

## Activists' voices can make a difference



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When activist investors challenge big companies, the giants usually react dismissively, pointing to the pitifully small percentage of votes typically mustered by those seeking change.

A couple of years ago, HSBC was scornful in public towards Knight Vinke, and its demands that it focus more closely on Asia and got a more exciting board. More recently, Vodafone refused to engage meaningfully with the Ontario Teachers' Pension Plan when it drew attention to the company's truly lamentable record of mergers and acquisitions, and demanded that the board be freshened up.

Yet despite the public show of bravado by the boards, both have achieved change. HSBC chief executive Michael Geoghegan relocated to Hong Kong, the better to drive the Asian business forward — probably quite happily, given it put him in a more favourable tax regime. Chairman Stephen Green this week said he was stepping down early to join the Government — probably to be replaced after due process by John Thornton, a China expert and former head of Goldman Sachs in this country.

Separately, Vodafone this week announced its intention to sell off its stake in China Mobile, and heavy hints were dropped that chairman Sir John Bond would be gone next year.

So the tectonic plates do shift. The boards would no doubt die rather than admit that they are responding to shareholder agitation — but clearly something has happened in both companies to bring about a change in attitude.

Perhaps the outside pressure helps the non-executives to find their voice. Whatever it is, this is testament to the power and effectiveness of shareholder engagement — provided the shareholders don't want credit for the change.

Bond incidentally, as well as presiding over a pretty dysfunctional Vodafone in a period marked by boardroom rows, overpriced acquisitions and policy U-turns, was also responsible when he was chairman of HSBC for the most disastrous acquisition ever made by that bank when his last act before retiring was to buy Household, a US subprime business.

Vodafone shareholders must ensure he does not seek to mark his retirement from their company with a similar signature deal.