

INTRODUCTION

On Wednesday, October 1, 1997, the Minnesota Timberwolves, a team from the National Basketball Association, announced that they had signed basketball player Kevin Garnett to a six-year contract extension worth \$125 million. At the time, this was reported to be the richest package in professional sports.

Kevin Garnett was 21-years old then, and two years out of high school. In August 1997, he turned down a six-year, \$103.5 million offer from the Timberwolves. The deal he accepted exceeded by \$32 million the price owner Glen Taylor paid for the entire franchise in 1995.

At the press conference where the announcement was made, Garnett explained his decision to accept the new offer and his earlier decision to reject the previous offer by proclaiming, “It was never a money issue.”

Well, this book is different. It is unabashedly about money. In fact, it is all about money. How to make it, and once it’s made, how to prevent its senseless evaporation.

We will introduce you to a fellow named Jerry and then go along with him on his quest to grow a business from scratch into a large company. On the way, we will learn about the basic concepts of value creation, value evaporation and value retention, as well as the key concepts in finance and strategy.

We will also see the many ways in which corporations waste their wealth by misallocating their capital and other resources. Our focus will be on designing resource allocation systems that help to minimize the waste and maximize value retention. We believe that there is something of value in this for all those who want to learn how companies really create wealth in society and also for those who work in corporations where they are constantly frustrated by the enormous frictions created by needless conflict, turf battles, and systems that give rise to perverse incentives. In short, this is a book for everybody interested in business.

The book, organized as a novel, follows the growth of a hypothetical company from inception to maturity. We hope you enjoy this “novel” approach to finance and strategy.

Let’s meet Jerry, our aspiring businessman, shall we?