



Show Me the Value: Why Shareholder Value

by Patricia Ellenburg

Having previously introduced the concept of Value Based Management (VBM), in this and future articles, we'll turn to applying VBM in Training & Development (T&D). Ultimately, the goal of this series is to guide training professionals in positioning T&D as a value-creating process within the enterprise

In EVA and Value Based Management, S. David Young and Stephen O'Byrne explain why the creation of real value has become the dominant goal of today's enterprises:

- "Baby Boomers" and subsequent generations have invested in the stock market at unprecedented levels, creating large and powerful mutual funds, unit trusts, and other investment institutions;
- Institutional investments are managed by professional money managers, who care only about delivering the highest possible returns; and
- Capital is mobile: both individual and institutional investors will rapidly move money to companies that will use it more productively, i.e., that will deliver higher returns.

As a result, it's no longer enough for companies to compete in commercial markets: they must also compete relentlessly in capital markets.





Most managers understand commercial competition. They know that to survive and grow, they must produce goods or services customers will buy—and do so cost-competitively. Competition in the capital markets is less intuitive, however. Think of it this way: if a company does not perform to shareholders' satisfaction, its capital costs will be higher than its competitors'. Shareholders will demand a higher return in exchange for not moving their investments to a better performing company. This problem will be rectified by improved performance, by takeover, or as a last resort, by bankruptcy. This adds another dimension to the quest for survival: companies must also have competitive capital costs.

Capital competition has led top managers to adopt new performance metrics that track success in creating shareholder value, and motivate employees to align their work with the overarching goal of value creation. Next month, we'll turn to these metrics, and their relationship to Value Based Management.

About Patricia Ellenburg:

Patricia ("Trish") Ellenburg is the Executive Director of the CLO Institute, responsible for the development of a new series of educational workshops entitled "Business Strategies for Learning" and the qualification of successful candidates for the Certified Chief Learning Officer (CCLO), Certified Learning Strategist (CLS), and Certified Learning Architect (CLA) designations.

The CLO Institute's certification programs are designed to encourage professional excellence and to provide an objective measure and recognition of expertise for learning professionals.

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