

Persimmon

03:14 24 Aug 2019

Why words are cheap and American bosses are out of touch

Bosses of 191 American companies, including Apple and Amazon, on Monday signed up to a letter effectively redefining the role for big business.

No longer are these corporations machines for maximising profits on behalf of investors. Rather, they should act as a force for good in society, the world was told.

So, social consciousness (whatever that is), valuing the customer, hiring a diverse workforce and treating suppliers ethically appeared to rank more highly than shareholder value.

The Wall Street Journal called it a "major philosophical shift".

But really, is it?

Inc Magazine pointed the out the rhetoric from the Business Roundtable that issued the clarion call has barely changed over the past two decades.

In other words, the mega-corps have been on board for some time - and these basic principles are woven into the fabric of most commercial enterprises.

Apparently the ideas espoused by the signatories are taken from the concept of conscious capitalism, where companies have a broader remit to society in addition to their stakeholders.

A couple of things here: it's easy to affect change when you are at the pinnacle of profitability, or your turnover dwarfs the GDP of a mid-tier emerging economy; less so when you are struggling just to employ a workforce.

And, while the likes of BlackRock boss Larry Fink have called for CEOs to re-evaluate the purpose of corporations, his Wall Street investing colleagues, who make and break businesses, can be an unforgiving bunch if earnings targets are missed.

Back to Blighty

At this point, I want to link the letter back to the UK.

The cynic in me raised an eyebrow when digitally thumbing through Persimmon's earnings press release on Tuesday, which, on the face of it, appeared to adopt some of the virtues championed by the Americans the day before.

Persimmon styled itself as the "housebuilder for all" and addressed issues such as quality and safety while talking about improving customer service.

It took 400 words and two pages before we got to the grist - the financial results.

Designed to acknowledge past failures, it is likely the skilfully crafted paragraphs that preceded the numbers will have

Price: 2420

Market Cap: £7.71 billion

1 Year Share Price Graph



Share Information

Code: PSN

Listing: LSE

52 week	High	Low
	2529	1444.5

Sector: Real Estate

Website: corporate.persimmonhomes.com

Company Synopsis:

*Persimmon is a house building company, which has been trading since 1972, and operates under three main brands, Persimmon Homes, Charles Church and Westbury Partnerships. *

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been viewed as nothing more than window dressing.

Massive payout

If you were being harsh you'd point out that an innate and well-defined sense of what is socially acceptable might have killed at birth a £444mln remuneration plan that looked excessive even by American standards.

So, this new, in-touch-with-itself Persimmon comes a little late in the game.

I might be raking over old news with my last Persimmon jab, but the point is this: words are easy and cost little.

This should be borne in mind while digesting what our American corporate cousins have to say.

And the fact that our Ivory Tower-dwelling US CEOs believe guidance is required on how big business should behave in the modern era perhaps shows just how out of touch they are.

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