

# **The Conscious Business Value Loop Formula: For a better business and a better world**

**By Marcia Avalon, Ph.D.**

## **Part 1: The Formula and the Thinking Behind it**

### **Business-As-Usual or The Greater Good?**

The old model of profit as the sole focus of a business is failing miserably and leaving mass destruction in its place. But as more and more of us become aware of the failures of this approach, a new business model is taking hold.

Increasing numbers of us are becoming conscious consumers. Horrified by the consequences of irresponsible, greedy profit-only thinking, we are refusing to buy from business-as-usual companies.

Since we are affected by businesses' decisions and processes, we consider ourselves "stakeholders." We have a stake—a personal investment in the outcome for ourselves, the planet and the economy.

We want to buy products and services from business we can trust to benefit people and the planet while making a profit.

More people are listening to leaders of successful not-just-for-profit companies discuss "Conscious Capitalism" that seeks to create three kinds of bottom line value: for People, for Profit, and for the Planet. This P3 focus is also called "The Greater Good" model and is the hallmark of an authentic conscious business.

The basic assumptions of The Greater Good model are

1. The more conscious (aware, informed, mindful, honest) each of us are, the better decisions we make in our lives and businesses.
2. More and more people making better and better decisions create better outcomes for all of us.

## Conscious Entrepreneurs

Conscious entrepreneurs are also quickly coming into the marketplace with small businesses that focus on local and global opportunities for new green technologies and products. The rest of us wish them great success. Our survival depends on it.

Should other small conscious businesses focus on all P3 sectors? Are we too small to take on the challenge? No! Not at all. In fact, how can our pledge to “make a difference” or “change the world” work if our purpose is not aligned with serving P3?

I believe that aligning your Purpose with People, Profit, and Planet is the key to creating sustainable value throughout your business. Then you can really walk your “consciousness” talk and make your business an irresistible value package for your target market.

## Questions that Need Answers

I have been grappling with how to create a tangible Greater Good value for all three sectors in my own conscious business. I also coach other business owners, so I wanted a way that all of us could easily understand what works and how to apply it in our own specific situation.

I’ve scribbled months’ worth of research notes and ideas on Word docs and scratch paper. It seems like such a huge undertaking to create a big impact with a small business.

Here are the questions I started asking:

1. Are People, Profit and Planet just at the end of the line? Are they only end receivers of the consequences of companies’ processes?
2. Aren’t they involved in the processes themselves? Aren’t they actually fundamental to every business process?
3. What determines or influences how each sector is impacted by the consequences of business processes?
4. How can I visualize the way the system operates?
5. How can small businesses make a big impact?
6. Can service businesses impact the Planet?

The answers I found, after a lot of research and thinking, led me to create a simple formula for serving The Greater Good. I call it The Business Value Loop Formula. We can apply this formula to make a big shift in our businesses and our world.

*I wanted to make The Business Value Loop Formula clear enough that I could share my thoughts with you. My intention is that these ideas and the formula I've come up with allow each of us to create sustainable value for People and the Planet and more Profit for our conscious businesses and our stakeholders.*

*Thank you from my heart for reading this. You are an important part of this project. Without knowing you'd be here to read this, I would have given up several times.*

## **BVLF = P3 x VL2**

There. I just gave you the Business Value Loop Formula (BVLF). Doesn't mean much on its own, does it?

That's why we're going to examine each of the elements and the thinking behind the formula. *Warning: This is the heady part. Hang in with me. It will make sense shortly. I've included graphics too.*

In Part 2 we apply the BVLF to the basic entrepreneurial venture--the lemonade stand. This section is a quick read. I promise.

## **P3- Passive Victims or Active Participants?**

Let's explore the answer to the first question: Are People, Profit and Planet just at the end of the line, waiting for the impact? Are they only passive recipients of the consequences of companies' actions?

Initially, the answer appears to be "Yes." We are all aware of the five topics dominating the news over the past few years (even if you don't pay much attention to the news):

1. The meltdown of the global financial system
2. The distress of ecosystems around the world
3. The greed and corruption of large corporations
4. The stress and hardship of small businesses trying to survive
5. Individuals, families and communities in financial and emotional distress

Reports from experts explain that while each of these systems is quite different from the others, they are all interconnected and intertwined with one another.

We have all seen how the thinking and actions of corporations, governments and individual consumers (People) have caused the financial meltdown. The rapid decline of economies around the world has led to laying off large numbers of workers, a continuing shortage of jobs, the closing of main street businesses (Profit), and a big increase in demand for food and housing assistance from local communities (Planet).

