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Value Creation:
The Role of Values in Improving Organizational Performance

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"Value is a conception—explicit or implicit—that is distinctive of an individual or characteristic of a group. Value propositions distinguish what is considered desirable and they influence the selection, preferences, and ends chosen from available modes, means, and actions."[1]

Abstract

It can be argued that the various institutions of society (law, education, media, etc.) all attempt to maximize the experience of values considered important to a society. However, although economics is considered ***The Queen of the Social Sciences*** *there is a dichotomy between its value theory and social value theory. From the perspective of classical economics, value is defined in terms of* ***exchange value*** *(the cost, resources, and labor that go into producing something), or* ***use value*** *(how much a customer is willing to pay to purchase an item). In other words value, from the perspective of classical economics, is thought of as what it is worth for someone to put his or her labor into something or what it is worth for someone to obtain something.*

"A newly emerging perspective on value theory establishes a complementary connection between economic value and social value."

This article argues that a newly emerging perspective on value theory establishes a complementary connection between economic value and social value. This recent model has been established by organizational theorists who have attempted to discern how to improve organizational performance in ways that improve overall economic performance and, as well, in ways that coincide with stakeholder interests. This article analyzes the newly emerging value theory and explains why it is proving to be enormously successful in improving organizational and economic performance. Thus, as this article will point out, the new strategies for enhancing organizational and economic performance reconcile the dichotomy between the interests of the producer and that of the consumer by placing the emphasis on the co-creation of value (consequentially demanding that value theory be looked at in a new light).

1. Introduction

It is generally assumed that all of the social sciences (law, economics, media, education, behavioral science, etc.) are involved in the endeavor to maximize value. However, the discipline that has been considered *The Queen of the Social Sciences*—economics—has often looked at the notion of value from a perspective that is different from social value theory. This has been especially evident when it comes to the difference between market ethics and social value theory. In spite of the admonition of Adam Smith that the wealth of nations is based on a company's (or the economy's) ability to maximize benefits for shareholders and stakeholders by operating in line with the principle of value creation (operating more effectively and efficiently to give the customer a better quality product at a lower price) market ethics do not always coincide with this principle. Too often market ethics (the utilitarian effort to maximize benefits by creating the competitive advantage) tend to compel companies to seek capturing value rather than creating value (this was perhaps most pronounced in the dynamics connected with what caused the proverbial *domino to fall* that resulted in the global financial crisis of 2007/2008).

> *"A new value theory has emerged that places the emphasis on improving organizational and economic performance by increasing the capacity for value creation."*

However, recently market ethics are shifting away from the notion of merely capturing value (the prior value perspective—or preference—that placed the emphasis on increasing profits by maximizing the ability to capture value from the environment in the form of resources and from the public in the form of profit). Value theory, in the classical economic sense, is thought of as the process of transforming raw material into value creations that will produce profit. Certainly, until recently, there was no value principle in effect that proposed co-creating value by a process that demands relating to and communicating with stakeholders to determine how to produce outcomes that would maximize benefits for both the stakeholder and the company (thus maximizing both shareholder and stakeholder benefits).

Recently, a new value theory has emerged that places the emphasis on improving organizational and economic performance by increasing the capacity for value creation (with the view of a complementary connection between the interests of the stakeholder and the interest of the producer—as Smith proposed). This new perspective on market ethics has been initiated by organizational specialists (partially in an effort to regain public confidence in the viability of market ethics and principles. Also, this new direction has been an effort to formulate new innovative measures for spurring economic recovery and growth). The new market ethic is focused on knowledge, relational, stakeholder, and social capital. All of these are considered value assets and regarded as intangible factors that are the key to generating the type of innovation needed for improving organizational and economic performance. As we near the midpoint of the second decade of the 21st century, one of the most effective means for generating an increase in value assets is considered to be value creation (a strategy used by the most successful and profitable service companies today).

