

**The Annual General Meeting as an
accountability mechanism**

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The Annual General Meeting as an accountability mechanism

ABSTRACT

This review of Annual General Meetings (AGMs) as they evolved historically in English parishes and early joint-stock companies shows the manner in which they provided valuable opportunities to fulfil organisational accountability. AGMs enabled members to call elected governors to account and, in generating forums for organisational construction, supplied models which were foundational in early company law. As face-to-face meetings, AGMs were heterogeneous and presented non-financial information to augment publicly available financial information.

Whilst low attendance at AGMs indicates apathy and modern technological advances may enable their replacement, recent calls to revise the legal requirement for an AGM have not gained traction. This paper therefore suggests a recommitment to the process of AGM accountability as practised in early public sector and profit-oriented organisations. This will enable today's organisations to utilise the potential of the AGM as a formal and transparent mechanism to deliver accountability.

Try skipping a meeting if you want to find out how important it is. Robert Townsend.

It's my opinion, sir, that this meeting is drunk. Charles Dickens. *The Pickwick Papers (1837).*

Charles Dickens in *The Pickwick Papers* parodied the self-laudatory nature of Annual General Meetings (AGMs). They can also be deadly boring or bullying, with many entities struggling to attract attendance from a quorum of interested members. It is difficult to find an individual who does not exhibit ritual expressions of loathing with regards these meetings, has myriad suggestions for how to run a 'better one' (or refuses to attend) and maintains they are necessary only because of a constitutional requirement.

Yet the AGM can be a forum to lobby for change as well as to receive a formal presentation of the financial and non-financial performance of an organisation. Entities are required to hold AGMs under legislationⁱ, and should entities fail to call an AGM, members can apply to the court to arrange a meeting replacement (Pitchforth, 1994).

Nothing is described in legislation as to why an AGM should be held. However, Hodges, MacNiven & Mellett note that AGMs are an "established and common mechanism to enable members to receive accounts of the performance of an entity" (2004, p.377). Accordingly, it is assumed AGMs fulfil an accountability function, even though this is not formally expressed in the appropriate Acts.

Whilst research has considered use of AGMs by shareholder activists (e.g. Marens, 2002; Marinetto, 1998), Karpoff, Malatesta & Walkling (1996) are an example of researchers who have sought to test empirically the success of activists' demands. From another aspect, Strätling (2003) investigates the United Kingdom Department of Trade and Industry proposals for AGM reform via its 1999 consultation document on Company General Meetings and Shareholder Communication. An overwhelming majority of respondents supported mandatory AGMs, as they enable democratic accountability between directors and shareholders. However, the only research located regarding the accountability aspect of AGMs, Hodges *et al.* (2004), found AGMs to be weak mechanisms of accountability in National Health Service Trusts based in the United Kingdom. The weaknesses related to the inability of the Trusts to engender a feeling of community combined with the use of the AGM as a ritualistic symbol.

As an accepted part of society, the dearth of research on AGMs is surprising. The aim of this research was therefore to undertake a study of the history of AGMs to ascertain the unique aspects that ensure their continued existence in today's society, despite the fact the AGM is seen as an imperfect vehicle for democratic accountability (Strätling, 2003). It was found that AGMs afford necessary socialising to highlight the interdependence that encourages us to form co-operative ventures. In so doing, AGMs

assist in organisational construction and therefore, are potentially formal mechanisms to highlight organisational accountability.

The paper is organised with a very brief consideration of the meaning to members of organisational accountability, before tracing a selected history of the AGM. The use of the AGM in the early parishes in the United Kingdom as well as an early joint-stock company will be considered. The rise of shareholder activism in the United States from the 1930s considers how one group utilised the AGM as an accountability mechanism. Finally, the challenge of technology and postmodernism in relation to the centuries-old AGM and its prior ability to deliver accountability, will be briefly explored.

1. Accountability

Daily we are beset with calls for increased accountability, yet the history of membership organisations already includes the necessity for an AGM which, it is conjectured, performs accountability functions. This may mean that the mechanism is inadequate or that the boundaries of accountability itself are expanding as indeed Mulgan (1997) suggests. The Anglo-Saxon word accountability is commonly translated in other languages to mean ‘responsibility’ or a lower level of ‘answerability’ (Dubnick, 2002; Fry, 1995). Sinclair (1995) notes the chameleon (or protean) nature of accountability and certainly accountability becomes an issue when it is discovered there has been “a problem or breakdown in the meeting of expectations by one party in relation to another” (Fry, 1995, p.191). Stewart suggests that these “demands for greater... accountability are also expressions of deeper dissatisfaction” (1984, p.22).

