

# Lasting Value Creators 100

A pioneering research establishing the relationship between *Perpetuity Value* and the *Health of the Living*.



LIVING  
MACHINE  
INSTITUTE

*“Big business is facing a big idea drought.”*

**Adrian Wooldridge,**  
Columnist @ The Economist.

## Transcending the limitations of modern management.

At the *Living Machine Institute*, we believe it is time to rethink what constitutes organisational success. Inspired by wisdom traditions that emphasise the importance of confronting difficult truths, we are challenging conventional measures of success by advocating for an approach to business that looks beyond the immediate horizon.

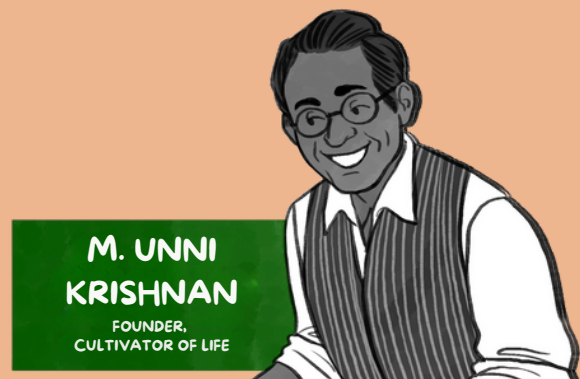
In today's uncertain world, where lifespans of companies are plunging, more companies are being rushed to the 'ICU'. We are convinced that the root cause of this phenomenon is attributable to traditional management practices, which have a mechanistic and reductionist view of the world. They focus on efficiency and extraction, at the expense of organisational life-force and longevity.

Hence we propose a new paradigm that puts the '*Living*' elements - namely mindset, culture, trust, purpose and creativity - in their rightful place in relation to the '*Machine*' dimensions - namely KPI's, ROI, EVA & DCF. This approach draws on the latest scientific insights and timeless wisdom, acknowledging that organisations, like living systems, must be cultivated and renewed over time.

As we embark on this journey, we aim to forge a breakthrough causal connection between the Health of the Living elements and their ability to create compounding economic returns. Drawing on regenerative and self-organising principles we seek to elevate the concept of life force as a central value creation tenet in business. This is not merely about a tinkering of strategy or a business model, it is an evolutionary step founded on the sacred aspects of wisdom principles and life-force of an organisation. It is about realising a fundamental truth: Perpetuity Value when studied through the Health of the Living elements, is a reliable tool for assessing the longevity of companies.

Click [here](#) to watch our short explainer video.

Love & Courage



## Core Principles: Guiding the Living Machine paradigm.

The Living Machine Institute's approach is grounded in a set of core principles that reflect our commitment to reimagining organisational success. These principles are drawn from a deep understanding of both scientific and philosophical insights, ensuring that our framework is both rigorous and holistic. Below, we outline the six key principles that guide our work.



1

### Growth that serves Longevity.

In most organisations today, growth is uncontrolled, often misguided and at the expense of the Life Force. Longevity and compounding economic returns are superior markers of success, to which growth and profitability are duty bound.

By prioritising longevity, organisations ensure that they continue to serve society meaningfully and remain resilient in the face of change.



2

### Understanding the Life Force of Organisations Beyond 'Intangibles'.



The concept of the Life Force is central to our thinking. The Life Force represents the creative energy that drives all Living systems. It is this force that enables organisations to adapt and evolve in response to changing environments. When the Life Force is nurtured, organisations do more than just survive—they flourish. To do so, they need to understand that mindsets, habits and decisions are part of a larger tapestry of the Living. To achieve true success, leaders must recognise and cultivate this holistic understanding.



