

The Importance of Creating and Maintaining Value

By [Harrison Barnes](#)

One of the questions that has bothered me for most of my life is this: *"Why don't certain people succeed?"*

The reason this question has bothered me so much is because I frequently see certain people around me who have achieved incredible successes. When I get to know many of these people, I realize that in many cases they are less talented in many respects than some of the less successful people. However, there is a very simple difference in most cases between those who succeed and those who do not:

- The people who succeed at the highest levels are typically (1) contributing something of real value to the world--a service or product that people want, and (2) part of a group that is also contributing something of real value to the world.
- People who do not succeed are generally (1) not contributing something of real value to the world that the world wants, and (2) part of a group that is also not contributing something of real value to the world.

The equation is as simple as this. If you want to be successful in the world and in your career, you need to understand these principles. Once you understand them you can do quite well in whatever you choose to do.

To Succeed You Must Contribute Something of Value that the World Wants. Our company has been in located in Pasadena, California, for almost ten years. For about as long as I can remember, there has been a woman who has stood by the freeway exit ramp and held up a sign about how she is starving, out of work, or something of the sort. When I first noticed her at least five years ago, the woman appeared very pale and white and she always wore big sun hats. Now, after so many years of standing directly out in the sun every day she no longer looks Caucasian. The sun has changed the color of her skin permanently and she now looks all leathery. There are other beggars who are on opposite sides of the freeway exit; however, the side of the freeway exit ramp where this woman works appears to have always been hers.

My questions are this:

What is this woman contributing of value to the world? She may be allowing some people getting off of the exit ramp to feel good about themselves by giving her money--I do not know. But she has a steady job and has been doing this job for at least five or so years that I know of. She reports to work every day and is always there, throughout each day. But this woman is not contributing something of real value to people --at least not to a high enough level that will ever get her off that street corner. Whatever it is she is achieving, it is not much and will never be much. I wonder:

- *What if this woman got a job as a mobile billboard on the corner?* She could hold signs and get paid to direct traffic to a furniture store going out of business, or a condominium having a giant sale. She could do something essentially the same, but contribute a bit more value in the process. She might make a better living doing this.
- Or, consider if this woman cleaned herself up a bit and decided that she would apply to work in a fast food restaurant. She could get a job serving people throughout the day. She would have the ability to get raises, be able to work indoors (shielded from the skin damaging sun), get health insurance, and contribute something that society would probably view as more valuable.
- Similarly, she might get a job doing telemarketing. This woman obviously developed a real skill at talking to passing cars and getting people to give her money with nothing expected in return. Imagine, if she had a real product to sell, she could make phone calls and probably sell a lot of this or that. This would be even more of a contribution to the world.

The higher you move up the food chain in the working world, the more likely it is that you are contributing something of real value to society. People who generally get paid a lot of money are paid a lot of money because they are contributing something of real value. The more value you can create, the more you will generally be paid, and the less likely it is that you will ever lose your job. The money someone earns simply represents a measurement of what the person has delivered. As soon as someone ceases to provide a valuable service, the person will start receiving less money.

If someone's income is low, it is generally a fact that the person is not producing a very valuable service. People who are paid the most provide the most valuable services and provide the most of this valuable service. Many people inside of organizations may not understand why these people are paid so well; however, whether a person is providing a product or a service, in terms of what the person produces, their success is directly proportional to *what quality* and *how much* he or she is able to produce.

To Succeed You Must Be Part of a Group that is Contributing Something of Real Value to the World--a Service or Product that People Want. Despite your best intentions and despite how hard you may work, there is always a danger that you will be part of a group that is not contributing something of real value to the world. The combined services of everyone inside of an organization also create value. It is generally the combined services of everyone--not just one individual, which creates value and efficient production. Accordingly, the members of the group will be paid relative to their overall contributions to the group.

When you see a group of people who are failing, when the organization is failing and laying people off, when there are general problems with the people inside of the organization, typically the root of the problem lies in the organization's failure to create something of real value to the world. When the organization as a whole is able to create something that the world wants, the organization generally succeeds.

Consider, again, the case of the woman who has been begging on the street corner in Pasadena for the past several years. As I mentioned above, there are several other beggars on the same corner who beg and ask drivers and passersby for money. If all of these beggars got together and pooled their money at the end of each day, there might be some benefit to the

overall group. For example, certain intersections might be busier at different times of the week, month and year than others. There is a mall in Pasadena and the intersection going towards the mall gets really busy around Christmas and slower in other months. If the beggars all got together and divided up the money each day, it might raise the average wage of the overall group of beggars operating in this vicinity.

However, as discussed above, the product that these beggars are offering is not something that people are particularly enthusiastic about.

- If they were, instead, selling cold water in the summer, they would probably all make more money.
- If they were organized together in a fast food restaurant selling hamburgers, they would make even more money.
- If they all had law degrees and decided to all get together and organize a [law firm](#), they would probably all make more money.

The more organized and efficient this group could get, the better off they would do collectively *and* individually.