Therefore, Stewart (1984) narrows accountability relationships to those where accountability is contractually defined, thus producing a ‘bond of accountability’. Equity ownership of modern corporations, however, assumes an interactive interdependence, or accountability in action which is not purely contractual. Therefore Stewart acknowledges a ‘link of account’ (1984, p.25) to recognise organisational responsiveness when there is no contractual arrangement, but a moral responsibility. This link further strengthens and informs the bonds of contractual accountability. The essence of the accountability relationship: resource provision combined with delegation of responsibilities in relation to those resources by one group, requires reporting of that stewardship by those to whom the delegation has been made.

Accountability, transcending both contractual and moral demands conceptually has a central role in governance (Dubnick, 2002). From an institutional viewpoint, accountability exists in four different areas. Firstly, accountability is evident in the rules and roles which control delegated authority. Alternatively, accountability is utilised in organisations to reduce uncertainty through informal and formal mechanisms. Trust, essential to social interaction, also enables individuals to interact with one another through accountability. Lastly, within complex environments, comprising “multiple, diverse, conflicting expectations, [accountability] is a means for managing an otherwise

chaotic organisation” (Dubnick, 2002, p.5). Mulgan and Urr (as cited in Dubnick, 2002) suggest that these seemingly incommensurable uses of the concept accountability are in fact related and can be encapsulated in the term governance. In the social context where a moral community or collective identity creates a range of legitimate expectations among those community members, such governance attempts to make order (Dubnick, 2002). Therefore a particular community will negotiate order to create a collective identity, allocate responsibilities and require accountability for the execution of delegated tasks to enable continued successful governance.

The focus of this research is on the relationship entities have with owners and members. Stewart (1984) and Mulgan (1997) emphasise that accountability is not one-sided but requires governors to provide transparent reports and members to call governors to account. The premise that governors operate best when they are held to account (Bavly, 1999) highlights the remaining three stages in the accountability process which are incumbent on those who are calling the governors to account: information-seeking or investigation; assessment or verification; and direction, control or imposition of penalty (Mulgan, 1997, 2003). The lines between each of these rights may be blurred, reflecting complex and subtle accountability relationships to different stakeholders who may separately undertake different parts of the process. However, shareholders in a limited liability company, or members in a voluntary organisation undertake both information-seeking and assessment duties to verify the stewardship of the resources they have entrusted to the entity (Bavly, 1999). As well, these rights may be further delegated, for example an independent audit of financial information will aid assessment and verification as well as increasing trust and effectiveness when explanations of the information are provided. When governors neglect their duty, shareholders are able to impose sanctions or obtain remedies through structured courts of appeal.

Accountability is therefore an reflexive process, which not only highlights the interdependence of the accountability construct, but also improves accountability itself (Mulgan, 1997). Stakeholders and governors involved in dialogue are more likely to set and sustain acceptable levels of accountability. The act of giving an account in an accountability relationship is therefore an acknowledgement of intersubjectivity and confirms a moral relationship which transcends purely contractual accountability (Shearer, 2002). The moral obligations on any entity are shaped by the community’s shared understanding of those moral obligations and these are intrinsically linked to the accounts which an entity renders of itself. The act of reflection, fundamental to giving an account, combined with the discourse of the account, constructs the entity and in turn is socially constructing. “To be held to account by others has the effect of sharpening and clarifying our sense of self, convincing us that our actions make a difference, and providing focus within the stream of day to day experiencing” (Roberts, 1996, p.44), underlining the process of accountability as a pre-eminent institutionalised social practice.

Such social practices in entities are historically and culturally distinctive, involving formal accountability systems; annual statements to shareholders or procedures such as elections to name two; as well as more informal calling to account. On-going and

contingent 'observable-and-reportable' practices (Willmott, 1996), accounting and the obligation to call to account (Mulgan, 1997), include the AGM as a process of accountability.

Although accounting is almost synonymous with accountability, Stewart (1984) notes the limiting nature of the financial account alone. The use of many languages to many different audiences increases accountability effectiveness. For example, an AGM typically includes the presentation of financial accounts along with qualitative information on the organisation's core competencies. Achievement of strategic goals may be measured and reported against by key performance indicators in both financial and non-financial terms (Pitchforth, 1994). To complete the accountability cycle those to whom an entity is accountable must be engaged in calling the entity to account (Mulgan, 1997).

