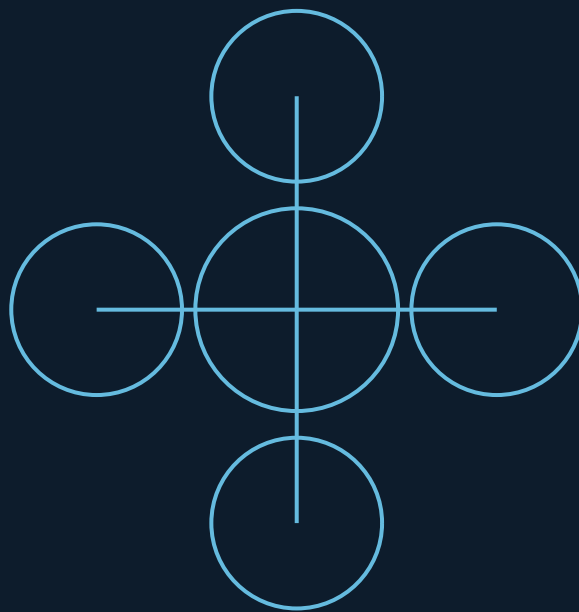


STRATEGIC REFLECTIONS ON THE CREATION AND DESTRUCTION OF VALUE IN CONTEMPORARY ORGANIZATIONS

An Executive-Academic Framework for Sustainable Value
Governance



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Aventura, Florida – 2025

Abstract This paper explores the systemic mechanisms through which organizations create and destroy value across economic, strategic, and institutional dimensions. Drawing from nearly three decades of executive leadership and academic engagement, it proposes an integrated framework for value governance that aligns profitability, purpose, and sustainability. Through nine thematic blocks, the work bridges theory and practice, offering tools and reflections for leaders navigating uncertainty, stakeholder complexity, and technological disruption.

Keywords: Strategic Value Creation · Value Destruction · Stakeholder Governance · Corporate Sustainability · Dynamic Capabilities · Integrated Reporting · Artificial Intelligence · Executive Leadership

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GENERAL INTRODUCTION

Nature and purpose of the document

This paper constitutes a **series of academic and strategic reflections** on the creation and destruction of value in contemporary organizations.

It does not aim to offer a universal model or a technical recipe, but rather a framework for thinking that integrates theory, executive experience, and critical analysis.

From both a conceptual and practical perspective, these reflections seek **to understand the mechanisms that drive or erode a company's ability to generate sustainable value**, preserving its legitimacy, coherence and purpose over time.

In this sense, the document combines the **rigor of academic analysis** with an **applied perspective on corporate leadership**, exploring how strategic decisions, capital structures, organizational culture, and technology—especially artificial intelligence—affect the intertemporal value of a company.

Context and relevance

In an environment characterized by technological disruption, pressure for immediate results, and growing demand for social responsibility, the notion of "value" has taken on a more complex meaning.

It's no longer enough to simply measure profitability: sustainability, reputation, ethics, and adaptability have become **inseparable components of competitive performance**.

However, many organizations continue to operate under **fragmented paradigms** or management models focused exclusively on financial indicators, leading to a **silent destruction of value**.

This destruction isn't always visible in financial statements, but it manifests itself in the loss of talent, cultural rigidity, technological obsolescence, and reputational erosion.

Faced with this, it is essential **to rethink the evaluation and management of value** from a systemic and intertemporal perspective, which allows us to identify not only what the company gains, but also what it loses in the process.

Focus and structure of the reflections

The document is organized into **nine interrelated thematic blocks**, which progress from theoretical foundations to practical value management tools:

1. **Strategic analysis paradigms.**
2. **Creation and destruction of value.**
3. **Stakeholder value and competitive sustainability.**
4. **Limitations of the Economic Value Added (EVA) model and contributions of the Integrated Reporting (IIRC).**
5. **Sources and structures of capital, and their strategic implications.**
6. **Organizational capabilities and institutional learning.**
7. **Artificial intelligence and corporate value.**
8. **Competitiveness assessment methodologies.**
9. **Integrated Value Management Model (IVMM) and practical recommendations.**

Each block combines **conceptual analysis, theoretical references and executive reflection**, with the purpose of identifying patterns, learnings and principles that can be transferred to management practice.

Logic and expected contributions

These reflections are based on the conviction that **value management is not a financial process, but rather an exercise in organizational awareness.**

The real challenge of contemporary leadership is not just generating results but understanding the **structural and ethical consequences of the decisions** that produce them.

The document seeks to contribute on three levels:

- **Academic:** integrating various theoretical currents of administration, institutional economics and sustainability.
- **Executive:** offering a conceptual and operational framework that guides decision-making based on traceability, learning, and accountability.
- **Reflective:** Promoting a culture of critical analysis within organizations, where each action is understood as part of an interdependent value system.

In short, this is a **reflective and applied work** aimed at understanding how companies can preserve their competitive capacity, avoid value destruction, and build sustainable legitimacy in increasingly uncertain environments.

Final consideration

These reflections should not be read as a conceptual closure, but as an invitation to conscious practice. Value, understood in its broadest sense, is not created in reports or balance sheets, but in the **daily decisions that reflect the balance between purpose, profitability, and sustainability.** Therefore, each section of the document should be viewed as a **contribution to contemporary management thinking**, open to evolution, debate, and contextual application.

Block I – Paradigms and Conceptual Models of Strategy

This block establishes the epistemological basis for the entire framework, explaining how management paradigms have evolved and how they influence how leaders interpret the creation or destruction of value.

1.1 General introduction to the notion of paradigm

The concept of *paradigm* was popularized by Thomas S. Kuhn (1962) in *The Structure of Scientific Revolutions*, where he defines it as the set of assumptions, beliefs, methods, and values that guide research and practice within a scientific community. In the field of management and strategy, the term has been adapted to describe **the cognitive, theoretical, and practical frameworks that guide decision-making and business policymaking** (Mintzberg, Ahlstrand, & Lampel, 1998).

Each paradigm offers a particular way of **conceiving the organization, the environment, and the nature of competitive advantage**. At the same time, it acts as a filter: it allows us to see certain phenomena and hides others. Consequently, the advancement of strategic thinking can be understood as a succession of **paradigmatic shifts**, where new ways of interpreting reality replace or complement previous ones, responding to technological, economic, and social transformations in the environment (Teece, 2014).

In practical terms, a paradigm defines what an organization considers *valuable, controllable, and measurable*. If leaders don't periodically review their own paradigms, they risk **optimizing outdated structures or chasing metrics that no longer reflect competitive reality**. This paradigm blindness is one of the most common causes of institutional value destruction.

1.2 Historical evolution of paradigms in administration and strategy

1.2.1 Classical or mechanistic paradigm

Derived from scientific management (Taylor, 1911) and Fayol's (1916) rationalist approach, this paradigm conceives the organization as an **optimizable machine**. Its objective is to maximize efficiency through standardization and hierarchical control.

Value is understood as **internal productivity**, and competitive advantage comes from operational discipline.

Although effective in stable contexts, this model is rigid in the face of change and tends to **destroy intangible value**, especially creativity, innovation and adaptability (Burns & Stalker, 1961).

1.2.2 Structural-competitive paradigm

With the work of Michael Porter (1980, 1985), strategy takes a more analytical and external approach.

The company is no longer conceived solely as an internal system, but as **an actor in an industry structure**, where profitability depends on relative power vis-à-vis customers, suppliers, competitors and substitutes.

Here, value is created **through positioning**, that is, occupying market spaces where competitive forces are favorable.

This paradigm introduced rigor and method, but its focus on structure can generate **contextual myopia**, assuming relatively stable environments and underestimating disruptive innovation (Christensen, 1997).

1.2.3 Resources and capabilities paradigm

In reaction to the structural approach, the *Resource-Based View* (RBV) of Barney (1991) and Wernerfelt (1984) moves the analysis towards the interior of the organization.

Sustainable value comes from **unique**, valuable, rare, inimitable and organizationally exploitable (VRIO) resources and competencies.

This paradigm lays the foundation for understanding **value creation as a function of internal capabilities**, rather than external structure.

Its limitation lies in the fact that it can **overvalue existing assets** and underestimate the speed with which the environment changes its relevance.

1.2.4 Dynamic and evolutionary paradigm

Teece, Pisano and Shuen (1997) developed the **dynamic capabilities** approach, according to which competitive advantage does not come from the resources that are possessed, but from the **ability to renew, recombine and reconfigure them** in the face of change.

Here, value is created through *sensing, seizing, and transforming*: detecting opportunities, capturing them, and transforming the organization to sustain them.

This paradigm introduces the concept of **organizational learning as a source of sustainable value**, anticipating the importance of innovation and adaptability in turbulent environments.

1.2.5 Systemic and integrative paradigm

Since the 2000s, the strategy has evolved towards a **holistic view of complex systems**.

Models like the *Balanced Scorecard* (Kaplan & Norton, 1996), the *Triple Bottom Line* (Elkington, 1997) and the *Integrated Reporting Framework* (IIRC, 2013) recognize that value creation depends on **multiple interactions between financial, human, relational, intellectual and natural capitals**.

The organization is interpreted as an ecosystem where sustainability and social legitimacy are inseparable components of financial performance.

1.2.6 Cognitive-digital paradigm

In the last decade, technological disruption, artificial intelligence and data analytics have given rise to a cognitive paradigm: the company as **an intelligent, continuous learning system** (Brynjolfsson & McAfee, 2017).

Here, value is measured in terms of the ability to **process information, anticipate patterns, and adapt decisions in real time**. AI not only automates processes, but also redefines the very function of strategic thinking, creating a new frontier between human, collective, and artificial intelligence.

1.3 Personal and organizational paradigms

Beyond theoretical models, everyone within an organization operates under **personal paradigms** — mental structures built by their experience, training, and functional role (Senge, 1990).

A CFO tends to prioritize control and efficiency; a CMO, differentiation and perception; a COO, standardization and operational flow; and a CEO, the balance between them all. These approaches are not contradictory, but they are partial: **when not integrated, they generate cognitive fragmentation**.

Therefore, strategic functions (General Management, Strategy, Corporate Planning or Presidency) require developing a **transversal and reflective vision**, capable of **integrating different mental frameworks into a coherent synthesis**.

In practice, leadership must act as a **paradigm architect**, promoting critical review of dominant assumptions and fostering cognitive diversity in decision-making.

A mature organization is not one that adopts a single paradigm, but one that **learns to move between them according to the conditions of the environment**.

1.4 The need for a holistic approach in senior management

CEOs, board chairs, and strategic directors face a paradox: they must make decisions in contexts of high uncertainty, where available theories are incomplete and data are partial.

Hence the importance of **holistic thinking**: the ability to combine analysis, intuition, ethics and continuous learning.

Effective strategic leadership consists of **maintaining productive tension between models**, using each paradigm as a lens and not as dogma.

Creating sustainable value doesn't come from applying one model, but from understanding the limitations of all models and learning to navigate between them.

