Shareholder Value:

Is There Common Ground?

Imagine this scenario:

You've just attended a technology training conference and picked up some useful ideas. But as you settle into your seat on the plane and pull out your hotel copy of the *Wall Street Journal*, you feel a tightening in your gut. Your company has missed earning projections two quarters in a row, and you know the announcement for the most recently completed quarter was yesterday. A quick glance at the market quotes confirms your fear: Your company's stock price has taken another hit. You slide down in your seat and close your eyes. You can visualize the coming impact on your department. You wonder what the latest directives will be to push an already overstressed, overworked, overmanaged, and underled workforce to do more with less. The office definitely won't be a happy place on Monday.

Sound familiar? Increasing shareholder pressure for short-term profit was identified as the number 1 trend affecting workplace learning and performance at the ASTD/AHRD Future Search Conference in Orlando, in June 2001.

Since then, we've had the dot.com bust, the Enron and Global Crossing debacles, and of course 9/11. Will those

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In reaction to the increasing shareholder pressure for short-term profit, training professionals can succeed while holding true to professional values.

TRACKING TRENDS

This article is the final of three in a series focusing on key trends. The first and second articles appeared in the May and June issues.

events reduce the emphasis on short-term results? Will the future be any different for the training and development profession? Here's an even more important question: What do we desire the future of the profession to be?

As part of the Future Search process, the 64 invited attendees, who represented the diverse workplace learning supply chain, sought to answer that important question. They reached consensus on a list of common values and principles to help shape the profession's agenda and practice for the future. The process produced working drafts of 11 Common Ground Statements.

A quick glance at the statements reveals immediate conflict with business practices such as emphasis on shareholder value and financial performance. Though collaboration and respect for human dignity are priorities, what businesses care about most is how learning supports and drives business results, and that is absent from the Common Ground Statements. The difference in focus provides a major insight into why training and development professionals rarely have a seat at the boardroom table.

If we want our work to have impact and relevance, we need to explore and reconcile such differences. Let's look more deeply at the shareholder value trend in light of recent events and suggest ways that workplace learning professionals can use the Common Ground Statements to speak to the needs of the business while holding true to their professional values. To do that, we must first understand the dynamics of the shareholder value trend, learn how to get inside the heads of our CEOs to discover how they think about business results, and then reframe the discussion to find true common ground.

How we got there

The prosperity of the 1990s raised the bar in terms of shareholder expectations for publicly held companies. Increasing shareholder value, increasing the stock price, became the mantra for many CEOs and the dominant philosophy of American businesses. That trend was amplified by the liberal granting of stock options to executives and managers. Because options pay off big only when stock prices rise, optioned execs' interests should, theoretically, align with shareholders' interests—thus boosting productivity, profits, and shareholder return. Frontline employees also participated as their 401(k) accounts, loaded with

The Future Search Conference

Future Search is a unique planning conference that has been used by hundreds of organizations and communities to help diverse groups discover values, purposes, and projects that they hold in common to create a desired vision of the future and plan implementation. Since first described by Marvin Weisbord in *Productive Workplaces* (Jossey-Bass, 1987), Weisbord and his collaborator and colleague Sandra Janoff have pioneered the use of Future Search Conferences all over the world to stimulate strategic change. Their new book is *Future Search: An Action Guide to Finding Common Ground in Organizations and Communities* (2nd edition, Berrett-Koehler, 2000).

Future Search is based on these principles:

- Get a cross-section of the whole system into one room.
- Explore the whole before seeking to act on any part.
- Focus on common ground and desired futures, and treat problems and conflicts as information, not action items.
- Self-manage work, and take responsibility for action.

The purpose of the June 2001 Future Search Conference in Orlando was to map the future for workplace learning and shape the roles of training and development professionals to lead changes occurring in the field.

Sixty-four leaders in business organizations, academic institutions, and government agencies were invited by ASTD's Research-to-Practice Committee to participate in this first Future Search Conference ever to inform a profession, just prior to the annual ASTD International Conference.

GO TO www.astd.org/virtual_community/futuresearch for a summary of the conference and photos. Also, see www.futuresearch.net to learn more about this method for helping people act together across boundaries of geography, language, culture, class, gender, race, and age.

company stock, soared in value. The pressure was enormous for even higher stock prices.