Further, the specific context of interaction between accountability partners will affect the accountability report. Roberts and Scapens (1985) seek to describe typical interactions which impact accountability reports and assessments. Such interactions will be affected by the relationship between the individuals or entities seeking accountability, the place or way in which the interaction occurs. Relationships may be close or distant, may be characterised by the typical hierarchical model of superior and subordinate, or the parties may converge within a lateral or socialising accountability base. When relationships are close (e.g. face-to-face), explanations can be questioned or challenged (Roberts & Scapens, 1985), whilst accountability provision to physically distant parties requires more homogeneous, standardised information.

The place the information is provided also impacts accountability information. Roberts and Scapens suggest "the act of meeting to discuss results expresses and enacts a particular set of rights and obligations between the people involved... [and] will be open to further negotiation and refinement in the actual course of interaction" (1985, p.450). The AGM is an occasion for face-to-face accountability where accountability reports can be questioned and challenged and, in the act of meeting, provides a further insight for those present to assess that accountability. Further, "there is no reason to expect any one institution to fulfill all the functions of accountability" (Mulgan, 1997, p.35) and it is helpful to analyse institutional accountability mechanisms utilised by shareholders in order to assess their effectiveness as scrutinising functions and whether they can advance accountability.

Tangible benefits and personal satisfaction draw us co-operatively to establish or become members of both business and non-business organisations (Chambers, 1955). This involves the investment of time, money and other resources and, intuitively, accountability for those investments. As shareholders and membersⁱⁱ are convinced of the value of their investment in resources, so they will work to strengthen those organisations. Chambers (1955) suggests committed members, aware of the consequences of the separation of ownership and management, should take a more active part in corporate affairs by taking advantage of their powers at an AGM in calling governors to account.

2. The Annual General Meeting

The AGM is potentially an accountability mechanism and worthy of further research. For this reason it was decided to trace AGM practice as it emerged in a variety of types of organisations. In each case studied, the AGM has provided an accountability mechanism, being evident in early charters of local government and articles of association for corporations, before being mandated by parliament.

The AGM is an accepted part of society and has a long history. Bavly (1999) suggests the reason behind the AGM was a desire for democracy as it has been practised in some cantons of central and eastern Switzerland. There, once a year, the townsfolk gather at a *landsgemeinde*ⁱⁱⁱ to vote for the top official, the *Landammann* and to make decisions on other agenda items. This practice or custom has been dated back to 1378 AD.

The Anglo-Saxon model of residents seeking democracy is most likely related to the Magna Carta of 1215, and the restraints it made on the monarchistic rights, in favour of local ruling lords^{iv}. However, the working out of democracy at a local level is most evident in the parish structure, which developed after the Reformation (Tate, 1960). By 1689 the parish was the dominant unit of local government in England, with the Church and State union continuing until at least the beginning of the nineteenth century. The parish governance structure included an AGM as did governance in the manorial boroughs and chartered townships (Webb & Webb, 1924a). Therefore a chief concern of those who attended and voted at AGMs seems to have been a desire for representative governance and some ability to influence the running of their local area in order to obtain accountability for the rates they had paid.

2.1 The Local Annual General Meeting- England

The working of the local parish varied greatly, but typically, four principal offices were held by the members of the parish: the Churchwarden, Constable, Surveyor of Highways, and Overseer of the Poor (as the ecclesiastical parish also provided public services). Webb and Webb (1924b) note that local methods for choosing officers varied from an open meeting of all parishioners, through to appointment by the Lord of the Manor, and included any combination of these. None of the officials were paid and, with service compulsory under an indiscriminate rotation system, some parishes accepted payment instead of forcing a parishioner to service (Smellie, 1957). It was not unknown for those who did serve to yield to the temptation to extract some financial reward from the job itself.

The Churchwardens, effectively trustees of the parish, were required to manage the funds received and order such repairs to the church property as they thought fit. They presented themselves to the Archdeacon when he made his annual visitation, but interestingly, he had no right to refuse to swear them in or control their election. As

temporal officers, the courts declared “the Churchwarden ... has the property and custody of the parish goods; and as it is at the peril of the parishioners, so they may choose and trust whom they think fit” (Webb & Webb, 1924b, p.23).

