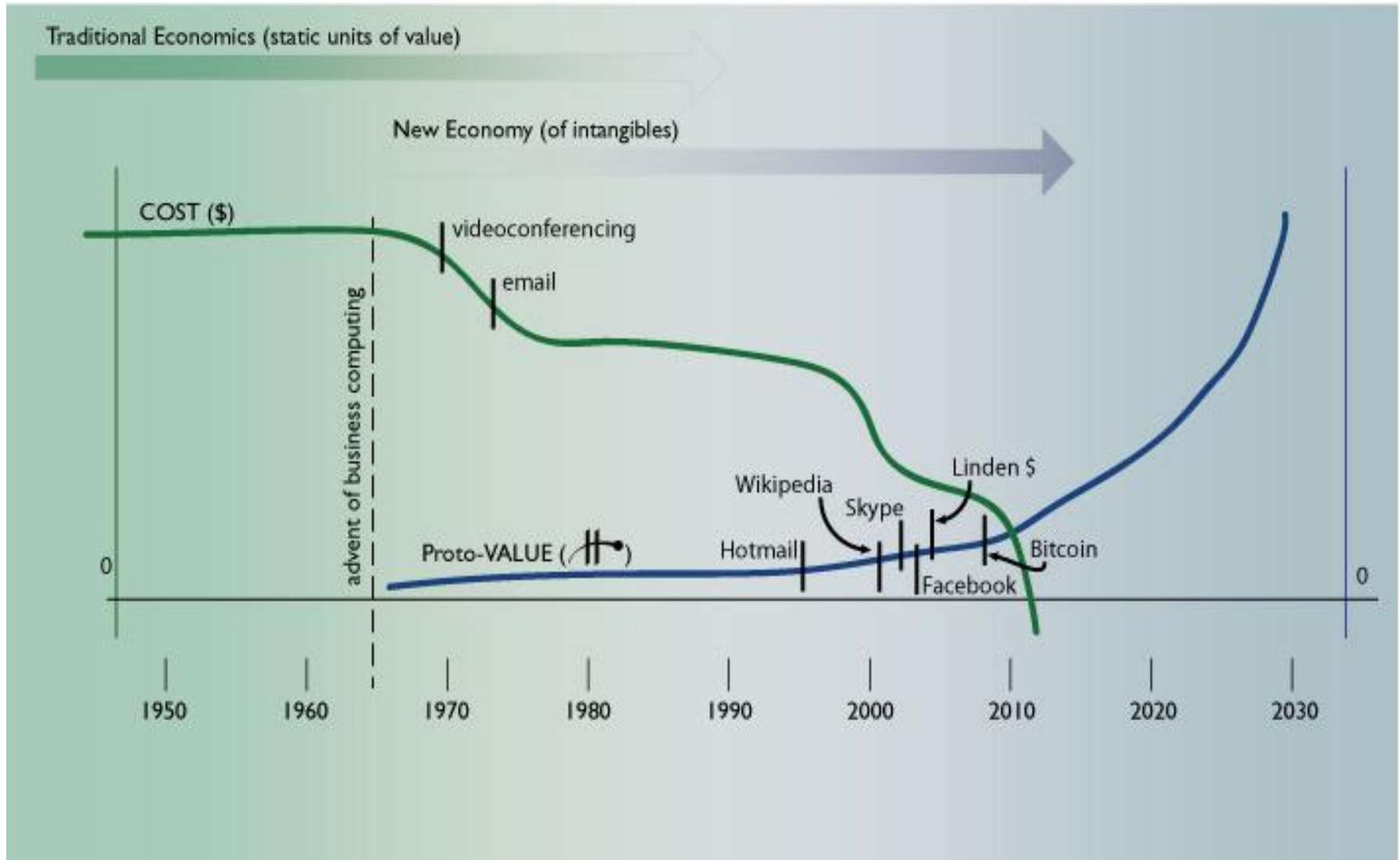


Old and New Economy in Conflict: Proto-value

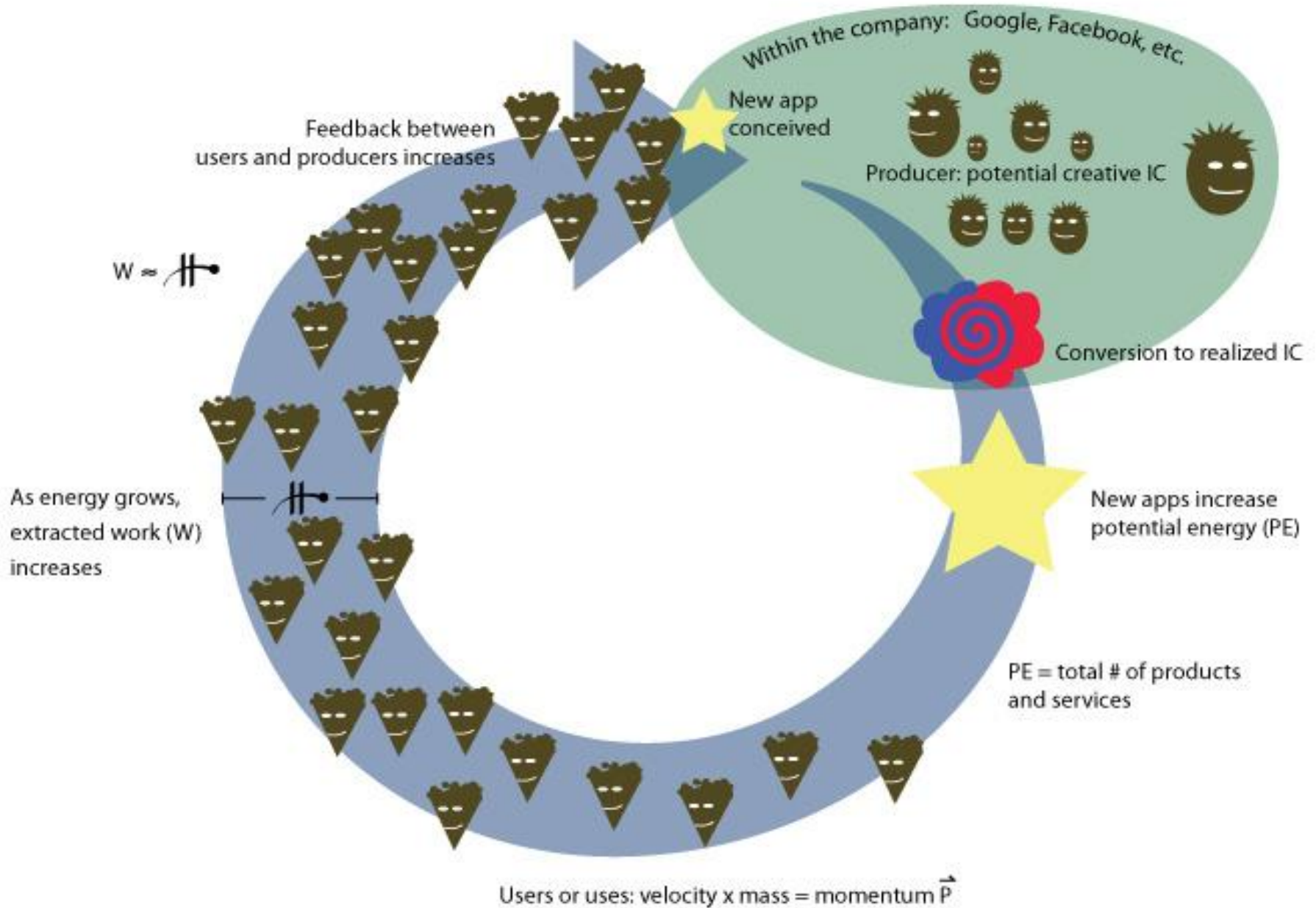
Agenda

- New Economy-Old Economy Value conflicts
- Value in Motion
- Operationalizing Proto-value: PEML
- PEML examples: Facebook and Google
- Producer Framework for Creative to Realized IC
- Creative IC => Proto-value
- Hypothetical example: Three start-up companies
- Static Versus Animated value conceptualization
- Future of the Proto-value concept

