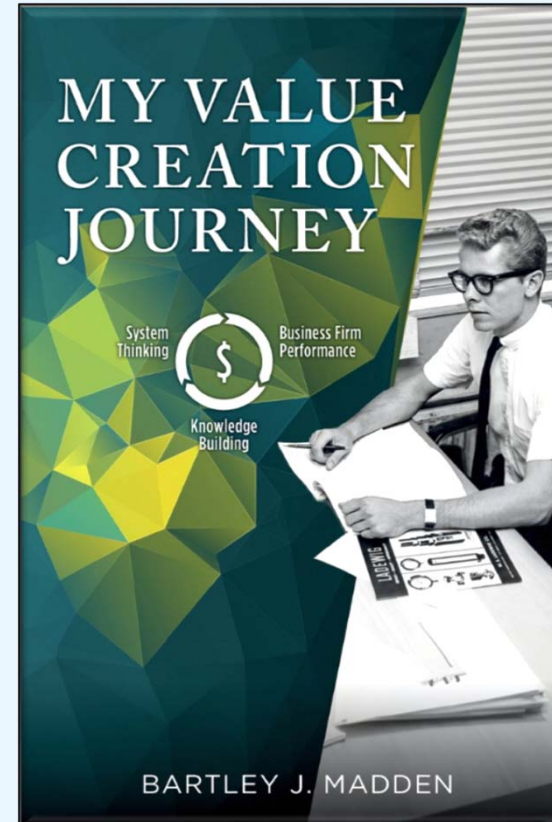
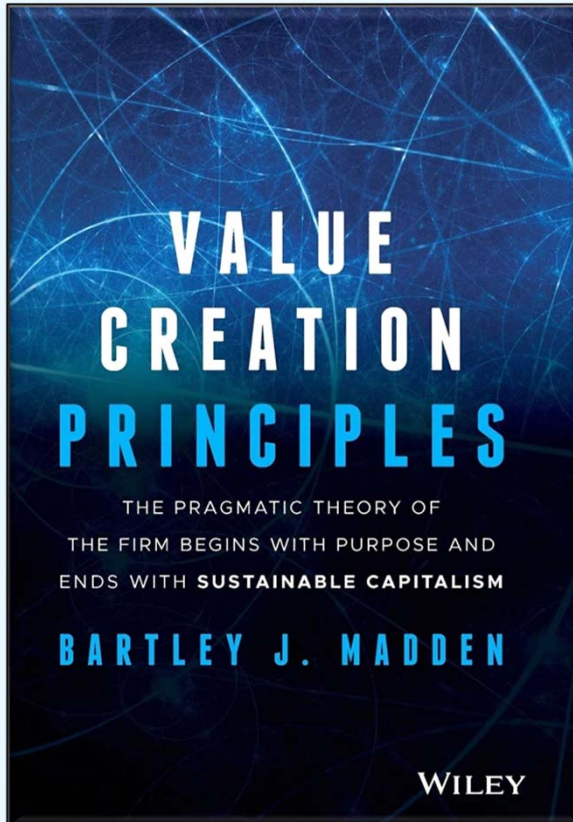




