

# Ten ways to create shareholder value

[Business](#), [Marketing](#)



Within the article, Rappaport reaches out to business executives regarding the manner in which shareholders' value should be created in practical commercial contexts. According to Rappaport, it is the duty of managers, especially company directors and chief executive officers, to ensure that objective shareholders' interests are prioritized. Business performance should not be measured by the number of short term goals achieved on quarterly basis. Rather, performance should be gauged by strategies aimed at realizing the maximum future return on investment (Rappaport 02).

Throughout his work, Rappaport emphasize on the need to capitalize on long term growth strategies at the expense of realizing short term benchmarks. The writer asserts that those corporations involved in responding to short-term strategies will eventually fail because of dynamics within modern commercial environments. Managers running such companies are obscured about the future prospects of an organization. Inasmuch as they concentrate on maximizing momentary strengths of a company, they fail to take a glance at emerging opportunities and imminent threats. Since consumer preferences are bound to change and competition intensifies, then short-sighted company executives will have limited choices when trouble arrives.

In order to enhance the aspect of practicability, Rappaport postulated 10 principles suitable for creating shareholders value in any given investment. Upon thorough appraisal, all these ten principles are based on ways in which companies can be made to realize increased future cash flows. In order to ensure competence, CEO's must be thoroughly conversant with aspects of stock markets and forces influencing value of securities traded within those markets (Rappaport 06). Thorough conversance on such microeconomic

aspects will enable managers to become value-conscious and develop value-maximizing behavior in their professional undertakings.

In most of the principles proposed by Rappaport, the main theme remains that managers should be encouraged by stakeholders, especially shareholders, in implementing long term growth strategies. Encouragement can be achieved through reward mechanisms for both top and middle level managers who demonstrate strong commitment towards maximizing value of the company (Rappaport 12). Managers should constantly be given incentives whenever they engage in exemplary decision-making processes.

#### Work Cited

Rappaport, Alfred. OnPoint Article. Rev of “ Ten Ways to Create Shareholder Value”. Harvard Business Review 2006: 1-13. Print.