



THE ANNUAL MEETING

Preface

As originally formulated, the annual stockholder's (or membership) meeting was a model for "corporate democracy in action." It was the time and place where major business policies were debated and approved or rejected by the owners of the firm. Over time, however, this intended character has become heavily diluted. In the agribusiness industry, especially, the practice of corporate democracy has been, to some degree replaced at the annual meeting by an emphasis towards a pleasurable social gathering, entertainment, and public relations. As such, the annual meeting may still fulfill a worthwhile function in the life of an agribusiness firm. However, it is my personal opinion, that many annual meetings no longer fulfill that function for which they were originally intended. The following discussion of annual meetings is, therefore, biased. For fear that this paper be interpreted as an editorial rather than a formulative document, this personal bias is, hereby, noted.

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Several months ago I was on a commercial flight to Des Moines, Iowa. The passenger seated next to me was the president of a medium-sized farm equipment manufacturing firm with main offices in the Des Moines area. After becoming better acquainted, the president explained that he was not particularly happy about returning home from this business trip because his firm's annual stockholder's meeting was

scheduled later that week. In this man's own words, "The only thing good about an annual meeting is that it comes but once a year." However, this year the president had particular reason to anticipate, with fear, the impending meeting. For the first time during his seven years as president, the firm had shown an annual operating loss. His day of reckoning was now fast approaching. How would he, as president, explain the loss to stockholders? Moreover, how would the annual meeting be conducted so as to minimize the reaction to the unfavorable news? This chief executive officer was faced with a real dilemma -- one being confronted by managers of many agribusiness firms each year. Rarely will you find an agribusiness manager who has not found himself faced with a situation similar to the one described above. Rarer still is an agribusiness manager who will not admit to having made some mistakes at an annual meeting. The objectives of this paper are to review a series of management strategies for the conduct of an annual meeting and to determine which strategy is best suited for a particular situation.

A Tribal Ritual

For many agricultural businesses, the annual meeting has almost become a tribal ritual. Be it a corporation or a cooperative, the firm prepares for the annual meeting as if it were a highly standardized, almost fraternal, ceremony. Invitations are mailed, speakers are contacted, and other necessary arrangements are made in strict observance of a pattern established perhaps a generation ago. Some meetings have become so

ritualistic that except for the date printed on the front, each year's programs would be completely interchangeable. The element of surprise has even been taken from the free lunch as baked ham, sweet potatoes and apple pie reappear each year with uncanny dependability.

There are, of course, some good reasons why managers wish to retain some degree of ceremonial standardization at the annual meeting. First of all, repetition reduces the chance of error. The firm's accountant, for example, will know exactly when to speak, what to say, and when to return to his seat because he has done it methodically for each of the past fifteen years. Second, a standardized meeting ceremony puts the stockholders (members) at ease and creates the image that all is well with the firm -- even if it isn't. After several years, for example, many members of the audience develop an ability to adapt their sleeping habits so as to awake just before the meeting is about to adjourn for lunch. Any change in the standard schedule of events may not only cause some to miss the free lunch, but may also cause them to question the judgment of the manager who tries a new and unproven approach. Finally, any departure from the established ritual increases the chances that the meeting will run on beyond the allotted time. And after all, even in the better years when a substantial profit (or saving) has been secured, the major objective underlying management's annual encounter with firm ownership is to adjourn the meeting as quickly as possible!

Management Strategies

In case you haven't noticed, I have taken a rather sarcastic view of that time-honored institution called the "annual meeting." This view is not meant to discolor the many attributes of the institution, itself, but has

evolved from a series of personal (and sometimes painful) observations.

Recognizing that it is much easier to criticize an annual meeting than to offer improvements therein, I must return to the objective of this paper.

If possible, place yourself in the position of the president with whom I traveled to Des Moines. Your firm's annual report has just been prepared. In it, you have tried to point out, as subtly as possible, that the firm's string of growth years ended in fiscal 1969. Your auditor confirms that a substantial loss occurred in fiscal 1970. Your annual stockholder (membership) meeting is scheduled in two weeks. How is the bad news to be released? What management strategy will you devise for your impending confrontation with "the troops."

Before devising a strategy, however, the manager must reconnoiter the situation. Just like a General about to enter a battle, a manager gathers intelligence information on his likely allies and combatants, holds briefings with his staff, studies the odds, and perhaps even selects a battlefield. Certain factors are already known. For example, the manager is sure that this year's annual meeting will not be the warm, back-slapping event, replete with a lighthearted management report, the firm had grown accustomed to. Management's pre-meeting cool of earlier years has now been replaced by frenzied intervals of great activity punctuated by periods of traumatized paralysis. Even as far back as mid-year, when it became clear that all was not going well, your staff began to develop that harried look. Your allies are almost *too* aware of the problem. Anxiety shows in their eyes. You begin to wonder if you can depend on their support when the pressure intensifies -- as it undoubtedly will on that day of reckoning. Lights burn well into the night

around company headquarters as you and your management team guzzle coffee and nervously review the situation. Out of these tortuous sessions must evolve your strategy for the annual meeting.

