God and Money

Some of America’s most iconic corporations have lost their way. This was the thought that jumped out at me (along with “You’ve got to be kidding”) as I read recently how Mary T. Barra, CEO of General Motors, described the company’s new strategic plan at a daylong presentation to investors and analysts. Barra’s top-priority pledge was to increase profit margins, cut costs, and expand in China—all as part of a broader strategy focused on growth and better financial results. More specifically, Barra promised that its North American operating margins will reach 10 percent in 2016, and will be between 9 and 10 percent worldwide by early next decade. The company also plans to increase dividends to shareholders beyond the $2 billion average from 2011 through 2014. The goal, she said, is “to make sure we become the most valued automotive company.” Businessweek summarized her plan as an effort to “shift the focus at the largest U.S. automaker from fixing recalled cars to making more money selling new models.”

Easier said than done. A few days after Barra’s presentation, GM announced yet another recall — its 75th of the year. The company’s running total to date for 2014 North American recalls now tops 30 million vehicles — more recalls in one year than any automaker ever, and more than triple the number of vehicles GM sold worldwide last year.

One of these recalls, of course, was especially noteworthy. The company recalled over 6.5 million vehicles covering more than a decade’s worth of models for “unintended ignition key rotation.” That sounds pretty innocuous except that, as we all now know from televised Congressional hearings and an avalanche of negative press, the ignition key problem shuts off power to brakes, steering and air bags . . . and led directly to at least 35 fatalities, and maybe to more than 300 deaths according to consumer safety groups. GM has already spent over $4 billion on this recall alone, not counting its estimate of an upcoming $600 million in legal costs and payouts, nor the $35 million fine (the maximum possible) levied by the National Highway Traffic Safety Administration. In addition, the company is facing an ongoing Justice Department investigation that may produce a much bigger fine and/or criminal charges, an SEC investigation — and, announced just last month, a $3 billion civil suit from the state of Arizona, with other states expected to do the same.

OK, the massive recalls, wrongful-death lawsuits, government investigations, fines, et al, make it easy to accuse GM of losing its way. But at least the company has a clear plan to move forward, a strategy that aims to return GM to what it has not been in quite some time — the world’s “most valued automotive company.” Wrong. From the vantage point of Scripture, GM’s very plan to regain success is prima facie evidence that it will continue to decline. In other words, what Barra touts as a cure will likely prove to be a further step in the downward spiral of GM’s disease. That’s not the view of investors and analysts, of course, who liked what they heard from Barra and bid the stock price up a couple of ticks. But as we shall see, it is the decided view of Scripture.
That loss of the CIA contract is part and parcel of a larger trajectory of decline. During a period when most of corporate America has flourished, IBM’s revenues have shrunk for ten quarters in a row.

IBM is another iconic American company that lately has been the subject of a lot of unflattering attention. And like with GM’s recalls, IBM’s wounds are self-inflicted. An especially conspicuous example was the company’s effort to win a high-profile assignment to build a private cloud computing system for the CIA. IBM really wanted this contract. Not only was the 10-year, $600 million project lucrative, but whoever won could boast that its technology met the highest standards, with the tightest security, at the most competitive prices — at a time when customers of all kinds are looking to move their own computing to the cloud.

IBM might have been thought a slam-dunk choice. Many of the breakthroughs in distributed computing took place in its labs, and the company has decades of experience in contracting with the federal government. In addition, the company has scale: it does business in 170 countries and its global services arm is one of the largest consulting organizations in the world. Despite all that, the CIA awarded the contract to a relative upstart, Amazon.com. As Businessweek reported, this was a painful, and telling, defeat. “Amazon beat IBM for a plum contract on something like its home turf, and it hadn’t done so simply by undercutting IBM on price.” In fact, IBM’s bid was more than a third cheaper than the one from Amazon.

When IBM learned that, the company officially protested the decision. Bad idea. Documents made public revealed that the CIA had “grave” concerns about the ability of IBM technology to scale up and down in response to usage spikes, and it rated the company’s technical demo as “marginal.” Overall, the CIA concluded that IBM was a high-risk choice. In a court filing, a federal judge agreed, observing that with the “overall inferiority of its proposal,” IBM “lacked any chance of winning” the contract. IBM ignominiously withdrew its challenge.

That loss is part and parcel of a larger trajectory of decline. During a period when most of corporate America has flourished, IBM’s revenues have shrunk for ten quarters in a row. This comprises nearly the entire tenure of Virginia ‘Ginny’ Rometty, who succeeded Sam Palmisano as CEO at the beginning of 2012. Fiscal 2013 revenues were down nearly 5 percent year-over-year, with further declines in the current year. In fact, the company’s performance has been so bad that in January — after a year in which IBM was the only company in the Dow Jones Industrial Average whose shares lost value — Rometty and her top lieutenants turned down their annual bonuses, worth in her case as much as $8 million.

