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LEADERSHIP EFFECTIVENESS: COACHING BEYOND THE QUARTER

In providing executive coaching to C-suite executives and executive teams for many years, we have long advocated for strong corporate values that are created by the executive team with ownership and buy-in from those who report to them. Values development cannot be just top down. It is essential that all ranks in the organization are involved in creating the values that will drive behavior, decisions, hiring, and more.

Not surprisingly, there is an inverse relationship between the presence of strong ethical cultures with clear corporate values and the incidence of malfeasance.

Although much has been written about corporate short-termism (not everyone is on the same side of this matter), an outcome that is not often extensively explored is the intersection with, or perhaps *collision with*, corporate values. Short-termism is a major issue for senior leadership and it is not a new one. Peter Drucker wrote in 1986: "Everyone who has worked with American management can testify that the need to satisfy the pension fund manager's quest for higher earnings next quarter, together with the panicky fear of the raider, constantly pushes top managements toward decisions they know to be costly, if not suicidal, mistakes." Ouch.

Warren Buffett and Jamie Dimon, in their recent article for the *Wall Street Journal,* list the following as possible outcomes of short-termism: lack of focus on long-term strategy, growth and sustainability; inadequate investment in R&D, technology spending and hiring; and decline in the number of public companies, negatively impacting innovation, and job and investment opportunities.

I would like to focus on the interplay of values and taking the long-term view. Vision, values, mission and strategy are all connected – they do not operate in a vacuum, rather they must align and when they do they are synergistic. Most companies have values that relate to ethics or integrity. The 2018 Global Business Ethics Survey confirms what earlier surveys have shown: pressure—as in pressure to meet numbers—results in employees (including management) compromising ethical standards. 47% of employees reported that they observed misconduct in 2017. 63% of those said the misconduct was committed by management or a first-line supervisor. 26% of the behavior observed was *lying to employees or external stakeholders*. It is likely that the external stakeholders lied to include shareholders and investment analysts. Pressure to compromise standards has steadily increased since 2009. 16% of employees experienced pressure to compromise standards in 2017. Short-termism fuels pressure to compromise standards, for example, to engage in "creative accounting."

Here are six steps executives can take to ensure their corporate cultures are values driven rather than driven by the need to make short-term decisions to satisfy the markets:

1. Executive team brainstorms and comes to agreement on values for the organization, considering what matters most, what is non-negotiable, what is foundational to their behavior and decisions.
2. Executive team engages those reporting up to them in discussions of the values and modifications. Engage the organization so that there is input and ownership at all levels.
3. Finalize and put together a creative and engaging communications plan; implement it.
4. Executives obtain feedback on their leadership and get measured on perceptions of their walking the talk to ensure they keep themselves in alignment with mission, vision, values and strategy. As above, so below.

5. If there are ethical breaches by executives, or any others in the organization, let there be consequences.
6. Don't let values gather dust on the shelf or a wall. Weave them into decisions on hiring, program development, and performance evaluation—the last being the most essential.

Buffett and Dimon recommend stopping the practice of providing quarterly EPS guidance while continuing to provide clear, accurate reporting on strategic goals, on progress toward those goals, and on non-financial indicators of performance. Buffett and Dimon assert it is CEOs' duty to the public to keep the economy stable and strong for future generations and that short-termism weakens the ability to do that. Surely, it takes a long-term view and strong values to build a strong economic future.

Is there pressure in your organization to make quarterly numbers? Do you have a strong corporate ethical culture? What changes do you need to make?