KNOWLEDGE BUILDING AND VALUE CREATION

**BARTLEY J. MADDEN
WWW.LEARNINGWHATWORKS.COM**

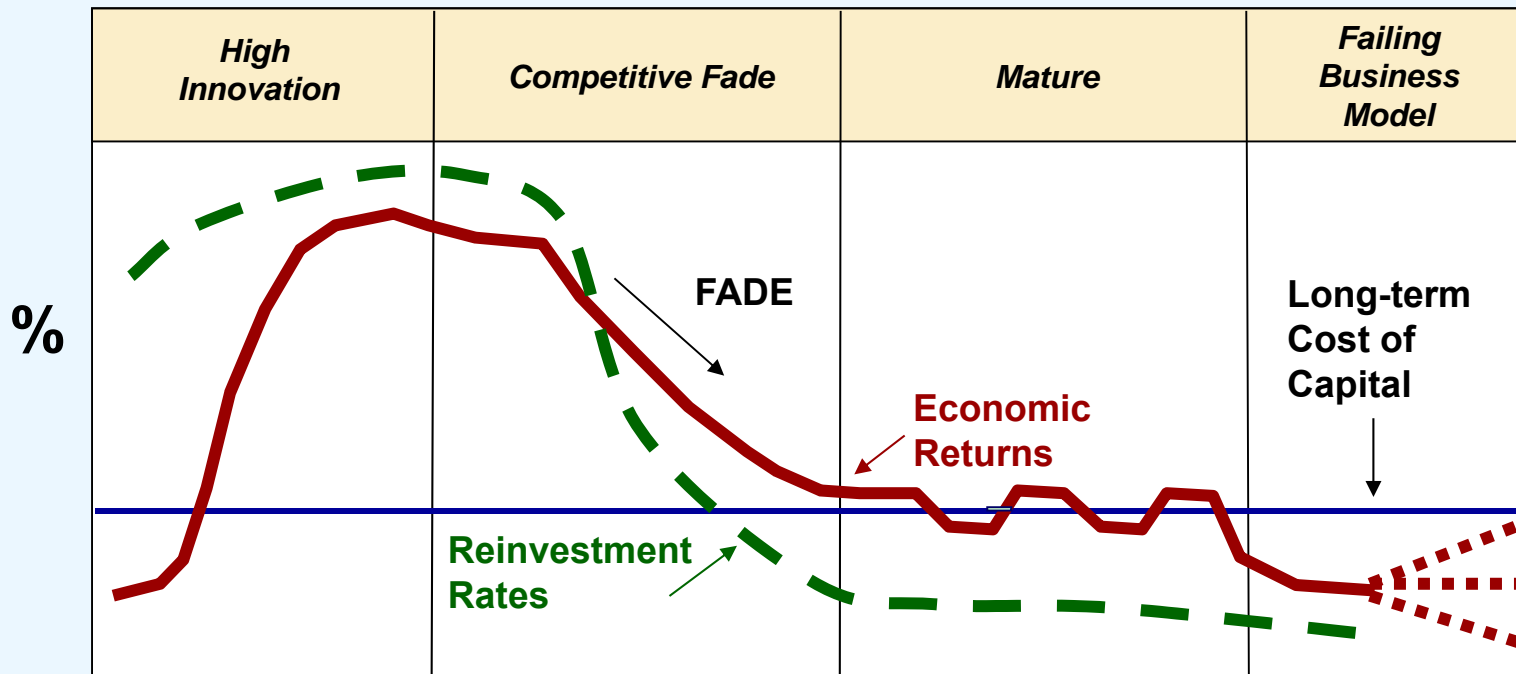
MY VALUE CREATION JOURNEY AND THREE CONNECTED IDEAS



For an informative series of short videos communicating key ideas about Knowledge Building and Value Creation, see <https://www.youtube.com/BJMValueCreation/playlists>

