

What about the shareholders?

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I'm always bemused by those who claim that companies are run in the interests of their shareholders. They always appear to be optimists who went on a one year undergraduate sub-option in economics and were naiive enough to think they were taught something approximating to the truth.

Take this story in [Accountancy Age](#) for example:

FTSE 350 companies may become the target for private equity buyouts by 2008, according to a report by KPMG. The firm said companies in the FTSE 350 index will generate £198bn of surplus cash by 2008, an amount that is 'sure to lure private equity firms unless it is deployed wisely'.

KPMG are clearly keen to sell their wares. They're reported as saying that balance sheet structuring has never been as important as now (and I wonder who on earth could do that for them?). What is never mentioned is the simple, and logical option that a cash surplus of this size could be returned to the shareholders. Silly me. What a daft idea. Surely, that would take the shareholders into consideration? Why do that?

Ken Galbraith was right. That's the last thing that management do. Anything said to the contrary has to be taken with a large pinch of salt.