Like Mary Barra, though, Ginny Rometty has a plan. And there is a lot to her plan, starting with her intent to focus the company on three core areas — big data, cloud, and what she calls “engagement” (her term for mobile and social technologies). “Our strategic imperative is absolutely that we will remake enterprise IT for the era of cloud,” says Rometty. Of course, that’s just one of Rometty’s imperatives. Last year she began distributing black plastic cards bearing the phrase “One Purpose: Be essential” to IBM’s roughly 50,000 managers. On the back of the cards are an additional three values, plus nine more instructions including “Share expertise,” “Restlessly reinvent,” “Dare to create original ideas,” “Think, prepare, rehearse,” “Unite to get it done now” and “Treasure wild ducks.”

All of which may be helpful, or hackneyed, depending on one’s point of view. But here’s the real problem. All these imperatives have been playing second fiddle to something considerably more powerful — Roadmap 2015. Launched in 2010 by Rometty’s predecessor, Sam Palmisano, Roadmap 2015 promised Wall Street that
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IBM would double its earnings per share to $20 by 2015. Not surprisingly, the Street loved the plan, especially since Palmisano had already doubled per share earnings under his prior Roadmap 2010.

When Rometty took over as CEO, she had to decide what to do about Roadmap 2015. Deliver on its $20 earnings promise and Wall Street’s favorable response would reward (short-term) shareholders, management included. Of course the damage to IBM’s longer-term vitality might prove perilous. Rometty bowed to Wall Street and recommitted to the $20 earnings target.*

But making earnings rise while revenue is falling isn’t easy. Rometty has cut costs, sold business lines, fired workers, taken on debt to buy back a “staggering number” of the company’s shares, found creative ways to lower taxes, and even more-creative ways to do accounting. Businessweek reports that the company’s earnings-related maneuvers include designating major costs as “extraordinary” and deviating from generally accepted accounting principles (GAAP), noting “IBM’s 2009 annual report didn’t use the phrase ‘non-GAAP’ at all; the 2013 report used it 125 times.” All of which causes Fred Hickey, editor of cult Wall Street newsletter High-Tech Strategist, to call IBM “the poster child for financial engineering.”**

And the downside effects continue to mount. Writing for Forbes, Steve Denning notes “When layoffs are a central part of the business model, especially needless layoffs for financial positioning, it creates disaffected employees. Even IBM’s fans acknowledge that staff morale is low.” No wonder employees bitterly refer to Roadmap 2015 as “Roadkill 2015.”

Disaffected employees are, quite obviously, unmotivated and uninspired — i.e., unlikely sources for creativity and innovation. Hardly surprising, then, that despite spending some $6 billion annually on R&D, IBM has been falling behind its competitors technically. And not just by a little — in an August 2013 study of 15 cloud infrastructure providers, research firm Gartner rated IBM dead last.

Summing up IBM’s dilemma, Denning observes:

“The problem was, and still is, how to reconcile Roadmap 2015 with the steps needed to deliver it: capability-crippling outsourcing, unsustainable work pressures, fading technical competence, lagging innovation and sagging staff morale. The two tracks are incompatible — something that’s been obvious to IBM staff for a very long time.”

Businessweek came to a similar conclusion: “Much of what is wrong stems from something IBM is doing ‘right’: steadily increasing its adjusted earnings per share, a measurement Wall Street adores.” Subsequently, Businessweek offered an even more blunt assessment: “Like a driver obeying the commands of a GPS system even as passengers shout that the car is clearly headed toward a ditch, IBM’s chief executive officer, Ginni Rometty, has followed the profit ‘roadmap’ laid out by her predecessor.”

Until now. With the announcement of the company’s tenth consecutive quarterly revenue drop, Rometty raised the white flag, admitting the company would not make the $20 earnings target by 2015. Notably, Rometty did not abandon earnings as her priority, she merely acknowledged the obvious — that as IBM’s business continues to deteriorate, the earnings goal is now out of reach.
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But in opting to make earnings per share the priority, Palmisano and then Rometty made exactly the watershed choice Jesus warned against when he said “You cannot serve both God and money,” Matthew 6:24 (NIV). And Mary Barra at GM, choosing to prioritize operating margins, is making the same fateful choice.

Let me explain. Better yet, let me have Tim Keller explain. Teaching about the watershed significance of God’s command to ‘Love your neighbor,’ Keller says, “There are only two kingdoms and each has a foundational operating principle. For the kingdom of God, that principle is Serve. For the ‘kingdom of this world,’ that principle is Be Served.” In other words, the way we fulfill or violate the ‘Love your neighbor’ First Principle of God’s moral universe is by choosing either to serve others, or to serve ourselves at others’ expense.