I haven't seen much in the news that discusses question 2: Aren't they (P3) actively involved in business processes themselves? Aren't they actually fundamental to every business process? So I had to do more digging on the Web and more thinking.

### **P3 in Every Business Process**

My conclusion is that People, Profit and Planet are interconnected and inseparable in every business.

A business cannot operate without

#### 1. People

People are the decision makers and the decision-followers in every business process. People use and manage financial and physical resources. They invest their ideas, intentions, effort, etc. Even a business where the labor is automated and performed by robots or computers depends on humans.

*In the Business Value Loop Formula, People refers to every human being who participates in a business process or is touched by it.*

#### 2. Profit

We usually think of profit as an end product—"what is left after paying expenses." Actually "Profit" is really a profit-making process. The flow of money throughout a business is as vital as the flow of blood throughout our bodies. Money flows with the intention to create a profit so the business can continue to survive.

Even a non-profit enterprise that depends solely on donations has to have an efficient money flow process. It's "profit" is the after-expenses money available to create their end-result service.

*In the Business Value Loop Formula, Profit means Profit Process*

#### 3. Planet

*In the Business Value Loop Formula, Planet refers to physical resources.*

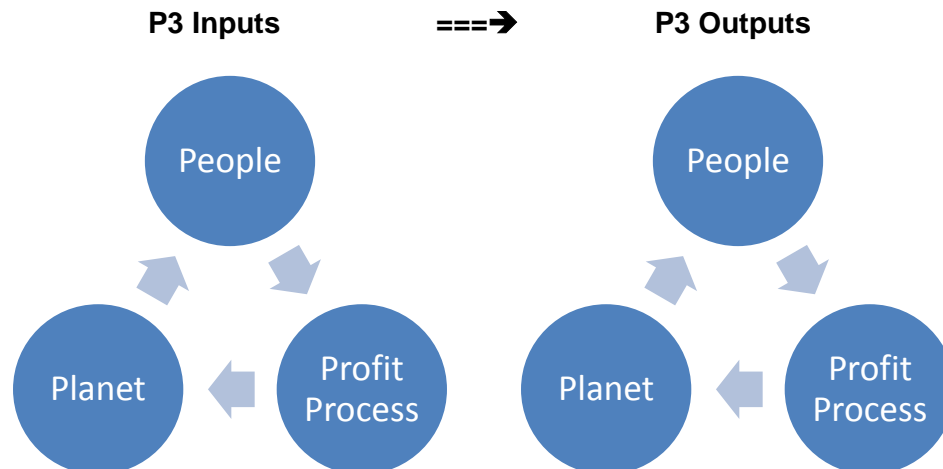
Planet is #3, not because it is last in importance or the last in impact from the other two elements. Planet is the most fundamental element. All physical resources used in and by businesses cost money to produce and deliver to the user. For example, many financial investments were needed in the Profit Process behind building the computer I am using to write this message to you.

Planet is also a powerful actor on its own. It is not subject to human or financial controls. Therefore this aspect of Planet is not part of business processes, except for Disaster Response.

The Planet will be around long after People and Profit are gone.

## The Basic P3 System

Here is how I now visualize of the P3 system:



I see a P3 process as a big loop that starts with Inputs *from* People, Profit Processes, and Planet and finishes with Outputs *for* People, Profit Processes, and Planet.

### Inputs

1. People: make decisions and perform work
2. Profit Process: flow of financial investment toward profit
3. Planet: physical resources used to make physical products

### Outputs

1. People: receive the value (positive or negative) of the products made and sold
2. Profit Process: profit or loss from investment
3. Planet: impact from extracting physical resources and creating physical products

*Makes sense, yes?*

I can't think of anything that isn't created by a process involving People, Profit processes, and the physical resources of the Planet. Can you?

So my answer to Question 2 is that P3 is fundamentally involved in every business process of creation and consumption.

## **P3 in Each of Our Lives**

Every enterprise, large and small—the household, the small business, the non-profit organization, the corporation, and government at all levels—have these P3 inputs and outputs.

As we go about our daily lives, we don't usually think of each and every person on the planet as a consumer. But clearly we are--from the moment we are born. Each of us is part of our own P3 system as we consume products and services.

We are

1. People who make decisions about what we buy.
2. Key players in the Profit process as we pay for what we buy.
3. Constant consumers of a wide range of physical products that come from the Planet.

