

Are You a Value Creator or Value Extractor?

By [Harrison Barnes](#)

When I was in my third year of college, I applied to a special accelerated program at the University of Chicago Business School, which would have allowed me to graduate from business school and complete my undergraduate degree in a total of five years--instead of the six years this normally would have required. At the time I was a very good student and I had also been running an asphalt business for the previous several years. I had started the business from scratch and believed that I would have no issue whatsoever getting into this program, due to all the things I already knew about starting and running a business.

Although the program would be admitting only one student for the semester, and around five other students were applying, I still figured I had an excellent chance of getting into the program; I had so much experience in the business world, had good grades, had been involved in extracurricular activities, and had started and led various organizations throughout my career as a student.

I did not get accepted into the program. The student who did get accepted was a guy from China who was majoring in math, and as far as I knew, he only left his dorm room to eat and go to class. The rest of the time he was studying. He had no friends and no girlfriend. During the summer, he even took extra classes. I felt upset that I had not gotten into this MBA program, and I went to see the person in the admissions office who was in charge to ask about why I had not been accepted into the school:

"You had the second highest GPA of all the applicants, and his was just a little bit higher than yours. Since neither of you have been out in the 'official' work world, we felt that the best predictor of success would be grades at this point," I was told.

This really perplexed me. I did not understand why my work experience, extracurricular activities, and other things did not matter to the admissions officer "at this point." Early the next school year I went to a law school forum in downtown Chicago, where most of the law schools had set up tables to recruit students for the next school year. I remember going up to the table at one very prestigious law school and being told the following: "We will not consider you unless you have at least a 3.7 grade point average and are in the 95th percentile on your LSATs. It is all a 'numbers game.'"

Puzzling over the rationale that admissions officers and many schools seemed to be following, I was gradually being exposed to a value system that dominates schools, organizations, and many businesses. This was when I first started to see the difference between "value creation" and "value extraction." There are people and organizations that emphasize value *creation*, and there are other people and organizations who are more concerned with value *extraction*. In the case of the schools I was encountering--an MBA program and a law school--what they were saying, in effect, was that above all, value extraction was more important than value creation. In a way this made sense, because most professional schools train people to extract rather than to create value.

Lawyers, for example, typically work for businesses and individuals who have already *created* value. The lawyers are paid for working on things that already have value associated with them. Most MBAs go to work for other people. They become consultants, executives, and so forth, working for companies in which some sort of unique value already exists. Similarly, admissions offices of schools, bureaucrats, and others are working for institutions where value already exists, and they are *extracting* value from the institutions.

In contrast, a person who starts a little company that manufactures something is more likely to be involved in value *creation* than value *extraction*. The person who plants a field and farms it is more into value creation than value extraction.

Out in the work world these are also essentially the two ways that people make a living, through value extraction and value creation. In your career and life it is important to choose whether or not you want to be a value creator or value extractor--and get very, very good at being whichever one you want to be. It is the ability to effectively be one of these types that will largely determine your success in your career.

You may have heard this adage before: "School is a place where mostly A students teach the B students to work for the C students." The interesting thing about this statement is that, in many respects, it is actually true. However, I look at this in a slightly different way: I believe that the "C students" are typically the ones employing the B and A students *because they are unable to fit into the model of "value extraction" that the B and A students maintain out in the world.*

Who are the "value extractors" out there? Value extractors are typically the ones who take jobs inside of governments, corporations, and other institutions and spend their time as part of a bureaucracy. They learn to identify businesses and employers that have good cash flow, are strong economically, and can employ them in a variety of tasks. Many value extractors want to work at companies that are the largest, most profitable, fastest growing, or *the next big thing*. The reason is that new companies typically are creating a lot of new value, and this new value is something that can be extracted by the value extractors, without them necessarily being accountable for creating value themselves.

I have gotten to know a number of business students, ever since college. A few years ago, I even hired a group of students from UCLA Business School to do a project at one of our companies. Most business school students I know have been interested in going to work at the next great company. A few years ago it was Google. Before Google it was Microsoft. And on and on. Value extractors want to go where value is being created, not where they are accountable for creating value. The funny thing is that when these business school students cannot find jobs, they rarely think about starting businesses. Instead, they resign themselves to [looking for jobs](#) with companies and organizations that are smaller and older, from which there is less value to be extracted.