For the past several months I have been thinking about another particular example, and puzzling over it in many different ways. It is a very significant example and there is a lot more depth to it than it may first appear. Our company has an office in Orange County, California, and around six months ago we had two offices there. One of the offices was very small and located in an extremely expensive building in Newport Beach. Newport Beach is a very expensive area; it costs a ton of money to run a business there. It also costs a lot of money to live there. The people that live in Newport Beach typically *must* figure out ways to make a lot of money.

A few years ago when the real estate market was doing well, the people in our expensive office in Newport Beach all seemed to be mortgage brokers and were doing all sorts of other businesses related to the real estate industry. They were all making loads of money doing this. Then, when the real estate market crashed, almost overnight it seemed all these same people went into businesses like credit counseling, debt consolidation, buying and selling distressed debt and other services. They did so in a matter of weeks.

All of these groups of people in this ultra expensive office simply shifted gears and went into a different business where there was demand. They did not sit around trying to offer a real estate service that people were simply no longer interested in. Instead, they just all morphed into businesses where there was demand.

From the standpoint of a successful group, this to me is one of the most significant examples I can imagine. These groups of "high performance" and high earning people simply shifted gears almost instantly and went into offering the public a service that was in high demand.

Being able to offer a service where and when there is a lot of demand for it is one of the keys to having a successful group. When you are [looking for a job](#)--any job--it is important that you do and find work that is in high demand. Doing work that is in high demand and being with a group that is doing highly in demand work is a very simple way to be successful.

There is another subtle but important point I would like to make: Even if a group of people is providing a service that is in high demand there still can be numerous problems associated with the organization, namely if some person or persons within the organization are *not* providing a service of high value. For example, if all of the beggars were to get together and combine their efforts this might be a useful exercise. Nevertheless, there is a strong possibility that some of the beggars might not work as hard and due to this the wages of the overall group would suffer. Many of the beggars might decide that since the wages were being divided up, not all of them needed to work as hard. Consequently, the whole group would suffer. Some beggars might not work at all and still expect money from the labors of the overall group.

There is a process that is occurring in companies at all times. It is a process wherein the people who are not contributing sufficient value to the overall group are *weeded out* for the benefit of the overall group. People who run successful companies know that a company cannot survive if it is not ensuring that everyone is contributing. This is the essence of good management and making companies efficient.

I have done a lot I am not proud of in my life from a management standpoint. One of the worst moments of my career was when I hired a well regarded business consultant, who had a bunch of fancy degrees from good schools. He came in to examine and study one of our companies, Legal Authority. At the time, [Legal Authority](#) was practically hemorrhaging money and could not turn a profit. The main reason for this was that the costs to produce the product--in this case a service that consisted of creating and mailing résumés and introductory directly to the hiring personnel inside of various companies and organizations, was too high. It was so high, in fact that we seemed to have no choice other than to price ourselves out of the market, just to cover costs. And therein lay the problem.

"You need to close the business down," the consultant told me. "There is no way this business can make money."

When I heard this, it made me angry and I said something that I later came to regret:

"You are just weak and afraid to recommend the changes needed to get the business working."

It is never a nice thing to call someone weak; however, here this person had charged us tens of thousands of dollars to study the organization, and his recommendations about improving the company were very poor indeed. He had not made any suggestions that were likely to help the company--other than to close it down.

Because I understood the company, I believed the real problem at the time was that we had incredibly high labor costs, since we had at least 20 people on staff, editing various files. In order for the business to work, we needed to lower the labor costs by paying the most productive editors more money and the least productive editors less. It was as simple as this. We could not charge more for the product because we had already tried this and it had not worked. For whatever reason, this particular consultant did not believe in lowering wages and setting up an incentive based system. Once I decided to implement such a system, Legal Authority was able to survive and eventually it started earning money.

The issue with Legal Authority was that people who were not productive were holding the company back. Once the nonproductive people were penalized and a good management system was set up for handling them, the company was able to function effectively. The sign of a good organization is that it is able to function effectively, and keep all staff working efficiently--including those who were once responsible for slowing the company down. Organizations that allow nonproductive workers to continue their mediocre contributions are never around for long, even if they have a very good product.

In your career it is important that you are always contributing something of value and that you are part of an organization that

is contributing something of value. If you are not doing either of these things, you will eventually lose your job. Furthermore, it is important that the organization you are with is able to weed out those who are adding the least value, and to promote those who are adding the most value. I am a tough manager in business, but if there is a demand for the product I am selling, the business I run usually does very well. The secret to this is just to make sure that the business is managed and controlled as carefully as possible. When you see people in a business sitting around doing nothing, you need to realize that these people are affecting you negatively as well, if you work there.

Lastly, work to adapt so that you and your organization can create value in all economic climates. This will help you and your organization stay relevant and in demand--even during the lean times.

THE LESSON

You must always strive to create value for your organization, and your organization must in turn strive to add value to the world. Since value comes from teams of individuals rather than any single person, the best companies strive to maximize their staffs' efficiency. You must also ensure that your company weeds out the employees who do not create value in favor of those who do, and that you belong to the latter group.

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