SINGAPORE: Companies are often under pressure to increase shareholder value. But according to experts in the field, this singular focus on shareholders is a misconception that has to change.

They said that is because companies have to ensure that they take care of the interests of all stakeholders and not just focus on one group.

Shareholders demand value for investing their money in companies.

One expert argued that there is nothing wrong with that, except that management must remember not to focus solely on shareholder interests and forget the bigger picture.

Edward J Zajac, Tommie Goh Professor in Entrepreneurship and Business, Singapore Management University, said: "The idea that directors need to be concerned about shareholder values, is not controversial. "What is controversial is the singular focus on shareholder value, because in my mind, there are lots of situations where a subset of shareholders may be favouring a course of action that is not necessarily in the best long-term interest of the company."

He said that the company's interest will be best served if management takes a more holistic view of all the stakeholders involved.

Some observers suggest putting the company's well-being at the core of management policies and objectives, rather than merely an ever-increasing stock price.

Lan Luh Luh, Associate Professor, Department of Strategy and Policy, NUS Business School, said: "Once we get the perspective correct that the firm should be the principal, then everything will fall into place - that managers are not supposed to look at just shareholder value, but managers, shareholders and even suppliers are just merely stakeholders of the firm."

Experts said that while there is a trend of companies trying to be less shareholder-centric, the situation may be different in Asia with its predominantly family-owned businesses.

Associate Professor Lan said: "For these family operators, they have to understand that if your company is small, you control most of the shares, you do not have the public as your shareholders, then your firm is almost yours; but once it is a public company, you have a duty to all the other shareholders, but you are just like any other shareholder."

Experts said it is important to maximise value for both shareholders and key stakeholders in a way that meets good corporate governance standards. - CNA/ms