This new perspective on creating value necessarily results in reconciling the dichotomy between the value perspective of the producer (how can resources be used in a way to convince the consumer that the product is worth the price) and the value perspective of the consumer (how does what this company offers fit into my notion of *end values* and do I believe what I receive in terms of value is worth what I must pay). The new perspective on value—intended to facilitate the shift to the new knowledge-based or technological age economy—reduces the gap between economic value theory and social value theory by eliminating the dichotomy between the interest of the producer and that of the consumer.

"The notion of the co-creation of value is based on the assumption that the interests of the firm and that of the stakeholder can be integrated in a way that improves both organizational and economic performance, while increasing stakeholder satisfaction."

A complementary connection between the interest of the producer and that of stakeholders is established by means of a recent concept—becoming increasingly popular in organizational circles (amongst theorists and practitioners)—called *the co-creation of value* (or in manufacturing terms *the co-production of value*). In fact, the notion of the co-creation of value is based on the assumption that the interests of the firm and that of the stakeholder can be integrated in a way that improves both organizational and economic performance, while increasing stakeholder satisfaction. The co-creation of value approach to organizational behavior and economic performance "Reconfigures the production of *use* and *exchange* value—previously considered internal to, as well as the sole purvey and 'competitive advantage' of the firm—as increasingly [companies are finding it advantageous to generate the] active participation of formerly passive(ized) consumers".[2]

The co-creation of value approach to economic activity (accompanying the emergence of the knowledge-based or technological age economy) shifts the emphasis to an increase in the significance of relationship building and to a service-dominant logic. In this new approach relationships (managing human resources and stakeholder capital) predominate over the prior emphasis on production and assembly lines. In spite of the obvious advantages afforded by the knowledge-based economy there are still some analysts who continue to perpetuate the established market ethic that presumes that the company has the ability to capture value by extracting from consumers what the company believes is in its best interest (to create profit in accordance with the old paradigm). However, the new paradigm (which is gaining world-wide recognition and increasingly world-wide acceptance) operates on the premise that the new value perspective maximizes value and benefits for professionals, stakeholders, organizations, and economies.

This article proceeds as follows: section two explains the connection between the co-creation of value concept, management theory, and motivation theory (with a slant on managing internal capital and improved organizational performance); section three (the final section) describes the new value theory's contribution to improved performance from the perspective of managing external capital, the connection between marketing and motivation theory, what the new value theory means in terms of improving economic performance, and co-creating *end* value outcomes.

> *"In terms of organizational behavior value co-creation is the process by which the self-interest and ambitions of individuals can be managed in a way that increases the value-added outcome."*

2. The Co-creation of Value Concept, Managing Internal Capital, and Motivation

"Value is the capacity of a good, service, or activity to satisfy a need or provide a benefit ..."[3]

The distinction between fact and value has been basic to the ideas that have been fundamental to the development of Western positivism (the concepts that shaped the Enlightenment and Modernity thus notions of social progress and economic development). The issue for science centers around the difference between *facts* (which are observable, measurable, and empirically verifiable) and value (which have been considered, at best, as *ends* that are deemed worth pursuing but, at worst, to be merely judgments, matters of preference, or opinion). Distinguished scholars of economics, law, and social psychology (including the Nobel Prize winner in economics Amartya Sen, legal expert Martha Nussbaum, and philosopher of science Hilary W. Putnam) argue that maintaining a separation between fact and value in social science research actually results in an impediment to social progress and economic development.[4] That is to say, values actually serve a normative function for society and in that they "connect people, technology and information through value propositions with the aim of co-creating value".[5]

Joseph Stiglitz—also a Nobel Prize winner in economics, a former chief economist at the World Bank, and a former member and chairman of the (US president's) Council of Economic Advisors—concurs with this point of view and claims that if the ultimate aim is happiness, and people do certain things because they are acting in accordance with values they believe will increase happiness, then the well-being and quality of life people desire cannot just be measured in material terms. According to Stiglitz, social value theory takes into account "Peoples' evaluation of their life as a whole or of its various domains." These evaluations imply a cognitive exercise by each person and an effort to take stock of and summarize the full range of elements that people value (e.g. their sense of purpose, the fulfillment of their goals, how they are perceived by others, and include the emotional level—like how they feel about themselves and life).[6]