Generally there was no requirement for the Churchwardens to submit copies of annual accounts to any authority, or even to the inhabitants. However, when the Churchwardens found parish income insufficient and needed to levy an extra rate on inhabitants they were required to submit both accounts and the proposal regarding the rate, to a full meeting of the local inhabitants. Perhaps the rotating nature of the responsibilities and the close relationships in sparsely populated areas brought an understanding of the fairness of standard ratings and thus reduced the need for regular accountability when there was no change.

Although some historians note otherwise^v, Webb and Webb (1924b) and Tate (1960) find these parishioners’ meetings date from the fourteenth and fifteenth centuries, with the formal word vestry being assigned from the Parish of St. Christopher-le-Stocks from 1507 extending to other parishes later in the sixteenth century. These town (and church) meetings made by-laws on matters concerning the parish and, in mandating unpaid service, were more a local obligation than a window into democracy.

The research of Webb and Webb (1924b) highlighted the typical parish AGM. In most small, rural parishes the clergyman would meet with the few landowners on Easter Monday or Tuesday. The principal business, the replacement of officers who sought to retire and confirming staff (the Parish Clerk and Sexton), was preceded by presentation of account books, which contained diverse income and expenditure^{vi}. The Surveyor of Highways and Overseer of the Poor would sign the appropriate accounts, before the meeting retired to the alehouse. Only landowners attended these meetings, as labourers were not rated. Therefore only about one-third of local families had a say in the running of the parish. Women were not excluded from voting if they had land, but Capp (2003) suggests they seldom succeeded in exercising those rights^{vii}. In some towns, especially in the nineteenth century, the number of votes cast by individuals was based on the valuation of their property and if rates had not been paid, their votes were disallowed. Voting was typically by marks against names, or later, by a show of hands, but rarely by secret ballot.

This system was very much the parish oligarchy, but the growth of townships and larger metropolitan areas in the late eighteenth and early nineteenth century, combined with the Glorious Revolution’ affecting social aspirations^{viii}, extended participation in parish government to the inhabitants at large. As such, the vestry could retreat to a Close or Select vestry system, or employ an Open vestry with governance through an effective AGM.

2.1.1 The Open Vestry

As parish administration tended to be increasingly characterised as an Open vestry, meetings of the key officers (also termed ‘vestry’) continued to meet monthly to “relieve the poor, repair the church and mend the roads” (Webb & Webb, 1924b, p.54). Ratepayers’ public meetings (the ‘public vestry’) were still called in the church especially when capital works were required, conscription or an increase in rates was called for. This model was exhorted in a pamphlet in 1767 and other booklets later (Webb & Webb, 1924b). Further, an annual audit was required by a committee and Webb and Webb (1924b) recount a team of eleven in Deptford Parish in 1731 and twelve in Norwich.

In some parishes, for example Leeds with more than 75,000 inhabitants, vestry meetings were quarrelsome and clamorous and became a “battlefield of political and religious animosities” (Webb & Webb, 1924b, p.94). In 1828 three to five thousand parishioners in Leeds attended a prolonged vestry meeting which refused to pass the accounts. The outcome of this was that Leeds began to produce elaborate financial statements annually, printing them in the local newspapers and consulting the public assembly on every important occasion (Webb & Webb, 1924b).

As parishes grew, public meetings became unwieldy. Manchester, with a population of one hundred thousand in 1832, provide another example of rowdy, tumultuous and unwieldy meetings. Experiences such as this led to the Reform Act of 1832, which further changed local government in England, and attempted to harmonise practice and parochial boundaries to cope with the increasing population.

Social reform, encouraged by the Glorious Revolution^{viii}, raised leaders from lower social classes. These people, who had not traditionally been associated with governing, experienced an awareness of political opportunity and the power of democratic functions. An example of the effect of the AGM was the petition tabled in parliament in 1817 calling for annual national elections and suffrage for all men 18 years and over, who paid taxes (Smart, 1910).

The events as described provide evidence of a model of governance that began in the local church, related to land ownership initially, but grew to provide rights and impose obligations on a widening group of the population. As an extra-legal constitution, the working of the Vestries relied on the local population as well as other authorities. However, the dissolution of the church and state union saw its effectiveness as a local authority structure decline. The Sturges Bourne Acts of 1819 sought to change this and also instigated a system of Select Vestries based on Closed Vestries. The Closed vestry, a fragment of a parish, carried on the business of local governance without reference to a wider set of inhabitants. Closed vestries had become embedded in some small, wealthy parishes where powerful vestry members served for life. Protests and later reform broke these enclaves as democratic rights were claimed. Lord Hobhouse, who was instrumental in this 1830 reform, was able to obtain suffrage for all rate payers and legally institute annual elections (Webb & Webb, 1924b).