1.5 Conclusion of Block I

Contemporary strategic thinking demands recognizing that every model is a simplification. Paradigms are useful if they serve to interpret reality, but they become dangerous when they are confused with it.

The modern manager must operate as a **scientist-practitioner**, combining analytical rigor with epistemological reflection. This paradigmatic awareness constitutes the first step toward building a **truly integrated value governance system**, capable of measuring, learning, and adapting without destroying the core.

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Block II – Creation and Destruction of Value: Strategic and Organizational Foundations

This block constitutes the core of thinking on **value creation and destruction**, integrating the strategic, financial, organizational, and epistemological approaches that we have worked on.

2.1 Introduction: Value as the axis of the business system

The modern company is immersed in an environment where the creation or destruction of value is **the ultimate criterion of legitimacy and sustainability**.

Beyond accounting or stock market results, value should be understood as the **structural capacity of an organization to maintain its competitiveness, resilience and social relevance over time** (Porter & Kramer, 2011).

Value, in a broad sense, is an intertemporal construction that articulates three dimensions:

1. **Economic-financial:** profitability, cash flow, cost of capital, return on assets.
2. **Organizational-strategic:** positioning, innovation, reputation, dynamic capabilities.
3. **Social-institutional:** legitimacy, sustainability, relationship with stakeholders and environment.

When a company focuses its decisions exclusively on the first dimension, **it tends to destroy the other two**, thus compromising its future. The contemporary challenge is to manage value as **an integrated system**, not as a partial result.

2.2 Value creation as a systemic process

2.2.1 From profit maximization to the design of value ecosystems

For much of the 20th century, neoclassical economic theory defined the purpose of the firm as **maximizing shareholder profit** (Friedman, 1970).

This approach, while functional in stable environments, is insufficient in complex systems where businesses depend on multiple actors, regulations, and social expectations.

Today it is recognized that **value creation is a systemic phenomenon**, the result of interactions between the company and its network of stakeholders (Freeman, 2010).

In this new framework:

- The customer **co-creates value** through their experience and feedback.
- The employee **generates cognitive and emotional value** through his or her commitment.
- Suppliers **bring innovation and resilience** to the supply chain.
- The community and the environment **grant legitimacy and license to operate**.

Therefore, sustainable value arises from the **dynamic balance** between different capitals: financial, human, intellectual, relational, natural, and ethical. Strategy must be geared toward **preserving and enhancing** this balance.

2.2.2 The destruction of value: mechanisms and symptoms

Value destruction does not always manifest itself immediately; it often **silently incubates within structures, processes, or decisions**.

Its mechanisms can be classified into three levels:

1. **Strategic-structural:**
 - Loss of competitive focus.
 - Inconsistency between purpose, structure and market.
 - Poorly found expansions or mergers.

2. Organizational-cultural:

- Critical talent rotation.
- Culture is based on control and fear, not learning.
- Lack of alignment between incentives and strategy.

3. Operational-financial:

- Extreme short-termism.
- Cost reduction at the expense of essential capabilities.
- Deterioration of margins due to price wars or poor investment decisions.
-

These factors can coexist without senior management realizing it, especially in environments where **information is fragmented and the organization lacks a historical learning log or system.**

Therefore, value management requires institutionalizing **mechanisms for observation, measurement and continuous review.**

2.3 Interdependent dimensions of value

The value is composed of **three intertwined layers**, which act on different time horizons:

Dimension	Horizon	Creation mechanism	Risk of destruction
Financial	Short term	Efficiency, profitability, cash flow	Short-termism, speculation
Competitive / Strategic	Medium term	Positioning, innovation, differentiation	Rigidity, obsolescence
Organizational / Sustainable	Long term	Culture, reputation, learning, ethics	Cultural attrition, loss of legitimacy

The mature company manages these three dimensions in an integrated manner. When the system becomes unbalanced—for example, prioritizing immediate profitability over innovation or human development—total value is eroded, even if financial indicators remain positive. This phenomenon explains why many corporations **structurally decline years after their all-time highs**: the destruction of intangible value precedes the economic downturn.

2.4 Organizational learning as a driver of value

Peter Senge (1990) proposed that successful organizations are those that **learn faster than their environment.**

Learning is the bridge between the past (experience), the present (decision), and the future (adaptation). However, institutional learning requires overcoming three obstacles:

1. **Structural forgetting:** knowledge loss with leadership changes.
2. **Paradigmatic blindness:** repeating mental models without questioning them.
3. **Success bias:** attributing positive results to correct decisions, without analyzing external variables.

Companies that develop **institutional memory systems**—such as the value log—can distinguish between luck and strategy, avoiding repeating mistakes and replicating successful patterns. Learning thus becomes a **cumulative strategic asset** and a source of competitive advantage (Nonaka & Takeuchi, 1995).

2.5 The role of time: instantaneous value vs. intertemporal value

One of the central dilemmas of management is the conflict between **immediate value** and **sustainable value.**

Pressure from financial markets or political cycles tends to shorten the decision-making horizon, favoring quick-result strategies (Jensen, 2001).

However, truly strategic value is measured in **intertemporal coherence**: the ability to maintain competitive performance without deteriorating the fundamentals of the system.

Teece (2014) argues that sustainable advantage comes from **dynamic capabilities**, not static outcomes.

A company destroys value when it converts its own success into rigidity, unable to evolve at the pace of its environment. Therefore, time must be understood as **a structural variable of value**: what generates profits today may cause decline tomorrow if the business model is not renewed.

2.6 Measurement, perception and epistemology of value

The measurement of value faces an epistemological problem: **only what is considered important is measured**, and only what the dominant paradigm allows us to see is considered important.

Hence the three basic principles of value governance:

1. *You can't control what you can't measure.*
2. *You can't measure what you don't know is important to measure.*
3. *No model fully reflects reality: every framework is a simplification.*

These principles reveal the need for **adaptive observation models**, capable of incorporating new variables as they emerge.

Value is not a given, but a process of collective interpretation. Therefore, value governance involves not only establishing metrics but also **continually reviewing measurement criteria**, integrating previously invisible dimensions (reputation, trust, culture, legitimacy).

2.7 The destruction of value as a lack of organizational awareness

Destruction of value is usually the result of **unconscious decisions or omissions**, rather than deliberate errors.

Among the most frequent factors are:

- Lack of traceability of decisions.
- Lack of knowledge of side effects.
- Lack of institutionalization of reflection.
- Incentives are misaligned with organizational purpose.
- Excessive delegation without organizational learning.

In the absence of a **structured decision log**, organizations tend to repeat error cycles and lose their ability to learn. Hence the importance of **institutionalizing an observation and recording system** that transforms experience into collective intelligence and reduces organizational entropy.

2.8 The relationship between control, measurement and governance

Strategic control is not about restriction but about **providing informed direction**. An effective control system should not limit innovation but rather ensure that efforts contribute to net value creation.

Value governance requires three interdependent components:

1. **Reference model** (paradigm): defines what is considered success.
2. **Measurement system** (indicators): translates the model into evidence.

3. **Learning mechanism** (log): compares expectations with reality and corrects assumptions.

When these three components operate coherently, the organization becomes **self-correct and evolutionary**, capable of preserving its competitive relevance over the long term.

2.9 Value creation as social learning

Value creation occurs not only within the company, but also in the network of relationships where it operates.

Stakeholders function as **external sources of knowledge and legitimacy**. Listening, engaging in dialogue, and adapting the strategy to their expectations strengthens institutional resilience and reduces the likelihood of conflict.

From this perspective, **creating value also involves social learning**, integrating diverse perspectives, and maintaining a balance between economic efficiency and systemic responsibility. Sustainable value emerges when a company **aligns its internal incentives with the values of the society in which it operates**.

2.10 Conclusion of Block II

The creation or destruction of value depends not only on visible results, but also on the way the organization **thinks, learns and decides**.

Value is a systemic, intertemporal and relational phenomenon.

A company creates value when:

- Understand your environment and your own paradigmatic limitations.
- It learns institutionally from its past decisions.
- Measure what really matters, not just what's easy to measure.
- Balances profitability, purpose and sustainability.
- Develops governance structures and organizational memory.
-

The destruction of value, on the other hand, arises from strategic unconsciousness, short-termism, and the loss of coherence between purpose and action.

The next block will delve into **stakeholder value creation** and **how competitive sustainability requires generating tangible benefits for all actors in the system**.

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Block III – Creating Value for Stakeholders and Competitive Sustainability

This block directly connects the notion of systemic value with competitive sustainability and corporate legitimacy, integrating the stakeholder perspective as the core of strategic value.

3.1 Introduction: From shareholder value to shared value

For much of the 20th century, the dominant paradigm in business management was that of **shareholder value maximization**, formulated in explicit terms by Milton Friedman (1970).

Under this vision, the company was conceived as an economic instrument whose primary duty was to increase the profits of its owners within the framework of the law and the market.

The agency problem, identified by Jensen and Meckling (1976), reinforced this logic by suggesting that managers should be monitored to ensure they act in the interests of shareholders. However, the development of stakeholder theories (Freeman, 1984), corporate sustainability, and institutional economics revealed a broader truth: **a firm that ignores other actors in the system ends up destroying the very value it seeks to maximize.**

Reputational collapse, regulatory sanctions, loss of talent, or social distrust are visible mechanisms of this destruction. The new paradigm, described by Porter and Kramer (2011) as *Creating Shared Value* (CSV) proposes that companies can only sustain their competitiveness if they generate **economic value that simultaneously provides social value.**

In other words, creating authentic value requires **balancing profitability, legitimacy, and sustainability.**

3.2 The company as a system of relationships

Stakeholder theory views the company as an **interdependent system of relationships** between different groups that influence or are influenced by its activities.

These stakeholders include shareholders, employees, customers, suppliers, regulators, communities, competitors, civil society, and the environment.

Each has **specific expectations, rights and resources** that affect the company's ability to create or maintain value (Donaldson & Preston, 1995).

This relational view implies that the success of the organization depends on its ability to:

1. **Understand the needs and expectations of each group.**
2. **Align internal incentives with collective well-being.**
3. **Turning conflicts of interest into opportunities for cooperation.**

In this way, strategy ceases to be a zero-sum competition and becomes a **process of value orchestration**: coordinating resources and expectations in a dynamic equilibrium that reinforces the sustainability of the system.

3.3 Types of value and their interconnection

The value created for stakeholders can be classified into several interdependent categories:

Type of Value	Description	Relationship with Sustainability
Economic	Generation of profitability, liquidity and growth.	Fundamental to financial viability.
Competitive	Strategic positioning, innovation, differentiation.	Ensures survival against rivals.
Social	Positive impact on employment, inclusion, community.	It strengthens social and reputational legitimacy.
Environmental	Protection and regeneration of natural resources.	Ensure operational continuity and social license.
Cultural / Organizational	Identity, values, commitment and learning.	Determines the capacity for adaptation and cohesion.