Both the poor, uneducated worker in South America and the wealthiest, most powerful CEO, along with thousands of other workers, managers, executives and vendors are part of the P3 input process of a multinational corporation's output of millions of products such as T-shirts, toy trucks, washing machines, electricity, flowers etc.

That means there are trillions and trillions of P3 loops going on throughout the world 24/7. Boggles the mind, doesn't it?

But the P3 input/ output cycles don't answer Question 3: What determines or influences how each sector is impacted by the outputs of business processes? That took a lot more thinking.

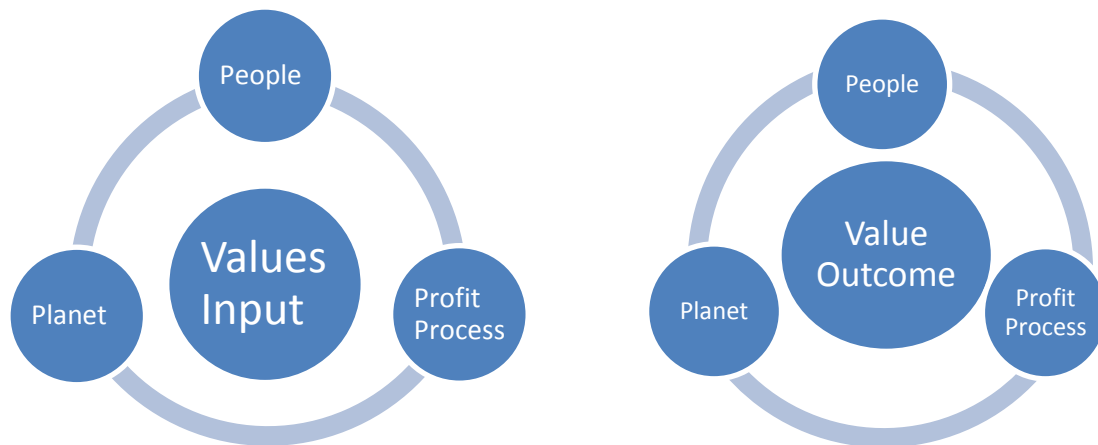
## **What Influences the Outcome?**

This is where the Value Loop part of the Business Value Loop Formula comes in.

All product (and service) creation and consumption processes start and end with how People think.

People make the decisions about every part of the business process. Decisions are based on the subjective values held by the company and key decision-makers. These core values are the company's DNA. They are not necessarily the ones in the written mission statement hanging on manager's walls. These core values are revealed by actions and behavior.

The Business Value Loop is a different P3 input/ output cycle that begins with Values Input (loop 1) and ends with Value Outcomes (loop 2).



### A Value Loop in Action

Two companies can have essentially identical key P3 input and output loops and have very different outcomes.

Two candy makers follow the same manufacturing process using the same basic ingredients and machines. The CEO of Company A values cost control and high volume sales, so they buy cheaper ingredients, makes the candy quickly, and sell for a lower price and market through large distributors like Wal-Mart.

The founder of Company B values providing a delicious experience for his customer-with every bite, every time. Each manufacturing facility uses premium ingredients, mixes them precisely in ultra-clean machines, and wraps each one in foil. A box of Company B candy sells at a premium price at boutique shops and high quality stores like Nordstrom.

Clearly, different Values Inputs lead to different Value Outcomes. Even if candy maker A sold its product for the same price as B, the customer would be able to tell the difference in the products. Not only the price, but the customer's entire shopping experience would be quite distinct for each product.

The product and experience the customer chooses depends on the kind of Value Outcome she is looking for. Value is very subjective.

Customer A just wants affordable candy for her family that she can pick up with her other shopping at Wal-Mart and doesn't care about any other factors. This candy is a commodity and she is satisfied with it.

Customer B wants a few bites of chocolate that is so delectable, it melts away all her cares and stresses while she is enjoying it. Her purchase is guilt-free because she knows that she is consuming the best ingredients, put together by happy candy-makers who love chocolate as much as she does. The Nordstrom aura makes her feel respected and pampered. The whole experience is delicious and worth the price.

## **Choosing Value Outcomes is part of Values Input**

To continue our example

Customer B chooses the premium brand, certain she will get the experience she values. That Value Outcome for the customer was designed and built into all the company's processes. It is a critical Values Input. And it is enhanced by the Value experience of shopping at Nordstrom.