Traditional and New Economics: Value Conflict and Opportunity



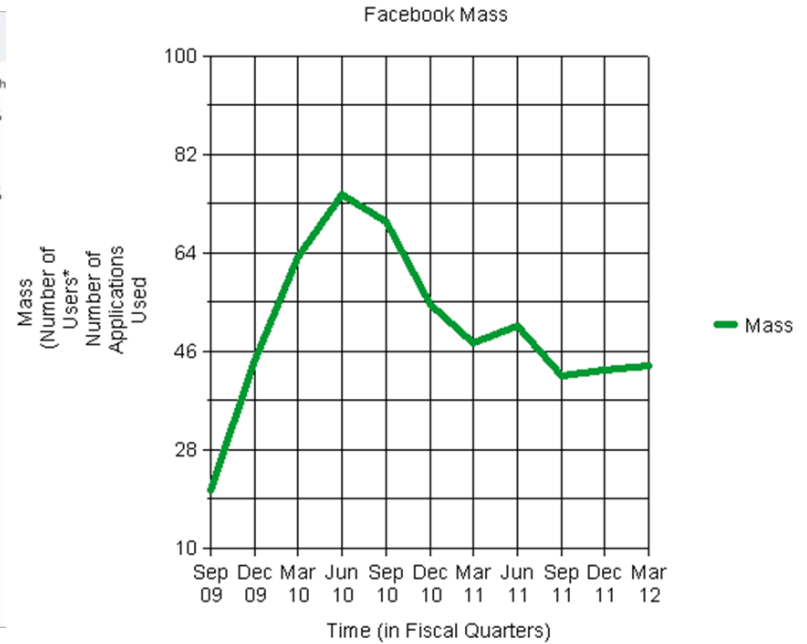
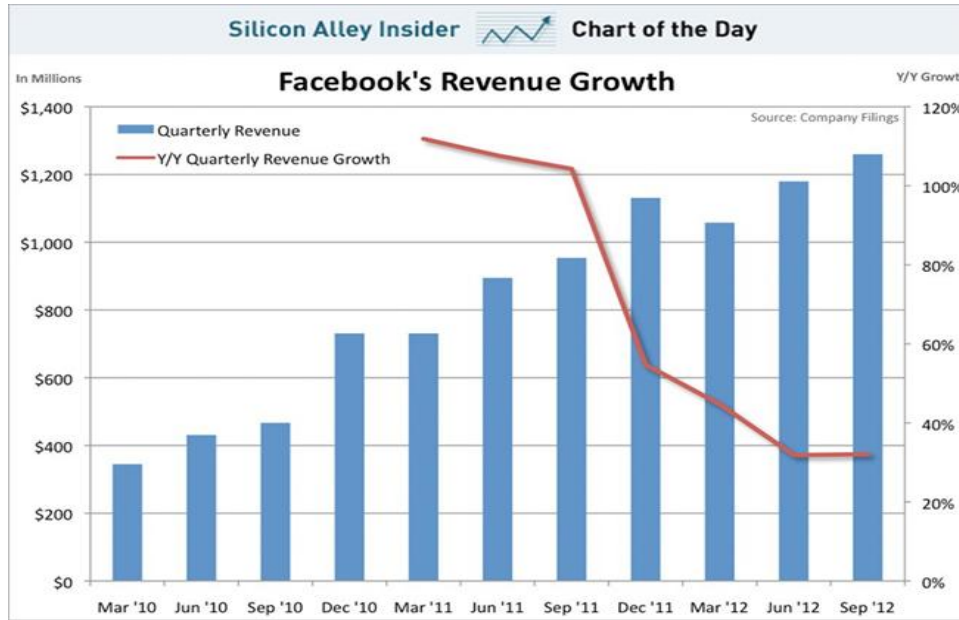
Value in Motion



