

Life-Cycle Valuation Model

Lessons Learned from a Commercial Research Program, 1970 to 2010

Bartley J. Madden

Figure 1

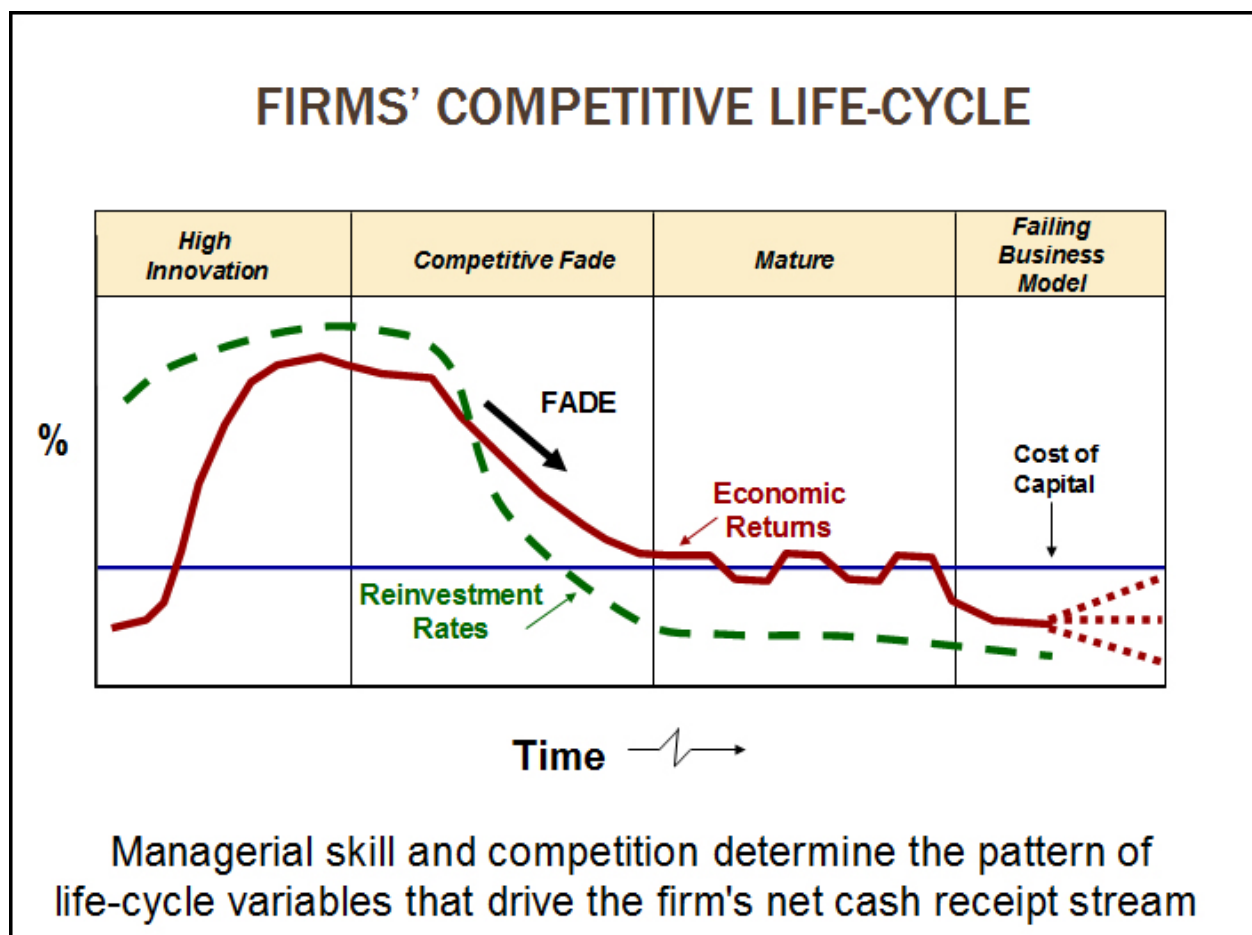


Figure 2

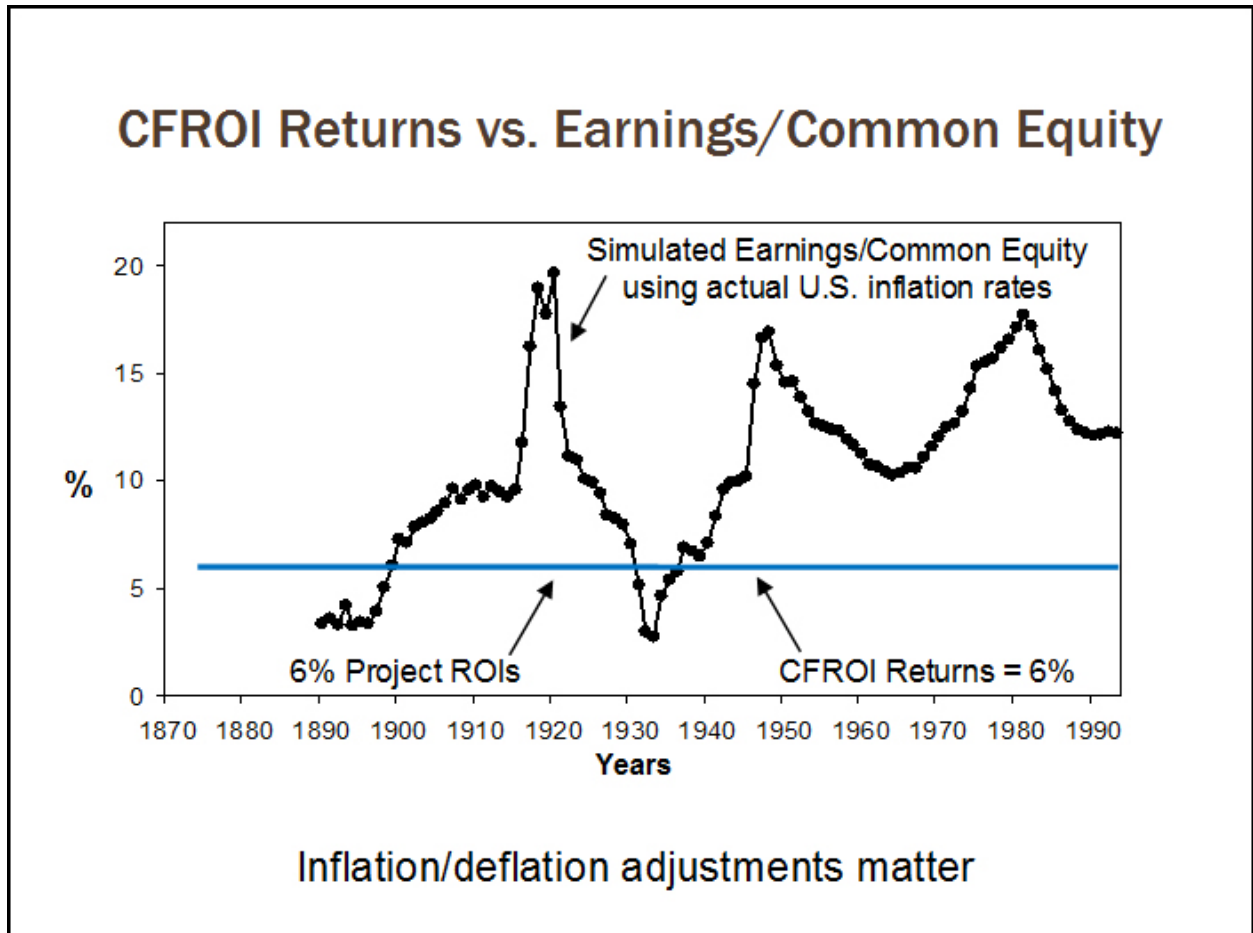


Figure 3

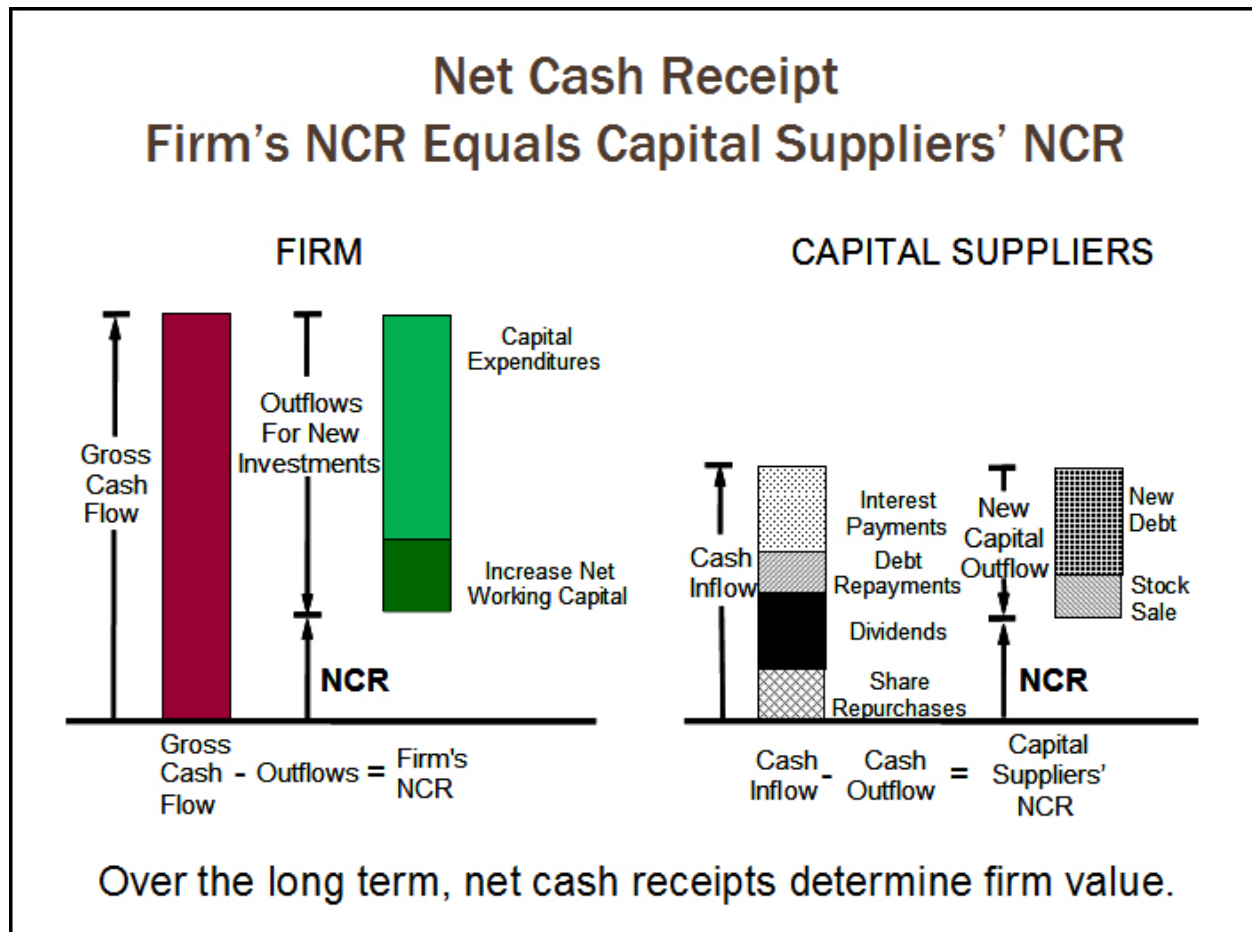