Though it may not be evident at first glance, Jesus has this very same dichotomy in mind when he says, “The thief comes only to steal and kill and destroy. I came that [my followers] may have life and have it abundantly,” John 10:10 (ESV). Jesus here tells us that his (and therefore his Father’s) overarching mission is ‘abundant life’ — human flourishing. This is, in fact, the essential and defining character of his kingdom. But there is also an enemy, whose mission is precisely opposite — to “steal and kill and destroy.” And rather than human flourishing, the character of this enemy’s kingdom is decay . . . dissolution . . . death.

Taken together, the observations from Jesus and Keller pull back the curtain on the mega-story of Scripture. Two kingdoms — those of God and the enemy. Two operating dynamics — service or selfishness. Two hallmark outcomes — life or death, blessing or blight. And one decisive choice — whether to serve ourselves or others.

Jesus understands that when we serve others we create value for them (their lives are made better), and in so doing we necessarily serve God . . . since human flourishing (shalom) is God’s great mission, and the hallmark of his kingdom.*** But when we make money our priority we choose the pathway of selfishness and, as a result, set in motion a spiral of decline and disintegration, both for others and for ourselves.

Business is meant to love and serve by creating value first and foremost for customers, employees, and its other neighbors. When it does so, people flourish . . . and so does business. But when business makes creating value for itself paramount — when it’s primary objective is earnings per share, or operating margins, or share price — it selfishly prioritizes its own success over the human flourishing that God desires. In so doing, it embraces both the Be Served principle of the enemy’s kingdom and the decay and dissolution that inevitably ensue.

Roadmap 2015 is not a plan to create value for customers. Or for employees. Or for society as a whole. It is a plan to enrich owners — at the expense, inevitably, of customers, employees and society. It is a choice to prioritize money over human flourishing. And because it is a choice for selfishness, it is also a choice for decline and decay — exactly the trajectory well under way at IBM.

The same is true for Mary Barra’s plan. At a time when customers wonder whether it’s safe to drive a GM vehicle, and when even a day-one business school student knows the highest priority should be to build better cars, the top spot in Barra’s plan goes to improving profit margins. Hold it, isn’t that how GM got into
Both GM and IBM have chosen selfishly, and foolishly — chosen money over human flourishing, owners over others.

all this trouble in the first place — opting to stick with defective parts for the sake of profits? Barra’s plan would almost be laughable . . . if it wasn’t so sad.

Jesus, of course, wasn’t laughing when he said we must choose to serve either God or money. We choose God when we serve others and thereby contribute to flourishing. It is the pathway where we both sow, and reap, blessing. But when we chase money we sow and reap blight, i.e., we both contribute to, and experience, the inevitable decay and dissolution of selfishness (and of the enemy’s kingdom).

Both GM and IBM have chosen selfishly, and foolishly — chosen money over human flourishing, owners over others. As a result, they are learning painfully what Scripture has known all along — that those who ‘lose their lives’ through service find life, while those who seek to ‘save their own lives’ end up losing precisely what they had hoped to save.

God or money. Serve or Be Served. Life or death. Everyone must choose . . . iconic corporations included. Sadly, fewer and fewer**** are choosing wisely.

Hyperbole? OK, how about yet another famous American company visibly sliding toward decay and dissolution? Hewlett-Packard announced recently that it would split apart. Why? The simple answer is that CEO Meg Whitman believes there will be more value for shareholders if the company divides in two. Hmmm, company strategy dictated not by creating value for customers . . . or employees . . . or society . . . but by creating value for shareholders. Sounds familiar.

The fuller answer is that HP, for decades one of the most admired tech companies in the world, long ago lost its way. Under the leadership of a revolving door of high-profile CEOs, HP prioritized financial success and chased it just the way Wall Street advises — it cut costs, moved production offshore, sold off lagging business lines, and made acquisition after pricey acquisition. All had the same effect: the company continued, inexorably, to lose focus and value. Meg Whitman’s breakup plan is just one more milestone in HP’s long, slow slide toward irrelevance.