3

## Perpetual Value is earned through the Living.

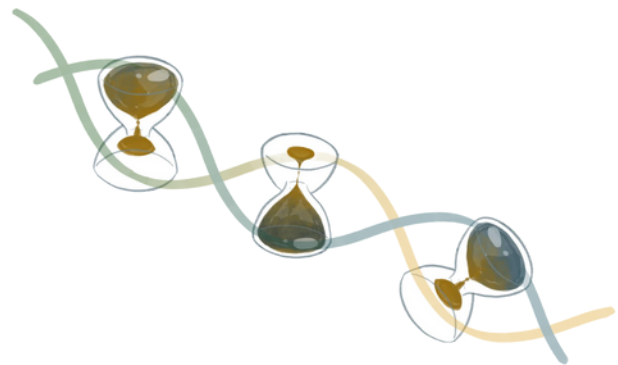
Lasting value is not something that can be manufactured through linear financial models or short-term strategies. Contemporary measures of success in accounting and finance tend to induce companies towards expansion and extraction by brute force. Instead, Perpetual Value is earned by cultivating the Living elements within an organisation.

In a regenerative context, this means that perpetual value arises from the ongoing health and vitality of the organisation's living elements. These are what enable a firm to generate compounding economic returns and sustain its success over decades.



4

## Building an institution is an Infinite Game.



Businesses are an infinite game where true value is only created through sincere commitment to the long haul. It is increasingly clear that companies perform in a significantly different way, depending on their perspective of business as a finite or infinite game.

Institution building is a decisive choice. One that has to be made by an abiding commitment by the owners and leadership team. It is a clear binary option of either a) continuing to succumb to the market-based short-term incentives which might be limited to only a few tomorrows or b) breakout with a clear commitment to maximise over generations, creating value for tomorrow AND many more tomorrows.



5

## 21st Century Science.

Modern science is increasingly establishing a deep connection between itself and timeless wisdom, revealing the interconnectedness of all things. Life is a symphony of interactions, where no single element can be understood in isolation. Similarly, organisations cannot thrive if they focus solely on individual components like financial performance or market share without considering the broader Life Force that sustains them.



6

## Learning from Failure.



Built to last companies are failing at a spectacular rate. GE, HP, Kodak, Boeing, Credit Suisse, Nokia to name but a few. Why is this happening?

These companies inadvertently started to chase quarterly targets and market valuation as the ultimate metric of success. Further they attached incentives and compensation of their leadership team to these metrics, which incentivised the erosion of the Living elements and their compounding returns.

These trends have now resulted in an ever-increasing gap of pay packets and incentives of executive senior decision makers and the average employee, further eroding trust, motivation and loyalty.

*“I believe it’s really important to have companies survive over the longer term. I hate to see major corporations disappearing from the scene because someone has cashed out, because the managers have been unable to escape their comfort zones, or because boards have not been sufficiently nimble to change with the times. When these things happen, decades of effort and innovation go to waste for the company and society.”*

**Ratan Tata,**  
Chairman, Tata Trusts.

## A new measure of success - Longevity.

Traditional measures of success, such as rapid growth and quarterly profits, are insufficient in capturing the true potential of an organisation because they do not measure the most fundamental aspect - Life Force as understood through the Health of the Living elements.

Our **Lasting Value Creators 100 (LVC100)** research establishes this missing link in modern management and pioneers new measures of success based on 6 fundamental findings:

1. There is an **interdependence** between the Living elements and Perpetuity Value of companies when studied over a **decade or more**.
2. Perpetuity Value is **not a passive benefit**. It is **earned** through the **Vitality** of the Living elements.
3. This **pattern is observed** across sectors, company types (Indian or MNC), sizes, and geographies.
4. A reasonably healthy company **commands a Perpetuity Value of 70% or more of enterprise value**.
5. To gauge the overall health of an organisation, **conventional financial ratios should be contextualised** through the interdependence between the Living Index and Perpetuity Value.
6. Companies **cluster into performance bands** based on the Health of the Living and their Perpetuity Premiums.

These findings establish that success of an organisation should be measured over decades and not merely on a quarter to quarter basis. Importantly they also present a tested and proven method of measuring the creation of perpetual returns through the Health of the Living elements.