Failure to deliver on financial projections usually means that bad things happen to those in charge, as evidenced by the CEO turnover rate in the *Fortune* 500. The stress went down the line in the form of demands for better, faster execution at lower costs. Companies downsized, outsourced, merged, globalized, and automated in an effort to keep the numbers moving upwards. When that didn't happen, staff functions such as training were often first to feel the hit.

Privately held companies weren't immune as they faced increasing demands from their publicly held customers for price concessions, improved quality, and speed. Government and not-for-profit organizations were also caught up in the performance race by having to demonstrate business-like productivity

Common Ground Statements

These 11 statements that emerged from the Future Search Conference are largely unedited.

1. Create synergy between research and practice. We value the synergy between HRD research and practice as a basis for creating successful and meaningful individual, group, organizational, and community outcomes. We see academic institutions and professional associations as generating the expertise and resources to accomplish such synergy.

2. Leverage available technology without losing the human touch and social component of learning. As a profession, we must learn to leverage available technology to increase the speed of learning (anytime, anywhere) without losing the human and social aspects. We need to remember that technology isn't the end but the means.

3. Strike a healthy balance between work life and personal life. HRD inherently involves creating organizational cultures that recognize the need for promoting a healthy balance between peoples' work lives and personal lives.

4. Strive to create humane workplaces. We serve as the conscience of our organizations. We advocate and model organizational practices that respect individuals and support a humane workplace in times of stability and change. We also value multidimensional learning experiences that facilitate the development of emotional and spiritual intelligence, as well as knowledge skills. We believe that an enjoyable learning experience is a meaningful learning experience.

5. Recognize intellectual capital as the lifeblood of an organization (the true bottom line). HRD must play a significant role in valuing, propagating, and effectively applying intellectual capital across the enterprise to the benefit of stakeholders.

6. Develop a sense of social responsibility. We expect every individual and organization to be socially and ethically responsible, and we value the role of HRD in creating systems and processes to support individual, organizational, community, national, and global well being.

7. Embrace globalization and multiculturalism. To foster increased creativity, productivity, and organizational learning—and for sustained results in organizational settings—we will promote a) moving from a reluctant tolerance of multiple cultures to embracing synergistic advantage and b) connecting global nomads, leaders, and organizations to local communities to provide mutual advantage.

8. Predict a fundamentally changing role for K-16 education. HRD's role in changing K-12, plus college and university education, is to foster and integrate lifelong learning.

9. Manage knowledge and learning effectively. We seek performance that adds value to individuals, organizations, and society. That requires that the management of knowledge and learning involve the right knowledge, the right people, the right way, the right time, and the right cost.

10. Develop internal and external partnerships and collaboration. The complexity of current problems requires the development of partnerships and collaborative arrangements that are broad based, in order to bring the necessary intellectual and economic resources together to create solutions.

11. Foster lifelong learning. HRD has a vital role in developing critical and continuous learners who can learn how to learn at all levels and in all roles within organizations. Such lifelong learners will be able to apply higher-order social and psychosocial skills in pursuit of individual empowerment, function successfully as team learners, and contribute to the shared learning within larger systems.

gains to compete for resources in the marketplace.

The death blows were the dot.com, Enron, and Global Crossing meltdowns. Gradually, human nature took over and many companies began to ignore business basics in favor of short-term actions designed to pump up stock prices.

"Investors didn't care about the balance sheet or abstract ideas such as intellectual capital," says Bob Keith, director of the School of Accountancy at the University of South Florida. "They valued revenue growth and predictable profit increases. To keep their jobs, CEOs had to deliver. That caused tension that led some leaders to mortgage their companies' future to achieve an immediate boost in stock price."

So, are we at the end of the uniquely American idea that businesses should be run primarily for the short-term interests of shareholders? Some people argue that we are. Allan Kennedy, co-author with Terrance Deal of *The New Corporate Culture* and author of *The End of Shareholder Value,* suggests that the short-changed stakeholders—employees, governments, communities, suppliers, and customers—are now fighting back. Recent government hearings to tighten regulations on stock options, accounting practices, and 401(k)s are cases in point. Peter Drucker, in *Management Challenges for the 21st Century*, notes that the shareholder value theorem isn't tenable for the long run. Kennedy and Drucker advise enterprises to balance the short-term view with long-term prosperity and survival. The key to that, according to Bob Monks, founder of Institutional Shareholder Services, is the "institutional activist" movement.

