

Democratic Shift: Shareholders demanding a larger role in the running of corporations

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Les Greenberg is anxious to turn things around at Luby's. The cafeteria chain's stock has lost more than half its value since April 1999, and Greenberg has offered several proposals to the company's board of directors to make improvements.

Greenberg isn't a Luby's executive, though. He's a shareholder, a minor one, in fact. But that doesn't mean his opinions and criticisms should be discounted, he says. After all, he has firsthand knowledge of how the Luby's restaurants operate, having interviewed several employees during a vacation in which he and his wife dined almost exclusively at Luby's.

"My impression was the managers are so hard-working and so dedicated, but they feel that's not reciprocated from headquarters," he said.

He isn't alone in his quest. Greenberg posts messages on a Yahoo! online message board regarding Luby's stock, and several Luby's investors have joined him in calling for the ouster of Chief Executive Officer Barry J.C. Parker.

Greenberg also wants Luby's shareholders to vote on whether the company should remove its anti-takeover devices, elect directors annually and cancel bonuses for management if sales, profits or the share price decline. And he's running for a seat on the board.

Welcome to the new era of corporate governance. It used to be that big institutional investors would get active if they felt an investment was foundering. That's still true, but the Internet has allowed individuals like

Greenberg to air their opinions, marshal support and put pressure on heretofore unapproachable boards of directors.

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That's a lesson Luby's executives learned when shareholders began clamoring for change. Though company officials wouldn't talk specifically about how they'll respond to Greenberg's proposals, they did accede to one of his demands: allowing any board member to place an item on a board meeting agenda. Previously, only the chairman or CEO could set agenda items.

A decade after democracy finally sprouted in Russia, Eastern Europe and South Africa, it makes sense that a pro-democracy movement would be pushed in corporations, where leaders still choose their own successors and where shareholders often allow the company to vote for them.

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Most corporations aren't eager to submit to their shareholders' will. ...

"The last time someone voluntarily gave up power was in 1800, when George Washington did it," Greenberg pointed out.

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But even shareholder activists realize that has its limits. ... [B]eing responsive to shareholders doesn't necessarily mean being compliant, and no one is advocating letting shareholders vote on a company's every business decision.

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Securities and Exchange Commission rules allow for shareholder proposals to be included in a company's proxy, but outsider nominations to the board need not be included. Activists like Greenberg are lobbying the SEC to get that changed, but he isn't optimistic.

However, should such a matter be considered by the SEC, it would only give his cause more publicity. ...

"If companies sue," Greenberg said, "it might just be an alert for people to look at the message boards."