

[8] Van der Weide, M.E (1996) "Against Fiduciary Duties to Corporate Stakeholders" 21 Delaware Journal of Corporate Law 27, at p. 61.

[9] Wallman, S (1991) "The Proper Interpretation of Corporate Constituency Statues and Formulation of Director Duties" 21 Stetson L.R 163, at pp 176-177; Lipton, M and Rosenblum, S (1991) "A New System of Corporate Governan ce: The Quinquenial Election of Directors" University of Chicago L.R 187, at pp. 203 and 205.

[10] It is argued that short-termism is antithetical to, or rather discourages inclusive/integrative stakeholding approach and constituency corporate social responsibility (CSR) practices in that while short-termism seeks profit maximisation within the shortest possible time for the shareholders, a stakeholding approach is concerned with sustainability of the enterprise which may entail foregoing immediate profit for future gains. The practice also benefits non-shareholding constituencies and may thus reduce shareholders' short-term gains and may thereby have negative effects on share price. See Millon, D (2011) "Two Models of CSR" 46 Wakefield L.R 523, at p. 536.

[11]Millon (ibid); Mitchell, L.E (2001) *Corporate Irresponsibility: America's Newest Export*, New Haven: Yale University Press; Fisher, D (2009) "The Enlightened Shareholder – Leaving Stakeholders in the Dark: Will Section 172 (1) of the Companies Act Make Directors Consider the Impact of Their Decisions on Third Parties?" 20(1) I.C.C.L.R, 10, at p. 14.

[12] Clark, T. (2005) "Accounting for Enron Shareholder Value and Stakeholder Interests" 13(5) Corp Governance 598, at p. 602.

[13] Mitchell, R, O'Donnell, A. and Ramsay, I. (2005) "Shareholder Value and Employee Interests: Intersection of Corporate Governance, Corporate Law and Labour Law" 23 Wisconsin Int'l L.J 417, at p 436.

the financial press, financial globalisation and managerial self-interests, as some of those factors responsible for a focus on short-term stock valuations.[14] It may not be doubted that, the same factors are part of the issues responsible for the trend in the UK, Nigeria and most other jurisdictions.

The 2007-2008 financial crisis and its attendant problems have been attributed to the mispricing of risks[15]as well as to the employment of irresponsible lending practices in the financial industry.[16]For some commentators, blame is also attributable to short-termists' pressures on company boards, as a result of the shareholder demands for unsustainable ever-increasing earnings' growth, which can only be achieved through over-leverage and reduced investment, and through the dangerous route of excessive risk takings.[17]Accordingly, the stability and financial strength needed to endure economic cycles were sacrificed for immediate satisfaction.[18]

It has been noted that it is not only pressure from the members of the company that makes the board to adopt short-term approach, as the board do on their own and for their own selfish interests, do indulge in such[19] with Lipton, Mirvis and Lorsch averring that: "Short-termism is a disease that infests businesses and distorts management and boardroom judgment."[20] But as the authors suggest, it does not originate in the boardroom, and is instead, "bred in the trading rooms of the hedge funds and professional institutional investment managers who control more than 75% of the shares of most major corporations."[21]

Other possible inducements for a managerial short-term approach could be not only that, maximising shareholder returns within a short-time frame encourages investment in the company,[22]but it improves the directors' marketability also.[23]Thus, Keay asserts that managing for the long term is often antithetical to the interests of the company's directors/managers, and that because of the temporary nature of their interests in the

[14] Williams, C.A. and Conley, J.M. (2002) "An Emerging Third way? The Erosion of the Anglo-American Shareholder Value Construct" 38 Cornell Int'l L.J 493, at p. 503.

[15] Kirkpatrick, G. (2009) "The Corporate Governance Lessons from the Financial Crises" 96 Financial Market Trends 1., at 4.

[16] Jordan, C and Jain, A.. (2009) "Diversity and Resilience: Lessons from the Financial Crisis" Research Paper, Centre for Corporate Law and Securities Regulation, University of Melbourne, 8 September, 2009, at p. 5.

[17] It may not be far from the truth that the financial institutions failed to take into adequate consideration the long term interests of the company in the period preceding the financial crisis - for they embraced risks which proved lucrative in the short term, but turned out to be catastrophic not only for the shareholders but also for many others. For instance, the now nationalised Royal Bank of Scotland paid out a final dividend of 17% in 2005, 22% in 2006 and 23% in 2007 (http://www.investors.rbs.com/ourperformance/dividend.cfm). Ostensibly, sufficient consideration was not given by those banks to the possible default of borrowers in the sub-prime mortgage market and problems associated with other risks.