Regardless, your choice of strategy, it is likely to be made from one of four major categories: 1) Anticipation, 2) Avoidance, 3) Fabrication, or 4) Diversion. The latter three categories could more properly be labeled “deceptive practices.” The first category, if used properly, can lead toward improved management.

The Strategy of Anticipation

Probably the first strategy to enter your mind will be one of anticipation. In short, the strategy of anticipation is based on the premise that a manager improves his ability to defend his position if he knows, in advance, what type of a confrontation he is likely to experience.

The strategy goes like this: As the first step, the manager asks the firm’s directors to return to their districts and spend some time in personal contact with their constituents. The directors are asked to find out what stockholders are most concerned about, what types of questions they are asking, and what factors will determine whether or not they will be attending the annual meeting. The manager attempts to assess the general attitude and temperament of the stockholders. He reviews the proceedings of earlier annual meetings in an attempt to identify those in attendance who are noted for being troublemakers.

Lest he be taken advantage of, the smart agribusiness manager will also look into his own weaknesses. He will often ask his accountant to scour his financial records in an attempt to assemble a realistic list of the firm’s most vulnerable areas. All those

financial indicators which reflect unfavorably on the past year’s operations are given double scrutiny. A few such items which are often ultra-sensitive to stockholder appraisal are listed below. Every agribusiness manager should anticipate questions such as the following:

- 1) Last year’s sales and profit goals were not achieved. Why?
- 2) Why did the firm increase its charitable contributions despite its growing operational loss?
- 3) Why were the salaries of the manager and his staff increased despite deteriorating firm performance?
- 4) Why is it that the firm continues to suffer from such high employee turnover?
- 5) Couldn’t the manager have found it possible to cut expenses in certain categories when the loss became apparent?

Once the manager has delineated stockholder attitude, likely questions, and his own weaknesses, he can begin to prepare his defense in anticipation of the annual meeting. A good manager will build his defense on the truth, i.e., he will relay the facts as they are, emphasizing the brighter spots when it is warranted and explaining fully the operating loss so as to avoid making an embarrassing situation more so. No attempt is made to avoid the issue. Moreover, last year’s fiscal difficulty is accepted and the manager makes a special effort to explain how the unfavorable situation is to be remedied in the future.

Unfortunately, not all managers have the stamina or fortitude to stand up and defend

their first business failure. Instead, they look upon the stockholders as being totally unable to render a proper judgment over their business conduct. Perhaps they are right. Nevertheless, these managers prefer to instigate a so-called strategy of avoidance.

The Strategy of Avoidance

This strategy operates on the premise that an issue avoided is an issue defeated. The manager may not openly express his desire to avoid any unpleasantness associated with the fiscal loss. Instead, he may suggest to the firm's directors that to discuss the complexities associated with the loss before the stockholders would only confuse them and be a complete waste of time. An operating loss cannot really be avoided of course, because it will appear in the written financial statements. However, there are many subtle ways by which the unpleasantness of the loss may be minimized.

One such subtle way is now being employed by some of this nation's larger corporations. The strategy is simple. You can minimize the reaction to an unfavorable year by cutting down on the number of persons attending the annual meeting. First, schedule the meeting where it is difficult for most of your stockholders to reach it. Second, schedule a meeting room much too small and uncomfortable to attract an audience. And finally, if all else fails to discourage attendance, dispense with the traditional free lunch and cocktail hour.

In the May 22, 1970 issue of *The Wall Street Journal*, it was reported that a not-so-subtle way of avoiding unpleasantness at an annual meeting is now being employed. It's called, "turning off the microphone!" As the president of this particular corporation presided over the meeting, he simply

unplugged the microphone being used by any stockholder to ask embarrassing questions of management. If this failed to dampen their enthusiasm, the irritable stockholder was discretely escorted from the meeting room.

As was noted earlier, those managers lacking the stamina to rely on the strategy of anticipation may resort to the strategy of avoidance. Following this progression yet another step, the manager lacking confidence in the strategy of avoidance, may resort to the strategy of fabrication.

The Strategy of Fabrication

This strategy is based on the premise that since the truth never hurt anyone, then the half-truth is equally harmless. The truth about the existence of an annual operating loss is not distorted, of course, but many of the reasons behind the loss may be left unsaid.