Figure 4

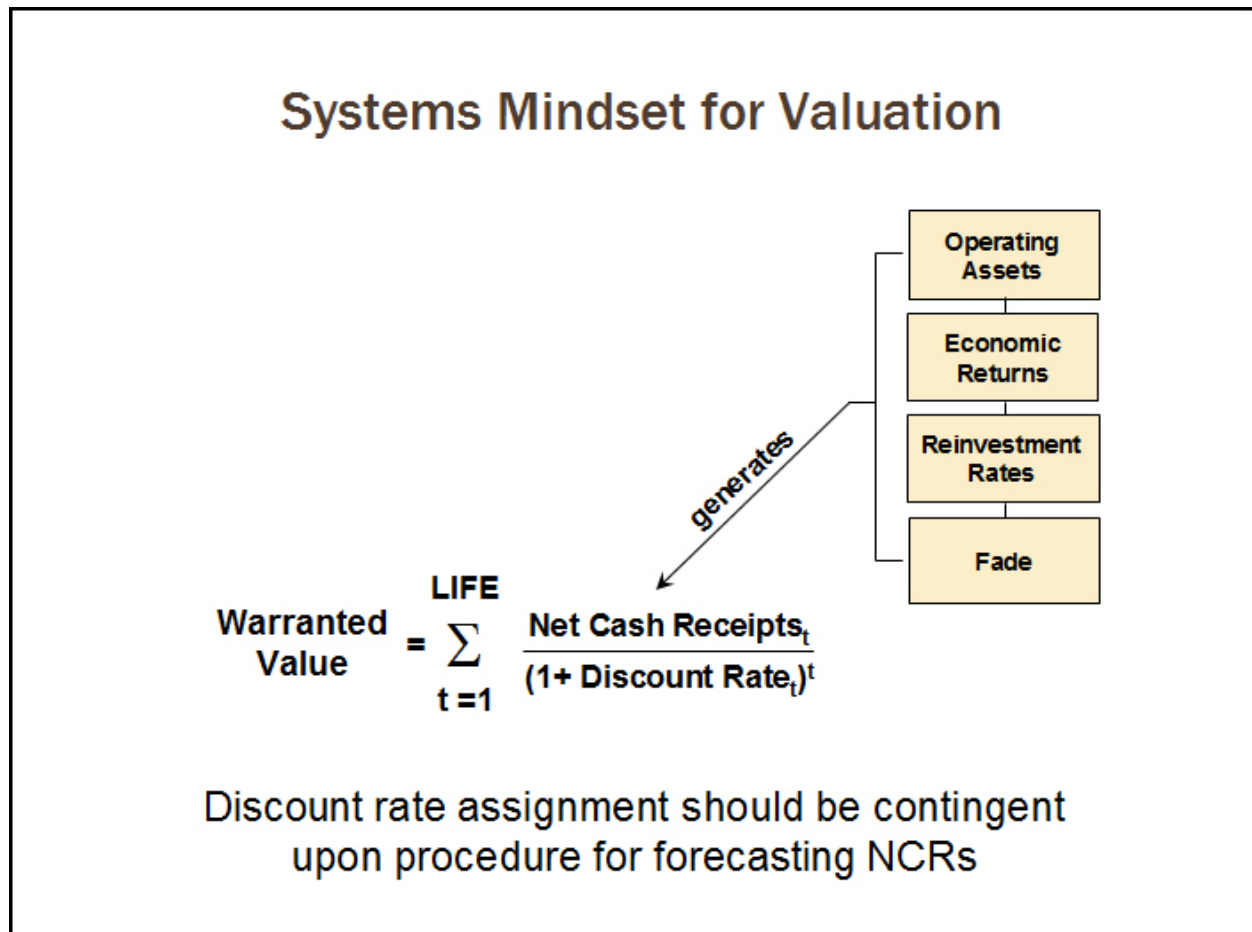


Figure 5

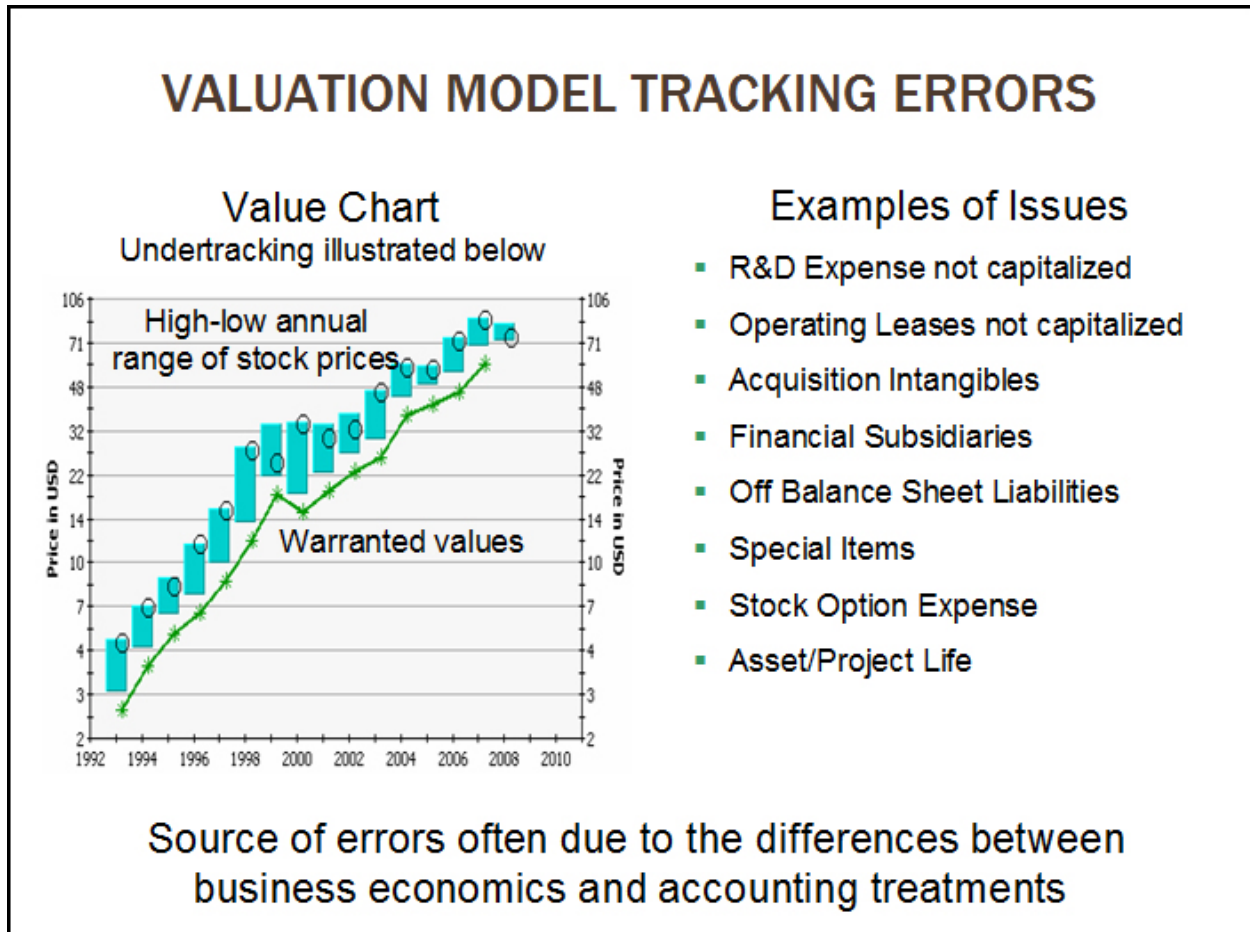


Figure 6

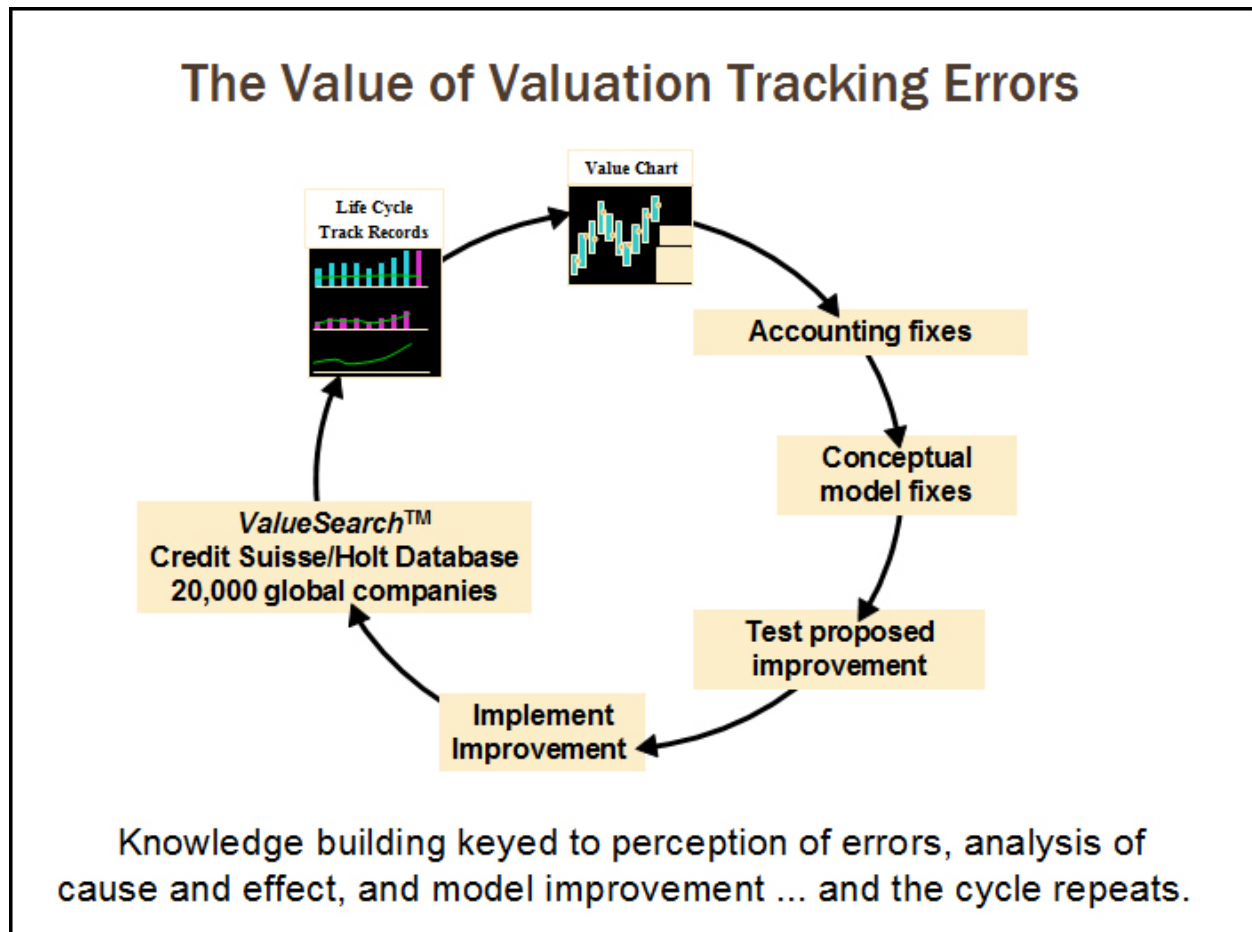


Figure 7

SHAREHOLDER VALUE REVIEW (SVR) ***THREE PARTS***

1. Explicit valuation framework
2. Value-relevant track records for business units
3. Explanation of business unit strategy and reinvestment



Management decisions better tied
to long-term wealth creation

Figure 8

PREDICTED EFFECTS OF SVR

- Quarterly EPS
- Director qualifications
- Life-cycle framework vs. alternatives
- Evolution of financial reporting



Expedite needed change

References

Madden, Bartley J., *Wealth Creation: A Systems Mindset for Building and Investing in Businesses for the Long Term*, 2010, New York: John Wiley & Sons.

Madden, Bartley J., *Wealth Creation: Powerpoint Presentation of the Firms' Competitive Life-Cycle Framework* (February 23, 2010). Available at SSRN: <http://ssrn.com/abstract=1557724>.

Madden, Bartley J., *CFROI Valuation: A Total System Approach to Valuing the Firm*, 1999, Woburn, MA: Butterworth-Heinemann. This book is a bit out of date concerning the handling of goodwill and R&D expenditures compared to today's CFROI calculation.

Additional material is available at my website www.LearningWhatWorks.com.