A mature organization doesn't choose between these types of value; **it integrates them into a coherent equation.**

Each decision must be evaluated based on its combined impact on these dimensions. Otherwise, a gain in one can mean destruction in another, for example, economic profitability at the expense of human or environmental capital—which ultimately undermines overall competitiveness.

3.4 Internal and external stakeholders: two levels of value

a) Internal stakeholders

They include employees, directors, shareholders and, in general, all those involved in corporate management and governance.

The value for this group is generated by:

- **Fair wages and benefits**, linked to actual performance.
- **Opportunities for development and learning.**
- **Inclusive and ethical organizational culture.**
- **Transparency in communication and decision-making.**

When a company sacrifices internal well-being for short-term efficiency, **it erodes its capacity for innovation and commitment**, destroying long-term value.

b) External stakeholders

These include customers, suppliers, communities, regulators, and society at large. Value for them is realized in:

- **Quality and safety of products or services.**
- **Fair and stable trade relations.**
- **Contribution to local development and regulatory compliance.**
- **Minimization of negative externalities.**

A company that builds trust with its external stakeholders gains **reputational advantages and institutional resilience**, which translates into lower risk and greater value stability.

3.5 The principle of reciprocity of value

Sustainable value is governed by a principle of reciprocity:

An organization can only capture value if it simultaneously creates value for its environment.

This principle has direct implications:

- **Economic:** Customer loyalty, employee productivity, and supplier cooperation depend on the perception of fairness.

- **Reputational:** Trust reduces transaction costs and strengthens institutional legitimacy.
- **Strategic:** Collaborative ecosystems generate collective innovation and stronger barriers to entry.

When this reciprocity is broken—through abuse of power, opacity, or social indifference, the system becomes unsustainable, even if financial indicators remain positive in the short term.

3.6 Integration with the six capitals model (IIRC, 2013)

The *International Integrated Reporting Framework* (IIRC, 2013) establishes that the value created by an organization depends on its ability to **transform six types of capital**:

1. **Financial:** available funds, cash flow, access to credit.
2. **Manufacturing:** physical and technological infrastructure.
3. **Intellectual:** knowledge, intellectual property, innovation.
4. **Human:** talent, skills, leadership, culture.
5. **Social and Relational:** reputation, trust, collaboration networks.
6. **Natural:** ecological resources, energy, water, biodiversity.

The model emphasizes interdependence: damaging one capital to strengthen another **does not create net value but** rather redistributes or destroys future potential. Thus, value creation requires governing **the flow between capitals**, ensuring their regeneration and sustainable conversion.

3.7 Competitive sustainability as a dynamic equilibrium

Sustainability should not be interpreted as a static state, but as **the dynamic capacity to maintain balance between the different capitals and expectations of stakeholders**.

A company is sustainable when it can **adapt without compromising the integrity of its purpose or the foundations of the system that supports it** (Elkington, 1997).

The concept of the “triple bottom line” —economic, social, and environmental—offers a basic framework, but practice demands going further:

- **Integrate sustainability into core strategy**, not as a separate function.
- **Measure it using mixed indicators** (financial and non-financial).
- **Align it with incentive systems and corporate governance**.

Competitive sustainability is not a cost; it's an advanced form of risk management and legitimacy building.

In global markets, where intangibles represent more than 80% of the market value of companies (Ocean Tomo, 2020), **reputation, trust and ethical compliance are the most difficult assets to recover once destroyed**.

3.8 Leadership and the Ethics of Shared Value

The role of the CEO and the board of directors is **to ensure that value creation occurs within ethical, institutional and sustainable boundaries**.

This involves adopting a vision that combines:

- **Economic rationality:** efficient use of capital and return on investment.
- **Ethical rationality:** respect for people and the environment.
- **Systemic rationality:** understanding the company as a node in a broader network.

Ethical leadership is not a moral choice, but a strategic condition. Organizations that integrate ethics and purpose into their management achieve **better long-term financial performance** because they reduce risks and strengthen trust (Eccles, Ioannou & Serafeim, 2014).

3.9 Shared value as the core of competitive strategy

Creating Approach Shared Porter and Kramer's (2011) Value Chain (CSV) redefines competitiveness as **the ability to solve social problems through profitable business models.**

Under this logic:

- Unmet social needs are **opportunities for innovation and markets.**
- Social inefficiencies (health, education, inclusion) generate **indirect business costs** that can be transformed into advantages if addressed strategically.
- Integrating stakeholders into the value chain improves productivity, stability, and reputation.

CSV doesn't replace profit but rather **redefines it to achieve a greater purpose.** The challenge is to institutionalize it through metrics, processes, and consistent leadership, avoiding the cosmetic practices of social responsibility.

3.10 Conclusion of Block III

Creating sustainable value requires understanding that **stakeholders are not external, but rather constitutive of the value system itself.**

The company does not exist apart from its environment; its co-constructs it. Therefore:

- Economic value without social legitimacy is unsustainable.
- Reputation without profitability is unviable.
- Sustainability without competitiveness is transitory.
-

True leadership consists of **harmonizing these three logics—economic, social, and ecological—**within a coherent strategic vision.

The next section will delve into the **limitations of the Economic Value Added (EVA) model** and how integrated reporting frameworks can overcome the fragmented view of corporate performance.

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Integrated Approach Reporting Framework (IIRC, 2013)

This block examines the epistemological, technical and strategic deficiencies of EVA, its relationship with the creation or destruction of value, and proposes a conceptual expansion through the integrated reporting framework.

4.1 Introduction

The *Economic Value Added* (EVA, *Economic Value Added*) was conceived in the 1980s by the firm Stern Stewart & Co. as a tool to measure value creation from a pure financial perspective. It is defined as net operating profit after taxes, less than the total cost of capital (Stewart, 1991). Its logic is simple: a company creates value only if it generates a return greater than the cost of the resources it employs.

Although EVA represented a breakthrough in aligning operating performance with return on invested capital, its use as a **sole indicator of value creation** has significant limitations.

These limitations arise from both its quantitative nature and its implicit assumptions about the functioning of the company and its environment.

Consequently, EVA can **hide real dynamics of value creation or destruction**, especially in complex and long-term contexts.

4.2 Structural limitations of the EVA model

4.2.1 Reductionist view of value

EVA is based on the classic financial paradigm, in which value is associated exclusively with the return on capital. However, in practice, value creation depends on the **interaction between multiple forms of capital** (human, intellectual, relational, social, natural), which are not easily quantifiable and are not always reflected in accounting statements (IIRC, 2013).

For example, the loss of key talent, an eroded reputation, or a lack of innovation can destroy future value without initially affecting EVA. In the words of Kaplan and Norton (2004), "what doesn't get measured, doesn't get managed." The problem is that EVA measures only a fraction of the real phenomenon, leading to a **partial management of corporate value**.

4.2.2 Lack of explanatory capacity and strategic causality

EVA **describes an outcome** but does not explain the causes that generate it. It does not distinguish between:

- Organic growth or through temporary market expansion.
- Genuine productivity improvements or temporary cost reductions.
- Effects of correct strategic decisions or the macroeconomic environment.

Thus, there may be **apparent EVA creation** derived from external factors (e.g., commodity prices, interest rates or exchange rates) while the organization destroys structural capabilities or internal reputation.

4.2.3 Invisibility of market share and competitive position

EVA focuses on internal results, without capturing the **dynamics of competitive position**. A company can increase its EVA by reducing investment in marketing, innovation, or customer service, but at the cost of losing market share in the future.

In this sense, the model fails to integrate variables such as:

- The evolution of *market share*.
- The elasticity of demand to price changes.
- Relative positioning compared to competitors.
- The value perceived by customers.

Without these dimensions, EVA runs the risk of **rewarding decisions that improve the financial present but deteriorate the strategic future**.

4.2.4 Lack of historical traceability and decision log

Most organizations **do not systematically document the evolution of their strategic decisions**.

This prevents past decisions from being correlated with current outcomes, separating learning from control. Consequently:

- It is impossible to distinguish how much of the value created or destroyed comes from correct decisions or from the context.
- Causal links between events (e.g., between changes in leadership and changes in profitability) are lost.
- Mistakes are repeated and successes are not replicated.

Without an **executive value management log**, EVA becomes a decontextualized measure, useful for reporting but insufficient for management.

4.2.5 Difficulty in separating growth sources

EVA doesn't differentiate between **sources of growth**. This omission is critical, since not all growth represents sustainable value creation.

We can distinguish at least four components that EVA does not explicitly capture:

1. **Organic growth (through increased share).**
Measures competitive effectiveness and customer loyalty.
2. **Market momentum growth.** Reflects exogenous trends, not internal management.
3. **Growth through indicator manipulation.**
Investment reductions or maintenance to show short-term results.
4. **Apparent growth due to inflation or accounting effects.**
Numerical improvement with no real correlation to productivity.

By not discriminating against these factors, EVA **confuses operational success with strategic success**, encouraging the illusion of value.

4.2.6 Lack of transversal and systemic comparability

EVA allows comparisons between business units within a corporation, but **does not facilitate comparisons across industries, regions, or organizational structures**.

Accounting adjustment criteria and the cost of capital vary widely, making it difficult to establish a

universal value creation metric. Furthermore, EVA **does not incorporate interaction with regulators, institutions, or industry ecosystems**, elements that today are considered determinants of real value.

4.2.7 Cognitive fragility and interpretation biases

The human mind has limitations in processing systemic complexity (Kahneman, 2011). When executives blindly rely on financial indicators, they tend to **confuse precision with truth**. A number can be exact and yet not represent reality.

Management based exclusively on EVA reinforces this simplification bias, replacing strategic understanding with quantitative metrics, and weakening organizational intelligence.

4.2.8 Complexity in multi-level corporate structures

When a corporation operates multiple subsidiaries or verticals, value-added analysis becomes **exponentially more complex**.

Each unit can generate positive EVA individually and yet destroy value at the consolidated level (through cost duplication, strategic conflicts or cannibalization).

Without an integrated monitoring system, **corporate EVA hides internal value transfer dynamics** between subsidiaries, regions, or divisions.

4.3 Towards an expanded value measurement model

Recognition of these limitations has prompted the development of complementary frameworks, including the *Balanced Scorecard* (Kaplan & Norton, 1996), the *Triple Bottom Line* (Elkington, 1997) and, more recently, the *Integrated IIRC Reporting Framework* (2013).

These models propose a more comprehensive approach, incorporating **qualitative, temporal and systemic dimensions** of value.

4.4 The Integrated approach Reporting Framework (IIRC, 2013)

4.4.1 Fundamental principles

The *International Integrated Reporting Framework* is based on the idea that value creation should be understood as a **process of capital transformation** over time. It's not just about how much financial value is generated, but also **how the resources that support business activity are used, combined, and regenerated**.

The model is structured around six capitals:

1. Financial.
2. Manufactured.
3. Intellectual.
4. Human.
5. Social and Relational.
6. Natural.

The objective of the IIRC is to connect **strategy, governance, performance and prospects**, providing a coherent narrative that allows for understanding how the organization creates value in the short, medium and long term.

