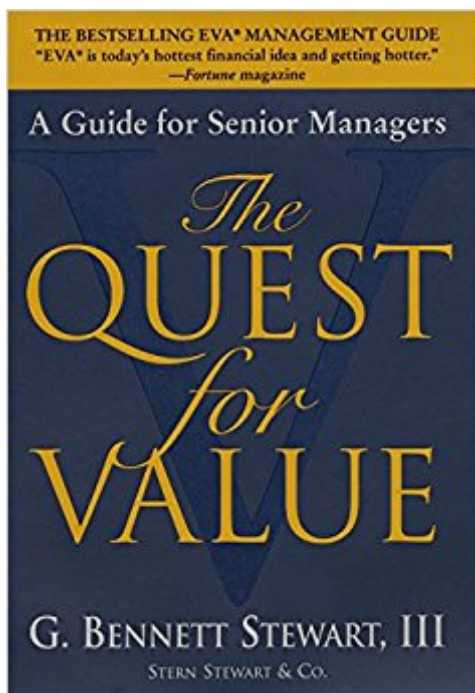


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# The Quest For Value: A Guide For Senior Managers



## Synopsis

In this bestselling classic of financial management, G. Bennett Stewart, III, raises and answers these provocative questions: Do dividends matter? Are earnings per share really accurate measures of corporate performance? What is the engine that really drives share prices? More than that, Stewart lays the foundation for EVA, the financial management and incentive system now in place at nearly 300 companies around the world, and which is rapidly becoming the global standard for corporate governance. Managers, confused about what investors really want, often find it difficult to reach informed decisions regarding business strategy, acquisitions and divestitures, financial structure, dividend policy, and executive compensation. But now an EVA-based revolution is providing a practical framework that managers can use to build a premium-valued company. At the forefront of this revolution is the consulting firm of Stern Stewart & Co., of which G. Bennett Stewart, III, author of *The Quest for Value*, is senior partner and cofounder. *The Quest for Value* is written for senior management, key operating people, and planning and financial staff. This bible of financial management will assist managers in goal setting, resource allocation, strategy development, valuation of acquisitions, financial policy setting, incentive compensation planning, and building shareholder value. *The Quest for Value* cuts sharply through the myths that to this day misinform corporate strategists in their pursuit of shareholder value. Laying waste to inaccurate yet widely used methods of performance, Stewart demonstrates how the Stern Stewart EVA approach not only creates greater shareholder value but also provides a powerful framework for the broadest range of corporate decision making.

## Book Information

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## Customer Reviews

"Bennett Stewart's book is a notable example of what we at Chicago have always believed: Nothing is more practical than good theory. His neatly chosen, real-world illustrations bring the basic concepts of finance vividly to life. The book can be read with profit (and enjoyment) by anyone with an interest in corporate finance, from beginning student to senior executive."-- Merton H. Miller, Robert R. McCormick Distinguished Service Professor, Graduate School of Business, The University of Chicago, 1990 Nobel Prize winner

"The Quest for Value" is the definitive handbook on how to enhance shareholder value. It provides senior managers with practical goals and guidelines to create value for their shareholders and for themselves." -- James J. Schiro, vice chairman, Price Waterhouse

"Bennett Stewart challenges corporate management to focus on its principal mission of increasing shareholder wealth and shows how to do it. We are in the process of implementing a number of his recommendations for executive incentives."-- William W. McCarten, senior vice president, finance, corporate controller, Marriott Corporation

"The Quest for Value" is an excellent work for the corporate strategist. It presents new, leading-edge planning paradigms in a practical, user-friendly way. Stewart's plan to restructure from within is of utmost importance to top management. It is my belief that companies may well come to be structured in the manner he prescribes, by necessity if not by choice."-- George J. Kirk, director, corporate strategy, corporate development, Westinghouse Electric Corporation

"After more than forty experiences over ten years, we firmly believe that corporations that are owned by their management and their board and are prudently leveraged will produce superior investment returns. In this excellent work, Bennett Stewart skillfully explains why."-- Carl Ferenbach, general partner, Berkshire Partners

"The Quest for Value" is a stimulating and insightful presentation of financial issues facing every CEO in the 1990s." -- J. Ira Harris, general partner, Lazard Freres & Co.