In the following section we will summarise the research process and findings.





# Lasting Value Creators 100

## Research Hypothesis

“Companies with a high **Health of the Living Index** - defined by *Living Elements* such as *mindset, culture, trust, purpose and creativity* - will achieve superior **compounding economic returns** over a decade compared to companies with lower **Health of the Living Index**. *The long-term success of a company is determined by the Health of its Living Elements.*”

Underpinned by this statement of expectation which arose through several years of experiences with India's major corporations and a deep understanding of global corporations, our research was pinpointed to these seven fundamental questions:

1. Is there an interdependence pattern between the Living Elements and Perpetuity Value over a decade?
2. Is Perpetuity Value earned through the vitality of the Living Elements, or is it incidental or due to extraneous factors?
3. Does any observed pattern hold across sectors, company types (Indian or MNC), sizes, and geographies?
4. Do companies cluster into performance bands based on the Health of their Living Elements and perpetuity premiums?
5. How does the quality of the Living Elements affect conventional financial ratios?
6. What is the estimated Perpetual Value of a company with a reasonably healthy Living Index?
7. Is it fair to assume that Perpetuity Value is a reliable reference for assessing the Longevity of companies?

## Research Sample

- The top 100 listed companies on the India NSE by market capitalisation.
- Companies represented 64% of total market capitalisation.
- Companies spread across diverse sectors:
  - FMCG.
  - Pharmaceuticals & Healthcare
  - Banking & Financial Services.
  - Manufacturing.
  - Infrastructure.
  - Automobiles.
  - Hotels & Leisure.
  - IT Services.
  - Technology.
  - Retail.
  - Energy & Power.
  - Metals & Mining.
  - Telecommunications.
  - Construction Materials.



## Research Methodology

### Backtesting Analysis:

Each of the 100 companies were studied individually over a ten-year period, to understand the qualitative aspects of the Health of the Living Elements and mapping them to their **Perpetuity Value (PV)** trends. This duration of study allowed for the emergence of consistent patterns and correlations between **PV** and the health of a company's Living Elements over time.

### Excess Market Capitalisation Calculation:

Calculated the excess market capitalisation (market cap over book value) to derive the company's **PV**. Multiple time periods (2018, 2019, and 2020-2022) were analysed to account for market volatility and external disruptions, such as COVID-19, to ensure a comprehensive understanding of **PV**.

### Mapping the Health of the Living:

Each company was assessed for examining the relationship between the vitality of living elements and their ability to create **PV**. Companies were then categorised into distinct groups (e.g., A++, A+, etc.) based on the Health of their Living Elements and **PV** performance into performance bands and clusters.

### DCF Validation:

Each company's Health of the Living was translated into a Beta Risk Score. This Beta was integrated into the Capital Asset Pricing Model (CAPM) to assess the impact of Health of the Living on the company's internal risk. This model was used to validate **PV** through the Discounted Cash Flow (DCF) method, providing an additional layer of financial verification.

### Assessing the Health of the Living:

These Living elements were assessed through our 'Ten Vital Signs', as shared on the next page. These vital signs were evaluated through pattern recognition and thematic analysis using the following sources:

