

OVERVIEW

In Chapter 1, Jerry begins to first think about opening his own lemonade business. This causes him to learn about how firms create a distinctive competitive advantage through strategy. He is also introduced to the key concept of the Value Sphere.

Jerry begins his corporate journey in Chapter 2 by opening his first store. He also decides to learn about finance by attending a course at the local university.

The business soon takes off and in Chapter 3, Jerry takes the firm public through an IPO (Initial Public Offering).

As he quickly realizes, the game changes when one taps the public financial markets. Chapter 4 discusses the problems that arise when a firm like Jerry's relies on external financing and how these can be addressed.

In Chapters 5 and 6, Jerry begins to learn how shareholder value can evaporate owing to poor decisions and how this can disrupt the management of the Value Sphere. To minimize potential evaporation of value, the conceptualization of the business strategy and its execution must be right.

As the business grows, Jerry is faced with a variety of new risks. Chapter 7 discusses the relationship between risk and value.

The issue of capturing the risk of a business in a meaningful way is addressed in Chapter 8. There, Jerry learns how risk affects the cost of capital employed in the business.

Chapter 9 presents the criteria Jerry should use to decide which projects should receive this "costly" capital. Jerry then worries about how to judge the actual performance of projects after they are undertaken.

In Chapter 10, he is given a detailed exposure to Economic Profit (or Economic Value Added). This is a popular performance measure.

Chapter 11 presents a summary of the variety of performance measures that firms use, and examines their relative merits.

The measurement system Jerry chooses to employ, based on this comparison, is presented in Chapter 12.

With the right set of performance criteria in place to judge both new and old projects, Jerry sets out in Chapter 13 to design a world-class system for allocating capital resources.

Building on this, Chapter 14 adds to the process a new way to think about capital investments in high-risk, high-payoff projects. This is using a real-options approach to project valuation.

Jerry now has a very sophisticated resource allocation system, but is unsure about his employees' skills in using the system. In Chapter 15, Jerry introduces a managerial training course to provide his managers with the necessary skills to run the new resource allocation system successfully.

Jerry tackles a new set of investment problems in the next four chapters. In Chapter 16, Jerry wonders whether there is an efficient way to use a portfolio approach to project selection. That is, an approach whereby all investment proposals are viewed as a portfolio, rather than viewing each project as a tub on its own bottom.

In Chapter 17, Jerry decides to investigate the pros and cons of the company initiating a dividend payment. He considers doing this as part of a synchronized Value Sphere.

The issue of optimal capital structure is taken up in Chapter 18, as Jerry wonders if the company has so much debt that it might be in financial peril.

Jerry gives further shape to his ambition in Chapter 19 as he proceeds to acquire another firm. This makes him confront issues such as firm valuation and post-acquisition integration.

This acquisition generates a flood of new ideas and also forces Jerry in Chapter 20 to think about how resource allocation tools could be applied to non-traditional projects like investments in marketing and managerial training.

In Chapter 21, Jerry develops a framework for seamlessly integrating the newly acquired company into his own. In the process, he develops a systematic approach to post-acquisition integration.

With the passage of the Sarbanes-Oxley Act in 2002, Jerry wrestles with corporate governance in Chapter 22 and wonders about the wisdom of having taken the company public.

The design of an effective executive compensation at Jerry's is discussed in Chapter 23. Jerry is interested in both the theory of executive compensation as well as its practice.

The issues of how to manage in tough times and how to remain innovative are taken up in Chapter 24. The key success principles and tensions are examined.

As we close in Chapter 25, Jerry brings all the concepts of organizational culture, resource-allocation systems, and compensation systems together under one strategic vision. He has created a lasting enterprise with a well-synchronized Value Sphere.