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Values Create Values

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The paradox of happiness states: if you strive for happiness by direct means, you end up less happy than if you forget about it and focus on other goals.[1] In business, we similarly observe the profit-seeking paradox: the most profitable companies are not the most profit-oriented.[2]

Focusing solely on maximizing shareholder value causes executives to forget about the other people affected by their business decisions—*stakeholders*. Unlike shareholders, stakeholders cannot freely decide to sell their stock and invest in a different company. Stakeholders are bound long-term to a company.[3]

Per the profit-seeking paradox, the best way for a company to increase profits and maximize shareholder value is to stop worrying about money and start focusing on meeting the needs of its stakeholders. Here are some examples of how meeting the needs of multiple stakeholder groups can create more value for a company than focusing solely on maximizing shareholder profits.

Employees

Perhaps the largest and most obvious stakeholder in a company is its employees. Their success is directly tied up with that of the company's. Providing employees with fair pay and attractive benefits creates a culture of values for the company.

PayPal is an excellent example of a company that created value by meeting the needs of its employees. After finding that 60% of employees struggled to pay their bills at the end of the month, the company committed to raising the basic wages of the most affected workers, in addition to reducing the cost of healthcare for those workers by an average of 60%.[4] Speaking on the advantages of this change, CEO Dan Schulman stated, "Paying equal wages is table stakes to attract the very best, most diverse workforce."[5]

Since employees create and deliver products or services to customers, having the best team possible is massive advantage for a company. Dan Schulman was able to attract the best and most diverse workforce for PayPal because he understood that people *want* to work for a company that values its employees. Schulman also realized that employees would work harder for someone who treats them fairly than they would for someone who doesn't.

Meeting and surpassing the needs of employees creates value for a company by *attracting* and *retaining* top-level workers and continually *motivating* them to do their best work.

Communities

Another important stakeholder is the community surrounding its location. Providing meaningful service within the local community is another way in which a business can promote value.

Good businesses should be an asset to the community in which they operate. When it comes to serving the community, Salesforce boasts an impressive philanthropy model that would do any business well to replicated. Known as the 1-1-1 model, Salesforce donates 1% of their employee's time, 1% of their product, and 1% of their overall annual equity to the local community.[6]

- **1% Time**: Salesforce awards six paid days of volunteer time to employees over the course of a year. Employees have donated over 178,000 hours.
- **1% Product**: Nonprofits in 70 countries are benefiting from discounted licenses today.
- **1% Equity**: Salesforce has given nearly $90 million in grants to nonprofits and youth development.[7]

Now a billion-dollar company, Salesforce CEO Marc Benioff attributes much of his company's success to its focus on serving community stakeholders.[8] Such concrete, pointed actions foster trust among consumers and create a positive brand image.

Environment

Should the environment have managerial standing? *Yes*! Besides being good for the planet, it’s been proven that companies that voluntarily adopt environmental and social policies dramatically out-perform those that do not.[9]

A 2018 survey found that a company's corporate social responsibility can significantly influence consumers’ opinions of their products.[10] Figure 1 (see below) shows the percentage of people in each generation who say that they are willing to change their consumption habits to reduce their impact on the environment.