During the early part of the last century (when the emphasis was on assembly lines and manual labor, with an authoritarian control type leadership style, plus the reward and punishment approach to motivation) there was no expectation that the worker's personal values would make any difference in terms of the factors that produce profit. However, toward the third quarter of the last century it was clear that a new era of organizational behavior had begun (based on the introduction of the knowledge worker). In this new perspective on organizational behavior—accompanied by an approach to motivation based on Humanistic Psychology—the worker is not expected to leave the value aspects of his or her character, "At the doorway of work everyday [which] is quite effortful, and at times, stressful". "Trying to compel people to be different on the job from who they really are in regards to their true selves is not only stressful and wastes energy, it essentially sends a message that who people really are is not what the organization wants or desires on the job".[7] In other words rather than expecting professionals to suppress the most important aspects of themselves (one could say their true selves) today organizational theory admonishes that values are important intangible assets, innovation generators, and an important basis for motivation in the knowledge age economy.

In terms of organizational behavior value co-creation is the process by which the self-interest and ambitions of individuals can be managed in a way that increases the value-added outcome. Harvard Professor Michael E. Porter and senior fellow Mark R. Kramer, in their Harvard Business Review article *Creating Shared Value* argue that reevaluating value theory in light of the "Shared value [concept] offers significant new ways to innovate and unlock new economic value that most businesses have missed. The value creation concept is defining a whole new set of best practices that all companies must embrace [because] it opens up new avenues for innovation and shared value is created".[8] Organizational theorists, practitioners, and management specialists have undertaken an effort to delimit this new theoretical concept in order to master this new innovative performance measure and to better understand how it contributes to becoming a learning organization. In this respect organizational specialists are undertaking delimitation of the concept *value co-creation* in order to create management and motivational strategies that facilitate the co-creation of value in the workplace.

Most companies today are in the process of transforming their leadership, management, and motivational style away from the assembly line, goods production, company centric perspective to one that encompasses relational, knowledge capital, and stakeholder assets. This transformation was initiated by the introduction of the technological age economy that emphasized knowledge and human assets.[9] Drucker's admonitions facilitated a switch away from Frederick Taylor's view that workers are primarily motivated by wages (thus motivation based on reward and punishment executed by managers who portray authoritarian control).

The initial strategies for motivation in the knowledge age economy drew from the Humanistic approach to motivation proposed by Abraham Maslow. Maslow argued that the motivation theory of the industrial era was based on experiments that were conducted with animals not humans (e.g. Pavlov's dogs and its resulting Behaviorism approach to motivation). Maslow influenced organizational behavior by offering insight into how to resolve the gap between individual human needs and the attempt of the organization to use basic human needs to co-create value.[10] That is to say that Humanistic psychology prompted theorists to realize that "Organizational needs are co-created in nested human systems".

MIT management professor Douglas McGregor followed up on Maslow Humanistic approach with his Theory Y (his approach to motivation, good management, and improving organizational culture). McGregor argued that workers are not merely cogs in the production machinery (what he called the assembly line—*Theory X* —perspective on motivation). His Theory Y endorsed self-determination.[11] McGregor believed creativity and the enhancement of quality and excellence occur when managers and workers together co-create means by which the worker's higher order needs (values) can be integrated with organizational objectives.

"Ethical efficacy can be defined as the capacity of the value centered approach to relationships to empower the person of integrity to realize the outcome that he or she desires or what he or she is hoping most to experience."

