



## **Driving Businesses from Values: VALUES CREATE VALUE (And higher profits)**

**By Gautam Mahajan**

Values and governance are often the motherhood part of corporate statements. Management often does not realize that values indeed create value for all stakeholders and essentially increase shareholder wealth. Raj Sisodia, David Wolfe and Jag Sheth, in their book “Firms of Endearment” demonstrate the power of values and caring for enduring business success. Firms of Endearment outperformed S&P 500 indexes, 10 to 1 over a 10-year horizon and outperformed Jim Collins “Good to Great” companies 3.1 times in this period. In fact, companies move up a Maslow like hierarchy to capital actualization or corporate actualization where the company’s values create value for employees, customers, partners and shareholders. To build your values into strength requires the implementation of Total Customer Value Management.

Total Customer Value Management helps you create value for all stakeholders, increase loyalty and referral sales, market share and profitability. It makes the company a better place to work in and increases teamwork while reducing pressure on price. It helps you focus on your value systems.

In today’s e-age, and increasingly aware and educated Customers, companies must re-invent themselves to be leaders for the future and to co-create value. Managers have to forget conventional learning to equip themselves for their own personal and corporate sustained success.

Total CVM is about value creation for all stakeholders, and balancing them to gain competitive advantage. While the Customer has centre stage, adding value to the employees, suppliers, and associates (supply and delivery chain, including dealers and retailers) becomes important. Total CVM examines whether the old norms of business have to change, and a focus on “endearment” of the stakeholders should be espoused. It helps companies understand the true value of having real values.

We have found through various studies with Tata Fertilizers, Tata Power, Godrej and others that Values create value (apart from immediate results in reduced complaints, better team work and output, better pricing, improved loyalty and sales, market share and profits. Firms like Tata Power that emphasize environmental friendliness have higher scores on image and brand and on buying decisions. At Tata Fertilizer, a sense of belonging to the Tata family built the image and buying propensity. In both cases, price became less of an issue!

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Expanding the Tata Power example, we found that about 50% of why customers preferred their power provider was its image, and 50% of the image was based on sustainability, health and environment, and the company's efforts to reduce electricity costs. The rest was based on being trustworthy and reliable. Thus working on these issues would increase the image of the company and therefore, the preference (and the desirability to do business with) thereby increasing customer value, attractiveness to customers and price.

Thus, Values create value.

Unfortunately, Values of a company adorn the walls or the annual report. Management thinks these are nice to do statements. Companies think of Values such as being environmentally friendly and trustworthy as nice things to do, and treat Values issues as cost centres. Our value studies show that Values create value to the customer and the stakeholders, and can increase the image of the company and its own value creation. Often customers will pay more to a trustworthy, more environmentally friendly and well governed company. This increases the bottom line, and companies should look at implementing Values as a revenue centre.

My advice to corporations is to build on your values. Also create employee, customer and other stakeholder value, and when you do so assiduously, you will find this will create value and wealth for all stakeholders. Corporate Values become really an important part of doing business and lead to corporate actualization and increased shareholder wealth.

Total CVM is enunciated in Gautam Mahajan's book: **Total Customer Value Management: Transforming Business Thinking**. The author can be reached at [mahajan@customervaluefoundation.com](mailto:mahajan@customervaluefoundation.com)