

Vodafone's CEO survives -- for now

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Vodafone hasn't shied away from making its grievances over personnel matters very public, but the world's biggest mobile carrier group Tuesday continued to air its dirty laundry out in the open at its latest shareholders' meeting, even though attempts to oust its current chief executive ultimately failed.

Earlier Tuesday nearly 10 percent of those invested in the British telecommunications giant declined to support Arun Sarin to continue as CEO, particularly as many expressed their concerns about the hefty pay packages awarded to current and outgoing executives over the past year. The drama started last week as Morley Fund Management, an institutional investment group that holds 2.1 percent of total shares in the company, declared it would not back Sarin to continue as Vodafone's CEO. Other institutional investors including Standard Life Investments,

which owns 1.7 percent of total stock, as well as Hermes Pension Management, quickly followed suit.

"We opposed the re-election of Arun Sain and the remuneration report. This reflects the importance we attach to the leadership at Vodafone and our concerns about Vodafone's remuneration policies, which in our opinion provide significant rewards for achieving unchallenging performance conditions," said Standard Life in a statement ahead of the shareholders' meeting.

In the end, though, amid much tension, Sarin was able to hold onto his position despite the much-publicized opposition from a powerful minority of shareholders.

Outgoing chairman Ian MacLaurin declared that "there is absolutely no question of Arun Sarin stepping down from this company. He's not contemplating his resignation." MacLaurin will be succeeded by John Bond, the former chairman of the HSBC banking group, who also repeatedly stated that Sarin will stay.

For his part, Sarin stated Monday that there was a "silent super majority of shareholders" who remained confident about the company's future prospects and his own leadership skills, even as Vodafone expects lower growth and earnings in the upcoming fiscal year amid greater global competition in the industry.

So Sarin may indeed stay on for some time, and investors breathed a collective sigh of relief as a result as turmoil at the company appears to have settled down, at least for now. In trading on the London exchange Tuesday Vodafone shares closed up 0.4 percent from the previous session to close at 115.75.

At the same time, though, there is no doubt that the carrier's financial

performance in recent months has been worrisome for many, as has its practice to dish out sizeable packages to its senior executives even as Vodafone's earnings fell.

"The much-publicized tensions between Vodafone's board and its shareholders remain as taut as ever, thanks to yet another recent decline in the company's share price -- down by eight percent in the last two weeks, according to UBS. Clearly, the markets have yet to be convinced that Vodafone's board has a plausible plan to get the company's top line into sustained double-digit growth over the long term. As a result, the value of shareholdings continues to take a beating," said John Delaney, an analyst at London-based information-technology research group Ovum.

He added that "so long as confidence in the long term remains shaky, then the CEO's survival depends crucially on at least being able to manage the short term well ... statements of good intent will not be enough, by themselves, for Sarin to keep the shareholders at bay for much longer."

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