Toward the beginning of the third quarter of the last century organizational theorists and practitioners were increasingly pressed to devise a strategy for organizational management that would contribute to value maximization (to increase the total long-term market value of the firm given the assumption that the entire economy improves when companies in an economy maximize their total firm value).[12] Emeritus Professor of management and guest columnist for The Wall Street Journal, The New York Times, Fortune, and Business Week—Alfred Rappaport—proposed a solution that soon attracted worldwide attention. He outlined his explanation of the problem and introduced a solution in *How to Build Long-term Value*. He later, in subsequent materials on the issue, defined the problem as a value-gap and described value creation as the solution.[13] The solution, also known as adding value (or value-added) has been proven to increase value outcomes for all constituents of an organization.

The management or leadership ability to generate the resources needed to produce the desired outcome (from the perspective of business ethics) has been described as ethical efficacy. Ethical efficacy can be defined as the capacity of the value centered approach to relationships (or a visionary approach to leadership) to empower the person of integrity to realize the outcome that he or she desires or what he or she is hoping most to experience. The most desired outcome, or end according to Aristotle, is the highest good (the best, ultimate, or supreme end).[14]

In fact, organizational and economic theorists argue that the notion of value creation as a key aspect of economic activity dates back to Aristotle (the roots of Western economic theory). Value theory, as first introduced by Aristotle in his treatise on the relationship between social formation and political economy, was a form of social economics.[15] Aristotle analyzed value theory from the perspective of both *exchange value* and *use value* and came to the conclusion that value—which he believed is co-created in social relations—can be defined as the *end* that individuals and social groups attempt to create through a process that results in structuring a society's interactions, exchanges, and communications or, in short, their arrangement for cooperatively living and working together.[16] Aristotle thought of value theory in terms of political economy, in social psychological terms, and as well in ecological terms (the social-economic value of an appropriate relationship with the natural order).[17] Thus Aristotle's value theory encompassed three value domains (individual, social, and environmental). In other words Aristotle reminded the reader that true happiness, well-being, and flourishing do not occur as a result of pursuing instrumental value alone but result from obtaining that which has intrinsic value (he maintained a balanced emphasis on tangible/ material and intangible/intrinsic value assets).

It is for this reason that organizational theorists and ethicists have recently been turning to Aristotle as a basis for their arguments about improving organizational performance, increasing stakeholder capital, and increasing social capital. This is primarily due to the fact that Aristotle's social economics (what is best for the individual, for social relations, and for human-nature relations) is regarded as an ethical basis for arguments on stakeholder theory. Martin Seligman became influential in organizational circles by developing a perspective on Aristotle's value claims and Aristotle's ideas about the significance of happiness (which Seligman established as a variation to Humanistic Psychology which he referred to as Positive Psychology).

Positive Psychology, addresses a similar concern to that addressed by Aristotle, Why is it that it can seem that social, economic, and political conditions are structured in a way that seem to compel individuals to do something whether or not it maximizes happiness and well-being? That is to say that agents sometimes conceive of utility maximizing economic and political schemes that are ultimately harmful to themselves, detrimental to society, and destroy the very ground of being (hazardous to nature). He argued that it is possible (at least in terms of how to make organizations more profitable) to approach well-being from the perspective of Positive Psychology which would result in creating outcomes that are considered positive for shareholders, workers, and stakeholders.[18] Seligman defines Positive Psychology as an approach to engaging others (the way in which relational capital is managed) on the basis of values considered more meaningful by those interacting and in such a way as to collaboratively create outcomes that are more satisfactory (inclusive of an increase in happiness, prosperity, flourishing, and well-being).[19]

Ultimately, James MacGregor Burns had a tremendous impact on organizational studies and practices with his Pulitzer Prize winning book *Leadership*. Burns introduced the term Transformational Leadership to describe a motivational strategy based on Transformational Psychology. His description of how to improve organizational performance in the technological age resonated with the co-creation theory of how to generate increased value. He asserts that when the desired outcome is an increase in value and when value is intended to be co-created, then the relationship between leaders and workers must be mutual and allow each side to contribute to the stimulation and elevation of the other plus motivate each other to interact more authentically and with more integrity.[20]

3. Managing External (Stakeholder) Capital

"There was never a new economics to go along with the new economy"[21]