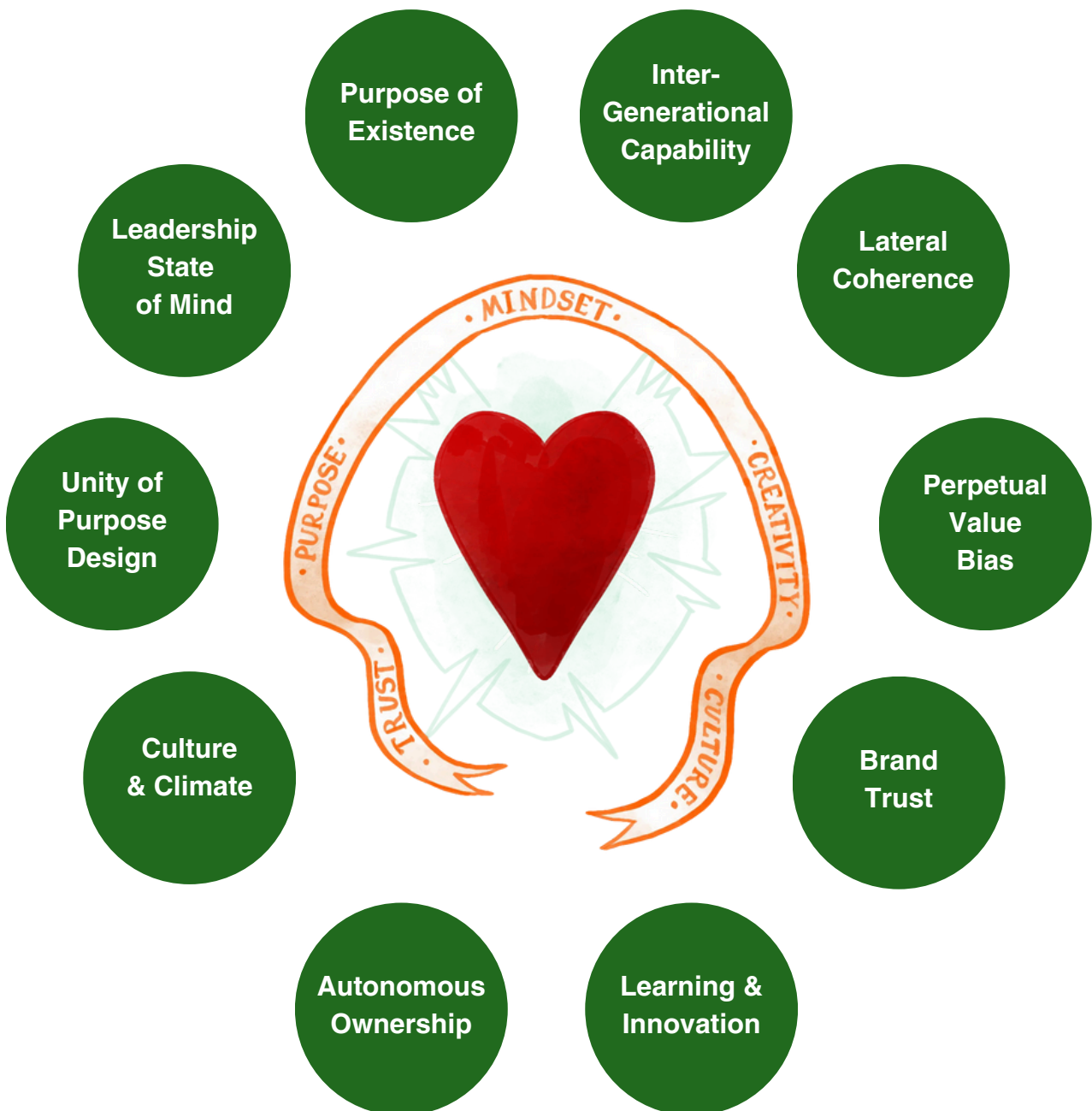
1. Company annual reports.
2. Chairman's address.
3. Leadership and management perspectives.
4. Reputed and credible analyst reports.
5. Company profiles found in respected publications.
6. Observations from media interviews and interactions.
7. Feedback from former employees through interviews and dialogue.
8. Comparative study of the Living dynamics of other companies in the same vertical or sector.







## The 10 Vital Signs of the Living



# Lasting Value Creators 100

## The LMI Thumb Rules

1. Healthy Living Elements create 70% or more of compounding returns i.e Perpetuity Value or an enterprise.
2. Perpetuity Value is earned through the continuous renewal of the Living Elements.
3. No institution, however great, is immune to existential risk i.e Decay of the Living.