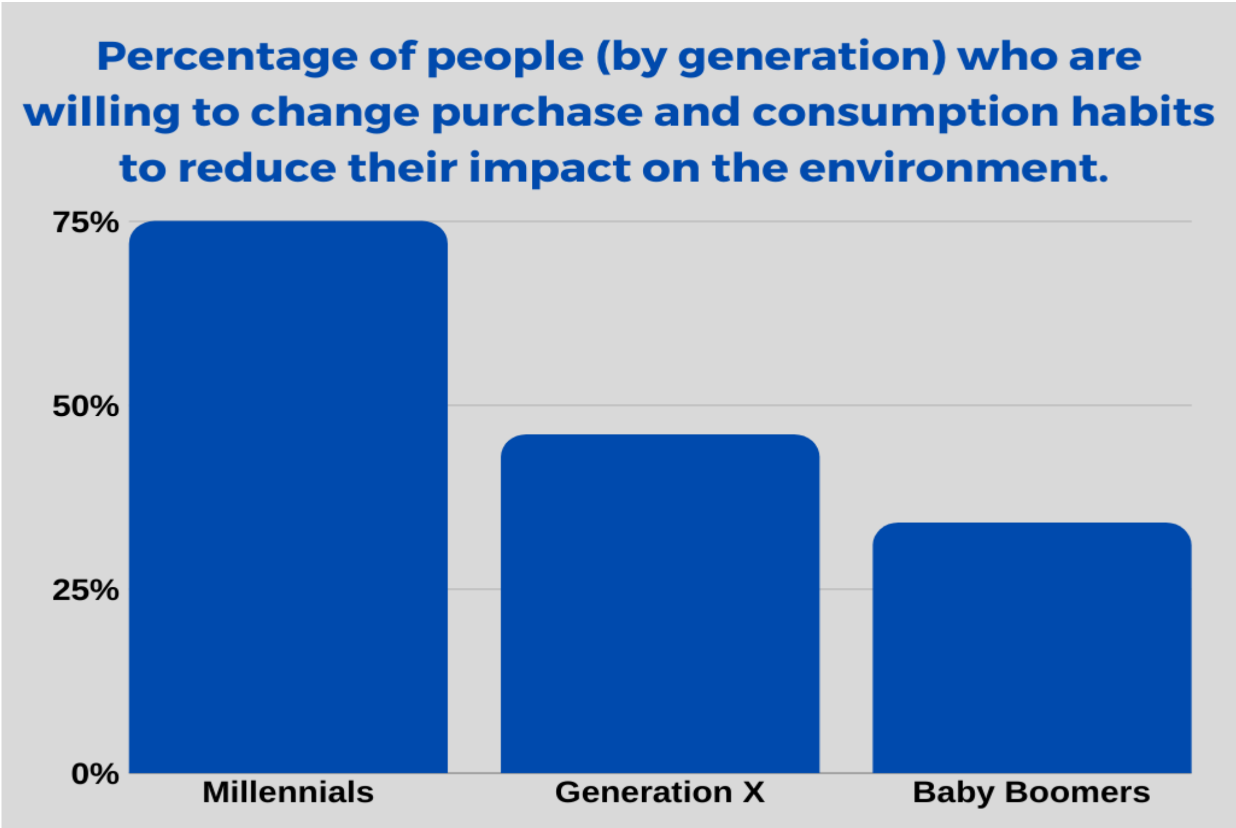

Figure 1.[11]

A significant portion of all surveyed generations are likely to adjust their purchasing habits to help the environment. While it is, of course, important to note that younger generations are more than twice as likely to change their habits as older generations, over one third of each generation is willing to do so.[12] Such findings indicate the increasing importance of companies considering the environment as a critical stakeholder. If a company is unwilling to make environmentally friendly products, a large proportion of all generations will seek out and buy products from another company that will.

Becoming more environmentally friendly creates value for a company by building trust with consumers, proving that the business is attempting to meet the needs of society as a whole and not just acting to maximize shareholder value.

Takeaways

Just as people who always chase happiness often struggle to find it, the most profit-oriented businesses often struggle to achieve it. Rather, the most profitable companies are the ones that understand that they must strive to meet the needs of all stakeholders, not just their shareholders.

Meeting the needs of employees, communities, and the environment builds *trust* between consumers and a company. Trust is an intangible asset that cannot be assigned a dollar value but undoubtedly drives a company's profits.

Values such as trust are, in reality, the key to running a profitable business. Salesforce CEO Marc Benioff described this truth when he said, "*values* create *value*."[13]

Benioff continued by saying, "No matter what your company does or who your customers are, true value comes down to one thing: *remembering what you stand for*."[14] Standing up for all stakeholders, not just shareholders, is the best and most profitable way to run a business.

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[9] "Putting Stakeholder Capitalism into Practice in 2020: 3 Key Actions to Create Value for your Workers," JUST Capital, January 27, 2019, https://justcapital.com/reports/putting-stakeholder-capitalism-into-practice-in-2020-3-key-actions-to-create-value-for-your-workers/.
[10] "Putting Stakeholder Capitalism into Practice."
[11] "Putting Stakeholder Capitalism into Practice."
[12] "Putting Stakeholder Capitalism into Practice."
[13] Marc Benioff and Monica Langley, *Trailblazer* (New York: Currency 2019), 36.
[14] Benioff, *Trailblazer*.