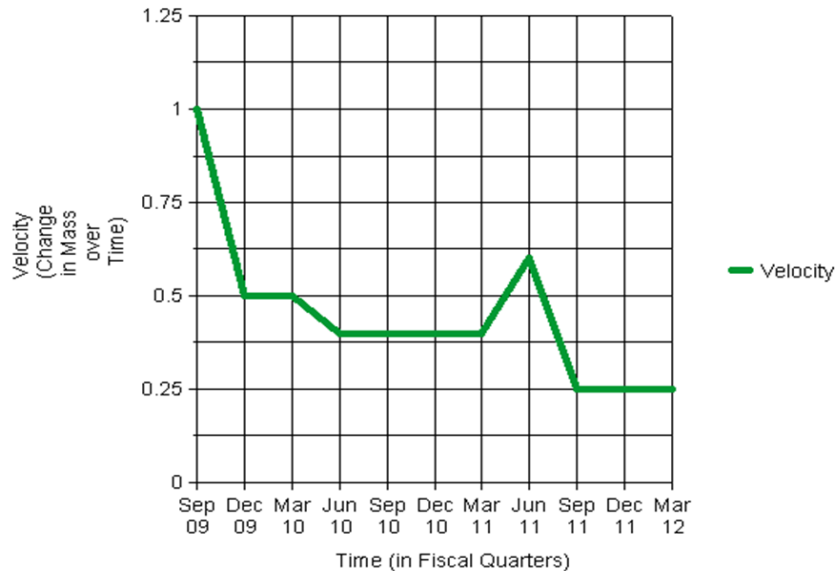
PEML

- Nodal complexity (e.g., users and/or uses) * Product/Service complexity (e.g., PE) basis for new value tracking metric
- Increase or decrease in either affects change in Momentum (e.g., mass {m} * change in # of users or uses {ñ}), change in realized Energy (e.g., realized energy per user), resulting in change in location (L) of proto-value over time (T)
- $m * \dot{n} * PE(L, T) = E * \dot{n}$
- $E * \dot{n} \approx \text{extracted Work}(E * \dot{n}) \approx \text{Proto-value}$