Customer A may find that Wal-Mart is out of the candy she wants or that she doesn't have time to wait in the long checkout lines. She gets the outcome she gets and deals with the level of value that comes with it. Consideration of the Value of her experience is not part of Company A's Values Input. The customer returns the attitude and just buys a different brand.

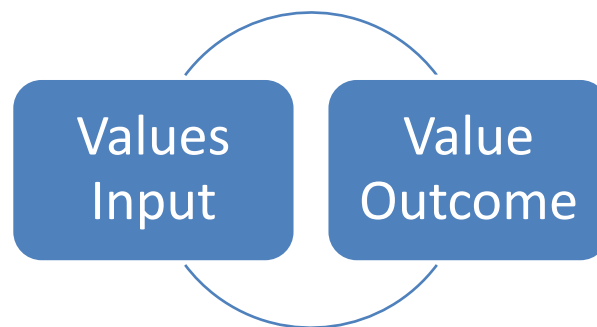
We can substitute coffee or bread or cars or internet access or even electricity into this example. Customer A may choose a premium car because she places a high value on the gas mileage or the status she gets from owning it. Customer B may not put a high value on the car she drives because she takes public transportation. Value is subjective.

Customers are not loyal to brands that don't care about the Value of their total buying experience. If the company doesn't care, then neither does the customer. Each of them just say "Next." "Next" does not lead to sustainability for a brand, a company or an economy.

## Value Loops in Our Personal Lives

Back to the trillions and trillions of P3 loops going on throughout the world 24/7. Each and every worker is personally impacted by the outcome of his company's P3 processes and the P3 processes of other companies and organizations.

He feels the outcomes at each of the P3 aspects of his life. He either gets the built-in Value Outcome or he gets the level of value he gets.



### People:

- The individual either gets the built-in Value Outcome or he gets the level of value he gets.
- The Value Outcomes (positive, negative or neutral) from all the P3 loops that affect him impact
  - his quality of life and that of his family
  - his contribution to his community's quality of life

### Profit process:

- His wages allow him to purchase goods and services in his community.
- The cost of those goods and services, relative to his income, determine his standard of living, which influences the health of his family.
- The standard of living of the majority of families determines the ability of local government to provide common services.

### Planet:

The availability, health and cost of natural resources influence the health and standard of living of

- individuals
- families
- neighborhoods
- communities
- regions

## **The Power of the Conscious Consumer**

The conscious consumer embraces the assumptions of The Greater Good model (even if she has not heard of it):

1. The more conscious (aware, informed, mindful, honest) each of us are, the better decisions we make in our lives and businesses.
2. More and more people making better and better decisions create better outcomes for all of us.

She chooses to be aware of the Value Outcomes throughout her own life and in the lives of others. She also wants to know how her choices fit into the world wide webs of production and consumption. Her awareness and concern may extend to the South American worker making T-shirts and the garment makers all over the world.

The conscious consumer exercises her ability to make choices in the marketplace to prevent harm to and create benefit for herself and her family. She wants to help others make those choices too by supporting businesses that are good for people, good for the planet and good for the economy. She wants to have honest, long-term relationships with the companies that help create The Greater Good, so they need to be sustainable too.

Conscious consumers are driving the shift away from Business-As-Usual and toward The Greater Good. They are increasing in numbers and power every day.

## **The Business Value Loop Formula in a Micro-Business**

We are going to explore the answers to Question 6: How can small businesses make a big impact? and Question 7: Can service businesses impact the Planet? by looking closely at a conscious lemonade stand business. I promise it is an easier read. And it will get you thinking about how you can apply The Business Value Loop Formula in your business. Even if you are a service-only operation.

*I urge you to re-read Part 1: The formula and the thinking behind it before you*

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By Marcia Avalon, Ph.D.

Founder of Ask Real Conscious Business Experts

<http://www.AskRealConsciousBusinessExperts.com>

**Part 1: The Formula and the Thinking Behind it**

**Part 2: The Conscious Lemonade Stand**

**Part 3: Value Loops for Every Stakeholder**

**Part 4: Your Business Value Loop Formula Workbook**

*jump into Part 2.*

*And PLEASE give me feedback on what I have presented so far. I wrote this for YOU. You are the real experts in how you think about content made for you. What do you think?? Agree? Disagree? Questions? Corrections? Examples?*

*There is a comments section on the Ask Real Conscious Business Experts blog at <http://askrealexperts.com/consciousbusiness/?p=106>  
See you there.*

*Thanks for reading,  
Marcia*