## Key Findings

### **Perpetuity Value as 70% of total enterprise value:**

Across all three research rounds, we consistently found that for well-managed companies with Healthy Living Elements, have 70% or more of their enterprise value in Perpetuity.

### **Strong correlation between Health of the Living & Perpetuity Value:**

Companies with Healthy Living Elements consistently exhibit a capacity to earn higher Perpetuity Value premiums compared to their peers in the same sector.

### **Consistency over a decade:**

Companies with Healthy Living Elements demonstrated an ability to earn consistent compounding returns which was also reflected in metrics such as sales, EBITDA, and ROCE over a 10-year period, showcasing the direct connection between Perpetuity Value and conventional financial metrics.

### **Perpetuity Value of 70% as a Benchmark of Success & Excellence:**

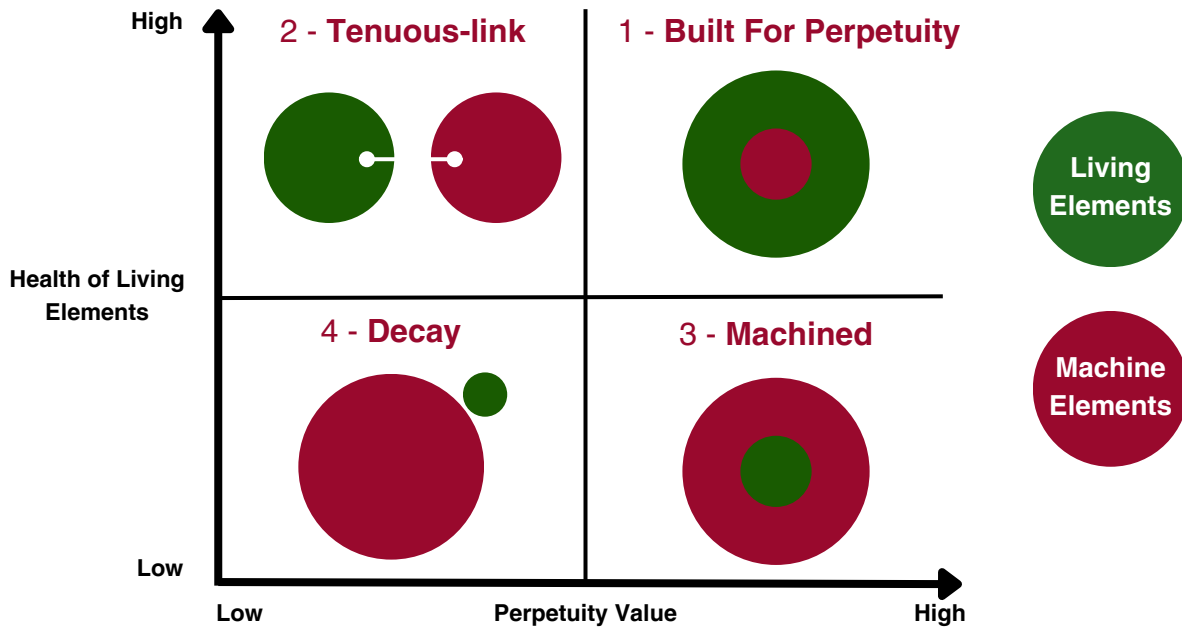
Achieving 70% Perpetuity Value is a hallmark of companies that have exceptionally nurtured their Living Elements, marking them as leaders capable of sustained economic success.