From these centuries of evolution of local governance, there are four main themes from these historical structures that relate to the current study of AGMs. These are the regularity of public meetings and the importance of socialising as well as business in the meetings themselves. The AGM assisted in organisational construction and was not without its conflict and challenges.

Firstly, there were regular meetings, at least annually. Although it has been suggested that the accountings were from one Easter to the next, AGMs seemed to have varied in date from Easter, through June and also as late as St Michaelmas^{ix} Day in September. AGMs evaluated parish accounts and debated issues of policy as well as electing officers to carry on parish business during the year. Where there was a lack of accountability, overspending or defalcation by these officers, the officers were dismissed and the vestry reformed. Service as an officer was for the public interest first and foremost.

The combination of business and socialising is also shown historically. The public-house was a popular parish government meeting spot with a number of parishes having private vestry meetings at different taverns in rotation (Tate, 1960)^x. The Minute books, which were sometimes signed by those assembled to signify authentic decisions, described the eating and drinking, as well as the decisions of vestry.

Thirdly, the meeting itself constructed the entity. Such was the lack of definition of the geographical bounds of the parish, that ‘annual perambulations’ were advised by Archbishop Stillingfleet in 1698 (Webb & Webb, 1924b). When law courts established formal boundaries, they commonly retained existing limits and the perambulations (‘beating the bounds’) became less regular.

Further, AGMs experienced the usual challenges of democratic governance. The temptation not to be involved unless one was compelled to, or had a particular interest in an issue, is borne out by examples in Webb and Webb (1924b) where eligible voters did not attend AGMs until the imposition of high rates or other pecuniary liabilities forced on them by the governing vestry, provided an imperative. Apathy is widely recounted in historical vestry minutes. The difficulty in resolving particular issues is highlighted in a commentary from one Vicar who lamented time lost in “waiting for more attendants, in trifling conversation, or in squabbling about things foreign to the subject...” (Webb & Webb, 1924b, p.92). Yet there was also the enthusiasm of “sharp electoral contests lasting till midnight” (Webb & Webb, 1924a, p.142n) showing the public could be enthusiastic about accountable governance.

2.2 The Joint-Stock Company – England

Almost contemporaneous with the sixteenth century model of local government was the emergence of the joint-stock corporation in England. By the late nineteenth century significant numbers of trading and manufacturing firms availed themselves of fresh opportunities to incorporate under Companies Acts (from 1844 onwards) as previously

incorporation had required a time consuming and expensive special Act of Parliament, (Armstrong & Jones, 1987). Governance of these early joint-stock companies varied, however the following sub-section considers the requirements for an AGM in the East India Company. This company gained a monopoly in British-Indian trade and was ultimately involved in British rule in India. As one of the largest and longest surviving of these early joint-stock companies it maintained a diverse shareholding and therefore its AGMs are of interest. Subsequent to this discussion, the way in which developments such as the Joint Stock Acts in England in the nineteenth century incorporated best practice for shareholders, will also be reviewed.

2.2.1 The East India Company

The East India Company obtained its first charter from Parliament in 1599 and was subscribed by two hundred and eighteen investors^{xi}. Its capital was obtained from a wide sphere of investors who were prepared to commit funds for a reasonable period (Chaudhuri, 1965). Initially, capital was invested on a voyage-by-voyage basis and stockholders, or proprietors as they were called, expected to see the return of their capital with a dividend at the end of each voyage, typically three to four years after the initial investment. However by 1609, the company sought a new charter and ended the policy of financing each voyage separately, so that stockholders' funds were thereafter used for the general operations of the company, with profits being distributed in proportion to capital invested. Contemporaneous with this new charter, the number of shareholders was increased to 276 (Gardner, 1971).