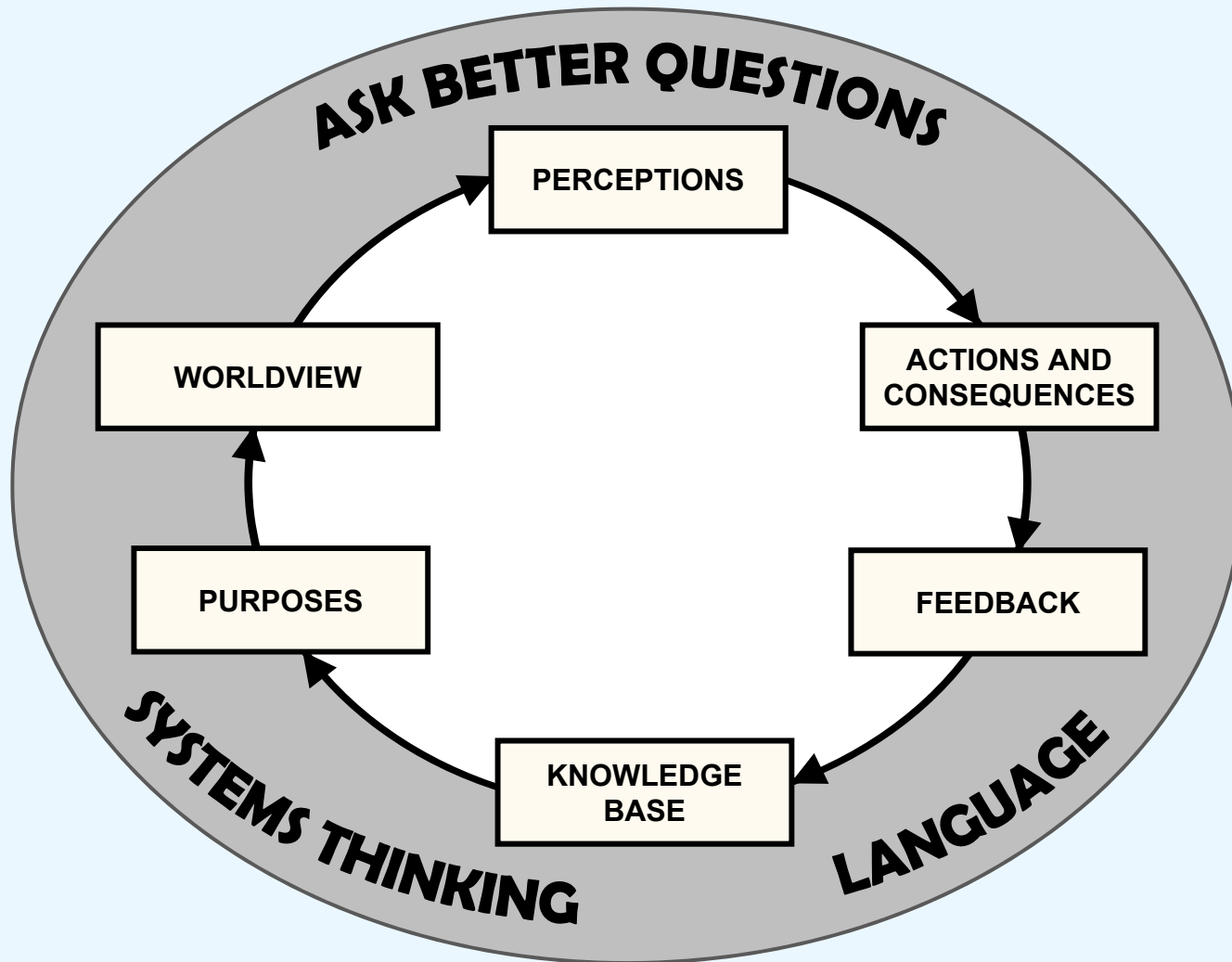
THREE CONNECTED IDEAS

#1 LIFE-CYCLE FRAMEWORK

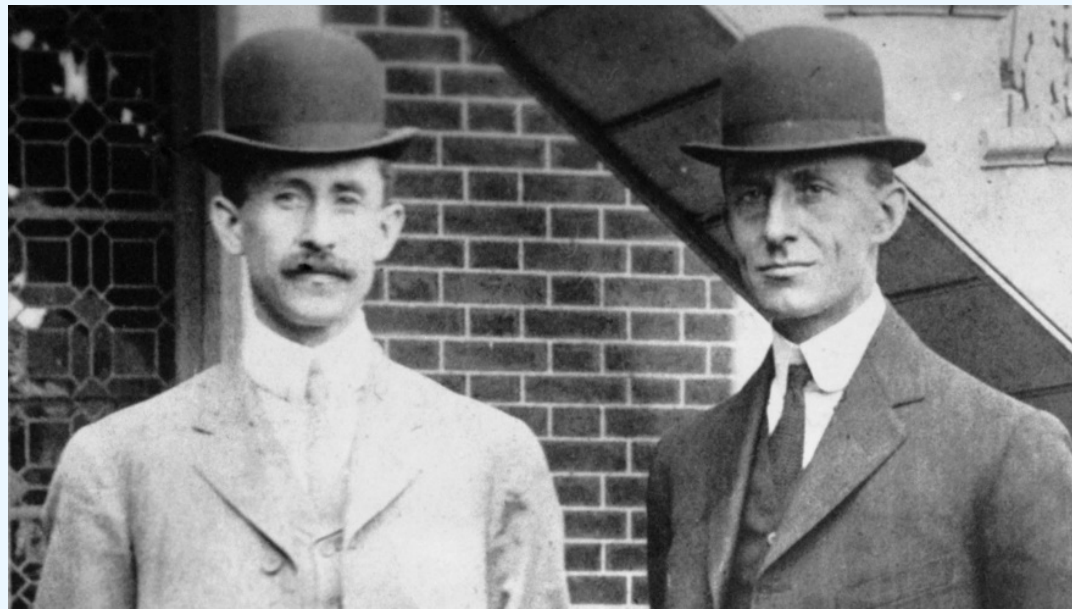


A firm's knowledge-building culture is the critical determinant of long-term fade.