### **Perpetuity Discount Below 50% Indicates Existential Risk:**

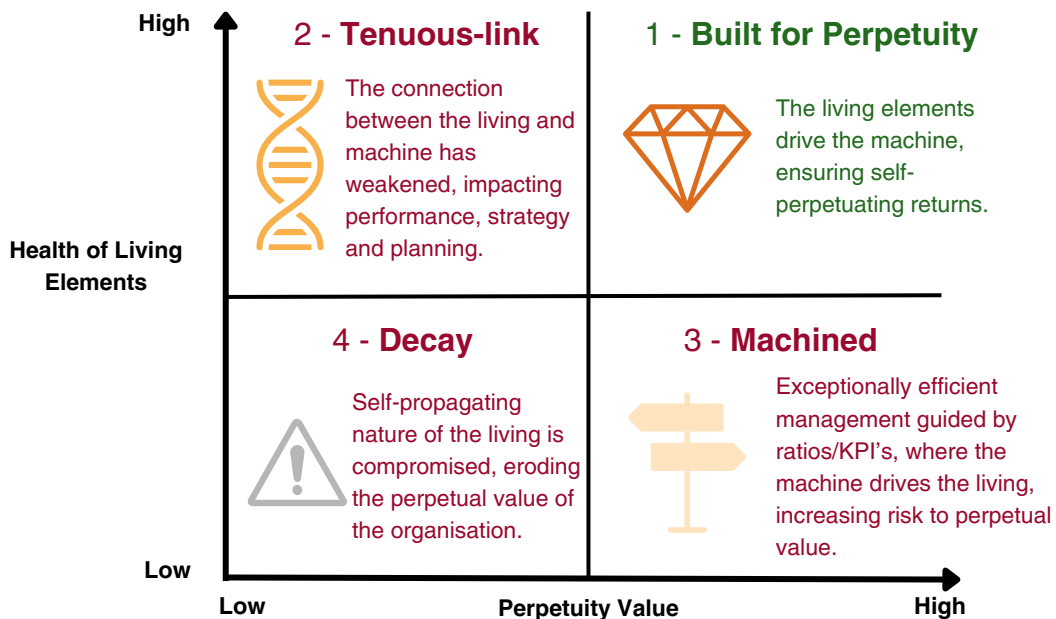
Companies with a Perpetuity Value below 50% are often at risk of organisational decay and may face diminishing economic viability.



## Relationship between Company States and Perpetuity Value



## A Matrix of Company States





# It comes down to a simple choice:



Choice A:



Choice B:

# Global Advisory Council



**Richard Straub**  
Founder - Peter Drucker Forum



**R. Gopalakrishnan**  
Former Director Tata Sons,  
Vice-Chairman Hindustan Unilever



**Nikos Mourkogiannis**  
Author - Purpose: The Starting Point of  
Great Companies



**C Ramakrishnan**  
Former CFO Tata Motors



**Sanjay Behl**  
Chairman, CII Leadership and HR  
Committee



**Sunil Sapre**  
Former CFO Godrej Consumer  
Products



**N V Balachander**  
Former CHRO and President Brand  
Communications, Ashok Leyland



**H N Srinivas**  
Former CHRO IHCL,  
Advisor, Tata Trusts



**Dr Prince Augustin**  
Former CHRO Mahindra Group

**GLOBAL  
PETER DRUCKER  
FORUM**



**LIVING  
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**THE NEXT  
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REFRAMING MANAGEMENT  
FOR THE 21ST CENTURY



## Our Invitation

The Living Machine Institute invites you to join a movement that redefines what constitutes organisational success. Our principles offer a pioneering and complementary approach to contemporary management theory and practice. These principles are not just theoretical - they are validated through research and hence actionable.

The challenges facing organisations today require more than just incremental improvements, band-aiding and tinkering. They demand a fundamental shift in sensemaking and practice.

### **Join us in pioneering a new era of organisational success**

We are actively looking for company owners and leaders, with whom the words we share here resonate deeply. If this is you, you can get involved by:

- **Engaging with Our Research:** Explore our ongoing studies and contribute to the evolving body of knowledge that underpins the Living Machine paradigm.
- **Participate in Our Events:** Attend workshops, seminars, and conferences where thought leaders and practitioners gather to discuss and refine these ideas.
- **Collaborate with Us:** Partner with the Living Machine Institute to apply these principles within your organisation, transforming the way you do business.

**For a deeper dialogue, please  
contact us.**

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