4.4.2 Extended causality approach

The IIRC framework introduces the concept of *connectivity of information*, which involves **understanding the causal relationships between inputs, activities, outcomes, and effects**. Unlike EVA, which measures a single outcome, the integrated approach tracks the **value creation process**, including:

- How different capitals are combined.
- What decisions strengthen or weaken them.
- How positive or negative externalities impact future sustainability.

In this way, the integrated report becomes a **tool for strategic learning**, not just for accountability.

4.4.3 Incorporating time and sustainability

While EVA is essentially a static measure, IIRC emphasizes **time as a structural dimension of value**.

Recognizes that sustainability requires a balance between:

- **Short term (profitability).**
- **Medium term (competitiveness).**
- **Long term (legitimacy and continuity).**

The purpose of the model is to ensure that present decisions **do not compromise the future capacity to create value**, either economically or socially.

4.4.4 Governance, ethics and transparency

The IIRC places **value governance** at the heart of the corporate process. It incorporates accountability and transparency as inseparable components of value creation.

A company that generates profits by destroying its environment or violating ethical principles **is not creating value but rather passing on costs to society**.

Therefore, authentic value is defined not only by its magnitude, but by its **moral quality and institutional sustainability** (Eccles & Krzus, 2018).

4.4.5 Relationship with the executive log

The integrated approach is naturally complemented by the **Executive Value Management Log**, a tool that allows decisions to be recorded, impacts to be assessed, and organizational learning to be derived. The IIRC provides the conceptual framework; the log provides the operating system. Together, they form a **mechanism for knowledge, governance and value preservation**.

4.5 Towards a comprehensive and adaptive measurement model

Overcoming the limitations of EVA requires a hybrid model that combines:

1. **Quantitative rigor** (EVA, ROIC, ROI, cash flow).
2. **Qualitative interpretation** (human capital, reputation, innovation).
3. **Organizational memory** (decision log).
4. **Intertemporal and systemic perspective** (IIRC, sustainability, ethics).

The following table summarizes this conceptual convergence:

Dimension	Traditional EVA	Integrated Model (IIRC + Log)
Approach	Financial, internal	Multicapital, systemic and relational
Horizon	Short term	Intertemporal
Purpose	Profitability	Sustainability and legitimacy
Measurement	Accounting indicators	Mixed indicators (quantitative and qualitative)
Governance	Financial control	Strategic learning
Main risk	Short-termism, myopia	Complexity and requirement of institutional maturity

4.6 Conclusion of Block IV

The EVA model was a historic breakthrough in financial performance management, but today it is **insufficient to represent real value creation** in complex organizations.

Its limitations —reductionism, lack of causality, and the invisibility of intangibles and time— demand an evolution toward integrated, **inter-capital, and learning-based models**.

The Integrated Reporting Framework developed by the IIRC (2013) offers broader vision: it integrates sustainability, governance, and purpose, enabling the company not only to measure how much value it creates, but also **how and for whom it does so**.

The next block will delve into **the types of capital and corporate structures**, their influence on value horizons, and the short-term biases that influence executive decisions.

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Block V – Types and Sources of Capital, Corporate Structures and Value Horizons

This block connects capital and ownership structures with the dynamics of value creation or destruction, analyzing how financing sources, investment horizons, and institutional biases influence executive performance and the strategic sustainability of organizations.

5.1 General introduction

Capital constitutes the economic and symbolic foundation upon which a company is built. Its nature, origin, and structure largely determine the **incentives, horizons, and strategic behaviors** of corporate actors.

Consequently, the creation or destruction of value cannot be analyzed in isolation from the type of capital that sustains the organization, nor from the way in which that capital is structured and governed.

Value does not arise in a vacuum: it depends on **the alignment between the business purpose, the sources of capital, and the governance mechanisms** that channel its use.

5.2 Types of capital in the corporate economy

In line with the *Integrated Reporting Framework* (IIRC, 2013) and the theory of multiple capitals, we can distinguish six types of capital whose interaction defines the ability to create or preserve value:

1. **Financial capital:** available monetary resources (own or others) that allow for operation, investment and growth.
2. **Manufactured capital:** physical infrastructure, production technology, equipment and logistics.
3. **Intellectual capital:** knowledge, intellectual property, innovation, systems and processes.
4. **Human capital:** skills, leadership, culture, commitment and learning capacity.
5. **Social and relational capital:** trust, reputation, institutional networks, alliances and legitimacy.
6. **Natural capital:** environmental resources used or affected by the operation (water, energy, soil, biodiversity).

Sustainable value creation requires **a dynamic balance between these capitals**. When one is damaged to benefit another (e.g., degrading human capital to reduce financial costs), **net value destruction** occurs.

5.3 Sources of capital and their strategic influence

5.3.1 Private and commercial banking

Traditional banking provides credit based on solvency and risk criteria. Its horizon is typically **short to medium term**, and its priority is repayment security. Therefore, **it encourages conservative behavior**, prioritizing liquidity and compliance over innovation.

Highly leveraged companies tend to limit their ability to invest in disruptive projects, which can lead to rigidity and a loss of long-term **competitiveness**.

5.3.2 Investment banking

It raises capital through debt or equity issues in public markets. It seeks **risk- and liquidity-adjusted returns**, measuring performance with market metrics.

While it encourages discipline and transparency, **it introduces pressure for quarterly results**, which favors short-term decisions (Jensen, 2001). Public exposure generates accountability, but also vulnerability to speculative expectations.

5.3.3 Family offices and family capital

Family capital tends to have **a heritage and legacy perspective**, with intergenerational horizons. It favors the preservation of control, cultural identity, and reputation. However, it can incur **emotional biases or resistance to change**, hindering professionalization or generational succession (Gersick et al., 1997).

Its strength lies in **investor patience** and cohesion of purpose; its risk lies in its lack of market discipline.

5.3.4 Private equity

Private *Equity* (PE) represents one of the most influential sources of capital in today's corporate world.

Its logic combines financial capital with strategic support, aimed at **maximizing the company's value over a given horizon (usually 4 to 7 years)** through a structured value creation process.

a) Value creation process in Private Equity

1. **Acquisition / Entry:** selection of a company with potential for operational improvement, undervaluation or synergies.
2. **Professionalization:** strengthening governance, establishing KPIs, cost control, and financial reporting.
3. **Growth:** Organic expansion and *bolt-on acquisitions* that increase market share or diversify portfolios.
4. **Capital optimization:** refinancing, reducing the cost of debt, and improving free cash flow.
5. **Exit:** strategic sale or IPO, seeking higher multiples (8–10x EBITDA typically).

b) Risks and “Don’ts” of the PE model

- **Structural short-termism:** Pressure to meet exit deadlines can lead to excessive cuts or overexploitation of assets.
- **Misalignment with local culture:** imposition of financial practices without adaptation to the context.
- **Premature divestment:** selling before consolidating internal capabilities.
- **False efficiency:** accounting improvements that do not represent real value creation (e.g., sales and *leaseback* without productive synergy).

c) Good practices and “Do’s”

- Building value **from operations**, not just from financial engineering.
- Strengthen **dynamic capabilities** and professional governance.
- Design **post-exit succession or continuity plans** that avoid value destruction.
- Adopt **sustainability and ESG metrics** to increase the fund's exit multiple and reputation.

In short, PE can be an extraordinary value catalyst if it combines financial discipline with long-term strategic vision; otherwise, it can become a **value extraction mechanism**.

5.3.5 Angel capital and venture capital

Venture capital is oriented toward innovation and extreme risk. Its horizon is **high growth and rapid scalability**, with asymmetric returns (one success for every 10 investments).

Although it drives innovation, its logic can lead to **short-lived value creation** if the company doesn't consolidate its financial or market fundamentals. In technology sectors, this leads to *inflated valuations* that are then drastically corrected.

5.4 Corporate structures and value horizons

Ownership structures determine **decision-making, accountability, and the time horizon** of value.

Type of Structure	Characteristics	Horizon	Risks
Family business	Concentrated control, identity values, patient capital.	Long term	Nepotism, resistance to change.
Global corporation (public in capital markets)	Dispersed ownership, professional management, regulated reporting.	Short-medium term	Quarter pressure, financial short-termism.
Diversified private company	Less public scrutiny, greater strategic flexibility.	Medium term	Lack of transparency, agency risk.
Company with state participation (Latin America)	Partial or total ownership by the State, political and social orientation.	Long-term institutional	Inefficiency, political interference.
Public company (USA definition)	Issuance of shares on open markets, mandatory transparency.	Short-medium term	Dependence on market expectations.
Startup or spin-off	Innovation and risk, agile culture, accelerated growth.	Short-medium	Financial fragility, volatility.

Conceptual note:

In Latin America, a *public company* typically refers to one with state participation; in the United States, the term refers to publicly traded companies. This semantic difference is crucial when analyzing value structures and governance.

5.5 Short-term biases and their effects on sustainability

Short-termism is one of the main sources of structural value destruction.

Its origin varies according to the source of capital:

- **Commercial banking:** repayment pressure and financial covenants.
- **Public markets:** pressure from quarterly results and analyst expectations.
- **Private equity:** finite horizon of funds (lifespan of 7–10 years).
- **Family businesses:** tendency to preserve control or immediate dividends.
- **State:** political cycles and instrumental use of public companies.
-

The consequences include:

- Underinvestment in R&D and talent.
- Decisions oriented towards accounting indicators rather than strategy.
- Deterioration of culture and loss of institutional legitimacy.

Avoiding this bias requires **aligning capital structures with coherent strategic horizons, designing governance mechanisms that reward sustainability, and building** intertemporal value measurement systems (e.g., *Total Shareholder Return* adjusted for ESG impact or intellectual capital creation).

5.6 Elements of value measurement according to type of capital

Each type of capital and organizational structure requires **different indicators** to measure value creation:

Dimension	Key Indicators	Nature of Value
Financial	ROIC, EVA, free cash flow, leverage.	Profitability and efficiency.
Human	Rotation, climate, productivity, training.	Skills and commitment.
Intellectual	Patents, know-how, digitalization, innovation.	Differentiation and competitive advantage.
Social and relational	Reputation, trust, alliances, customer satisfaction.	Legitimacy and sustainability.
Natural	Carbon footprint, water and energy use.	Environmental responsibility.
Institutional / Ethical	Compliance, governance, transparency.	Reputational risk and continuity.

Measuring value involves building **interaction matrices** between these capitals: a financial improvement that degrades reputation or culture is not net value creation.

5.7 Recommendations according to source and capital structure

From the perspective of the controlling group:

1. Clearly define the **economic and non-economic purpose** of capital (profitability, legacy, social development, innovation).
2. Design a **corporate governance structure** consistent with this purpose.
3. Aligning incentives and deadlines with the real value horizon.
4. Incorporate intertemporal and multi-capital metrics.
5. Maintain analytical independence from market or political pressures.