#2 KNOWLEDGE-BUILDING LOOP



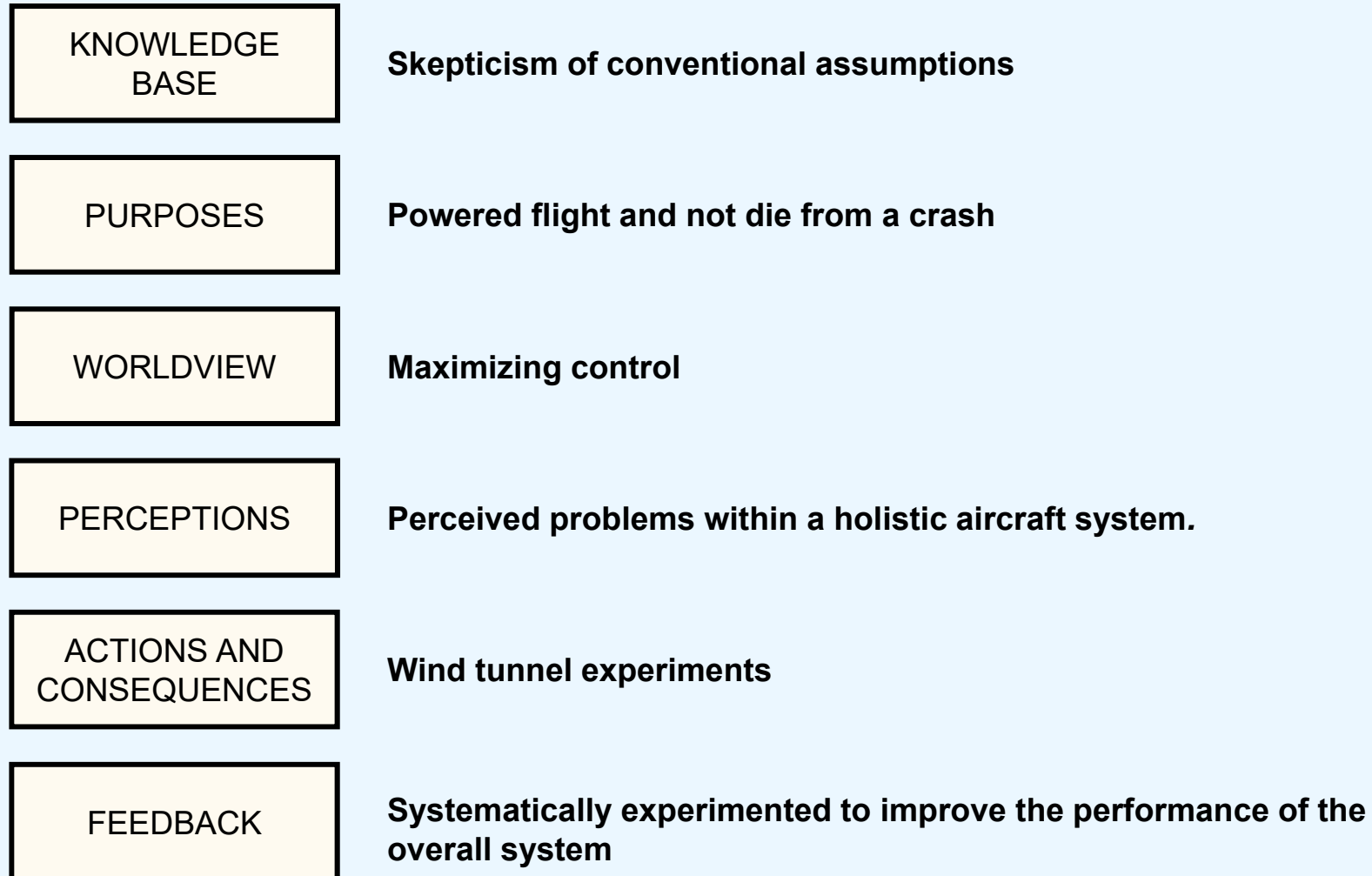
KNOWLEDGE BUILDERS ORVILLE AND WILBUR WRIGHT TAUGHT THE WORLD HOW TO FLY