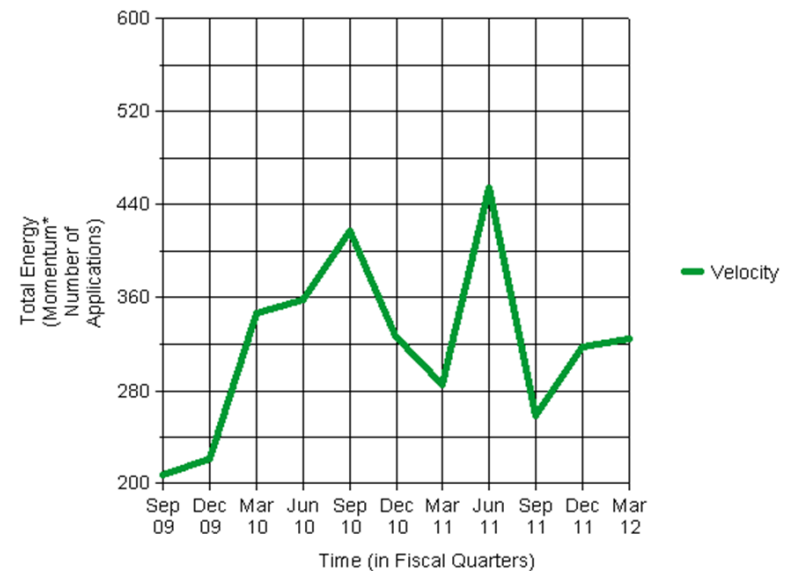
Facebook Loses: Users



Facebook Velocity

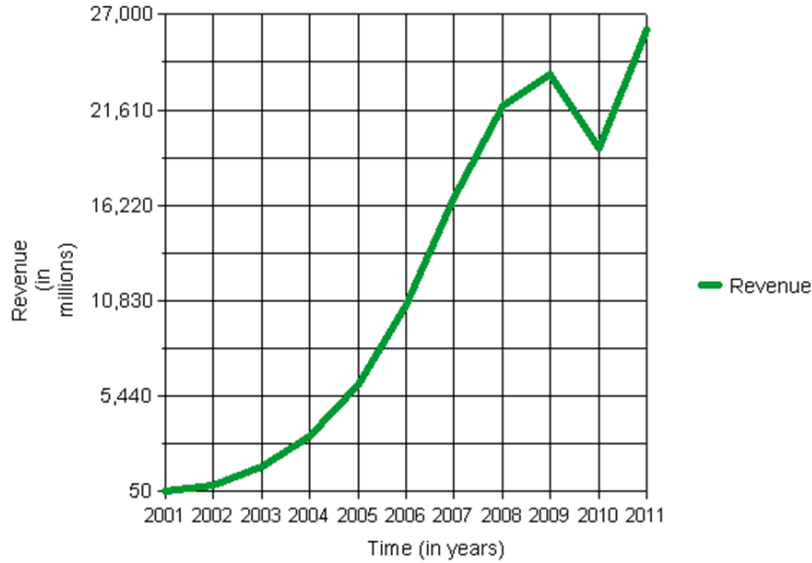


Facebook Total Energy

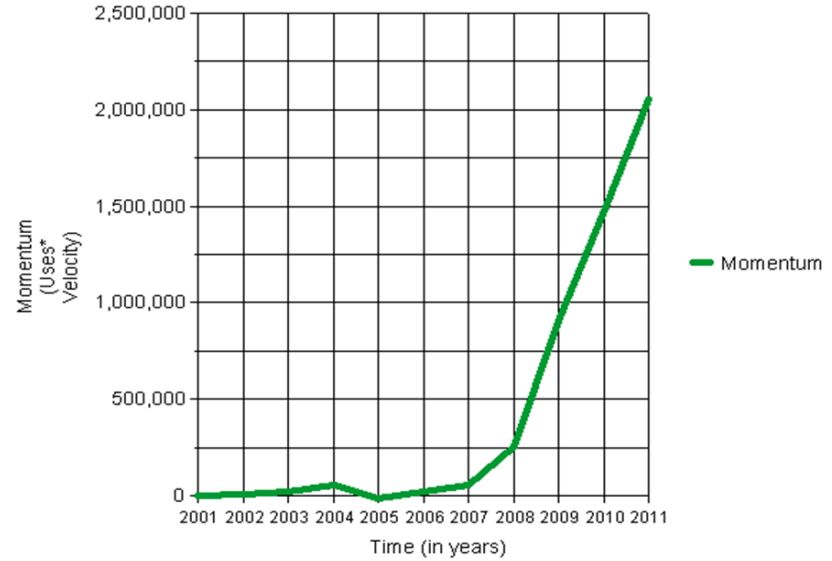


Google Wins: Uses

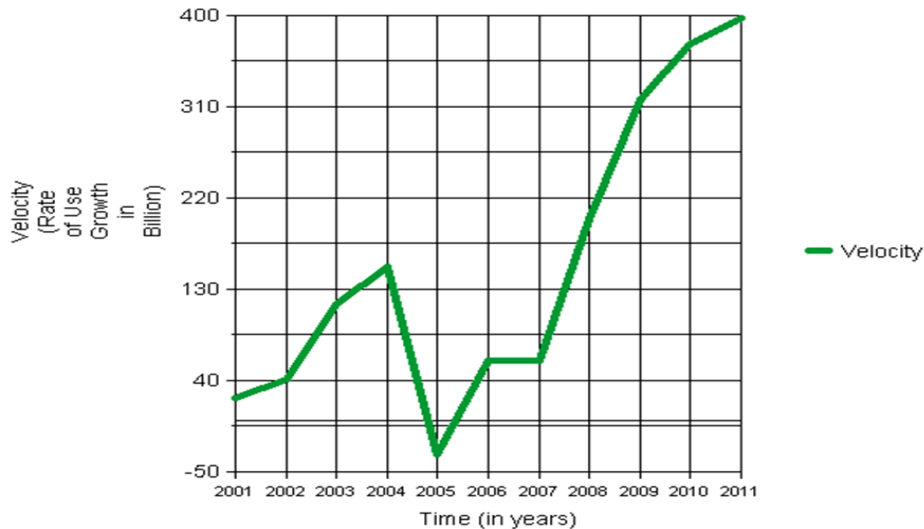
Google's Revenue



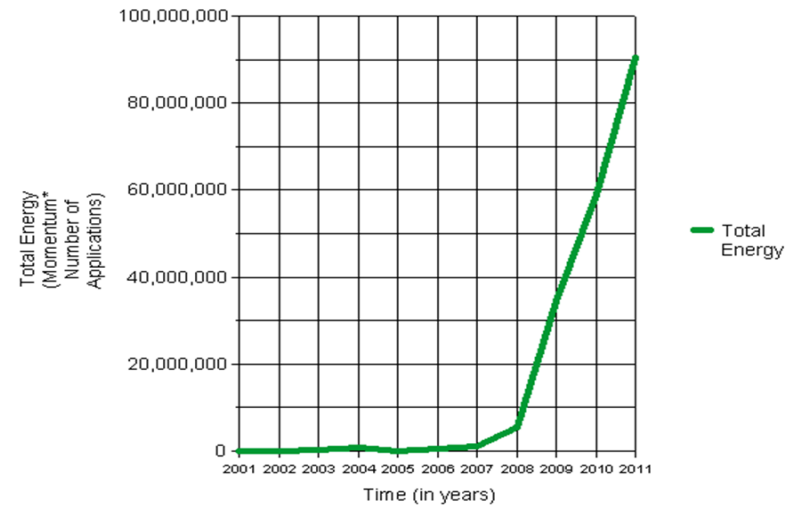
Google's Momentum



Google's Velocity

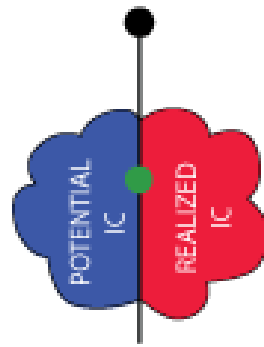
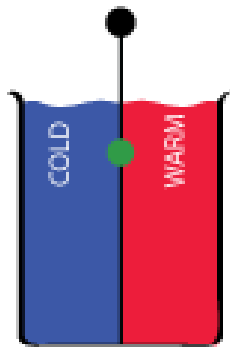


Google's Total Energy

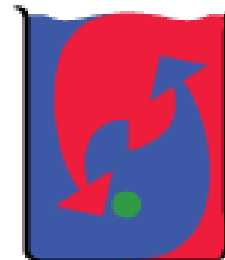


New Theoretical Framework for Producer Value: Available Potential to Realized IC

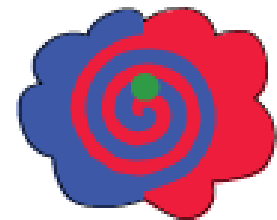
1 In the physical world... In intellectual capital...



2 Remove the barrier... Activate the perceptual cycle...

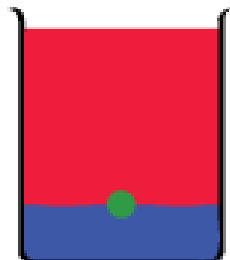


and kinetic energy is generated
as potential energy becomes real.



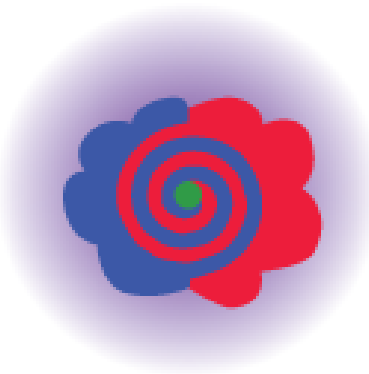
and available potential
IC becomes realized IC.

3 Physical, finite matter achieves a resting state,



but there is residual potential
that's not accounted for.

Available potential-to-realized IC conversion ratio is virtually unlimited.



Producer Creative IC => Proto-value

- Creative IC = Employee creativity
- Employee creativity \approx
 - Employee creative potential IC (PE)
 - Conversion of creative potential IC to realized IC \approx Momentum
- Realized must generate valuable yield \approx Proto-value
- Problems:
 - Operationalizing creative potential IC
 - Quantifying potential IC