From the perspective of the executive in charge:

1. Understand the **incentives and expectations of the capital** that finances the company.
2. Balancing immediate financial results with structural capacity building.
3. Document critical decisions in the **value management log** to avoid loss of institutional memory.
4. Prioritize investments that strengthen human, intellectual, and relational capital.
5. Transparently communicate the short- and long-term impacts of each decision.

5.8 “Workarounds”, processes and sustainability

In environments of financial or bureaucratic restriction, organizations frequently resort to improvised solutions to circumvent structural or regulatory limitations (Alter, 2014).

Although useful temporarily, *workarounds* tend to:

- Erode standardization and process control.
- Generate dependence on informal practices.
- Destroy intangible value (knowledge, reliability, traceability).

Sustainability requires transforming these *workarounds* into **institutionalized and measurable processes**, avoiding the illusion of short-term efficiency. Creating sustainable value involves **formalizing operational learning**, reducing organizational entropy, and strengthening process governance.

5.9 Conclusion of Block V

The type and source of capital profoundly influence how organizations create or destroy value. Strategic decisions must be understood within the incentive structure that capital imposes.

Sustainability is only possible when **the horizon of capital coincides with the horizon of strategy**, and both are oriented towards the creation of intertemporal net value.

An integrated management model must:

- Recognize the multi-capital nature of value.
- Aligning governance and purpose.
- Institutionalize learning through the executive log.
- Avoid financial short-termism and false operational efficiency.
- Integrating ethics, sustainability and profitability as a single equation.

The next block will address **organizational capabilities** as the operational core of sustainable value creation and a bridge between available capital and its strategic use.

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Block VI – Organizational Capabilities and Their Role in Creating Sustainable Value

This block represents the "operational core" of the value creation model, explaining how capabilities—beyond resources—constitute the true engine of competitive sustainability.

6.1 General introduction

The concept of *organizational capabilities* has acquired central importance in contemporary strategic theory. While resources determine **what a firm possesses**, capabilities define **what it can do with what it possesses**.

In this sense, capabilities are the **functional link between available capital (financial, human, intellectual, etc.) and the effective creation of value** (Teece, Pisano & Shuen, 1997).

Sustainable competitive advantage comes not simply from having scarce resources, but from the **ability to integrate, transform, and renew them** in the face of changing environments. Therefore, strategic analysis must shift from the static ownership of assets to the **dynamics of organizational learning, coordination, and adaptation**.

6.2 Conceptualization of organizational capabilities

In general terms, an organizational capability can be defined as a **set of routines, competencies, processes and relationships that allow the company to deploy its resources in a coherent manner to achieve strategic objectives** (Grant, 1996).

These capabilities arise from the continuous interaction between people, systems, structures and culture.

We can distinguish three levels of depth:

1. **Operational capabilities:** ensure the efficient execution of daily activities (production, logistics, customer service).
2. **Coordination capabilities:** allow for the integration of functions and the alignment of efforts (planning, control, leadership).
3. **Dynamic capabilities:** enable business model transformation, innovation, and strategic adaptation.

The transition from operational capabilities to dynamic capabilities marks the difference between an efficient company and an **evolutionary sustainable one**.

6.3 From resources to capabilities: an epistemological transition

The evolution of the theory of the firm reflects a paradigm shift: from the Resource-Based View (RBV) (Barney, 1991) to the **theory of dynamic capabilities** (Teece et al., 1997).

The RBV postulates that firms obtain sustainable advantages when they possess *valuable, rare, inimitable and non-substitutable (VRIN) resources*.

However, this logic tends to be static: it assumes environments where resources maintain their value over time. In today's reality—characterized by technological disruptions, economic volatility, and social change—resources rapidly lose value if they are not accompanied by **continuous learning and renewal capabilities**.

Teece (2014) redefines the essence of sustainable value through three fundamental processes:

1. **Sensing:** Identifying opportunities and threats before competitors.

2. **Seizing:** mobilizing resources and decisions to capture those opportunities.
3. **Transforming:** reconfiguring structures, routines, and business models to sustain success.

These dynamic capabilities constitute the true mechanism for creating and preserving long-term value.

6.4 Organizational culture as a substrate of capabilities

Culture constitutes the “operating system” of the organization: the set of shared values, norms and assumptions that guide collective action (Schein, 2010).

Without a culture that promotes **learning, trust and adaptability**, capabilities cannot be sustained.

A culture of sustainable value is characterized by:

- **Transparency:** open circulation of relevant information.
- **Shared responsibility:** empowerment without loss of accountability.
- **Structural curiosity:** willingness to question established routines.
- **Constructive error tolerance:** understanding error as a source of learning, not as a moral failing.
- **Ethics of purpose:** a sense of contribution beyond the economic result.

In contrast, closed, hierarchical, or fear-based cultures **destroy invisible value** by inhibiting creativity and cross-functional cooperation.

6.5 Organizational learning as a strategic capability

Peter Senge (1990) defined the “learning organization” as one that **continually expands its capacity to create the future it desires**.

This learning requires combining three levels:

1. **Individual learning:** skill acquisition and improvement.
2. **Team learning:** building shared understandings.
3. **Organizational learning:** institutionalization of experience in processes, norms and systems.

Organizational learning is both a means and an end of value:

- It allows you **to correct early errors** before they destroy value.
- Facilitates **incremental and radical innovation**.
- Increases **institutional memory**, reducing dependence on individual talent.
- Builds **resilience to crises** by maintaining cognitive and emotional coherence.

Therefore, sustainable companies not only measure results, but **also their capacity to learn**, making learning an explicit indicator of value creation.

6.6 Organizational resilience as a dimension of value

Resilience is the ability to **absorb impacts, adapt and emerge stronger** from adversity (Hamel & Välikangas, 2003).

Unlike simple survival, resilience involves **growth through change**.

It is based on three pillars:

1. **Anticipation:** monitoring the environment and early detection of signals.
2. **Adaptation:** structural and emotional flexibility in the face of disruption.
3. **Post-crisis learning** ability to draw lessons and incorporate them into the system.

Highly resilient organizations maintain value continuity even in shocks (health, financial, or technological crises). Resilience, therefore, is an **advanced form of dynamic capability**, directly linked to the preservation of intertemporal value.

6.7 Structure as a support or limitation of learning

Organizational design determines the extent to which capabilities can be developed. Excessively vertical and fragmented structures **restrict the circulation of knowledge**; conversely, matrix, network, or project-based structures favor integration and innovation. However, flexibility without discipline also destroys value.

The optimal balance consists of an **adaptive structure**, which combines:

- **Operational autonomy** with strategic alignment.
- **Basic stability** with rapid recovery capacity.
- **Minimum formalization is necessary** to avoid chaos without inhibiting initiative.

As Mintzberg (2009) argues, “effective strategy emerges from the constant interaction between structure, processes and learning.”

6.8 Technological and digital capabilities

In the contemporary context, digitalization and artificial intelligence (AI) expand the horizon of organizational capabilities.

It is no longer just about automating tasks, but about **increasing collective intelligence** through systems that learn, recommend and optimize decisions (Brynjolfsson & McAfee, 2017).

Digital capabilities include:

- **Predictive analysis** to identify behavioral patterns.
- **Data integration** between units and functions.
- **Collaborative platforms** that promote open innovation.
- **Culture of evidence and experimentation.**

However, technology is no substitute for human judgment: its value depends on **an organization's ability to translate data into meaning and action.**

The risk lies in **false AI applications** that generate costs without real value, or that erode trust due to a lack of ethics and transparency.

6.9 The institutionalization of capabilities

For capabilities to be maintained beyond individuals, they must be institutionalized. This implies:

- **Document critical processes** (manuals, protocols, lessons learned).
- **Create knowledge management systems** (intranets, databases, communities of practice).
- **Linking learning to assessment and incentive systems.**
- **Develop multiplier leaders**, capable of transferring tacit knowledge.

An undocumented capability is a **fleeting strength**: it depends on individual human capital and dissolves with turnover. Institutionalization turns learning into a permanent asset, ensuring continuity in value creation.

6.10 The relationship between capabilities and value governance

Capabilities are the invisible infrastructure of **value governance**. Strategic control should not be limited to financial indicators, but should also monitor:

- What capabilities are being strengthened or deteriorated.
- What routines are being consolidated as good practices.
- What lessons are being effectively transferred.

The *executive value log* system proposed in this framework functions as a mechanism to **capture the complete cycle: decision → action → result → learning**.

In this way, the organization transforms each experience into cumulative knowledge and turns its own history into a source of competitive advantage.

6.11 Organizational capabilities and ethics

Capabilities also have an ethical dimension. A company can be skilled, innovative, and profitable, but if its capabilities are used for purposes contrary to the common good (tariff evasion, exploitation, corruption), those same capabilities become a **mechanism for destroying social and reputational value**.

Therefore, capacity building must be accompanied by **explicit ethical criteria**, aligned with the institutional purpose and universal values of integrity, transparency and sustainability.

6.12 Conclusion of Block VI

Organizational capabilities are the true connective tissue between strategy, structure, and culture. Unlike resources, capabilities are not owned; **they are built, learned, and renewed**. Sustainable value creation requires organizations to:

- Develop dynamic capabilities to adapt and transform.
- Foster a culture of learning, trust, and purpose.
- Institutionalize organizational memory and tacit knowledge.
- Integrate technology as an amplifier, not a substitute, for collective intelligence.
- Link ethics with effectiveness as two sides of the same coin.

Ultimately, **capabilities are the DNA of corporate value**: their evolution determines the organization's survival and legacy.

The next block will address **the influence of artificial intelligence (AI) on the creation and destruction of value**, analyzing its risks, advantages, false applications, and the approaches that leaders should adopt according to the economic and cultural context (United States, Europe, and Latin America).

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Block VII – Artificial Intelligence and its Influence on the Creation or Destruction of Value

This section examines how AI redefines the sources of competitive advantage, disrupts value management models, and raises ethical, organizational, and economic dilemmas that leaders must fully understand.

7.1 General introduction

The emergence of **artificial intelligence (AI)** is one of the most transformative phenomena in the contemporary economy. Its speed of adoption, cross-cutting reach, and disruptive potential have redefined the foundations of competition, the structure of industries, and the very nature of work. However, its impact on the **creation or destruction of value** depends less on the technology itself than on **how organizations incorporate, govern, and align it with their strategic purpose**.

AI isn't an end in itself: it's an **enabling capability**. Its power lies in the ability to **increase an organization's collective intelligence**, improve decision-making, and free up time and resources for higher-value activities.

But if misapplied, it can lead to **hidden inefficiency, technological dependence, cultural erosion, and the destruction of trust**. Therefore, AI management must be analyzed from a systemic and value perspective: how it contributes to or threatens competitive sustainability, internal cohesion, and institutional legitimacy.

7.2 The speed of technological change

The acceleration of AI—particularly with the emergence of large-scale language models, cognitive automation, and predictive analytics—has dramatically reduced technology adoption cycles.

According to McKinsey (2023), organizations are experiencing an **“era of time compression,”** where innovations that previously required a decade to spread now become widespread in two or three years. This speed generates two main effects:

1. **Strategic Gap:** Traditional corporate plans and budgets become obsolete before completion.
2. **Adaptation gap:** Organizational learning capacity does not grow at the same pace as technological change.

