



On Shareholder Value and What Really Matters

by Phil Graham, Ph.D.

Earlier this week I attended a one-day seminar entitled, “Learning2Change: Building Pathways to Shareholder Value.” It was hosted by Pearson Learning Solutions and was a nicely presented event. The learning professionals who presented were excellent. The content was informative. And the dialogue among the participants was engaging and insightful. Yet the whole time I sat there thinking, “Why do we place so much emphasis on shareholder value? Why are our measures of success so oriented to financial results?”

Shareholder value is a great measure. It is clearly indicative of how well we are learning and executing our work. If we don’t maintain a healthy margin, we won’t be working very long. Apart from capital resources, we are not going to stay in business. I spend a great deal of my own time thinking through ways to maximize margin, grow top line sales, and enhance cash flow. And when we build learning programs for clients we are well aware of the need to link learning to business (aka financial) results.

Yet we are short-sighted if shareholder value is truly our bottom line. When all is said and done, the creation of wealth is a means to an end, not an end in and of itself. If we put too much emphasis on shareholder value or fail to keep in mind the purpose of shareholder value, which is to create wealth for the good of individuals and communities, the so-called “commonwealth,” we will soon find ourselves quite empty as human beings.

When I left the seminar, which included an insightful session on the way in which CFOs use net present value (NPV) in making capital structure decisions, the news of the Virginia Tech killings came on the radio. As I sat in the taxi listening to the accounts, I was numb. I was on my way home to Virginia, where I have more friends than I can count with children in Blacksburg. It was like someone ripped my heart out. My stomach was in knots.

Shareholder value is important. But there is not a CFO or CEO alive who gives three cents for shareholder value in comparison to the lives of his or her children. We create shareholder value so we can use the wealth gained to support and encourage the lives of the people around us. If our wealth does not lead us to peaceful lives and caring relationships, we have not produced any depth of value. And our wealth is an illusion. We may have a great deal of money, but we are living in poverty of spirit. Building pathways to shareholder value, like all of our learning to change, must always be kept in perspective.