



The AMBACHTSHEER Letter

Sustainable Pension Design • Effective Pension Management

March 2026

THE *FCLT-GLOBAL* ORGANIZATION NEEDS A GUIDING BEACON:

HOW THE *PRAGMATIC THEORY OF THE FIRM* COULD FILL THE BILL

“Until large asset owners radically change their approach, other key players (such as asset managers, corporate boards, and company executives) will probably remain trapped in value-destroying short-termism. But by accepting the opportunity and responsibility to be leaders who act in the best interests of individual savers, large asset owners can be a powerful force for instituting the kind of balanced, long-term capitalism that benefits everyone.”

Dominic Barton, former Global Managing Director, McKinsey&Co
Mark Wiseman, former CEO, CPP Investments

Our January Letter

Careful *Letter* readers will recognize the quote above. It also opened the [January 2026 Letter](#) which was titled “Focusing Capital on the Long-term: Are We There Yet?”. The context for that question was the widely-read 2014 *Harvard Business Review* article by Barton and Wiseman titled “[Focusing Capital on the Long Term](#)”. To that end, they recommended that asset owners take four “proven, practical steps”:

1. Clearly define the organization’s long term investment objectives and risk appetite.
2. Unlock value through engagement and active ownership.
3. Demand long-term metrics to inform decisions.
4. Structure institutional governance to support a long-term approach.

Next, the January *Letter* asked what has actually happened post-2014. Did the *HBR* article have any positive impact? Yes it did. The most visible example was the formation of the *Focusing Capital on the Long-Term - Global* organization in 2016. Its stated mission is to “mobilize companies and investors to focus capital on the long term to create lasting value”. This is to happen “by developing research-backed strategies that enhance value-creation for savers and communities”. Out of these aspirations has come a *FCLT-Global* behavioral “Gold Standard” covering governance, incentives, engagement/dialogue, and measurement/metrics. These factors line up nicely with the four ‘proven, practical steps’ set out by Barton and Wiseman in their 2014 *HBR* article.

However, the January *Letter* also observed that to date, the *FCLT-Global* “Gold Standard” has remained largely aspirational, with one exception. Under the leadership of CEO Mark Wiseman, *CPP Investments* had already launched its *Portfolio Value Creation (PVC) Group* prior to the publication of the 2014 *HBR* article. Its mandate looks very much like the *FCLT-Global*’s “Gold Standard” However, to our knowledge, the *PVC Group* with its 40 professionals spread across six strategic locations around the world continues to be the only dedicated implementor of the *FCLT-Global*’s four-step “Gold Standard” to this day.

In closing, the January *Letter* suggested two steps *FCLT-Global* could take to realize its stated aspirations in a more concrete, measurable way:

1. Support conducting a detailed case study of *CPP Investments' PVC* venture to assess the degree to which its value-creation aspirations have in fact borne fruit over the course of the last decade.
2. Adopt Bartley Madden's *Pragmatic Theory of the Firm* as a constant beacon lighting the way to a common understanding of how the persistent application of four organizational attributes leads to steady value creation over the long term. All this was clearly set out in his new book "Value Creation Insights", published late last year, and reviewed in our [November 2025 Letter](#).

This background gets us to the subject of this March 2026 *Letter*. It expands on the assertion that the *Pragmatic Theory of the Firm* can indeed light the way to a common understanding of how organizations create value over the long-term. That common understanding leads to developing common approaches to fostering the presence of these value-creating organizational attributes. In our view, *FCLT-Global* is well-placed to play a leading role in transforming these ideas into concrete reality.

The Pragmatic Theory of the Firm

Why do we believe *The Theory* and *FCLT-Global* are well-placed to play such a role? Here is a summary of the arguments we have been making:

1. *The Theory* logically links organizational value-creation to four drivers: 1. Clarity of Vision that inspires, 2. Knowledge-Building Capability and Innovative Execution, 3. Win-Win relationships with Customers, Suppliers, Employees, and Shareholders, 4. Consideration of product impact on future generations.
2. *The Theory* offers a compelling, powerful example of an integrative systems approach to business management driven by knowledge-building proficiency.
3. *The Theory* is both theoretically sound and practically useful. It verbally connects investment returns to the drivers of those returns. Importantly, in our view, insightful qualitative expressions of logic supersede complex quantitative expressions of that logic.