This concluding section continues the emphasis on motivational theory however with the focus on recent developments in persuasion and motivational strategies that are effective for managing externalities (marketing), for knowledge management, and for developing a more meaningful relationship with the consumer (in order to increase stakeholder capital and to sustain customer loyalty). Researchers and practitioners have recently discovered that the most effective strategies for managing externalities and generating the type of knowledge that lends to innovation, improved performance, and increased profitability are: intensive knowledge, customer relations management, customer knowledge management, new developments in production strategies, and the co-creation of innovative productions.[22]

Towards the end of the 20th century the impact of the knowledge age economy and ICT began to be evident in new management strategies emphasizing value intangibles, in new production and organizational structures, in an amazing rise in integrative systems, and a rise in collaborative networks. The organizational and structural transformations included a shift from the emphasis on a company autonomously producing value (a firm-centric view of economic activity) to a market orientation where the company offered a value proposition to the consumer which was intended to build a stronger relationship with the client (by allowing more input and participation in co-creating and co-producing value).

C. K. Prahalad and Venkat Ramaswamy, were amongst the first to point out how important it is for marketing to shift its orientation away from viewing the role of the company as producing value and that of marketing to extract as much value from the customer as possible (with the perspective that the customer would then consume/destroy the value). In other words in the established paradigm the intent of the market is to get the public to consume and dispose of as much value as possible. "Traditional economics focuses squarely on the exchange of products and services between the company and the consumer, placing value extraction by the firm and the consumer at the heart of the interaction". Prahalad and Ramaswamy urge marketing departments to move into "The new value co-creation space where managers need to invest in building new infrastructure capabilities, as well as new functional and governance capabilities—capabilities that are centered on co-creation through high-quality customer-company interactions and personalized co-creation experiences."[23]

Avik Chakrabarti and Venkat Ramaswamy describe the new market paradigm as "Co-creation thinking as it holds the key to expanding an economist's vision to a space where an enterprise can be seen as a nexus of engagement platforms and the economy as a nexus of enterprises, with competition centering on individuated co-creation experiences that yield unique value to each individual in space-time".[24] In this respect the company and the client have a stronger sense of a shared or common interest in "Producing desirable and valuable outcomes. This [reflects a] fusion of public communication and the production of economic value [where] our everyday life-world becomes filled with attempts to manage and steer how we actually produce truth, beauty, and utility around goods (which results in creating both *ethical surplus* and economic value)".[25]

"Contemporary marketing is driven by the pursuit of developing management techniques that bring about social cooperation. In its current incarnation, this pursuit involves the mobilization and expropriation of knowledge, creativity, and communication with consumers as the direct basis for economic value".[26] Thus, in some respect, the acknowledgement that value congruence improves organization performance is spilling over into strategies for managing external capital. In other words developments in the approach for managing external capital has a similar theoretical (or scientific) foundation as did the development of theories for managing knowledge, value intangibles, relational capital, and theories on how to motivate the knowledge worker.

This means that the rise of contemporary marketing theory has developed exactly the way it was envisioned by Philip Kotler (widely known as the father of modern marketing and continues to be respected as one of the world's foremost experts on marketing). Kotler's theory of marketing appeared in conjunction with the rise of electronic communications thus coincided with his recognition of the rise of telecommunications as a means for interacting with customers.[27] According to Kotler marketing is more effective when it becomes more responsive to the needs, wants, and desires of the customers. As defined by Kotler marketing is a process by which individuals and groups [stakeholders] are able to experience what they need, what they value, and what they find meaningful by creating and exchanging value with others.[28]