A common practice under this strategy is a pre-meeting rehearsal. First, the manager checks signals with his staff. Each speaker is provided with a backup supporter, i.e., someone to support the speaker's statements or to handle those questions which he has fumbled. A series of charts and diagrams are often prepared and held in reserve just in case the questions become overly specific. These visual aids are sometimes fabricated so as to be most attractive to the eye (with all performance curves projected upwards), yet with little concern given the implications behind the data. It's amazing how a fancy chart showing absolutely nothing can calm the ruffled feathers of an irate stockholder.

During the pre-meeting rehearsal, several members of the management team are asked to play the role of the devil's advocate. They accuse the manager of all sorts of misconduct varying from improper handling

of the firm's legal matters to his failure to attend church regularly. A series of standardized rebuttals are then fabricated, presented, and judged by degree of persuasiveness. In answer to those questions listed earlier in this paper, for example, standard fabricated rebuttals are:

- 1) The sales and profit goals were not achieved because of the unfavorable impact of general economic factors which were beyond the control of the firm.
- 2) Our firm is deeply concerned with its social responsibility -- so concerned, that its charitable contributions were increased in an attempt to make this world a better place for you and your children.
- 3) Higher salaries and bonuses were granted as a reward for our firm's high caliber management -- without which our losses would have been much greater.
- 4) High employee turnover is a result of other firms recognizing the top quality of our employees and buying them off.
- 5) Management converted to an austerity budget as soon as the loss became apparent, but it was too late in the fiscal year to have any noticeable impact.

These rebuttals may be true. Or, they may be only half-true, with the remainder being left up to the imagination of the stockholder. Regardless, they form the basis for the strategy of fabrication.

If the manager finds the strategies of anticipation, avoidance, and fabrication not to his liking or lacking in substance, he can

resort to one final alternative: the strategy of diversion.

The Strategy of Diversion

The strategy of diversion is not unique to agribusiness managers, of course. Athletic coaches have used this strategy successfully for many years. In the sport of football, for example, this strategy is more aptly described as "backfield razzle-dazzle." Using football language, an agribusiness manager's use of the strategy of diversion might be narrated as: "The manager calls the signals. The play is begun with the snap of the stockholders' questions. With the assistance of his accountant and public relations director, the manager begins a triple lateral in the backfield to confuse and divide the opposition. Following a quick reverse by the firm's assistant manager and a few well-placed blocks by the marketing and advertising directors, the play ends with a touchdown, i.e., in response to their questions, the stockholders have received the so-called no-answer answer."

If the strategy of diversion still does not sound familiar to you, consider this incident: A stockholder rises from his seat to ask why the supply division of this agribusiness firm operated at a significant loss last year. In response to this question, the general manager first smiles appreciatively and then calls on the supervisor of the supply division to present a response. The supervisor of the supply division gives an impressive little talk on how the firm's supply warehouse facilities are now the envy of all their competitors and then passes the microphone to the director of supply sales. The director talks about the firm's recent improvements in expanding their field services and number of salesmen. Next, the marketing director is asked to speak. He indicates that the firm has recently surpassed all its competitors through the implementation of a new slogan

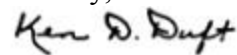
and product brand name or label. The comptroller then assures the stockholders that the purchase of a new computer will add to the groundwork now being laid for an unprecedented profit surge in the decade of the 1970's. Finally the official secretary of the meeting moves swiftly for adjournment by announcing the attendance prizes are about to be awarded in the next room. The poor stockholder who asked the original question is now found carrying a big smile. He is totally enthused about the future prospects of *his* business and totally unaware that *his* question remains unanswered! Now does the strategy of diversion sound more familiar to you?

Unfortunately, like most trick moves, this one is likely to prove successful only once during a meeting. The more perceptive stockholders soon realize that their attention has been sneakily diverted. The next time the manager tries this tactic, they will be prepared to call his bluff.

Summary

The annual stockholder's meeting is common to most agribusiness firms. Many have become so standardized in their format that they almost appear as a sort of tribal ritual. Regardless, the annual meeting has become a forgotten entity in the management profession. Most authors fail to even recognize the annual meeting in their writings on managerial practices. Perhaps because of this deficiency and the rather drastic change in the major intent of annual meetings, many agribusiness managers view them as a necessary evil -- to be disposed of as quickly and with as little embarrassment as possible. In their pursuit of these two objectives, these managers devise the strategies of 1) Anticipation, 2) Avoidance, 3) Fabrication, or 4) Diversion. Each of the latter three strategies fails to accomplish that which is consistent with proper managerial conduct. Only the former strategy permits management to prepare and present a solid defense of its position, while at the same time, keeping the stockholders of the business fully informed as to its success or lack thereof.

Sincerely,



Ken D. Duft

Extension Marketing Economist