G. Bennett Stewart, III, is a senior partner of Stern Stewart & Co. Before co-founding Stern Stewart in 1982 with Joel Stern, he was a vice president of the financial advisory arm of the Chase Manhattan Bank. The EVA<sup>®</sup> management framework was developed by Mr. Stewart and his colleagues based on years of experience advising corporate clients on valuations, restructurings/recapitalizations, acquisitions and divestitures, and management incentive compensation plans. He is a principal speaker at Stern Stewart's EVA<sup>®</sup> seminars, and also serves as an executive editor of the firm's quarterly publication, The Journal of Applied Corporate

Finance. Mr. Stewart has a M.B.A. from the University of Chicago Graduate School of Business and a B.S. in Electrical Engineering from Princeton University.

I read this book my senior year in undergrad as part of my finance curriculum in 2010. Now with 4 years as a finance professional, I still find myself referencing this book's most useful insights, which in my opinion is the idea that a business truly does have an "economic" value that is far more important than the book value. When it comes to practical business valuation methodologies, especially when you consider what forms are the norm around different industries, it can be quite challenging as some other reviewers may have mentioned. Nonetheless, I have used and continue to use the concepts for comparative purposes when examining my own personal investment holdings. I would encourage any business professional to read this book, as the main point really is that EPS is crap. You need to really think about how business decisions affect the EVA of your company. Focusing purely on cash flow, while truly important no doubt, is short-sighted. Blending the two brings you closer to the bulls eye if you want to know your company's worth - or increase the company's value.

This book brings emphasis to the importance of Return on Invested Capital as a valuation metric in security analysis, although the author purports to substantially refine and expand on your prosaic understanding of this concept. It is an ambitious work that has a couple of inexplicable shortcomings, given its length, price, and its author's flair for pointing out the flaws in other valuation methods. The author makes no effort to apply his valuation methods to financial service companies (EVA is applicable to these kinds of companies, but you have to attend an EVA seminar to learn how to do that). There is no index! And there is little empirical data by researchers --outside the cult of EVA, at least-- to support some of Stewart's rather bold claims about this being a better metric for predicting stock price advancements than earnings, free cash flow, return on equity, etc. And then there is the matter of EVA (tm) itself. Given the scarcity of objective data to support EVA as THE metric which best calibrates and predicts advancing/declining security market valuations, who really needs to embrace a somewhat complicated proprietary formula and worry about trademark infringement? For decades, Warren Buffett got by with crude, freebie valuation concepts such as return on equity, return on assets, the non-trademarked version of return on invested capital, and free cash flow. These ratios are as wonderfully easy to calculate in aggregate as EVA is hard to calculate, and the EVA enthusiast's faith that the latter proprietary concept is somehow better than the former freebie ones seems silly --although it does make for a lot of extra work (securing the

future for the trademark owners, who have made a lucrative career of this stuff).

This is one of the best books about EVA. Good explanations. This book goes beyond the GAAP and does a more accurate measurement of corporate profitability and efficiency. Highly recommended for accountants and investors alike!!

I found this book to be a great reference book for the EVA system. I would caution readers that this book is probably better as a reference for those who have taken the Stern Stewart seminars on EVA than as a stand-alone volume. Nevertheless, Stewart does a good job, in my opinion, of laying out the EVA framework and provides some good real-world examples of how EVA is used by companies to manage their financial affairs.

Great Book Used for research in college business class.

I like it

it is not the latest version as the the pic shows.

Stewart has crafted an engaging treatment of Economic Value Added (EVA) which is accessible to both financial professionals and "lay-investors" alike. The material is highly readable and the case examples serve well to illustrate important concepts. (One criticism: Stewart should receive 40 lashes with a wet noodle for failing to provide an index in an 800 page quasi-academic book). EVA was Stewart's contribution (in 1991) to the Shareholder Value framework originally introduced by Alfred Rappaport of Northwestern University. This theoretical framework emphasizes the imperative of adding shareholder value via the undertaking of specific financial and investment decisions at the corporate level and measuring that value with a metric similar to discounted cash flow analysis. EVA is Stern-Stewart's metric. After reading the Motley Fools rave review above, I would issue one caveat to all of those "fools" who think they have found the holy grail to selecting winning stocks: EVA has been around for a long time (the theoretical work precedes THE QUEST FOR VALUE by decades) and is well-integrated into investment management methodologies. There have been several studies which demonstrate that selecting stocks based on EVA or even changes in EVA will not produce excessive returns for investors (See Damodaran). Thus, the real "value" of THE QUEST FOR VALUE for private investors is to focus attention on the importance of economic

measures of value and to point out the limitations of accounting valuation measures like earnings and earnings growth.

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