Thus, Kotler can be considered as one of the first to herald the significance of value creation. This claim is not only valid based on his argument that marketing is all about improving the overall quality of life for stakeholders by truly increasing "quality and value" but—to make the point more strongly—he advocates that "Marketing is not the art of finding clever ways to dispose of what you make, it is the art of creating genuine customer value".[29] He explains his position in terms that are in line with the contemporary claim that there is an organizational shift away from the "Industrial Age paradigm [where] production and consumption activity became separated". As the workforce becomes more highly educated knowledge workers will be looking for and demanding professional, personal and consumption experiences that are more in line with what they find meaningful in terms of their personal sense of values. Kotler argues that organizational motivational theory had to switch away from Behaviorism to Humanistic approaches (a shift away from motivation based on an appeal to extrinsic and instrumental *means* to a focus on intrinsic *value ends*).[30]

Kolter then influenced a movement in marketing that placed an emphasis on the aesthetic, creative, and artistic appeal of advertisements. In other words as a counter to mass society (assembly line mentality) the new era of markets was concerned with "The mood, feeling or experience that they could stimulate in consumers".[31] With the transformation of media, the introduction of information communication technology, plus a growing emphasis in organizational circles on motivation theories based on Humanistic and Positive Psychologies, the era of the materialistic, utilitarian recent past was superseded by a consumer culture that craves aesthetic appeals that appeal to and please the whole person.[32] "Motivation research thus suggested that marketing take as its object the programming of this consumerist self-production. This fundamental step, from the product to the relations between product and the consumer (or better, the recognition of the contingency of these relations) constituted a first important step towards the contemporary branding paradigm".[33]

Gibbert et al., in their article *Five Styles of Customer Knowledge Management, and How Smart Companies Use Them to Create Value*, argue that the new paradigm requires "a different mindset along a number of key variables". Rather than focusing on knowledge about the customer, smart companies seek knowledge residing in customers. That is to say that organizational theory began to emphasize that interaction with the consumer is essential for organizational learning. Customer knowledge management provided companies with increased ability to gain customer loyalty and sustainable advantage. Knowledge management emerged as a significant factor in managing externals although its focus initially was on "Fostering productive and collaborative relationships along the lines of 'if only we knew what we know,' [however] customer knowledge managers propose an additional dimension, namely 'if only we also knew what our customers know'".[34]

Marketing has become so intent on capturing the customer's deepest longings, desires, urges, and values that they resorted to strategies like neuromarketing and 'empathic design'. That is to say that knowledge managers have become so undertaken with their effort to discover the most intimate desires of the consumer that they even attempt to "get inside the head of their potential customer".[35] Empathic design is a term used by business administration experts at the Harvard Business School Dorothy Leonard and Jeffrey Rayport to describe the company's effort to know and fulfill the customer's deepest desires.[36] In other words empathic design is a form of the co-creation approach to marketing and knowledge management. It is an attempt to satisfy customers by filling their lives with higher quality at lower cost and, as well, to invite the customer to participate in co-creating and co-producing things that the customer finds more pleasing, meaningful, and valuable.

Ilpo Koskinen et al. claim, on the basis of their research on empathic design, marketing, and motivational theory that greater customer involvement in co-creation results in greater customer emphasis on naturalism and aesthetic appeal (appealing and pleasing in a way that gives the user a greater sense of Holistic well-being).[37] Managers of external capital have responded favorably to customer interests by creating marketing strategies that are inclusive of stakeholder values and as a result have found that a greater emphasis placed on the combination of aesthetics and naturalism motivates customer loyalty by generating a stronger feeling of meaningful connection and a sense of shared value between the customer and the producer, as what is co-created is more pleasing and meaningful for customers, it satisfies contemporary consumer interest in experiencing a more ubiquitous technology-human interface, and provides a stronger sense of being well-integrated within the fabric of existence.

Marketing, as defined by Philip Kotler, is an organizational strategy for promoting the acceptability of what the company offers and the implementation of procedures considered best for generating innovations by means of creating informational networks that generate the knowledge needed for the planning, designing, pricing, communicating, and distributing new creations.[38] Thus, from the initial stages of the telecommunications era marketing was beginning to be perceived as much as creative art as it had been as a science. Equally important it became a means of empowering external capital managers in ways that enabled them to create mediums (messages or communication strategies) "Designed in a way to increase memorability, penetration, and action consequences".[39] That is to say that the marketing department began to realize that to be more successful the art of communication needs to be employed and that advertisement must reflect what has meaning and personal value to the customer.