I went to law school and am an attorney. Attorneys are a classic example of value extractors. Because of this, they are often interested in working for the highest paying and [best law firms](#). Even attorneys who are close to retirement tend to remain

interested in this pursuit. They want to go wherever they think they can extract the most value.

Working in government bureaucracies is typically about extracting value. The government taxes people, so, of course, it has money. People show up in government jobs and extract the money. Larger government allows more people to extract more value from the system. This is how it typically works. People do everything within their power to extract as much value as possible from the system. The more people rely on governments for jobs, the more the role of value extraction is playing in society. The less government there is, the less people rely on extracting value from [government jobs](#).

Unions are made for value extractors. Unions try to get as much value for their constituents out of companies and organizations as they possibly can, for the minimum amount of work. The role of a union is value extraction and this is what it specializes in. Union members will strike, walk off the job, protest, lobby, and all sorts of things, all in order to extract as much value as possible.

There is nothing wrong with being someone who is good at value extraction. In fact, being good at value extraction is a skill that virtually everyone who is employed by others needs to possess. To be good at value extraction there are numerous things you need to do:

- You need to have the right education for your specific value extraction job.
- You need to *look the part* and act in a certain manner in the organization you are with.
- You need to be able to defer to the right people.
- You need to look busy.
- You need to justify your work to your superiors.
- You need to know when to ask for a raise.
- You need to find the best areas to sell your skills.
- You need to stay employed.
- You need to have a good résumé.
- You need access to the right information.
- You need to be good at what you do.
- You need to know how to look for a job.
- You need to find a stable organization.

There are many skills that you need if your role is in value extraction, and these skills are too numerous to mention here. However, if this is your chosen path, you should do everything within your power to learn about and develop these skills.

The most important asset that a value extractor has is the ability to find the right job. This is why the schools they have attended, employers for whom they have worked, cities in which they have worked, and so forth are so important to value extractors. To be truly skilled at value extraction, you must do everything within your power to find the right job. The most important skill a value extractor can develop is how to effectively look for a job.

In contrast to the value extractor is the value creator. Value creators typically see the world as a matrix of opportunities. For example, they may look at a product and see 10 different ways it can be sold instead of the one way that it is being sold right now. When they look around, they may see opportunities to do things better and more efficiently. They may succeed and function easily in various industries, and using different methods--many of which may not require formal education.

Value creators can function inside of organizations; however, they typically have a far different matrix of skills and interests from someone who specializes in value extraction. Value creators typically are not happy working inside of organizations and are more likely to be out doing things other than participating in a bureaucracy. These people could be salespeople, but they tend to be the people who start organizations rather than work within them.

- Is Bill Gates the sort of person who would have reported to work every day for 40 years at Microsoft, were he not the person who started it?
- Could Warren Buffet have been a stockbroker his entire life, working for a brokerage house?
- Would Madonna have been happy being a singer in a nightclub for her entire career?
- Could Richard Branson have been an executive inside of a large corporation for his entire career?
- Would Donald Trump have lasted in a career working for a bank?

Value creators are people who see the world in a different manner most of the time, and they do not have the same skills and interests as value extractors. I am not saying one group is better than the other. In fact, I would hasten to say that most CEOs of Fortune 500 companies, politicians, and others are value extractors, and they are among the most highly esteemed people out there in the business world. There is nothing wrong with being one or the other.

What you need to understand is that you will not be happy in your career and in your life if you are a value extractor who is working as a value creator, and vice versa. I cannot tell you how many careers I have seen end prematurely, and how many people I have seen fall on their faces, because they have gone into roles wherein they are expected to create value rather than extract value. A perfect example is in the [legal recruiting](#) business I run. Some recruiters you could put on a desert island with a phone and no candidates--and they would still make hundreds of thousands of dollars a year. Other recruiters only do well when everything is handed to them, and they can simply send the candidate out to a firm. When everything is not handed to them, these recruiters do poorly. These sorts of recruiters need to be inside of firms and organizations where they can extract value, instead of having to create value on their own.

You need to decide if you are a value creator or extractor. Once you determine which one you are, you need to just be that type of person--and never look back.

THE LESSON

There are two kinds of people; value creators and value extractors. Your career success will largely depend on your skill at either of these two things. Value extractors prefer an environment where value is already being created, while value creators look for areas of maximum opportunity. While value extractors seek stable careers, value creators seek to build up organizations rather than work within them. You need to decide if you are a value creator or extractor, commit to one or the other, and never look back.