[18] Lipton, M., Mirvis, T. and Lorsch, J. "The Proposed 'Shareholder Bill of Rights Act of 2009" Harvard Law School Forum on Corporate Governance and Financial Regulation, May 12, 2009, accessible at http://blogs.law.harvard.edu/corpgov/2009/05/12/the-proposed-%e2%8%9cshareholder-bill-of-rights-act-of-2009%e2%80%9d.

[19]There is undue obsession with quarterly results, and a lot of companies pay their directors/managers on the basis of current earnings per share, thus triggering or pressuring the directors/managers to focus on short-term results.

[20] Ibid.

[21] Ibid.

[22] See Millon (above, N. 6), at pp. 897-900;

[23] Ferran, E (2001) "Corporate Law, Codes and Social Norms – Finding the Right Regulatory Combination and Institutional Structure" 1 J.C.L.S 381.

company, managers might favour the short-term approach.[24]Keay suggests that directors' interests in a company are basically limited to their time in its employment. Consequently, they derive little or no benefit from planning for the long term as it is likely to be their successors who will reap the glory and enjoy the benefit from rents that (will eventually), come to the company under the long term agenda/approach.[25]For Keay, planning for the long term may make the performance of a company's board look less than impressive if it fails to result in immediate higher share prices or value, and dividends than might arise from the adoption and implementation of more short-term goals,[26] which may include cutting corners, indulging in unwholesome business practices, breaching of the law where it is convinced that doing so attracts more economic profit for the company than the sanction or fine imposed for non-compliance, etc. Moreover, managers' remuneration has often been aligned with short-term shareholder interests, which in itself is strongly associated with reducing agency costs. In other words, in the shareholder primacy model's efforts to resolve potential conflicts of interests between the 'owners' (principal) and the managers (agents), it tries to link managerial rewards to corporate performance which is measured by the company's share price in the capital market, and sometimes exercised by means of share options – that is, offering or giving the members of the company's board and managers certain percentage of the company's shares as a reward for a successful management of the company; which is normally but unfortunately assessed by the appreciation of the company's share in the capital market, and the amount of dividends paid to the shareholders at the end of the financial year.[27] The level or degree of the board's integration of the interests of the non-shareholding stakeholders and the focus of the board on the long-term interests and sustainability of the company are, most often, not considered when making the said assessment of the success of the board in the financial year. This tends to cause the members of the board to be short-term-oriented in their corporate directorial and managerial approach, as well as to neglect or ignore broader corporate approach which tends to negatively affect the company's economic profit on the short-run but, of course most often, result or cumulate into the appreciation of the company's value in the long-run through the perception of the company by the wider society as a responsible, responsive and socially-oriented corporate organisation. This sort of positive perception will at the end of the day, lead to the appreciation of the share value of the company and increase in dividends paid to the shareholders as it will cause stakeholders' positive commitment to the company, boast employees' moral, trigger good and cordial relationship with the local community and also, bring about customers' loyalty to the company and may even, reduce harsh regulation of the company by the government and its agencies and minimise negative monitoring by the social monitors and the attendant negative impacts negative publicity occasioned or triggered by the social monitors will have on the company's reputation.[28]

This short-termism is one of the things the UK Companies Act, 2006, section 172, aims at discouraging. Clearly, at the heart of the concerns of both the CLRSG in its deliberations as

[24] Keay, A. (2012) "Duty to Promote the Success of the Company: Is it Fit for Purpose in a Post-Financial Crisis World?", at p .23.

[25] Allen, F and Gale, D (2000) *Comparing Financial Systems*, Cambridge, Massachusetts: MIT Press, at p 382.

[26]Keay (above, n 24) at p. 23.

[27]Letza, S, Sun, X and Kirkbride, J (2004) "Shareholding versus Stakeholding: A Critical Review of Corporate Governance" 12(3) Corporate Governance 242. See generally Dallas, L (2012) "Short-Termism, the Financial Crisis and Corporate Governance" 37(2) Journal of Corporation Law 264.

[28]See Eze, J.A (2022) "Social Monitors as Agents/Catalysts of Corporate Socially Responsible Behaviour" 6(1)COOULJ 253.