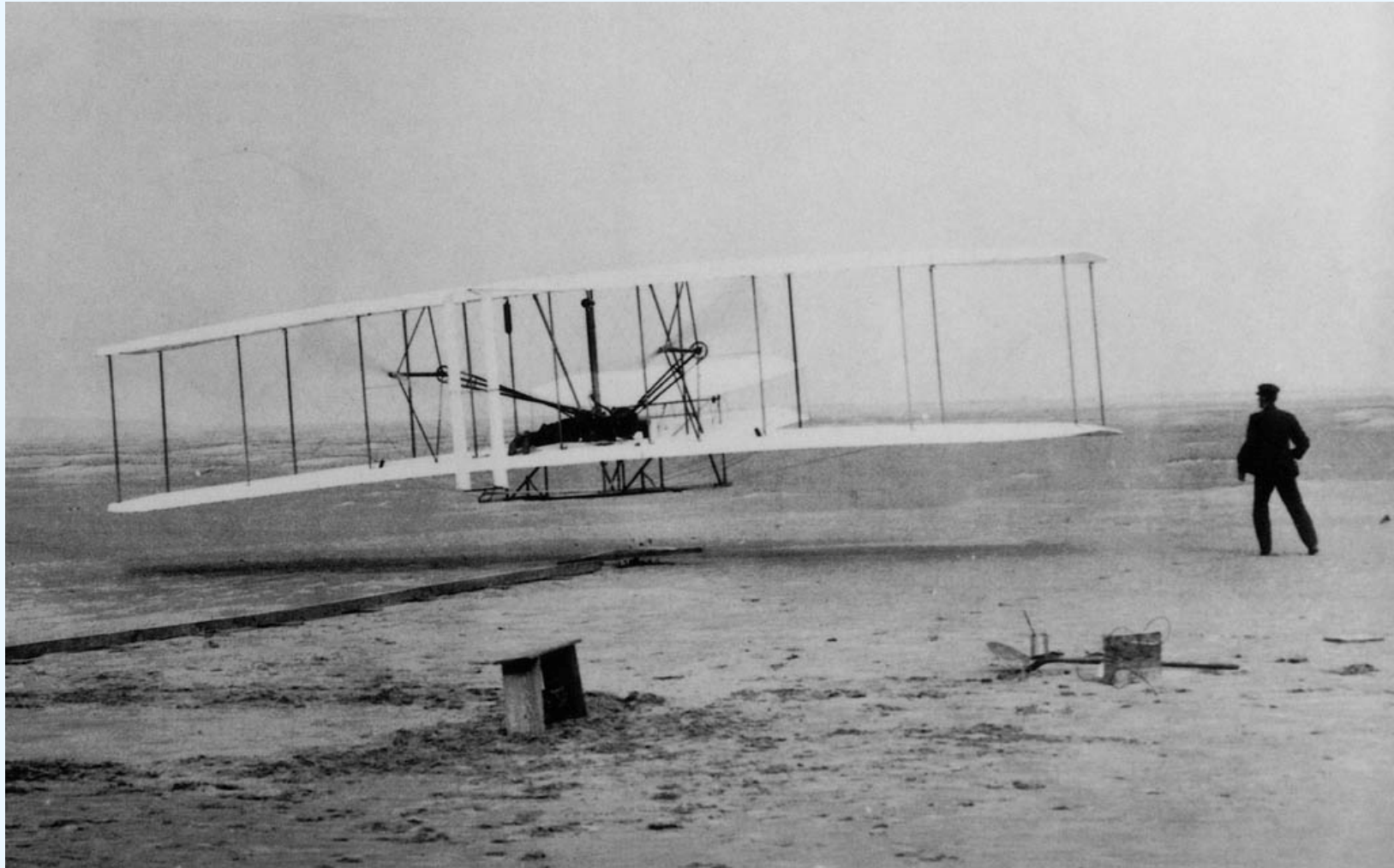
Uniquely skilled at fast and effective traversing of the knowledge building loop.