Value management therefore requires **integrating speed as a strategic variable**, developing structures and capabilities that enable rapid **response, learning, and reconfiguration**.

7.3 Risks and advantages of artificial intelligence

7.3.1 Strategic advantages

When properly aligned with corporate strategy, AI offers substantial advantages in value creation:

- **Operational efficiency:** automation of repetitive tasks, reduction of costs and errors.
- **Analytical precision:** the ability to process large volumes of data and discover invisible patterns.
- **Personalization:** Improving customer experience through behavioral analysis and adaptive recommendations.
- **Innovation:** acceleration of the development of products, services, and business models.
- **Informed Decision-Making:** Predictive Support and Scenario Simulation for Leadership.

intellectual, human and financial capital, and strengthen competitive position when they are used to augment—not replace—human intelligence.

7.3.2 Strategic risks

The main risks emerge when AI is implemented without a systemic vision or ethical governance:

- **Strategic misalignment:** AI investments disconnected from real purpose or competitive advantage.
- **False efficiency:** Automation of inefficient processes that amplifies errors or wastes capital.
- **Destruction of human capital:** loss of talent or demotivation due to the indiscriminate replacement of people.
- **Algorithmic bias:** unfair or discriminatory decisions derived from poorly calibrated historical data (O'Neil, 2016).
- **Reputational risk:** loss of trust from customers, employees, and regulators due to lack of transparency.
- **Technological dependence:** vulnerability to suppliers, system failures, or cyberattacks.

In terms of value, these risks represent **the destruction of intellectual, social and ethical capital**, which are often more costly and difficult to recover than financial risks.

7.4 Fake artificial intelligence applications

One of the most frequent phenomena of the last decade is the proliferation of **AI applications with no tangible return**, known as *AI washing* or *pseudo-digital transformations*. These are characterized by investments geared toward reputation or fashion, rather than real impact. Among the most common forms are:

- **Non-integrated automations:** Systems that reduce manual tasks but do not improve quality or decision-making.
- **Dashboards without action:** Data analytics projects that generate reports without the capacity for organizational transformation.
- **Chatbots without contextual intelligence:** Reducing customer service costs at the expense of user experience.
- **Unvalidated predictive models:** Algorithms that operate on biased data or without expert interpretation.
- **AI systems without a clear strategic purpose:** projects implemented out of technological drive, not business necessity.

These practices destroy value by **consuming financial and human resources** that could be allocated to truly impactful projects. Furthermore, they undermine trust in innovation and generate an organizational culture skeptical of change.

7.5 Evaluating the cost, relevance and sustainability of AI

Every AI application must be evaluated based on three fundamental criteria:

a) Total Cost of Ownership (TCO)

It includes not only the development or licensing cost, but also:

- Integration with existing systems.
- Training and maintenance.
- Data management and cybersecurity.
- Social costs (retraining, turnover, resistance to change).

Underestimating TCO leads to unsustainable technology decisions and destroys operational value.

b) Strategic relevance

AI must answer a **specific business question**: What capability does it enhance? What decision does it make? What risk does it reduce?

Without an explicit *business case* and a *responsible sponsor*, initiatives become isolated projects with no measurable contribution to value.

c) Sustainability

Every implementation must consider its environmental (carbon footprint of AI models), social (employment, inclusion), and ethical (privacy, bias) impact.

Sustainable AI is that which **increases the system's capacity to generate net value without compromising future capital**.

7.6 CEO and corporate approach to the evolution of AI

7.6.1 In the United States and developed markets

In environments such as the US, Europe or Japan, AI is becoming a **structural pillar of national and industrial competitiveness**.

Leading companies adopt governance models based on:

- **Algorithmic ethics committees** and principles of responsible AI (transparency, fairness, accountability).
- **Integrating AI into the strategic core**, not just operational functions.
- **Public-private collaboration** for regulatory and talent development.
- **Intensive use of advanced analytics** to improve demand forecasting, dynamic pricing, and risk management.

The CEO's role is to **balance technological investment with strategic returns**, ensuring that AI amplifies human capabilities and preserves institutional trust. In these markets, effective AI leadership is measured not by the number of projects implemented, but by their **net contribution to value and their ethical consistency**.

7.6.2 In Latin America and emerging economies

The Latin American context presents structural particularities:

- Capital and technological infrastructure limitations.
- Digital and educational talent gaps.
- Emerging regulatory frameworks.
- Organizational cultures are still in the process of digitalization.

In this environment, the approach must be **strategically selective**:

- Prioritize projects with **direct impact on efficiency, traceability or control**.
- Promote **alliances with universities, startups and multilateral organizations**.
- Invest in **internal training and retraining of existing talent**.
- **hybrid and contextualized** AI models, avoiding copying schemes from developed markets without adaptation.

The role of the Latin American CEO is not only technological, but also pedagogical: **raising organizational awareness about the value and limits of AI**, ensuring that digital decisions respond to a long-term logic and sustainable development.

7.7 Governance, ethics and value

The use of AI requires robust governance that articulates three levels:

Level	Approach	Value risk
Strategic	Alignment between AI, purpose and competitiveness.	Disjointed investments, "AI washing".
Operational	Integration with processes and change management.	Hidden inefficiency, loss of human capital.

Level	Approach	Value risk
Ethical-institutional	Principles of fairness, privacy, transparency and accountability.	Social distrust, regulatory sanctions, reputational damage.

Sustainable value creation requires that AI be governed by the same principles as any corporate governance system: **clarity of purpose, traceability of decisions, and intertemporal impact assessment.**

7.8 Artificial intelligence and the destruction of cognitive value

A less visible, but profound, risk is the **destruction of cognitive value**: when the organization delegates thought, judgment or experience to the algorithm, it loses critical capacity and intellectual autonomy.

This generates a functional dependency that **atrophies human capabilities**, reducing creativity, judgment and strategic sense. AI must be an extension of human reasoning, not a substitute for it. As Harari (2018) warns, "Organizations that outsource their thinking end up outsourcing their power." Value management must therefore **balance artificial intelligence with reflexive intelligence.**

7.9 AI, purpose, and competitive sustainability

The value of AI lies not in its technical sophistication, but in **its alignment with organizational purpose**. When AI is used to strengthen the foundations of purpose—to serve better, learn faster, reduce impacts, innovate ethically, it becomes a driver of value. When applied without direction, it becomes **ornamental or destructive technology**.

Purpose acts as a compass: it guides technological decisions toward the greater good of the system. Thus, the competitive sustainability of AI is defined not by its computing power, but by its **ability to reinforce organizational awareness and institutional legitimacy**.

7.10 Conclusion of Block VII

Artificial intelligence represents an unprecedented opportunity to **amplify value creation** and an equally significant threat to **accelerate its destruction**. Its ultimate impact depends on three key factors:

1. **The quality of leadership**: CEOs and directors capable of integrating technology, ethics and purpose.
2. **Organizational maturity**: structures that constantly learn, adapt, and evaluate the effects of AI.
3. **Knowledge governance**: systems that balance human and artificial intelligence, avoiding dependency or dehumanization.

AI doesn't replace strategy; **it makes it more demanding**. Only organizations that use it as a catalyst for learning, innovation, and sustainability will be able to turn disruption into a structural source of value.

The following block will address the **methodologies for evaluating competitive capacity from the perspective of value creation or destruction**, reviewing the classic approaches (Porter, McKinsey, RBV, Dynamic Capabilities) and contemporary models of strategic analysis.

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Block VIII – Competitive Capacity Evaluation Methodologies from the Perspective of Value Creation or Destruction

This block articulates classical and contemporary strategic theories (Porter, SCP, RBV, dynamic capabilities, organizational health, and integrated sustainability) through a unified lens of **sustainable value creation**.

Its purpose is to analyze how competitiveness can be measured and managed holistically — considering not only structural position but also behavioral conduct and performance outcomes that generate or destroy value over time.

8.1 General Introduction

A company's **competitive capacity** is not determined solely by its current market position but by its **systemic ability to create, sustain, and regenerate value** amid environmental pressures. Thus, competitiveness assessment must transcend static financial metrics and adopt a **dynamic, causal, and multi-capital** perspective.

The objective of this block is to reinterpret the main strategic evaluation methodologies under the logic of **value creation or destruction**, identifying the structural, behavioral, and performance drivers that explain why firms succeed, stagnate, or decline.

8.2 Porter's Five Forces Model: Structure and Competitive Pressure

Michael E. Porter (1980, 1985) proposed the **five competitive forces model** as a fundamental tool for analyzing an industry's potential profitability. These forces include:

1. Rivalry between existing competitors.
2. Threat of new entrants.
3. Bargaining power of suppliers.
4. Negotiating power of customers.
5. Threat of substitute products or services.

Application to the creation and destruction of value

- **Value creation:** The company generates superior profitability when it manages to position itself in a way that mitigates the intensity of these forces (through differentiation, integration, or barriers to entry).
- **Value destruction:** This occurs when you ignore structural changes in the sector (new digital entrants, technological substitutes, regulatory changes) and your competitive model becomes obsolete.

Limitations of the model

Porter's approach, while robust, is essentially **static** and industry centric. In today's context of digital disruption and sectoral convergence, competitive boundaries are blurring.

Advantage no longer depends solely on position, but on the **capacity for transformation and learning** (Teece, 2009). Therefore, it is necessary to complement the external structure with an internal analysis of capabilities and capital.

8.3 The SCP Model (Structure–Conduct–Performance): A Causal Framework for Competitiveness and Value

Originating in industrial-organization economics (Bain, 1956; Mason, 1939), the **SCP model** establishes a **causal chain** linking the **structure of an industry**, the **conduct of firms**, and their **performance**.

In strategic-management terms, this model offers a dynamic and integrative framework to understand **how value is created or destroyed** through the interaction between external forces, managerial behavior, and organizational outcomes.

1. Structure – External and Contextual Determinants

Refers to the **economic, regulatory, and technological configuration** that shapes competition in a sector.

- Market concentration, barriers to entry, supply-chain structure, and regulation determine the level of opportunity or constraint.
- Technological evolution, digital disruption, and stakeholder pressures reshape the playing field continuously.

From a value perspective: structure defines the **possibility space** — firms can **create value** when they anticipate or shape structural shifts and **destroy it** when they remain locked into obsolete market logics.

2. Conduct – Strategic and Organizational Behavior

Denotes the **decisions and actions** firms adopt in response to structural conditions.

- It includes pricing, innovation, alliances, governance, sustainability policies, and cultural alignment.
- Leadership style, ethical stance, and corporate agility determine how effectively the firm converts structure into opportunity.

From a value perspective: conduct is where **management agency** resides. Value creation stems from strategic coherence and responsible risk-taking; value destruction arises from short-termism, opportunism, or cultural misalignment.

3. Performance – Outcomes and Value Results

Represents the **observable effects** of structure and conduct: profitability, efficiency, innovation outcomes, stakeholder trust, and long-term sustainability.