This laid the foundation for a perspective on external capital management that promoted the elimination of the dichotomy between shareholder value (the assumption being that shareholders are motivated by self-interest and instrumental value) and stakeholder value (the assumption that customers are motivated by an increase in aesthetic satisfaction, increased well-being, sustainability, and intrinsic value). With the increased recognition of the role of the value dimension scholars increasingly referred to John Dewey's (one of America's most endeared philosophers) aesthetic, ethical, communication, and social value theories (which were based on empirical naturalism).

Dewey described "Scientific generalizations as *means* for accomplishing certain desired and intended *ends*".[40] Such ends (or ultimate/intrinsic values) are determined by a process of inquiry (valuations, interactions, collaborations, and Constructivist processes) and such processes create value by offering mutually satisfactory and beneficial value propositions and outcomes. Dewey asserted that social value created as the outcome of such propositions in that inquiry (a type of democratic process that results in both valuation propositions and an increase in economic efficiency) is the basis of the democratic approach to co-creating social capital.[41] Thus, in "All inquiry, even the most completely scientific, what is proposed as a conclusion (the end-in-view in that inquiry)" is a value that society intends to maximize.[42]

On the basis of Dewey's theories: of communication, social capital, the learning organization, the learning society, and his theoretical views on the effective management of (or marketing of) external capital in the emerging technological age, organizational specialists began to pay greater attention to the impact of media in the creation of social value. That is to say that Dewey's communication theory, his ideas about the diffusion of innovation, and social R&D (meshing public interest with the interests of public economics and public finance) became more influential.[43] Dewey envisioned—at the initial stages of the rise of electronic communications ability to connect individuals, homes, organizations, and governments globally—that this could lead to the ability of the interdependent global community to experience more happiness, fulfillment, and meaning (if this new potential source of empowerment was handled effectively by knowledge managers). Effective management of external capital was, on the basis of Dewey's social theory, "defined in terms of consumer needs, preferences, and satisfactions. The objective is then to maximize consumer's well-being by increasing their pleasures and decreasing their pains."[44]

Dewey claimed that knowledge management is not only the basis of organizational learning but the key to social learning (the learning society). He also proposed that knowledge management is a means by which the self-interest tendencies of classic economics can be reconciled with the value interests and environmental concerns of stakeholders. Thus, knowledge management became a means of clarifying what has meaning (or what has value) by employing the co-created sense of meaning to co-produce outcomes that increase value for shareholders and stakeholders. In Dewey's own words, ethics/aesthetics is a mean for the expansion of meaning. "Growth is learning the meaning of what our actions are all about. [They are] the good, satisfying, end, of growth—namely the present meaning of action—whether that present meaning of action be defined as pleasure, or perfection, or salvation, or the attainment of virtuous character."[45] This approach to external knowledge management (marketing) resulted in establishing a complementary connection between intrinsic value creation and extrinsic value production. The endeavor to wed consumer satisfaction (e.g. co-creations that are more aesthetically pleasing, beautiful and appealing to the whole person contributes to a stronger feeling of nature-human complementarity) with the producer's desire to increase the value added dimension of its bottom line is proving to increase both shareholder and stakeholder satisfaction.

In conclusion Drucker—building on Dewey—boldly declared that "There is only one valid definition of business purpose: to create customers. Therefore, any business enterprise has two—and only two—basic functions: marketing and innovation".[46] He was one of the first to propose that marketing for the knowledge economy would require a shift from "A 'selling concept' focused on promotional efforts designed to overcome customer resistance to a 'market concept' focused on determining the needs and wants of the customers and delivering satisfaction along those lines."[47] Thus, Drucker inspired a perspective on marketing in the knowledge economy that shifted the external management focus to co-creating and co-producing outcomes customers highly desire and find valuable.[48]

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