Foreword

EVER SINCE BENJAMIN Graham wrote about Mr. Market's mood swings and sentimental ups and downs, astute and successful investors have practiced the art of distinguishing price from value. Graham and Dodd advised investors in their seminal book *Security Analysis* that a financial asset should be purchased when its market price is significantly below its intrinsic value. This celebrated principle, known as the margin of safety, has guided the investment decisions of many value investors in the past and will continue to do so for many years to come. But financial assets are not the only assets where this principle is applicable. Indeed, many strategic decisions in corporate finance, from takeovers to corporate risk management, can benefit from the insights that one finds in *Security Analysis* and *The Intelligent Investor*. Surprisingly, very few books document these corporate finance applications in a comprehensive manner, with the exception of Joseph Calandro's *Applied Value Investing*, which covered several specific applications. His new book, *Creating Strategic Value*, more comprehensively illustrates the application of value investing principles in

many areas of corporate management, ranging from the use of excess cash to stock buybacks and acquisitions.

Value investing and its underlying principles can influence corporate management in two separate ways or channels. On the one hand, value investors are active investors, and there are many examples of how they can influence the management of corporations. This channel is more frequently discussed. For example, Benjamin Graham himself knew the importance of shareholder activism (beautifully illustrated by Jeff Gramm in *Dear Chairman*), and Mario Gabelli's analysts at GAMCO constantly grill corporate managers on how they allocate capital within the firm. It is well known that Warren Buffett has long advocated a strategy of buying companies with a strong management team, which shows how corporate management can be a prerequisite for an effective value investing strategy. These examples illustrate how value investors, including activist investors, can guide corporate managers to create shareholder value.

But there is another channel, perhaps a road less frequently travelled, where Calandro's *Creating Strategic Value* makes a much-needed contribution. Here we ask ourselves whether and how a CEO can proactively create stakeholder value by applying the fundamental principles of value investing to how the corporation is managed and how corporate strategy is defined and implemented—and not just react to activist investors. Few authors have addressed this question until now, and Calandro shows us how successful CEOs have, and should, carry out this task.

Joseph Calandro is a skilled practitioner in the art of corporate management and corporate strategy. He has many years of experience in corporate consulting and has published his keen observations in many papers. *Creating Strategic Value* brings together much of his earlier research in one unified compendium. Calandro is also a keen observer of the changes that have taken place since Graham and Dodd first emphasized tangible assets and “net-net” stocks. Many large corporations today have huge intangible assets

Foreword

and many others have very large amounts of cash invested in hedge funds and private equity. This book provides useful perspectives on these changes. Yet another remarkable feature of the book is that several chapters demonstrate how famous investors such as Seth Klarman and Lee Cooperman, and famous CEOs such as Henry Singleton and Prem Watsa, have implemented the insights of value investing. There is a delightful conversation with Seth Klarman, too. The book is written in a style that allows readers with little technical knowledge of finance and business to understand the key concepts. This approach will help the book reach a larger audience.

The Gabelli Center at Fordham University is happy to say that Joseph Calandro has been a Fellow of the Center right from its inception. We can assure him that *Creating Strategic Value* will be required reading for our students and prominently displayed on our own bookshelves. We wish him the very best in his future research and publications.

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Creating Strategic Value