- A firm demonstrates **positive performance** when it generates financial and non-financial returns above its cost of capital and societal expectations.
- **Negative performance** reflects erosion of competitiveness, reputational damage, or unsustainable practices.
-

From a value perspective: performance is the **manifestation of competitiveness** — the tangible evidence of whether the organization's structure and conduct have produced enduring or temporary value.

Interpretation from Value Creation/Destruction

The SCP model allows tracing **causal attribution**:

- Was value created because the **structure** favored the firm, or because **conduct** was superior?
- Was value destroyed by **external constraints, managerial errors, or systemic shocks**?
-

The **Executive Value Logbook** operationalizes this framework, documenting how each decision interacts with structural conditions and managerial behavior to produce measurable outcomes. It thus transforms the assessment of competitiveness into a **learning system** grounded in evidence, causality, and adaptation.

8.4 The Resource-Based View (RBV)

The **Resource-Based View** (Barney, 1991) argues that competitive advantages come from the **possession of internal resources** that are:

- **Valuable:** they contribute to efficiency or differentiation.
- **Rare:** Not widely available to competitors.
- **Inimitable:** difficult to copy or transfer.
- **Non-substitutable:** impossible to replace it with alternative resources.

From a value perspective:

- Value creation arises when the company **develops unique resources and capabilities** that the market recognizes and rewards.
- Value destruction occurs when those resources become obsolete, replicable, or disconnected from the needs of the environment.

However, as discussed in Block VI, this view tends to be **static and endogenous**; it does not adequately explain how firms **renew their resources** in dynamic environments.

8.5 Theory of dynamic capabilities

Teece, Pisano and Shuen (1997) complemented the RBV with the theory of **dynamic capabilities**, understood as the **ability of an organization to integrate, build and reconfigure internal and external competencies** in the face of change.

Its evaluation involves analyzing three dimensions:

1. **Sensing:** monitoring the environment, analyzing opportunities and threats.
2. **Seizing:** Mobilizing resources and making quick decisions to capture opportunities.
3. **Transforming:** The ability to reorganize assets, structures, and processes to adapt.

Value creation depends on a company's **cognitive and operational agility**. An organization with dynamic capabilities can maintain its competitiveness even in crisis-hit sectors. Conversely, structural or cultural rigidity leads to value destruction, even with well-resourced capabilities.

8.6 Contemporary Models of Integrated Assessment

In contemporary management theory, competitiveness cannot be understood solely through market position or financial results. Instead, it requires a systemic vision that integrates structure, conduct, and performance across multiple dimensions—strategic, organizational, cultural, and ethical. Several integrated frameworks have emerged to measure not only financial performance but also the organizational coherence and sustainability of corporate behavior.

a) Organizational Health Approaches (McKinsey Health Index, 2015)

The **organizational health** framework evaluates a company's capacity to maintain coherence between **purpose, leadership, culture, and execution**. McKinsey's *Organizational Health Index (OHI)* demonstrates empirically that organizations with strong internal alignment and healthy climates achieve **double the total shareholder return (TSR)** of less cohesive peers.

From a value-based perspective, this approach captures the **conduct dimension** of competitiveness, the set of managerial and behavioral responses that translate external structures into performance outcomes. Healthy organizations exhibit:

- Strategic coherence and alignment with their environment.
- Collaborative cultures are grounded in trust and learning.
- Ethical governance and transparency in decision-making.

When the Executive Value Logbook is systematically applied, it allows these dimensions to be monitored and recorded longitudinally. The Logbook thus becomes a diagnostic and learning instrument that makes visible how leadership decisions, cultural factors, and governance behaviors contribute to either value creation or destruction over time.

b) ESG Models and Integrated Sustainability (IIRC, 2013; Eccles & Klimenko, 2019)

The emergence of **ESG (Environmental, Social, and Governance)** frameworks and the **Integrated Reporting Framework (IIRC, 2013)** expanded the definition of competitiveness to encompass the preservation of **multiple capitals**—financial, human, natural, social, and intellectual.

These models integrate sustainability with corporate governance, positioning organizations not only as economic actors but as systemic participants responsible for long-term societal value. ESG practices have become essential to **capital access and investor confidence**: institutional investors and private equity firms now assess ESG performance as a determinant of firm valuation (Eccles & Klimenko, 2019). Within this integrated view, **structure** represents the environmental and institutional expectations shaping corporate behavior; **conduct** denotes ethical and strategic management responses; and **performance** captures the multidimensional outcomes—profitability, legitimacy, and stakeholder trust. The Executive Value Logbook reinforces this integration by documenting the causal chain between ESG decisions and their outcomes, helping organizations distinguish between *symbolic compliance* and *substantive value creation*.

c) Competitive Resilience Models (Hamel & Välikangas, 2003)

The **resilience paradigm** emphasizes an organization's capacity to anticipate, absorb, and adapt to change. Hamel and Välikangas (2003) define resilience as a dynamic form of competitiveness that transforms disruption into advantage.

Resilience-based assessment examines strategic redundancy, agility, and innovation. A resilient firm continuously learns from crises and operational setbacks, preserving value even in volatile conditions. In this sense, resilience is the ultimate expression of learning capability.

The Executive Value Logbook plays a central role in operationalizing resilience: it formalizes the recording of lessons learned, failed hypotheses, and adaptive responses, transforming individual insights into institutional knowledge. This feedback process prevents the repetition of errors and enables collective intelligence to accumulate across leadership transitions and market cycles.

8.7 Evaluation of Competitiveness as a Systemic and Causal Process

Competitiveness must be understood as a **systemic process**, not a static state. It emerges from the interaction among **operational efficiency**, **strategic innovation**, and **sustainability**. The dynamic equilibrium of these three vectors determines whether the company's trajectory represents value creation, stability, or destruction.

In causal terms, external **structure** defines opportunities and constraints, while **conduct** reflects the strategic and behavioral responses of management. **Performance** embodies the observable outcomes—financial, social, and environmental—that closes the loop between decisions and results.

The institutionalization of this causal logic requires a formal mechanism: the **Executive Value Logbook**. By systematically documenting the cycle—**Diagnosis → Decision → Execution → Measurement → Learning → Adjustment**—the Logbook transforms episodic decision-making into an iterative learning process.

Companies lacking such mechanisms risk interpreting success or failure superficially. Without longitudinal evidence, managers may attribute performance to luck, externalities, or partial indicators, obscuring the true causes of value creation or erosion. The Logbook provides empirical grounding and strategic continuity, preventing the amnesia that often undermines corporate learning.

8.8 Comparative Perspective: Creation vs. Destruction of Value

The distinction between value creation and value destruction arises primarily from differences in **managerial conduct** and **organizational coherence**. The following dimensions illustrate this causal relationship:

Dimension	Creates Value When...	Destroys Value When...
Strategy	Aligned with purpose and environmental conditions.	Focused narrowly on short-term financial indicators.
Culture	Encourages learning, collaboration, and ethical behavior.	Becomes rigid, defensive, or fearful of change.
Technology	Enhances human judgment and productivity.	Substitutes critical reasoning or fosters dependence.
Governance	Balances risk and opportunity with accountability.	Conceals errors or tolerates opportunistic behavior.
Human Capital	Develops, retains, and empowers talent with purpose.	Erodes under stress, mistrust, or lack of recognition.
Investment	Seeks intertemporal returns that preserve capacity.	Prioritizes short-term gains that compromise sustainability.

These contrasts highlight the **behavioral determinants** of value. Conduct rooted in integrity, long-term orientation, and disciplined learning produces cumulative advantages. Conversely, short-termism, opacity, and managerial hubris generate destructive feedback loops that deteriorate stakeholder confidence and organizational adaptability.

The **Executive Value Logbook** captures these patterns, providing a longitudinal record of how decisions in each dimension affect the systemic health of the organization. It serves not only as a retrospective tool but as a predictive compass for future governance and strategic alignment.

8.9 Methodological Integration: Toward a Value-Based Competitiveness Model (VBCM)

The integration of multiple frameworks—Porter’s industry analysis, the Resource-Based View, Dynamic Capabilities, Organizational Health, ESG, and Resilience—allows for the construction of a **Value-Based Competitiveness Model (VBCM)**. This model synthesizes structural, behavioral, and performance factors into an operational system of strategic learning.

The VBCM evaluates competitive capacity through five interdependent axes:

- 1. Strategic Positioning (Porter):**
External attractiveness, differentiation, and structural barriers determine the firm’s potential for competitive advantage.
- 2. Internal Capabilities (RBV/Dynamic Capabilities):**
The organization’s ability to learn, adapt, and reconfigure resources defines its resilience to structural change.
- 3. Organizational Health (McKinsey):**
The alignment between leadership, culture, and execution ensures that conduct remains coherent with strategic intent.
- 4. Sustainability and Multiple Capitals (ESG/IIRC):**
The preservation of financial, human, social, and natural capitals integrates ethical responsibility into the definition of performance.
- 5. Resilience and Adaptability (Hamel):**
The firm’s capacity to anticipate and respond to disruption transforms adversity into sustained competitiveness.

Each axis contributes distinct data points to the **Executive Value Logbook**, creating an integrated repository of metrics, narratives, and learning insights. Over time, this database allows management to visualize trends in value creation or destruction, guiding adjustments in both strategic direction and corporate culture.

8.10 The Executive Value Logbook: Institutionalizing Learning and Value Preservation

The **Executive Value Logbook (EVL)** is the central managerial instrument for operationalizing the creation and preservation of value. Its function extends beyond documentation; it serves as the **cognitive infrastructure** of strategic learning and accountability.

Purpose and Function

The Logbook systematizes the recording of strategic decisions, contextual assumptions, results, and subsequent corrections. It enables executives to distinguish among:

- **Value creation** resulting from superior conduct and adaptation.
- **Value destruction** caused by misaligned decisions or structural misperceptions.
- **Value preservation** achieved through consistent learning and coherence.

By linking each decision to measurable outcomes and their underlying causes, the Logbook transforms management from an anecdotal process into an empirical discipline. It provides a structured feedback loop that enhances decision quality, governance transparency, and cross-generational continuity.

Integration with Corporate Systems

When embedded within a company's governance and performance frameworks, the Logbook:

- Reinforces **data-based strategic dialogue** between corporate boards and operating executives.
- Serves as a **repository of institutional memory**, preserving insights across leadership changes.
- Promotes **evidence-based accountability**, reducing biases in performance assessment.
- Enhances the company's **capacity for adaptive learning**, a critical determinant of long-term competitiveness.

Strategic Implications

In the context of value creation and destruction, the Executive Value Logbook acts as both **mirror and compass**. It reveals patterns of behavior that repeatedly generate value, while exposing those that erode it.

As such, it not only supports measurement but guides transformation—aligning conduct with purpose and performance with sustainability.

The institutionalization of the Logbook thus represents the transition from **reactive management** to **systemic leadership**, ensuring that the lessons of the past become the foundations of future value.