TRAVERSING KNOWLEDGE BUILDING LOOP

WRIGHT BROTHERS



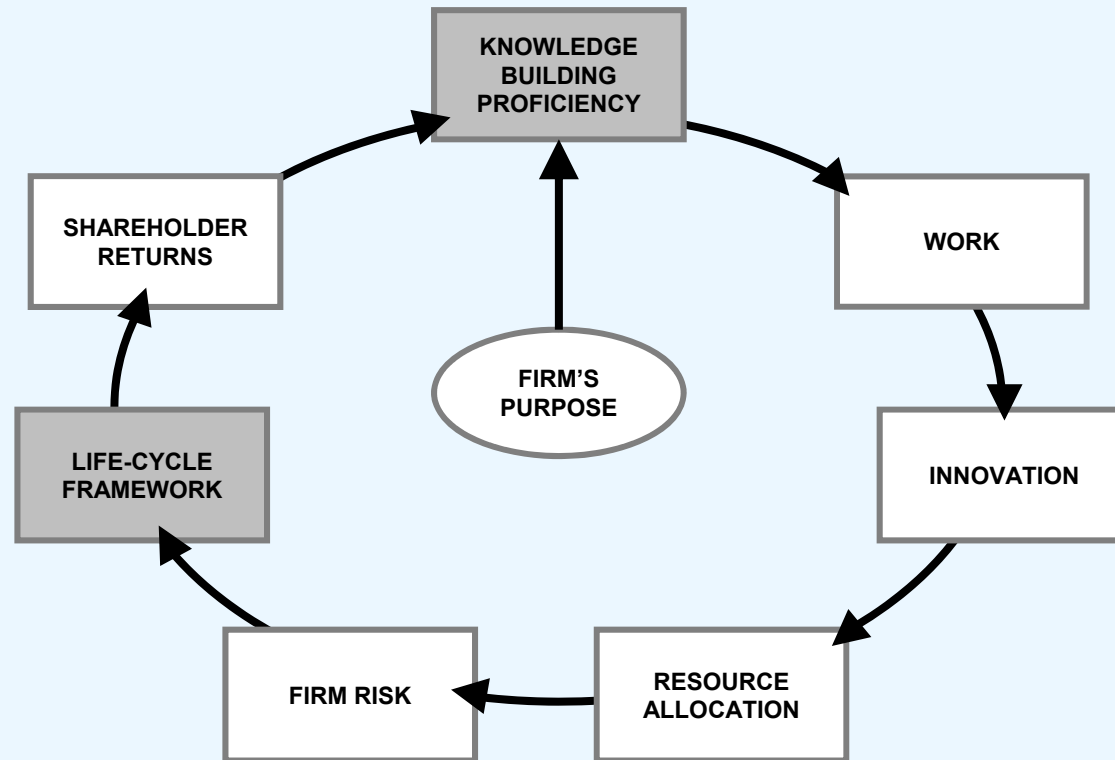
HISTORY MADE DECEMBER 17, 1903



The fourth flight that day was the longest, covering 852 feet in 59 seconds

#3 PRAGMATIC THEORY OF THE FIRM

A Holistic View of the Firm's Activities



WHAT DO WE MEAN BY A PURPOSE-DRIVEN, KNOWLEDGE-DRIVEN CULTURE?

Source: Bartley J. Madden. 2020. *Value Creation Principles: The Pragmatic Theory of the Firm Begins with Purpose and Ends with Sustainable Capitalism*

PRAGMATIC THEORY OF THE FIRM – FIRM'S PURPOSE

- Communicate a **vision** which inspires and motivates employees to work for a firm committed to behaving ethically and making the world a better place.
- **Survive and prosper** through continual gains in efficiency and sustained innovation, which critically depend upon a firm's knowledge-building proficiency. Nothing works long term if a firm consistently fails to earn the cost of capital.
- Work continuously to **sustain win-win relationships** with all of the firm's stakeholders.
- Take care of **future generations**. Importantly, the early stage of the design of products and manufacturing processes should be focused on minimizing waste and pollution.

A firm's knowledge-building culture is the critical determinant of long-term performance.

Maximizing shareholder value is best positioned not as the purpose of the firm, but as the result of a firm success fully achieving its four-part purpose