Importantly, we are not alone in our positive views of Bartley Madden's new book "Value Creation Insights", in which he sets out his *Pragmatic Theory of the Firm* and its implications in detail. In the three book reviews which follow, the first two are by recognized investment industry thought-leaders, and the third by an anonymous book reviewer published through the book review website *NetGalley*.

1. *"On first impression, Bartley Madden's new book appears to be yet another book about how companies can create value. But it is actually much simpler, yet more profound. A series of insights by a shrewd analyst, gained over half a century of examining what works, what doesn't and why. Madden's system-based analysis makes you wish you had read this book earlier in your career, no matter where you are in your career now."*

Jon Lukomnik, Managing Partner
Sinclair Capital

2. *"Bartley Madden's Pragmatic Theory of the Firm is aligned with how we believe great companies are built. As long-term active investors, we are committed to understanding how companies focus in the critical attributes of culture and innovation regardless of how difficult they may be to measure. We believe deep research and analysis of how a company operates*

and is managed provides long term investors unique economic opportunities because they are not always obvious to see. We are also encouraged by Bartley's ability to articulate 'what it takes' to be a great company. It is an excellent piece of work that helps demonstrate why we do the home work to identify these core principles and how we think about creating value in client portfolios. The investment world has become so short term and has unappreciated the importance of accountability to stewardship. This book helps bring it to life, and we applaud Bartley for making it so clear!"

Carol Geremia, President
MFS Investments

3. *"There is a certain kind of business book that arrives wearing the costume of urgency. A breathless parade of acronyms, a few dopamine-bright case studies, a promise that your Monday will be different if you underline the right sentence. Bartley Madden's book wants nothing to do with that genre. He is after a slower victory: the rebuilding of the reader's operating system. His book is not a toolkit as much as a worldview tutorial, an argument that the modern firm has forgotten what it is, and that we – managers, investors, employees, citizens – have collaborated in the forgetting by mistaking measurement for meaning and control for competence. The phrase "value creation" can feel, in lesser hands, like corporate incense: something waved toward the boardroom to make the air smell serious. Madden treats it as an ethical proposition. Value creation, he insists, is how society becomes prosperous without having to choose between the caricatures of capitalism and socialism. It is a disciplined effort to do work that matters to someone else – the customer, the client, the patient – and to cut the work that does not. A firm's long-run performance is less about charismatic leaders or clever financial engineering than of whether an organization can learn quickly, update its assumptions, and translates what it learns into better work, better innovation, and better allocation of resources."*

Demetris P.
NetGalley Book Review

From Theory to Practice

What are these book reviews telling us? We see three key messages:

1. 'Value Creation' is an ethical proposition about how societies can become sustainably prosperous.
2. The key driver of 'Value Creation' at the organizational level is turning continuous learning into better work, better innovation, and better allocation of resources.
3. Key 'Value Creation' success contributors at the organizational level are vision clarity, win-win relationships with customers, suppliers, employees, and shareholders, and consideration of product impact on future generations.

And what in turn are the implications of these messages for *FCLT-Global*? First and foremost, do its Board and its Executive Team accept the logic and implications of the *Pragmatic Theory of the Firm*? If they do, or are at least willing to explore them, then the challenge becomes one of setting out the implications for *FCLT-Global*. A first obvious question that comes to mind is: where does the academic community stand on this issue? Are its thought leaders 'on board' with the *Theory*? And what are its research implications? Also, what metrics might be valuable indicators of how well a firm's actions line up with those the *Theory* suggests?

All these questions logically lead to a first action step already proposed in our January 2026 *Letter*, and referenced again above. That is to conduct a detailed case study on the *Portfolio Value Creation* initiative of *CPP Investments*. Much could be learned from such an initiative. Most importantly, it could point the way to realizing the vision Barton and Wiseman set out in their 2014 *HBR* article: “By accepting the opportunity and responsibility to be leaders who act in the best interest of individual savers, large asset owners can be a powerful force for instituting the kind of balanced, long-term capitalism that benefits everyone.”

In short, supporting the conduct of the proposed *PVC Study* offers large asset owners a unique opportunity to demonstrate the leadership Barton and Wiseman say is needed.¹

Keith Ambachtsheer

Endnotes:

- i. *Conducting such a PVC study would be a major undertaking. It would need the agreement and cooperation of CPP Investments. To be credible, its design would need considerable benchmarking expertise and its conduct independent professional oversight.*

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