"A majority of the shareholdings in the modern corporation are in the hands of trustees of all manner of institutions ranging from private company pension plans, public pensions, mutual funds, bank trusts, university funds, and foundations," says Monks. "By definition, those groups have an interest in the long-term performance of an enterprise; they aren't day traders. They have the power and responsibilities of owners, and they should exercise that power to protect the assets and long-term economic returns for the beneficiaries."

"Easier said than done," says Geoffrey Colvin, editorial director of *Fortune,* who writes frequently about corporate governance and shareholder value issues. "Most trustees are reluctant to insert themselves into corporate governance. In any case, CEOs are expected to manage for greater shareholder value; that's what they're paid to do. With shares increasingly in the hands of professional money managers who demand performance, behavior is not going to change."

http://aspeninstitute.org./isib/student_att.html

Colvin's view is supported by a recent survey conducted by the Aspen Institute, a leadership think tank based in Aspen, Colorado. According to the study, 75 percent of the MBAs who graduated in 2001 say that maximizing shareholder value should be a company's number 1 priority.

Another perspective supporting the continued pressure for short-term performance is expressed by Ernest "Bud" Miller, former CEO of Arvida Corporation and currently the dean of the School of Business at Clayton College and State University in Georgia.

Miller says, "You're fooling yourself if you think the pressure for performance is going to let up. Sure, making the stock price move is always in the mind of the CEO, but global competition and customer demands also drive the need to do things faster, better, and at a lower cost. Here's the real meaning of Enron: Companies are going to have to produce *real* profits; no more funny money from the accounting department. That means paying more attention to fundamentals and more hard work, not less."

Inside the head of a CEO

Let's assume that Miller is right and the demand for the type of performance that drives stock prices isn't going to let up and we will continue to face the type of scenarios in the opening paragraph. What's a training and development professional to do?

One possible approach was uncovered during the Future Search Conference, where attendees alternated between two types of working groups: a stakeholder group with similar interests, such as private-sector practitioners, and a mixed group representing a cross-section of the eight stakeholder groups attending. During the first part of the conference, participants worked in their mixed groups to look at the past, present, and future of the profession and began to shape the thoughts that would become the Common Ground Statements. When the stakeholder groups came together to comment on the outputs from their perspectives, members of the management stakeholder group, consisting of senior managers and CEOs, were incredulous. They made it clear that much of the discussion to that point had little relevance to their world and their concerns.

Renny DiPentima, president of SRA Consulting and Systems Integration (listed among the top 100 best corporations to work for by *Fortune)*, was especially vocal: “The issue in my mind is survival of the business. If the business doesn’t remain competitive and meet the ever-increasing demands of customers, none of us will have jobs. I think we all recognize the importance of human capital as a differentiation point for companies. But my question to you is, What are you bringing to the table that adds value to the business equation? The training department doesn’t have a monopoly on skills development. Show me how you can help me run the business or I’ll get the needs met from some other source.”

When challenged by the facilitator to talk more about the business issues important to senior management, the stakeholder group gathered around a flipchart to diagram what one person termed, “what’s inside the head of the CEO.” The resulting figure highlights CEOs’ major areas of concern:

- financial performance
- operating excellence
- employee focus
- customer satisfaction.

All of those areas center on the business mission, and all interact. In the ensuing dialogue, details about each area emerged.

Financial performance, driven by shareholder pressure, was defined in terms of revenue growth, operating profits, and return on equity.

Operating excellence was viewed in terms of business-process improvement, increasing speed, and total quality.

Employee focus dealt with concerns about morale, loyalty, commitment, and productivity.

Customer satisfaction related to attracting new customers, customer retention, and business development with existing customers.

An important point from the conversation was the constant tension between those concerns of CEOs and the need to maintain a balanced scorecard. If any of the sections become weak, the whole system falters.