For the purposes of this research, the governance mechanism with regards a General Meeting only will be described. Twenty-four directors were selected to form the Court of Committees, which was effectively the Board of Directors or governors^{xii}. Any proprietor (stockholder) could attend the quarterly Court meetings which were held in the General Court Room of East India House (the London headquarters) and at which the financial situation was presented (Chaudhuri, 1965). However, only those proprietors who had invested £1,000 or more could vote and those with £10,000 or more invested had four votes each. By the late eighteenth century, around fifty proprietors met this threshold and became extremely powerful (Gardner, 1971). Both Gardner (1971) and Chaudhuri (1965) recount the voluble meetings at which these proprietors criticised governance procedures and cost overruns.

The Court of Committees was answerable to all proprietors, but the directors were Crown office-holders as well as gentry, and this gave rise to factional and constitutional disputes. In 1628, members of the General Court^{xiii} criticised the Committees for managing business without the consent of all proprietors and pressed for auditors to be appointed from within the General Court. They also took exception to the salaries paid to the Governor and other officers. The Court of Committees responded by moving that a ballot box be used for voting and that the King (Charles I) be given a one-fifth share in the Company in return for his more active support. Both of these motions were defeated; with the resolution that only those who had £2,000 or more invested

could be voted onto the Court of Committees (Chaudhuri, 1965). Such quarrels between the proprietors and the governors were typical in this Company of the period between 1620 and 1640 when trading difficulties were experienced.

One quarter of the Court of Committees retired each year and the charter allowed for them to be replaced from the General Court of proprietors. The reality was that the governors:

“held so many votes between them that they voted for each other in terms, going in and out of office by strict rotation; in this way directors were invariably voted back in after a year out of office, or could pass the privilege on to sons and relatives” (Gardner, 1971, p.129).

It was a closed circle that effectively stifled the democratic governance advocated by the charter of 1609 under which the East India Company was formed as well as the succeeding replacement charters.

Financial dependency changed the nature of the East India Company’s governance. By 1772, on the verge of bankruptcy, the Company approached the Government for a loan. In return for the £1,500,000 advanced, a Regulating Act was passed to bring management of the Company under the indirect control of the Crown and Parliament through a Board of Control (Gardner, 1971). The Court of Committees lost its power and although minority proprietors continued to express public disquiet about the Company, they lacked effective means to force change.

General stockholder meetings had been a regular feature within the governance of this large and long-standing joint-stock company. Quarterly meetings of proprietors provided the aura of accountability as did regular governor rotation; but the real task of governance fell to those who had invested the most and were socially powerful. Proprietor disquiet with select joint-stock companies such as the East India Company, combined with industry expansion subsequent to the Industrial Revolution, eventually led to more flexible forms of incorporation.

2.2.2 Joint Stock Acts

Moss (1994) notes the similarity of the requirements for record-keeping and representative governance from the Parishes Acts of the early nineteenth century to the changes later wrought on joint-stock companies. Prior to the Joint Stock Companies (Registration) Act of 1844, corporations had been formed by Acts of Parliament, Crown charter, or (after 1825) letters of patent from the Board of Trade. Each corporation had their own charter which included governance rules. The Companies Clauses Consolidation Act of 1845 reflected a significant change in policy as these corporations were required to, amongst other things, keep full and true accounts and present a balance sheet to the shareholders meeting half-yearly, thus signalling the need for such meetings (Armstrong & Jones, 1987).

The 1844 Joint Stock Companies (Registration) Act, which had a wider influence as it covered new joint-stock companies, also legislated for a shareholders meeting, to be held annually. As well, a 'full and fair' balance sheet needed to be sent to the registered address of every shareholder at least ten days before the annual meeting. This same balance sheet was to be presented at the shareholder meeting; and the Minutes of that meeting kept. Further refinements of 1856 and 1862 required a Statement of Income and Expenditure to be presented along with the balance sheet. In the Companies (Consolidation) Act 1908, a Directors' report was added to meeting requirements. After the Companies Act 1929 was passed, an auditor's report needed to accompany this growing bundle of information which was now required to be sent out to shareholders one week in advance of the meeting (Armstrong & Jones, 1987).

Although parliamentary Acts defined minimum requirements, an individual company's Articles of Association defined the types of shareholder meetings (ordinary, annual and extra-ordinary), the frequency of such meetings, and rules as to who can call an extra-ordinary shareholders meeting. Articles of Association also laid down procedures for meetings regarding the election of a Chairman, quorum and methods of voting (including proxies), procedures for resolutions and the requirement for annual accounts to be presented at an AGM (Armstrong & Jones, 1987).

