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Madden details opportunities for higher, sustainable economic growth through voluntary, private sector initiatives. As to improved management, he analyzes both the difficulty in duplicating *lean principles* pioneered by Toyota and the related potential for sustained competitive advantage. As to improved *corporate governance*, he describes a novel approach for boards of directors to ensure that management follows a wealth creation path.

BARTLEY J. MADDEN is an independent researcher whose current focus is on market-based solutions to public policy issues, including FDA reform and corporate governance. In 1969, Madden cofounded Callard, Madden & Associates, where his research was instrumental in developing the CFROI (cash-flow-return-on-investment) valuation model that has become an integral part of the investment process for many large money management firms. He later managed portfolios for Harbor Capital Advisors. In the early 1990s, Madden joined HOLT Value Associates, a firm created to commercialize the CFROI valuation model worldwide. Madden retired in 2003 as a managing director of Credit Suisse, which acquired HOLT. He is the author of *CFROI Valuation: A Total System Approach to Valuing the Firm*.

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Praise for *WEALTH CREATION*

"Bart effectively illustrates that neither unprincipled opportunism nor endless regulation can lead to business success and societal well-being. Instead, such universal benefits can only derive from a relentless focus on creating real, long-term value."

—**CHARLES G. KOCH**, Chairman of the Board and CEO, Koch Industries, Inc.

"This book is for investors, but public policymakers take note. Its message for both is that wealth is created from within, not top down or outside in. For investors there are practical guidelines to identify firms early in their life cycle that demonstrate a high capacity for innovation and integrity, and that listen to and serve their customers. Policymakers must nurture this business environment for all to prosper."

—**VERNON L. SMITH**, Economic Science Institute, Chapman University, Nobel Laureate in Economics, 2002

"We use the life-cycle framework explained in Bart Madden's book as the linchpin for analyzing companies and diversifying clients' portfolios. Before voting for leaders in Washington, we should quiz them on how well they understand the principles laid out in *Wealth Creation*."

—**CHRISTOPHER C. FABER**, founder, IronBridge Capital Management, LP

"An imaginative [book] that integrates a dynamic approach to business systems with the fundamentals of wealth creation."

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"This enlightening book helps the reader understand what is needed to get a free market economy to function ideally, and identifies significant shortcomings in current arrangements. Particularly illuminating is the emphasis on an absence of incentives for management to focus on long-term performance of the firm, and the failure of directors to provide effective oversight."

—**WILLIAM J. BAUMOL**, author of *The Free-Market Innovation Machine: Analyzing the Growth Miracle of Capitalism*

"Madden's competitive life-cycle framework will provide insights that help forecast life-cycle patterns of economic returns that the firm will generate for its investors. I recommend this book to every long-term value investor."

—**RAVI JAGANNATHAN**, Chicago Mercantile Exchange/John F. Sander Professor of Finance, Kellogg School of Management, Northwestern University

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The *competitive life-cycle framework*—and its relation to stock valuation—is based on the premise that competition and capital flows operate over the longer term to force a firm's economic returns toward the cost of capital. In short, the pattern of a firm's economic returns and reinvestment rates reflects an unending struggle between managerial skill and competition over time. The life-cycle framework, as explained in this book, provides an insightful and intuitive way to understand levels and changes in stock prices over time. It is widely used by institutional money managers in order to make better investment decisions.

Throughout the book, the common thread is a *systems mindset* for understanding societal attitudes and institutions that hinder or promote wealth creation and the complex activities of business firms in efficiently meeting customer needs. Such a mindset focuses attention on the underlying processes and related incentives that drive the overall system results, and especially on the importance of continual firm-wide learning to improve those processes.

The life-cycle framework provides a unique lens for seeing through a firm's short-term financial results to better gauge likely long-term wealth creation or destruction. Company examples showcase the analytical usefulness of life-cycle track records and present a bottom-up view of how—in a free-market economy—customers, employees, and shareholders have mutual, long-term interests.

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