



**The Quoted
Companies Alliance**

09 June 2009

Martin Waller, *The Times*

Fighting for the rights of UK plc's little man

When John Pierce joined the Quoted Companies Alliance (QCA) as chief executive in 1999, he immediately ran into a problem.

The QCA, which lobbies on behalf of smaller listed companies, was then called Cisco, an acronym for The City Group for Smaller Quoted Companies, and somehow had attracted the attention of Cisco Systems, the huge, California-based computer firm.

This had persuaded itself that there was the potential for confusion between the two. On the one hand, arrays of highly paid American lawyers; on the other, a small pressure group employing a handful of people.

The Americans at first offered to pay for new stationery, if Cisco changed its name. "We said, it's not just a question of having a full-page ad in the Financial Times and The Times tomorrow saying, from now on we will be called X rather than Cisco," Mr Pierce said.

Instead, the Americans were persuaded to pay for the services of an expensive brand consultant to find a new name and logo. "My then chairman said: 'Something blue. Everything in the City's blue.' I said: 'That's the last thing we want. We have to stand out. We don't want to be part of the herd.'"

The QCA's logo is a striking shade of orange, bringing to mind a very big telecoms company - if that isn't tempting further legal action. The new name also achieved another of Mr Pierce's ambitions, dropping the "smaller" and allowing the organisation to aspire to represent companies further up the scale.

Ten years later, he is retiring - at the end of August, when he will just have turned 66 - but hopes to remain involved in the sector. "I would be very happy to do some mentoring of smaller companies, or talking to schools about business as a career. I think business in the outside world doesn't have a very good image, fat cats and so on," he said.

"I'm passionate about small companies and the part they play in the economy. When you've run small companies, you can see the potential there that the markets can provide. The whole idea of small quoted companies has really been pioneered here. My colleagues in Europe are deeply envious."

Britain has had the less regulated Unlisted Securities Market from 1980 to 1996 and, when that came to an end, the Alternative Investment Market (AIM), which, despite the recent downturn and liquidity crisis that has hurt the small-cap sector worse than most, still provides a market for about 1,500 companies.

Attempts by the French and Germans to replicate these have met varying degrees of failure. "When I'm asked, how do we copy AIM over here, I say, not entirely facetiously, start 25 years ago." Not only have such junior markets flourished, they have encouraged an ecosystem in London supporting quoted small caps, with advisers, brokers, accountants and the rest, to serve them and institutions prepared to invest.

Mr Pierce's father was an engineer at Hawker Siddeley in Southampton and he was looking to take up an apprenticeship before the intervention of "a few more O-levels than I had been expected to achieve". He chose accountancy because the salary of £1,000 a year that he was told to expect on qualifying was far better than anything he could get on the shop floor. He did not stay within the profession but moved into business, ending up running Airsprung, a quoted manufacturer of beds. His interest in the affairs of smaller companies led him to what would become the QCA.

This exists almost entirely on membership fees, £1,300 a year, and some sponsorship. Membership, about 400 at its peak, has fallen off to about 240, 90 of these being advisers such as brokers and nominated advisers or nomads, their equivalent on AIM. It is limited at present to AIM companies and those on the main list too small to get into the FTSE 350 index. It is independent and non-political, despite having had Tory grandees such as Ken Clarke, Lord Heseltine and, at present, Lord Strathclyde, the party's leader in the Lords, as presidents. It sits somewhere between the CBI, which looks after the interests of the big guns in industry, and the Institute of Directors, which tends to cater for the needs of those running unquoted companies. It is supported by specialist committees of professionals and others with experience outside who help to draw up training manuals on aspects of running a company. There are regular lunches and other symposiums.

Part of the job is to work with other organisations to identify forthcoming measures, often from the European Union, that could impact badly on its members and try to head these off or ameliorate their effects. Mr Pierce reeled off three.

There was the attempt by the Commission to impose on all quoted companies a sort of "shelf document", similar to the filings required by the Securities and Exchange Commission in the United States, that would have to be updated regularly. The QCA brought in City advisers to assess the cost. "This would have worked out, and we're talking now about six or seven years ago, at an annual cost of £100,000 a year. We argued with Brussels that this was too much of a burden in addition to all the other costs of being a quoted company for smaller businesses." He argued successfully that the relevant information was already in the public domain.

Then the Commission, again enamoured of Wall Street's way of doing things, wanted to bring in quarterly reporting. This would also have been costly and would have taken up management time that smaller companies could not afford. The clincher came with a petition arranged by the QCA from City fund managers specialising in small caps who insisted that they were well able to track their investments without quarterly updates.

The Higgs report on corporate governance, from the late Sir Derek Higgs, required all quoted companies to have the same number of non-executives as full-time board members, and a non-executive chairman. Again, the QCA argued that this was inappropriate for smaller companies, which tend to be entrepreneurial and often led by one individual. This one went to appeal at the Financial Services Authority, but there was an exemption made for firms outside the FTSE 350.

If there is a common theme, Mr Pierce believes, it is that “one-size-fits-all” regulation does not work, a point tacitly born out by the success of AIM, which offers a lighter burden of regulation than on the main list.

If he has a regret, it is the inability to increase his organisation's membership further. “This is the message I would love to leave as my parting exhortation: don't expect there to be anyone out there doing this unless you support them.”

He is frustrated about what he calls “free riders”, smaller companies that are happy to allow the QCA to lobby on their behalf while refusing to put up the cash. “One day they are going to find out that everybody else has done the same, and there's nobody to fight their battles.”

Indeed, he has just added to the QCA's official recruitment literature a quotation from President Obama. “Change will not come if we wait for some other person or some other time.”