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Wealth lies in ideas, relationships

Mohit Kishore

"If you have an apple and I have an apple and we exchange these apples then you and I will still each have one apple. But if you have an idea and I have an idea and we exchange these ideas, then each of us will have two ideas." - George Bernard Shaw

In its own way, this quote seems to suggest, and quite rightly, that wealth lies not in physical objects but in ideas.

It seems that the biggest mistake businesses make is in their search for wealth in the marketplace.

There seems to be a notion that the purpose of business is to map the wealth in the marketplace, in the pockets of 'target groups' and 'customer segments', and somehow transfer that wealth into the books of the business by providing goods and services.

To me this seems a transactional, non-sustainable approach. In my view, real wealth lies in two things: Ideas, and relationships.

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No business can be sustainable over a prolonged period of time by merely doing the same thing over and over. The outsourcing industry works on the idea that technology can be used to do non-core activities for companies in remote parts of the world, where labour costs are lower.

Cross Currency

However, it is evident that this idea alone is not enough to sustain the outsourcing industry for ever.

- Rates

In India for instance, the fast growth in the economy, high attrition and rising wages means that the cost of operations for the outsourcing industry is going to rise, and the idea of labour arbitrage may soon lose relevance.

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This means that for this industry to be successful, newer and newer ideas are required that ensure that competitive advantage is maintained.

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The same is true for any organisation. Not many ideas are of eternal value, and hence there is a constant need to evolve newer and newer ways of doing things.

Mature economies realise the value of ideas, and this explains why one finds a strong culture of venture capital investors investing in small, innovative, early-stage companies working on new ideas.

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They realise that the risks in such investments are high, but the rewards can be substantial.

Relationships

Group Sites

The second source of wealth lies in relationships, particularly with customers, and on a larger scale with other stakeholders

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— society, nation and the environment. Iconic companies tend to focus on one or more dimensions of these really well.

For instance, businesses of the Tata group in India have always had a strong sense of nation-building and social responsibility associated with them. The wealth that lies in strong relationships manifests itself in the form of brand equity, which is, in itself, a source of material wealth (through increased sales, customer loyalty, etc.)

Apple is another company that values its relationships with its customers to such an extent that there is a reciprocal relationship from its customers that borders on devotion – something that causes them to buy high-priced initial releases of Apple products despite knowing that the prices will come down drastically in a few months.

Transactions not equal to wealth

It appears today that a lot of organisations value transactions over ideas and relationships.

An undue focus on transactions as a source of wealth means that market share and sales assume a central role in business.

When this happens, there is a large amount of 'mis-selling', poor customer loyalty, a lack of focus on customer service, low value on ethical behaviour and an overall deterioration of enterprise value. Some pockets of the financial services industry (like credit cards) are already demonstrating the effects of such a deleterious strategy.

Wealth = Ideas + Relationships

This is not to suggest that wealth in material terms is bad. It

is only bad when this wealth becomes the central driver of strategy.

In fact, a study of successful organisations clearly shows us that wealth in material terms (revenue, market share, and so on) is an automatic by-product of the wealth contained in ideas and relationships, and a strong focus on these two dimensions is not just a one-time affair (at the time of the founding of a business) but a long-term, on-going process of adaptation and evolution.

(The writer, an alumnus of XLRI, Jamshedpur, has been associated with the financial services sector in various roles. He can be reached at mohit.kishore@gmail.com)

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