far as directors' duties were concerned, and the Government in adopting the measure, was to encourage companies to be managed for the long term.[29] The section stressed that company's board should not run the company for short-term profits alone, but should put the long-term consequences into consideration, as this may ensure corporate sustainability.[30] In other words, the policy intention is to encourage decision-making rooted on a longer-term perspective and not just on immediate returns. This is in accord with the UK Corporate Governance Code, which is sanctioned by the Financial Reporting Council. It provides in its preamble that the purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company.[31]Thus, the CLRSG stated that directors are obliged to "achieve the success of the company for the benefit of the shareholders, by taking proper account of all the relevant considerations for that purpose", and this involves taking "a proper balanced view of the short and long term; the need to sustain effective ongoing relationships with employees, customers, suppliers and others", as well as to "consider the impact of its operations on the community and the environment."[32] The UK Government adopted expressly, the CLRSG's approach in the first White Paper published in July 2002.[33]In the second White Paper published in March 2005, the Government confirmed that it was going to pursue the CLRSG recommendations in relation to directors' duties.[34] This is now section 172 of the 2006 Act. Reference to 'short term' is however omitted in section 172. This omission is, perhaps, aimed at emphasising the relevance of the long term even though, the Nigerian Companies and Allied Matters Act (CAMA) 2020 did not expressly impose a duty on the members of the board to be long-term oriented in the discharge of their directorial duties It is reasonably expected that they should do, so as to will be in the company's best interests if they do. Of course, CAMA 2020 in section 305(3) imposed a duty on a director to always act in the "best interests of the company as a whole so as to preserve its assets, further its business, and promote the purpose for which it was formed......" It can hardly be doubted that a board that is really or genuinely concerned with the long-term effects of its directorial decisions and corporate policies, especially as they concern or affect the broader stakeholder constituencies, is acting in compliance to the above statutory duty imposed on it by this said Act.

Though being long-term focused is essential not only to the corporation but also to the corporate stakeholders and the wider society. From the practical viewpoint, a company can only talk of or concentrate on long-term targets when it is sustained as a going concern. A company that is not very sure of not going into liquidation the next day, will not be making projections for the next couple of years.[35] So, in this era of economic meltdown and business uncertainties, many companies are 'understandably' concerned with short-term targets. The saying 'let us live our lives today, tomorrow will take care of itself' has therefore, become the operating watchwords of many managers**.** All the same, long-term corporate approach should not and must not be sacrificed on the altar of short-termism as doing so, will be detrimental to

[29] See CLRSG, *Developing the Framework,* (London, DTI, 2000) at para 2.19.

[30]It is argued that board's adoption of a long run approach/orientation to corporate management has the tendency of realising all the major targets the inclusive corporate stakeholding agenda or appraoch intends to achieve. See Millon "Two Models of CSR"(above, n 10).

[31] Financial Reporting Council, *The UK Corporate Governance Code*, September 2012 (London), at para 1.

[32]CLRSG, *Developing the Framework* (London, DTI, 2000) at para 2.19.

[33] See *Modernising Company Law* (cm 5553-1, 2002, DTI) at para 3.6.

[34]*Modernising Company Law* (cm 6456, 2005, DTI).

[35]According to Bray (an Oxfam Officer), "If you do not look after the short term, there will be no long term." Bray, I (2012) Metro Newspaper, Monday, July 16, 2012, at p. 22.

the sustenance of the company in the long run. No doubt, a company must invest in its future if it is to have one.

From the discussions above, it is evident that long-term corporate approach has certain advantages. Some of them will now be considered.

Merits of Long-term Corporate Approach:

The importance of a long-term corporate approach cannot be over-stressed, as it can hardly be doubted that the best and most successful companies have always been those that give due and serious consideration to their long-term corporate goals. Two things stand out in the clamour for a long-term approach to corporate governance: (a) the belief that the co-operative relationships between a company and its stakeholders are fundamentally important to the firm's creation of wealth; and (b) the recognition of a connection between company's ethical, social and environmental performance and the company's success. As regards the first issue, a company that is short-term oriented will pay little or no regard to building such a long-term and sustainable co-operative relationship with its stakeholders as doing so is time-consuming, and will have or appear to have a serious effect on the earnings/profits of the company. In reality however, it does not. Even if it does, it is just momentarily and the reward will hugely outweigh the alleged losses in the long run. With respect to this second issue, responsible corporate behaviour often makes a direct contribution to the company's profit by reducing costs. For instance, less money will be expended in paying fines, defending legal actions against the company instituted by dissatisfied stakeholders, etc. Again, developing a reputation for a high standard of ethical, social and environmental responsibilities may give a company a distinctive presence in the market and increase the company's market share.[36] On the other hand, a company that is perceived to behave irresponsibly may suffer market penalties.[37] This is especially so in a civilised and 'sensitive' nation. Consumers may decide to buy elsewhere. This may, sometimes, be as a result of an organised boycott.[38]

An 'irresponsible' company faces not only liability risks or costs, but also reputational risks/costs. Companies with poor reputation may find it difficult to recruit and retain high-quality employees.[39] A number of investors are increasingly scrutinising a prospective company's policies on wider social responsibilities before investing in the company.[40] There are also an increasing number of individual investors and investment institutions (like, ethical funds and public-sector pension funds) that are explicitly committed to responsible investment principles. In the UK, it is expected that more inclination will be given to this and

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[36] The often cited examples in the UK are: the Body Shop and the Co-operative Bank.