These legal requirements combined with Articles of Association clauses show that democratic governance including the custom of the public meeting, long a part of local government, was solidly embedded in early Company practice. Further, at the AGM, "the shareholders expected their chairman to give an in-depth appraisal of the company, be willing to answer any questions, move the adoption of the accounts and propose the re-election of any retiring directors" (Armstrong & Jones, 1987, p.75). Such shareholders' demands were predicated on concepts of equity ownership and a need to familiarise themselves with, and approve of, the directors' actions. Therefore it was important to have a strong, loquacious Chairman.

Although Chairman's reports of large companies would be typically printed in the local newspapers (Maltby, 2004), none of these printed sources could be quite as informative as attending the AGM. Prior to the 1948 Companies Act in the United Kingdom, mandatory printed disclosures were limited. The AGM was a place where shareholders could obtain non-standardised or heterogeneous, face-to-face company information by asking questions about challenging issues that directors may want to avoid and not have been prepared to put in written information. However, Maltby (2004) provides examples where the Chairman refused questions by citing market sensitivity of information and by emphasising trust relationships, effectively controlled information provision. Hodges *et al.* (2004) quote modern examples of this exercise of power when the scope of decision-making and debate is confined to "safe" issues.

The paper has so far reviewed the emergence and composition of AGMs in two different organisational types, local government and limited liability companies. In both organisations there is a group with the right to information about the organisation, typically predicated on the provision of resources by this group who have not received

an immediate return in kind. As well, resource provision ties the group to the organisation and is evidenced by their holding ratepayer, membership, or shareholder status. The rights to manage these resources are ceded to a small subset of their group: the governors whom they must trust. Accordingly there is an historical and socially expected accountability requirement from those governors back to their group on past achievements and prospects for the future; and this has been fulfilled, in some great measure, by the AGM.

2.3 The AGM in today's society

As an organisation grows, a disparate group of members or shareholders typically lacks organisation, becomes more divorced from their elected representatives, and may be unable to demand the information^{xiv} about governance they require, or be unaware that they lack information. Further, Chen (1975) suggests that the nature of the stewardship relationship previously enjoyed by owners expands to include an entity's responsibility to account to wider society. These challenges to the democratic governance function threaten the relevance of a members' AGM in today's society. However, the AGM remains as the only place where individual members can have access to governors and management (MacDonald, 2004). The building of good relationships between governors and members is a feature of the twenty-first century corporate as much as it was hundreds of years ago in local government and joint-stock corporations. Hence, AGM communication between members and governors should continue to reproduce democracy. Although the advent of glossy corporate reports combined with the marketplace may satisfy a member's economic requirements, the AGM serves a socialising function, socially constructing the organisation, reminding individuals and organisations of their interdependence. Therefore new ways of communication with owners have been sought in order that groups may continue to negotiate accountability of their organisations.

The desire to improve access to twenty-first century AGMs has seen changes in many countries' regulations to allow technology enhancements and effective AGM practice. On-line voting is an option utilised in the USA, France, and being investigated by corporations in the United Kingdom (Strätling, 2003). Anecdotal evidence suggests that in New Zealand, telephone conferencing has been used for small membership societies' AGMs. In Finland, a bill mooted in 2000 proposed amendments to enable foreign shareholders to participate in AGMs, by relaxing the cut-off date for registration of shares and allowing participation in AGMs through video or network connections (Anonymous, 2000). Dispersed AGMs which would reduce costs for shareholders seeking to attend are therefore becoming more popular. New Zealand's largest company (by revenue), Fonterra televises its AGM over nine venues (Ferrier, 2004).

However, not all technology is popular. Strätling (2003) reported negative feedback to the issue of text-only AGMs in a United Kingdom survey. "Respondents assume that the body language of directors as well as of shareholders gives an indication

of the gravity of the issue raised as well as the honesty and confidence of a statement” (Strätling, 2003, p.79), showing strong preference for combined video and voice links.

Bergquist (1993) enlightens the debate by noting the postmodern world’s preference for aural, face-to-face communication, as technology makes the written word passé. Accordingly, it is the conversations between members and governors within postmodern organisations that will continue to construct the organisation, and it is these that may increase enthusiasm for the AGM. Corporations must make the AGM accessible, have open election processes, and make voting rights obvious to those committing resources to the organisation. These actions enable the continuation of democratic processes that will enhance accountability.