It’s interesting to compare that list of concerns with the Common Ground Statements. Do you see the disconnect? That’s not to say that senior managers aren’t conscious of such issues as social responsibility and work-life balance; they’re contained in the values component in the center of the figure. But applying resources to those issues is predicated upon the business being healthy. So, the CEOs and senior executives must attend first to the survival of the business and business fundamentals. Shadow an executive for a day to find out what he or she is worrying about and it’s clear that the training profession’s typical agenda, as evidenced by the Common Ground Statements, occupies little territory in a typical CEO’s mind.

So, what can we do to reconcile the different perspectives?

Reframing the discussion

First, we need to take responsibility. It’s self-defeating to complain about not getting respect or resources and counterproductive to imply that the CEO is myopic, insensitive, or stupid. If we choose to play in the corporate arena, we have an obligation to support and contribute to business results in the area of workplace learning and performance. In the words of St. Francis of Assisi, we need to “seek to understand rather than be understood.” Part of the answer lies in reframing the discussion and translating our Common Ground principles and values into language and actions that relate to CEOs’ concerns.

Pat McLagan, chairperson of McLagan International, has been researching ways to close the communication gap. McLagan says it’s important to ask the right questions:

“What are the results that matter to the people making decisions? For example, let’s take the area of

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customers. What does the CEO want? At the most fundamental level, the answer is to attract and retain profitable customers. The same is true for employees. CEOs want to attract and retain motivated, productive performers. If you talk in those terms and bring ideas to the table to help with those issues, you will be heard."

But it takes more than talk. The next step, according to McLagan, is to do your homework and identify the proven practices that will produce the desired results. "There's an incredible hunger on the part of decision makers to know what really works—to cut through the fads," she says. But, she concedes, sorting through the published research and all of the books and articles can be daunting and time-consuming.

"Meeting that need has been a major thrust for ASTD," says Mark VanBuren, ASTD's director of research. "We know that a large amount of high-quality research exists on best practices in training. We try to help the practitioners and leaders of workplace learning sort through the research to find exactly what they need, when they need it, and in the manner they want it. We use such vehicles as our Website, magazines, and research reports to continually bring out the best of the best."

Along the same line, McLagan has recently developed a series of reports to help address the issue of bridging theory, research, and practice theritestuff.com. Working with a team of top researchers and editors, she pulled together the research on proven practices that produce results for such CEO-focused issues as customer satisfaction, employee performance, and investor relations, as well as process issues such as leading change and forming alliances. The findings are distilled, integrated, and packaged in a series of easy-to-use reports designed for the practitioner.

Let's walk through a quick example of the reframing process using the first Common Ground Statement about synergy between research and practice. If a CEO were to read that statement, what would be his or her reaction? It would probably be a shrug, "So what?" What would elicit a favorable response? If the CEO held that same value, how would he or she express it? How can we tie it to a specific issue? Here's one possible answer: We could partner with universities and trade associations to provide cost-effective and flexible access to expertise to help improve customer retention and satisfaction.

That speaks to CEO-type interests and needs in terms of the focus on customers and the concept of not building overhead by using outside expertise. One of McLagan's reports, "Success With Customers," offers plenty of support for selling such an initiative to senior management. For example, empirical research shows that reducing customer defections by 5 percent can double profits. Frontline employees are the key success factor in customer retention and it's their people skills, not technical knowledge, that make the difference. Are you familiar with Customer Relationship Management as a best practice?

We can take a similar approach in addressing CEOs' concerns about attracting and retaining a loyal, productive workforce committed to organizational goals. But, again, notice the difference in perspective when compared to the Common Ground Statements, which are heavy with notions of humanitarianism. So, how can we build a bridge between two apparently divergent agendas and meet business needs while remaining congruent with our professional values?

To begin with and in the spirit of finding common ground, we need to discard the notion that the CEO agenda and our agenda are divergent, or even in direct opposition. For example, a considerable body of research clearly demonstrates that loyalty to an organization won't happen unless the organization (management) offers something of value in return for employee loyalty. The something has to be truly of value to employees rather than something that management assumes will be of value.

The same could be said of productivity. Again, research makes clear that short-term rises in productivity occur as a result of using "negative motiva-

tional techniques" such as the threat of impending downsizing and restructuring. But, eventually, fear-based tactics produce employee resentment and lower productivity. So, when CEOs clamor for higher productivity or greater loyalty, they have to be willing to compensate people for delivering on those demands and let them know ahead of time what the payoff will be. Our profession is in a uniquely advantageous position to advise and influence CEOs about numerous ways to increase productivity, loyalty, or both, through effective people practices.