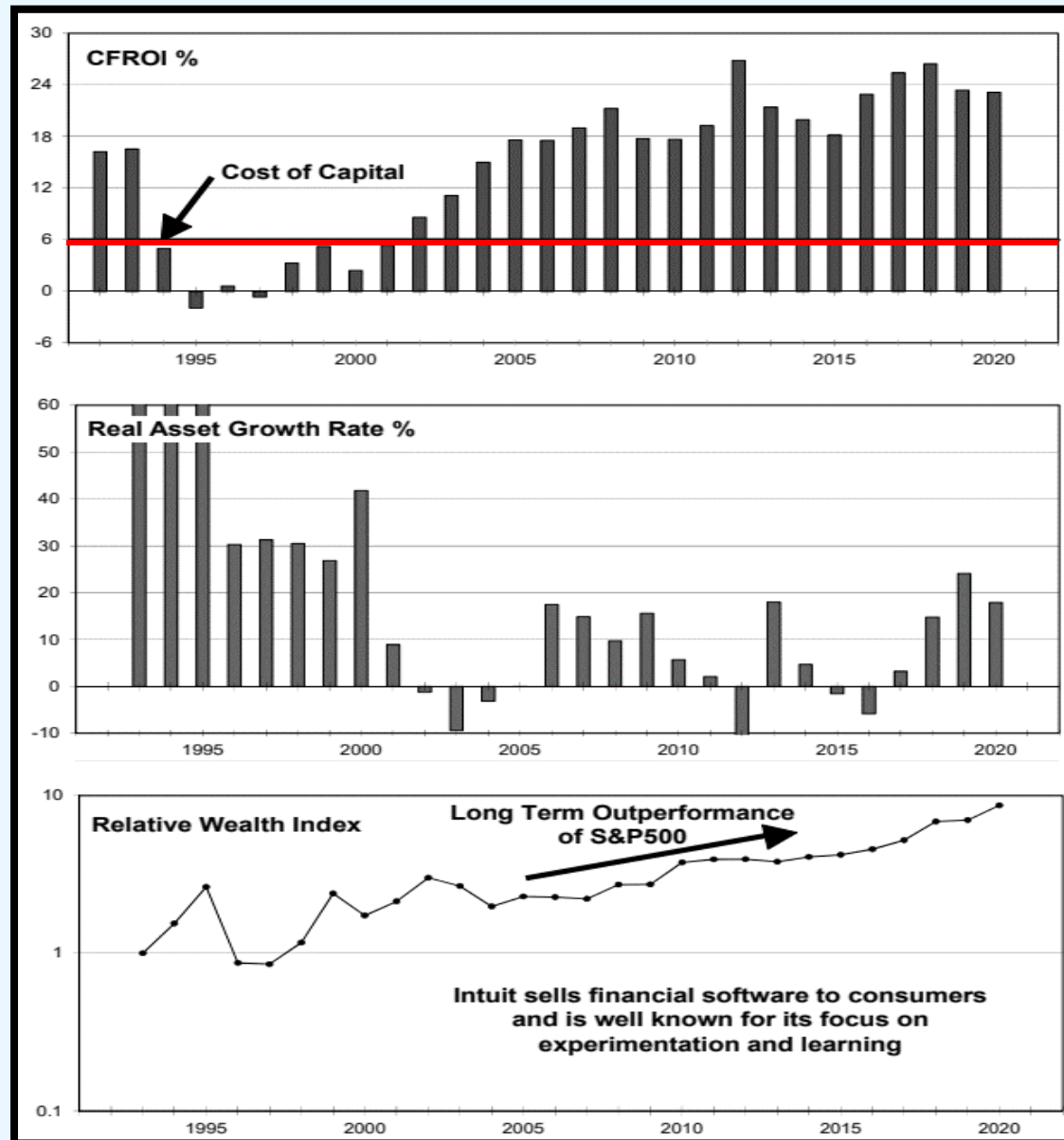
CEO BRAD SMITH DESCRIBES INTUIT'S PURPOSE-DRIVEN KNOWLEDGE-BUILDING CULTURE

“The culture you create lays the foundation that enables every other part of the company to grow and succeed. ... **job one in creating a culture is building a *purpose-driven culture*.** What is the mission of the company? What is the bigger idea that we are all part of? It is the CEO's job to articulate and communicate this purpose across the company, so team members at every level have something to rally around. **At Intuit, our mission is to improve our customers' financial lives so profoundly they can't imagine going back to the old way.**

... One way leaders can create an action-oriented environment is to match inspiration with rigor, adopting a rapid experimentation culture. Great ideas are simply hypotheses unless matched with tangible proof they deliver meaningful impact. ***A rapid experimentation culture cuts through hierarchy (especially if leaders hold their own ideas to the same scrutiny of testing), creating an environment where everyone can innovate, and debate turns into doing.***”

Source: Brad Smith, “The Most Important Job of a CEO,” January 28, 2016, *Observer*.

