

Building “Living Machines”

We believe all companies are composed of Living elements and Machine elements. Understanding and managing these elements and their interplay is at the heart of Productive Durability.

The Living

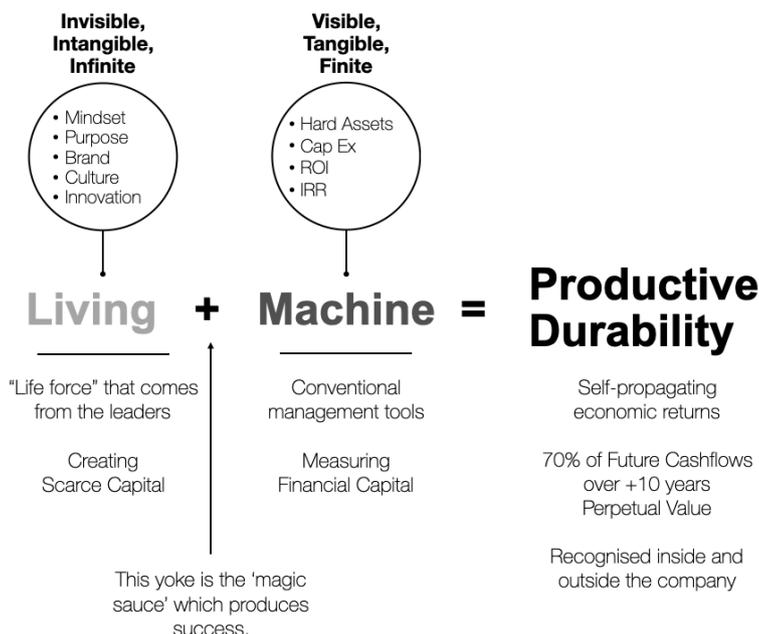
The Living elements represent the life force of the company. They spring from the mindset of the leadership or the owner and expresses themselves in the vitality of the purpose, the brand, the culture and the innovation capacity. These elements are endowed with both an irreplaceability (you cannot buy them off the shelf) and a self-propagating capability to create economic returns over time. Thus we call these Living elements “scarce capital” and because of their self-generating nature, they are at the heart of any enterprise.

Even if these Living elements are 'intangible' and invisible in the

balance sheets, they have a dominant position in the make-up of value of any enterprise. They are the treasure trove of the future cash flows that are not yet released into the profit & loss statement. To a large extent, the non-linear working of this source capital and their ability to endow Productive Durability is little understood and largely lies in the intuition of a few uncommon leaders and entrepreneurs.

The Machine

On the other hand, the Machine elements of any business represent the visible and finite elements that conventional management has always known around structure,



processes, financial ratios and business strategy and plans.

The machine elements given their tangible and finite nature attracts considerable attention and is subject to analytical detailing and focus of management efforts. There can be little doubt of its utility in terms of delivering efficiency in shorter time periods. However, there is a set outer limit beyond which all this fails to add fresh and lasting economic value.

The Living Machine

In healthy organisations, the Living elements drive the machine parts to ensure the vitality of scarce capital is channelized into the financial ratios, business plan to provide it self-propagating and lasting qualities. The analytical machine is at the service of its intuitive master, whereby 70% of its future value becomes visible for both internal and external stakeholders.

The health of scarce capital as well as perpetuity value premiums attributable to the firm validate this and LongWealth has designed cutting edge tools for these. When the yoke connecting the Living and Machine elements is in place, the

company seems unbeatable and on a track of success which seemingly cannot stop.

Unfortunately, this yoke is subtle and sensitive to the presence of those few leaders and entrepreneurs who have a knack of marshalling scarce capital using their intuition.

All too often, organisations completely lose sight of their scarce capital and its unique characteristics. They chase the financial capital outcomes, which are visible, tangible and easy to control, in isolation. This opens up a range of tremendous risks, as the self-propagating nature of scarce capital ultimately erodes the perpetual value of the firm. The company's Productive Durability is extinguished. As organisational longevity is plummeting today, the yoke which keeps the Living elements in their rightful place as the intuitive master of the machine has never been more crucial.

That is why LongWealth is focused on helping leaders around the world create, revive and manage Living Machines to guide them to Productive Durability.

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