Parts of several Common Ground Statements are pertinent. Take a look at ". . . creating organizational cultures that recognize the need for promoting a healthy balance between work life and personal life." That statement can be linked clearly to a CEOs' desire for employee loyalty.

Many organizations are discovering how flexible job structures, work-family programs, and so forth attract and retain desired talent. Such practices aren't just "nice to have" benefits but are driven by real business needs, such as to stem the talent drain (especially to competitors) and retain the skills the business needs to succeed. There are concrete and visible ways to enhance loyalty if the organization's culture truly values work-life balance.

Likewise, "valuing, propagating, and effectively applying intellectual capital" in one of the Common Ground Statements may sound lofty, idealistic, and useless to a hard-minded CEO. However, when you tear through the fabric of that statement, what it says is that if an organization taps into its huge brain trust, the organization and the people whose brains are tapped will benefit.

In most instances when people are challenged by their jobs and asked to bring their heads as well as their hands to the task, productivity invariably increases. Similarly, when people are commanded or intimidated to increase their productivity or when their jobs fail to provide sufficient intellectual challenge, sooner or later (usually sooner) productivity and loyalty will diminish.

Coming back to the issue of shareholder value, companies that do right by their employees do right by shareholders. McLagan points out that of the public companies on *Fortune*'s list of 100 best companies to work for, shares rose 29.8 percent from 1999 through 2001, compared with an 11.4 percent rise of the S&P 500.

Certainly, the training professional can play key

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roles in formulating and executing strategies that increase productivity, instill loyalty, and value people as people. We'd argue that we should be playing those roles long before we're asked to.

Here's a list of checkpoints for establishing common ground with your CEO:

- Be proactive.
- Never wait for the phone to ring; look for ways you can add value to the business, and seize the opportunities.
- Demonstrate value-added in terms that relate to your CEO's agenda.
- Be vigilant in knowing the market for your services, and tailor them to the needs of that market—versus being product-driven.
- Guard your time and energy. It takes more time and energy to be market-driven than product-driven.
- Focus on one or two key results areas that can make a difference to your business and are doable.
- Focus on areas that are likely to garner support from others.
- Avoid projects and situations that have a low probability of meeting business needs, even when they entail work you love doing.
- Pilot test. Pilots help uncover problems and solutions early and with a smaller part of the organization adversely affected.
- Engineer successes early on; chunk project components into manageable sizes to go for small wins and satisfy the business need for speed. Early successes result in satisfied customers who will help market your processes.
- Do your homework. Find out what your internal customers want and need.
- Know what practices add value; be able to point to the research that supports those practices.
- Admit when you can't help, and offer alternative sources.
- Develop your social intelligence. Getting inside the CEO's (or anyone else's) head requires empathy and a nonjudgmental posture. If you don't have those skills, find ways to develop them.
- Constantly monitor whether customers believe you understand them and their needs. Be willing to receive tough-to-ingest feedback.
- Seek to understand; if you're understood, that's an added benefit.

Some people argue that we need to be as tough on the CEOs as we are on the training professionals—that, by definition, achieving common ground means movement by both parties. Edgar Schein, author and consultant, talked in the March 2002 *Harvard Business Review* about why some CEOs resist:

"Not surprisingly, it's often the CEO and other executives who feel most threatened by any new learning because it reveals their behavior to be dysfunctional. However, I would like to emphasize that unless leaders become learners themselves—unless they can acknowledge their own vulnerabilities and uncertainties—then transformational learning will never take place. When leaders become genuine learners, they set a good example and help to create a psychologically safe environment for others."

So, CEOs have mutual responsibility in the pursuit of workplace learning and performance. Our goal in adapting the language of CEOs and fully understanding their priorities isn't just to assist but to become equal partners at the board level and influence as much as be influenced. In doing so, we can and must continue to honor the humanitarian values expressed in the Common Ground Statements.

No one says it will be easy. But if you think and act using the guidelines set down here, chances are that you won't be intimidated by the continuing focus on shareholder value. On the contrary, you'll likely be energized to respond to the tremendous opportunities this trend creates for our profession. TD

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