In other words, just the opposite trajectory to what the company enjoyed under founders Bill Hewlett and Dave Packard. Their vision was a company that gave bright people great jobs so they could invent great products — thereby helping humanity flourish. Here’s how David Packard described (what he believed should be) a company’s true objective:

*I want to discuss why a company exists in the first place. In other words, why are we here? I think many people assume, wrongly, that a company exists simply to make money. While this is an important result of a company’s existence, we have to go deeper and find the real reasons for our being. As we investigate this, we inevitably come to the conclusion that a group of people get together and exist as an institution that we call a company so they are able to accomplish something collectively that they could not accomplish separately — they make a contribution to society, a phrase which sounds trite but is fundamental.*

Under Bill and David’s leadership, HP sought first to “make a contribution,” sought first to serve others before owners. As a result, HP became one of Silicon Valley’s most innovative, productive, and successful, companies . . . in the process inspiring countless technology entrepreneurs, including Steve Jobs and Bill Gates. Unfortunately, that Hewlett-Packard died years ago — a victim of elevating its own success above that of serving others. But in choosing profits
over people, money over human flourishing, HP foolishly sealed its own demise. Of course, Jesus said as much 2000 years ago. Too bad Wall Street, and a great many CEOs, lack ‘ears to hear.’

* Why? Why bow to Wall Street when delivering what it wants was so likely to cost jobs, erode capabilities, and diminish the company’s long-term prospects? No doubt there are multiple factors. One influence, certainly, is a prevailing business culture that believes the overarching purpose of a corporation is to maximize the (short-term) wealth of shareholders. But the terms under which Rometty’s predecessor, Sam Palmisano, concluded his tenure suggest another motivation. Palmisano delivered exactly what Wall Street wanted and, in the process, set in motion the hollowing out of his company. But for delivering on Wall Street’s short-term demands, rather than nurturing his company’s long-term vitality, Palmisano walked away with an exit package worth $225 million dollars. That’s right, over and above the decidedly lucrative compensation during his time as CEO, Palmisano was rewarded with a going away present worth nearly a quarter of a billion dollars. Rometty, in turn, fully understands how the Wall Street-CEO game is played.

** This may all sound esoteric. It’s not really. Imagine an ordinary household: the parents earn a decent income, from which they pay monthly expenses and save something for retirement and the college education of their children. But that means the budget is tight, with little available for dinners out, much less a fancy vacation. Suppose they tire of the frugality. They decide, ‘to heck with the future, let’s enjoy life now.’ So the money for college pays for a new car. Retirement savings fund a round-the-world trip. Debt balloons to buy a bigger, fancier house. In all this the family appears especially prosperous, and becomes the envy of all their neighbors . . . for a while. Eventually, of course, there will be a reckoning — penury for themselves and their children. Essentially the same dynamic — looting the future so that short-term shareholders (management very much included) can live it up now — is the mechanism by which Palmisano, Rometty, and many other CEOs are compromising the future vitality and viability of their companies . . . and of our country.

*** To be clear, every good act — every instance of service that creates value and blessing for others — enlarges human flourishing and, thereby, serves the overarching purpose of God. This is true for individuals and for organizations, including businesses. Similarly, every instance of evil — every act that steals value and inflicts harm — serves the death and decay purposes of his enemy. Nevertheless, ‘serving the overarching purpose of God’ is not synonymous with what Scripture refers to as ‘serving God.’ Only those who have chosen to love God and subject themselves to his Lordship can truly ‘serve God’ — and even then only imperfectly and with the great assistance of the Holy Spirit.

**** In the article “Focusing Capital on the Long Term” in the January-February, 2014 Issue of Harvard Business Review, Dominic Barton, Global Managing Director of McKinsey & Company, and Mark Wiseman, President and CEO of the Canada Pension Plan Investment Board, report on the results of a McKinsey survey of more than 1,000 board members and C-suite executives around the world. The results are stark: 79% said they feel “especially pressured to generate strong short-term financial performance over a period of just two years or less” despite the fact that a remarkable 86% declared “using a longer time horizon to make business decisions would positively affect corporate performance in a number of ways, including strengthening financial returns and increasing innovation.”

***** There is an important lesson here for investors. For quite some time all three companies — GM, IBM and HP — have proven to be poor choices for shareholders. To many investors such outcomes seem hard to foresee. After all, who knew GM was, for more than a decade, hiding the problem of its defective ignition switch? Who really knew that IBM’s technical competence was in such decline, or that acquisition after acquisition would fail to stem the slide at Hewlett-Packard?

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Candidly, this is where a biblical understanding proves immensely helpful. ‘Love your neighbor’ is the First Principle of God’s moral universe. Which makes Serve or Be Served (God or money) the ultimate and watershed choice. It is a choice to embrace the foundational principle of the kingdom of God or of his enemy. And it is a choice, therefore, between the outcomes — blessing or blight — that characterize each kingdom. It’s not terribly difficult to determine whether a company’s highest priority is to create value for others or for owners . . . and whether, as a result, it is on a pathway toward flourishing or floundering. Investors, as well as CEOs, need ‘ears to hear’ what Scripture makes so clear.

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