

What is The Heart of Business?

Karl R. Zimmer III

What defines a company's success? We know that a business has to make a profit to stay in business. Profit is the name of the game, because without it, the business doesn't survive, people lose their jobs, and the community loses tax revenue, valuable services, etc. But are profits the heart of business? Does it serve a business best to concentrate on profits? Will a focus on profits make a company successful?

It is interesting to note that the majority of companies that go out of business are actually showing a profit when they fold. That suggests that there might be an issue other than profitability.

Public companies and the equity markets, especially, are so focused on quarterly profits that a minuscule drop in expected earnings can cause stocks to slide dramatically. There is such attention on profits that there seems to be no consideration for statistical reality. A news anchor reporting with a serious tone and inflection at just the right time that the Dow dropped "almost 20 points," will cause some people to believe the stock market took a serious dive, when in reality, there was only a statistically insignificant variation.



That raises the question, "do we focus on root causes or do we focus on symptoms?" Do we concentrate on the result we want or on the strategy that will give us the result? It is part of our culture to focus on symptoms, though we may not realize that to be the case. Perhaps it can be a topic for another discussion, but for now, think about it next time you watch a series of commercials during prime time.

Are a company's profits a symptom or a cause? If we concentrate on making money, will the result be a great company? Or, if we concentrate on having a great company, will the result be higher profits?

Does it really make a difference whether we focus on profits or whether we focus on a strategy that will result in profits? Take the point above that a majority of companies that go out of business are showing a profit. The focus for them was profit and they didn't make it. What went wrong?

One of the most compelling studies related to this issue is one published in the Harvard Business Review in which the researchers reported a direct correlation between customer loyalty and profitability. A 5% increase in customer loyalty resulted in profitability increases of between 25% and 85%. And customer loyalty was directly linked to the spirit of the people who touched the customer.

When a business pays attention to that which is most important, to the heart of its business, then the business will do well. The heart of a business is made up of that which gives it life, of that which makes coming to work joyful, of that which makes customers refer others to that business, of that which gives all stakeholders pride in their association with that business. The heart of any business is the people of that business and the spirit with which they do their work. The simple truth is that the heart of business is the heart of business. The heart of a business is its “heart.”

First published in the November, 2005, *Hendricks County Business Leader*