3. Discussion and Conclusion

This paper has traced a selected history of the AGM from its early use in local government and joint stock companies in England in the fifteenth century and beyond (e.g. Chaudhuri, 1965; e.g. Webb & Webb, 1924b), through to large corporate AGMs in the present day. As a rite of democracy, AGMs are required of constituted entities by controlling Acts, and governing charters. AGMs comprise an annual calling to account of governors^{xv}; a forum for members to elect new governors; and opportunities to verify the information provided; as well as to control governors. The AGM’s essence is in highlighting accountability for delegated resources by combining governor feedback on past performance to members; along with information relevant for those seeking to make ongoing commitments to the organisation. These actions re-affirm the interdependence that remains the basis of co-operative corporations.

As well as fulfilling a function of democratic governance, AGMs have helped to construct the entity by beating the bounds (Webb & Webb, 1924b) and recognising social relationships (e.g. Hagaman, 1995) despite apathy on the one hand and conflict on the other (e.g. Chaudhuri, 1965). Shareholder interest in reports of meetings (Maltby, 2004) and early parish experiences (e.g. Leeds in 1828) show that governors responded to community demands by delivering higher levels of accountability (Webb & Webb, 1924b). Modern day activists have emerged at intervals to ensure that corporate governors listen to their minority views (Marens, 2002) and shareholder groups continue to monitor this democratic function. Therefore it is unsurprising that governors and shareholders continue to support mandatory AGMs (Strätling, 2003). Despite the variant AGM forms now possible due to technology, the postmodern world appears to continue to favour face-to-face conversations, or at least combined video-voice links between members and governors (Strätling, 2003). Further research into shareholder’s attitudes affecting AGM attendance and the effectiveness of AGMS, is required.

Dubnick (2002) suggests communities will negotiate unique collective accountabilities and a sense of community, yet Hodges *et al.* (2004) found the National Health Service

Trusts failed to do this at their AGMs. The challenge for corporations today is therefore to harness the positive aspects of AGMs to address ‘expressions of dissatisfaction’ which have caused the extension of the boundaries of accountability (Stewart, 1984, p.22). Governors need to furnish members with authentic AGMs that facilitate community by highlighting interdependence, constructing the organisation and delivering accountability.

ⁱ Examples from New Zealand are: the Companies Act (1993); the Education Act (1989); and the Incorporated Societies Act (1908).

ⁱⁱ These will be collectively described as members from now on.

ⁱⁱⁱ Literally translated this means main street. However it also means community meeting held in an enclosed square (Downloaded March 23, 2005 from <http://www.ai.ch/en/politik/sitzung/>).

^{iv} Magna Carta information downloaded March, 23, 2005 from <http://www.bl.uk/collections/treasures/magna.html>.

^v Webb and Webb (1924b) note Toulmin Smith asserts the civil origin of the parish and assumed a democratic constitution in the Old English village community.

^{vi} These included the costs of ‘dressing the fields for the crows’, mixed with the costs of sacramental wine, gifts of clothing for the poor, fitting irons for the whipping post and an annual item of ‘keeping the books, as usual, one shilling’ (Webb & Webb, 1924b, p.44).

^{vii} Capp (2003) recounts the votes cast for a new minister in 1644 at St Peter’s, Cornhill included those of eight women amongst the men. Also, some women held minor parish offices, but if nominated for a major office, like a Churchwarden, they would typically ask a proxy, seldom serving in person.

^{viii} This period relates to the abdication of James II due to the successful invasion of England James’ daughter Mary and her husband William of Orange. The Bill of Rights passed subsequently in 1689 established the constitutional monarchy that saw Parliament grow to be the real governing authority over the next century. It also set the basis for increased democracy (Duiker & Spielvogel, 2005).

^{ix} An interesting choice of day because custom had it that eating a goose on Michaelmas, (Sept 29) provided protection against financial need for the next year. This date seems to be related to the requirement noted in Tate (1960) to elect a Surveyor of highways on September 22.

^x One rector noted that such vestry meetings were illegal, a fact encapsulated in legislation passed in Britain in 1933 (Tate, 1960)

^{xi} Charters expired on a regular basis having a lifetime of around 10-15 years.

^{xii} The Court of Committees formed twelve sub-committees to deal with aspects of each voyage.

^{xiii} The General Court could be attended by all proprietors

^{xiv} See Marens (2002) for a discussion on shareholder organisation.

^{xv} Through both financial and non-financial reports (Armstrong & Jones, 1987).

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