INTUIT LIFE-CYCLE TRACK RECORD 1992 – 2020

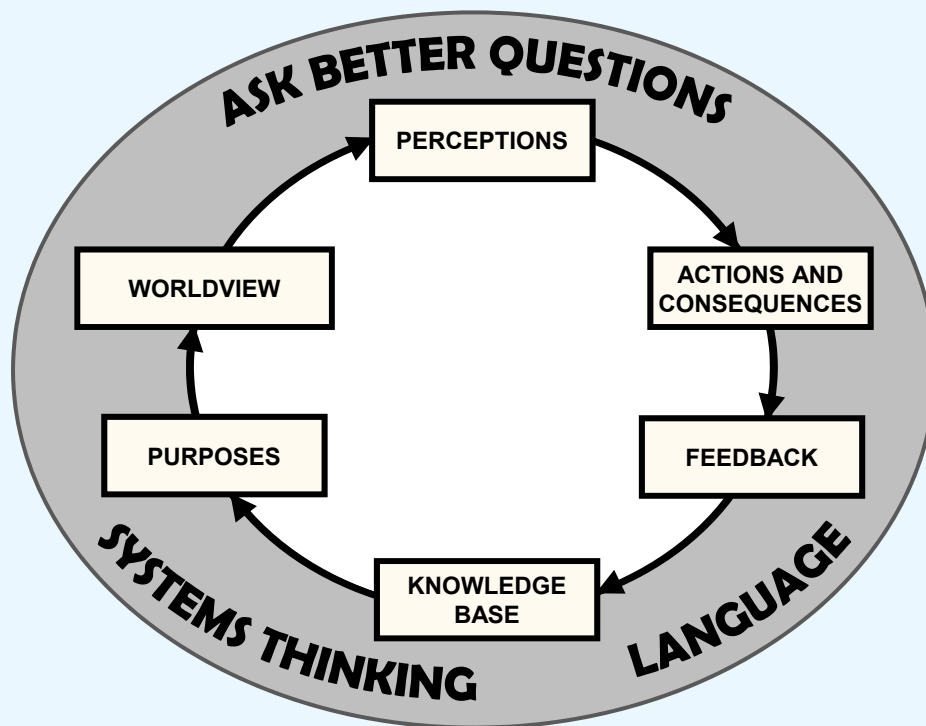


HOW DO YOU IMPROVE DECISION-MAKING FOR SIX CRITICAL MANAGEMENT TASKS?

- #1 KNOWLEDGE-BUILDING CULTURE
- #2 STRATEGIC THINKING
- #3 ORGANIZATIONAL STRUCTURE
- #4 EFFICIENCY OF EXISTING BUSINESSES
- #5 INNOVATION FOR EXISTING AND FUTURE BUSINESSES
- #6 CONTEXT-SPECIFIC PERFORMANCE MEASUREMENT

REPETITIVE INSIGHTS FOR SIX CRITICAL MANAGERIAL TASKS

SOURCE OF INSIGHTS



TASKS

- #1 KNOWLEDGE-BUILDING CULTURE
- #2 STRATEGIC THINKING
- #3 ORGANIZATIONAL STRUCTURE**
- #4 EFFICIENCY OF EXISTING BUSINESSES
- #5 INNOVATION FOR EXISTING AND FUTURE BUSINESSES
- #6 CONTEXT-SPECIFIC PERFORMANCE MEASUREMENT

See Chapter 2 of Bartley J. Madden. 2023. *My Value Creation Journey: An Autobiography of My Work*

TASK #3 HOW BEST TO FLATTEN A BUREAUCRATIC COMMAND-AND-CONTROL ORGANIZATIONAL STRUCTURE?

FOCAL POINT



- 1) KEY ASSUMPTIONS PART OF THE **WORLDVIEW** OF TOP MANAGEMENT AND BOARD:
 - FUTURE IS PLANABLE
 - LOWER-LEVEL EMPLOYEES ARE NOT TO BE TRUSTED
- 2) WHAT FEEDS THE COMMAND-AND-CONTROL MACHINE?
- 3) THE BUDGET
- 4) WHY NOT TRUST EMPLOYEES AND ELIMINATE THE BUDGET?



INSIGHT

MANY LARGE EUROPEAN FIRMS HAVE IMPROVED PERFORMANCE BY ELIMINATING BUDGETS

BJARTE BOGSNES:

“The three purposes of the budget should be separated and then solved in three different processes because they are about different things. A target is an aspiration, what we want to happen. A forecast is an expectation, what we think will happen, whether we like what we see or not. And resource allocation is about optimization of resources.

... Some tell me it is impossible to operate without a budget. My response is that this separation lets us do everything the budget tried to do for us, but now in much better ways: **better targets, better forecasts, and a more effective resource allocation**. It also improves how we measure, evaluate, reward, and coordinate. How impossible and how scary is that?”

Bjarte Bogsnes. 2023. This Is Beyond Budgeting: A Guide to More Adaptive and Human Organizations. Hoboken, New Jersey: John Wiley & Sons. pp. 36-37

MADDEN CENTER FOR VALUE CREATION FLORIDA ATLANTIC UNIVERSITY

PURPOSE

- For society in general, promote value creation as a foundational guiding principle to achieve widespread prosperity
- Contribute to a worldwide educational platform that provides an intellectual foundation to motivate and assist young people in becoming value creators as a way of living their lives
- Focus academic research on the firm as the fundamental unit of analysis for economic progress giving particular attention to knowledge building, systems thinking, and value creation

PROJECTS

Free to Choose Medicine /
Promising Pathway Act

Certificate in Value
Creation Online Course

New Economy Accounting
System