8.11 Conclusion of Block VIII

The evolution of competitiveness theory reflects a paradigm shift from **positional advantage** to **systemic intelligence**. Competitive capacity today depends less on the static configuration of resources and more on the organization's ability to **learn, adapt, and preserve coherence** across time and contexts.

Structure continues to matter, but **conduct determines causality**. Efficiency is valuable only when it enhances renewal, and technology constitutes an advantage only when it strengthens human capability rather than replacing it.

The ultimate measure of competitiveness, therefore, is not short-term profitability but **intertemporal value preservation**—the organization's ability to sustain the continuity of the system that produces value for all stakeholders.

The **Executive Value Logbook** institutionalizes this principle by transforming experience into evidence and evidence into learning. It ensures that each managerial decision, whether successful or not, becomes part of a cumulative process of organizational intelligence and governance maturity.

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Block IX – Practical Recommendations and Integrated Value Management Model

The approach combines strategic, organizational, financial, and ethical foundations into a coherent framework that enables **sustainable value preservation, creation, and scaling**, avoiding short-term bias and the inadvertent destruction of structural capital.

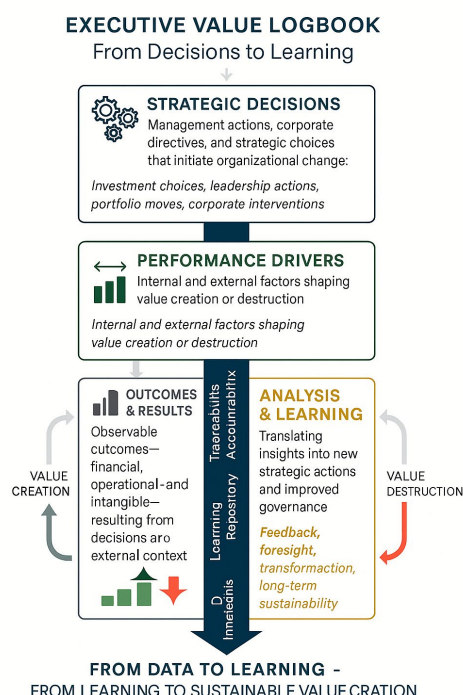
9.1 General introduction

Every organization—regardless of size, structure, or sector—faces a fundamental dilemma: **how to create value without destroying it in the process**.

Value is not an accounting result or a one-time event, but a **systemic dynamic** that reflects the coherence between strategy, capabilities, culture, capital, and purpose.

The previous blocks have shown that sustainable value creation depends on:

1. **Strategic clarity** and understanding of the competitive environment.
2. The **integration of multiple capitals** (financial, human, intellectual, social, natural).
3. Governance **and incentives** aligned with long-term horizons.
4. Culture **and organizational capabilities** as drivers of learning and resilience.
5. The **responsible incorporation of technology and artificial intelligence**.
6. The **systematic assessment of competitiveness** in terms of net value created.



Based on these pillars, this block proposes an **integrated value management model (IVM)** and an **executive logbook** that serve as a practical guide for leaders, CEOs, and boards of directors.

Value management therefore becomes a discipline of decision quality and organizational awareness. The Integrated Value Management Model (IVMM) transforms dispersed managerial practices into a coherent system of causality, feedback, and accountability, bridging learning and governance

9.2 Fundamental principles of the Integrated Value Management Model (IVM)

The MIGV is based on six principles that articulate theory and practice:

1. **Comprehensiveness:** Value is not measured solely in financial results, but in the simultaneous preservation of all capital assets.
2. **Intertemporality:** Value is created when present decisions strengthen future capabilities.
3. **Systemic causality:** every observable outcome is a consequence of a network of interactions between strategy, structure, culture and environment.
4. **Transparency and learning:** Mistakes aren't hidden; they're documented and transformed into institutional knowledge. The Executive Logbook formalizes this principle by ensuring that every deviation, success, and failure is recorded and analyzed, transforming events into organizational intelligence.”
5. **Purpose and ethics:** Every strategic decision must also be evaluated for its social legitimacy and consistency with stated values.
6. **Adaptability:** The model is a living process, capable of adjusting as technology, markets, and social expectations evolve.
7. **Reflexivity:** The organization periodically questions its own paradigms, ensuring that measurement systems and mental models evolve with the environment.

These principles ensure that value management is not limited to maximizing profits but also **preserves the overall health of the organizational system.**

9.3 The Executive Value Logbook as a central tool

The MIGV is operationalized through an **executive value management log**, which fulfills three critical functions:

1. **Record strategic decisions and their rationale.**
2. **Evaluate results and learning over time.**
3. **Generate institutional traceability** to avoid repeating mistakes and facilitate leadership continuity.

Suggested structure of the executive log

Section	Main content	Purpose
1. Strategic context	Environmental diagnosis, competitive forces, technological trends, regulations.	Place the decision in its temporal and structural framework.
2. Executive Decision/Action	Description of the decision, objectives, resources involved, hypotheses and assumptions.	Make explicit the logic behind the action.
3. Expected impact on capital	Projection of effects on financial, human, intellectual, social, and natural capital.	Anticipate creation or risk of destruction of value.
4. Observed results	Quantitative and qualitative data after execution.	Measure actual effectiveness against what was projected.
5. Learning and adjustments	Lessons identified, good practices, errors detected, corrective actions.	Institutionalize learning.
6. Longitudinal monitoring	Intertemporal impact assessment (3, 6, 12, 24 months).	Determine whether the action created or destroyed sustainable value.

“By capturing the causal chain between decision, context, and outcome, the Log transforms the analysis of performance into a process of institutional sense-making rather than retrospective justification.”

9.8 MIGV visual model

The model can be represented as an **interdependent circular system**:

Purpose and strategy → guide → **Management of multiple capitals** → that enable → **Organizational and technological capabilities** → that are expressed in → **Measurable and traceable results** → that provide feedback → **Learning and governance**.

Each cycle generates cumulative knowledge and reduces the likelihood of value destruction. The system does not seek stability, but rather **dynamic equilibrium in continuous motion**.

The circular configuration of the IVMM represents a learning spiral rather than a closed loop. Each cycle increases organizational awareness and precision in value measurement, thus expanding the company's adaptive capacity.

The model's visualization aligns with the **IIRC's multiple-capital logic** and **Balanced Scorecard's** cause-effect relationships.

9.9 Keys to institutionalizing the model

1. **Formalize the executive log** as a mandatory practice in management meetings.
2. **Integrate the six capitals** into the financial control panel.
3. **Link variable compensation** to intertemporal metrics (3–5 years).
4. **Create a sustainability and value committee**, reporting to the board.
5. **Publish integrated reports**, aligned with IIRC and GRI.
6. **Train middle leaders** in systemic value management.
7. **Digitize decision traceability using** knowledge platforms management.
8. **Include value simulations** in project evaluation ("ex ante" and "ex post" analysis).
9. **Establish a Chief Value Officer (CVO)** or equivalent executive role responsible for integrating financial, ESG, and learning metrics into a single accountability system.

These actions transform the model into permanent practice and prevent it from being reduced to a theoretical exercise.

Institutionalization requires cultural reinforcement. Systems alone do not create discipline; leadership example and board sponsorship are indispensable to ensure that the model becomes an organizational habit rather than a compliance exercise

9.10 Conclusion of Block IX

The contemporary challenge is not simply **to create value**, but **to create lasting value**. True competition is no longer fought solely in markets, but in the ability to **maintain coherence between purpose, resources, capabilities, and ethics** over time.

The Integrated Value Management Model (IVMM) and the executive logbook are **instruments for institutionalizing learning and value governance**. Their implementation enables organizations to:

- Learn faster than your competitors.
- Measure what really matters.
- Connect every decision to your purpose.
- Avoid the silent destruction of structural value.
- Turn your story into replicable strategic knowledge.

Ultimately, value is not inherited: it is **constructed, measured, and preserved** through a system of institutional awareness.

Companies that understand this logic will transcend economic cycles and establish themselves as **sustainable, legitimate, and competitive organizations**.

When properly institutionalized, the IVMM transforms experience into foresight, linking daily decisions with intertemporal strategy and reinforcing corporate legitimacy through measurable coherence

9.11 Future Research and Application Avenues

Future research could explore the quantitative integration of IVMM indicators into predictive analytics and artificial-intelligence-driven decision-support systems. Another promising line involves comparative studies across sectors to evaluate how organizational maturity and ownership structure influence the effectiveness of integrated value management.

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General Conclusion

Throughout these reflections, we have sought to construct a comprehensive understanding of **value creation and destruction** from a **strategic, ethical, and systemic perspective**. The analysis has demonstrated that organizational value is not confined to financial performance, but rather constitutes an **interdependent system of assets, relationships, capabilities, and decisions** that interact continuously over time.

The central lesson emerging from this study is that **every organization constantly creates or destroys value**, whether it recognizes it or not.

Value is not an event but a causal process—a dynamic interaction among structure, conduct, and performance that unfolds across time. Understanding this causality transforms management from reactive decision-making into **deliberate, evidence-based learning**.

The absence of a formal observation mechanism—a strategic logbook or an integrated management framework—inevitably leads to **reactive decisions, fragmented visions, and the erosion of institutional memory**. By contrast, when an organization cultivates **structural awareness of value**, its behavior changes: it learns from its decisions, measures their intertemporal consequences, and preserves its coherence under short-term pressure.

This awareness is consolidated through instruments such as the **Executive Value Logbook**, which convert learning into governance and experience into institutional knowledge.

Sustainable value creation therefore depends on a constellation of complementary conditions:

- **Reflective leadership**, capable of uniting purpose, profitability, and ethics.
- **A capital structure and governance** aligned with long-term horizons.
- **An organizational culture opens to learning and adaptation.**
- **A systemic vision** that recognizes that corporate success is inseparable from the well-being of the surrounding ecosystem.

The document concludes by proposing an **Integrated Value Management Model (IVMM)** that synthesizes conceptual contributions into a **practical framework for CEOs, boards, and executive teams**. The IVMM, together with the Executive Value Logbook, provides a structured process for **institutionalizing strategic learning**, strengthening resilience, and aligning all decisions with a single guiding principle:

“Create legitimate, measurable, and sustainable value without eroding the foundations that make it possible.”

True strategic wisdom lies in the capacity to question prevailing assumptions and to evolve mental models.

In this sense, **ethics is not a constraint but the foundation of adaptive intelligence** - the discipline that allows organizations to learn responsibly and act coherently amid uncertainty.

The reflections presented here are not meant to offer definitive answers but to **invite an ongoing dialogue** between theory and practice, between efficiency and awareness, between the **power to decide** and the **responsibility to preserve**. The path forward lies in transforming these principles into living systems—**organizations that learn faster than their environment changes**, and **leaders who measure their legacy not by the profits they accumulate, but by the value they sustain**.

In the end, management is not only the art of achieving results but the discipline of preserving meaning. To manage value is to manage continuity—**the invisible bridge between today's decisions and tomorrow's possibilities.**