[37] In a civilised society, market forces have a way of rewarding corporate responsible behaviours and at the same time, punishing corporate irresponsible conducts. See Parkinson, J (2003) "Disclosure and Corporate Social and Environmental Performance: Competitiveness and Enterprise in a Broader Social Frame" 3 J.C...L.S 3, at p. 11.

[38] For a detailed discussion on Consumer Boycott, see Eze, J,A (2022)"Social Monitors as Agents/Catalysts of Corporate Socially Responsible Behaviour" 6(1) COOULJ 253, at pp. 263-267.

[39] There is survey evidence which suggests that a good corporate reputation is regarded as more important than starting salary, fringe benefits, or sports and social facilities by potential employees. See Just Pensions, Socially Responsible Investment and International Development (London, 2001), at p. 5.

[40] See Parkinson, J (2002) "Inclusive Company Law" in John de Lacy(ed) *The Reform of United Kingdom Company Law*, London: Cavendish Publishing, at p. 47.

other related developments by the statutory requirement for pension fund trustees to state their policy, if any, on responsible investment.[41]

Conclusion

Long-termism works hand-in-hand with corporate pluralist or stakeholder approach - that is, a stakeholder-oriented approach to corporate management as against shareholder value or profit maximisation approach. Being long-term oriented in approach may, on its face value, appear to be reducing the profits which would otherwise be available to shareholders. Looking at it from a broader perspective, however, it can, if properly harnessed and managed, lead to increase in the corporate income as it will portray the company before the society, as a good corporate citizen, as well as serving as a good public relations strategy. A company that is long-term oriented will be much concerned with the welfare of its employees and engage in the training and retraining of its workers. Indisputably, when workers are adequately taken care of, and have good employment terms and working conditions, their job security guaranteed, good pensions guaranteed *etc* - they will most likely feel and see themselves as an integral part of the company. This generates trust and co-operation between the company and the employees and therefore, has the possibility of boosting their morale and increasing their productivity and commitment to the company.

Again**,** being long-term oriented will most likely cause a company to be socially responsible and integrative of the interests and welfare of non-shareholding stakeholders. This will help the company in reducing conflicts with its stakeholders. A company having regular conflict with its stakeholders is generally not very healthy to the image and progress of the company. When a company has less conflict with the stakeholders or activists, owing to its inclusive and responsive approach to corporate issues, orchestrated by its long-term agenda/approach, it will help it to build, among other things, trust, a good reputation, brand name and goodwill. These will boost stakeholders' relationship with it and guarantee more confidence in their dealings with the company. They would thus be spurred to make more firm-specific investments and thereby promote the company's sustainability.[42] It may also increase the company's bargaining powers, (for instance, in wage negotiations or negotiations with suppliers, creditors); raise the number and quality of the pool of available employees,[43] suppliers, customers; attract more investors and minimise the resources expended in settling disputes.[44] This will be to the overall benefit of the shareholders as it is expected to lead to increase in profit.[45] Again, factors such as good business ethics, company's consciousness of the environmental impacts of its activities; societal interests; and the needs of the local communities in which it operates can have a good effect on its reputation, as well as on its long-term success.[46] This is echoed by Sternberg when she said that, a company that takes

[41] See the UK Pension Act 1995, s 11A.

[42] See Ho, J.K.S. (2010) "Is Section 172 of the Companies Act 2006 the Guidance for CSR?" 31(7) Company Lawyer 207, at p 209; Roach, L (2005) "The Legal Model of the Company and the Company Law Review" 26 Company Lawyer 98, at p. 100.

[43] See Greening, D. and Turban, D. (2000) "Corporate Social Performance as a Competitive Advantage in Attracting a Quality Workforce" 39 Business and Society 254.

[44] Heinkel, R., Kraus, A. and Zechner, J. (2001) "The Effect of Green Investment on Corporate Behaviour" 36(4) J.F.Q.A 431.

[45] See Heal, G. (2005) "Corporate Social Responsibility: An Economic and Financial Framework" 30(3) Geneva Papers 387.

[46] See Eze, J.A. and Iloka, P.C. (2023) "Merits of Corporate Pluralist or Stakeholder Approach in Nigeria" 3(2) Law and Social Justice Review.

for granted the "demands of business ethics, or gets them wrong, is unlikely to maximise long-term owner value..... The business that characteristically, lies or cheats.....that treats its customers contemptuously, or its staff unjustly, or its suppliers dishonestly, will often find them hard to retain."[47]

It therefore, appears right to say that, adopting short-termism approach or having that line of thinking of providing instant wins and huge returns to the shareholders, is antithetic to a pluralist corporate approach. It is also not very ideal for the company, as it can lead to systematic problems for the company down the road. Such a company may engage or indulge in practices that are unfriendly to the environment, and pay less attention to employee training, and to research and development.

[47] Sternberg, E (1995) *Just Business: Business Ethics in Action*, London: Warner Books, at p. 19.