

Download Value The Four Cornerstones Of Corporate Finance

In *Value: The Four Cornerstones of Corporate Finance*, partners from the management consulting firm of McKinsey & Company describe the basic principles of value creation and their relevance. Internalizing these principles—or cornerstones—gives decision makers the independence and courage they need to challenge conventional wisdom, defy half-truths, and build thriving businesses. The Four Cornerstones of Value are: The Core of Value: A business's value is driven by its growth and return on capital, and the resulting cash flows. The Conservation of Cash Flow: Value is created when companies generate higher cash flows, not by simply rearranging investors' claims on cash flows. THE FOUR CORNERSTONES 5 the most value. But for businesses with low returns, improvements in ROIC provide the most value. The second cornerstone of finance is a corollary of the first: Value is created for shareholders when companies generate higher cash flows, not by rearranging investors' claims on those cash flows. We call this the conservation. While this newest book, *Value: The Four Cornerstones of Corporate Finance*, is not directly related to value investing and is aimed not toward the investor but instead toward the C-level executive making fundamental strategic decisions, it nevertheless provides important insight into how value is created within a company and I think it provides useful insight for value investors.