From Realized IC to Yield

Three Time Period Results from Three Companies: Conversion and Yield

Company	Explicit Potential IC Units	Realized IC Units	Yield from Realized Proto-value Units	Eventual Revenue
Company A	1. 20	1. 5	1. 1	1. \$130K
	2. 20	2. 16	2. 3	2. \$25K
	3. 35	3. 6	3. 3	3. \$175K
	• ...	• ...
Company B	1. 15	1. 5	1. 3	1. \$120K
	2. 20	2. 7	2. 4	2. \$135K
	3. 25	3. 7	3. 3	3. \$130K
	...	• ...	•
Company C	1. 25	1. 7	1. 2	1. \$112K
	2. 40	2. 13	2. 1	2. \$105K
	3. 45	3. 16	3. 3	3. \$113K
	...	• ...	•

Static Vrs Animated Value

- Monetization = static units of value substance, lagging indicators of value in motion
- Work extracted from total Energy (i.e., Proto-value) requires Thermodynamics framework
- Visualization of Proto-value with holograph: PEML in motion on an n-dimensional grid
- New animated metrics to track changes in Proto-value
- Same metrics can be used in the for-profit and in the not-for-profit sectors
- Potential of complexity theory: units of complexity = units of change (bits) \approx value in motion

Proto-value Concept

- Producer POV: Yield from realized IC \approx Proto-value in motion
- Market POV: W extracted from $E \approx$ Proto-value in motion
- Revenue is a by-product of changes in Proto-value
- Changes in Proto-value can be tracked in the public sector in the same way its tracked in the private sector
- Engine of growth in Proto-value is creative IC conversion to realized IC
- **Bottom line: focus on increasing Proto-value and the money will come**