

Pickens, T. Boone – The First Billion is the Hardest*Crown Publishing Group, 2008, [Business] Grade* ★★☆☆

In this part biography, part political appeal, the reader gets to familiarize himself with one of the most infamous persons of the 1980's corporate America. T. Boone Pickens is most famous as a corporate raider. He has enjoyed equal success as an oil baron and a commodities hedge fund investor - most of all though he's a relentless entrepreneur and a passionate risk taker.

As a newly baked geologist he started his career as an employee in big oil. The bureaucracy soon drove his restless soul to quit and start his own energy exploration and production company called Mesa. Despite good traction the company a few years later was relatively small and as Pickens wanted to speed things up, he proposed a merger with the much larger Hugoton. Despite huge synergies the proposal to his surprise was rejected by Hugoton's management who more than anything was watching over their perks. Not going to take no for an answer Pickens launched a successful hostile takeover of the company.

After this the ball was rolling. Mesa started to seek out mismanaged energy companies with steep stock market discounts to oil and gas reserves. They took an initial stake and then tried to persuade the company to undertake various value enhancing measures. If the management resisted they simply bought the company and implemented the changes themselves. Pickens was one of the first in a shareholder value movement. The mere threat of hostile take overs brought huge change to the productivity of the energy sector. Suddenly shareholders mattered. Ironically this phase of Pickens' career ends with Mesa being overtaken and its CEO getting a pink slip.

Pickens did however get to keep the trading operation of the firm and out of this BP Capital Energy Fund emerged. Even though he missed his first two attempts to pass the National Futures Association exam and had a rough start to performance, Pickens used his and his co-workers

intimate knowledge of the energy sector and turned a corporate trading department into a hugely successful long-short investor in oil and gas futures. The funds value soon outstripped that of the company from which it had been spun-off.

Pickens' upbringing and the oil tycoon and buyout era is covered in less than a quarter of the book and his trading career gets an equal allocation. The rest of the book brings up a large number of topics: philanthropy, how to lead teams, natural gas as fuel for vehicles, the local Texan basketball and football teams, the scarcity of drinkable water and his business ventures in selling water and managing wind parks etc. In the author's own opinion the chapter on US dependence of energy from rough states is the most important. It's basically a call for political leadership with effect to use all possible incentives to develop all domestic sources of energy – from coal to wind – to achieve independence from often hostile countries. The current optimism of energy independence thanks to shale gas hadn't yet appeared on the horizon. Personally I would have wanted to read more about the takeover area. Also, at times the author appears painfully self-centered and fond of his image as a competitive underdog.

Private equity funds are today under increasing criticism for excessive greed and unethical bending of tax laws. Even though this might be justified we risk forgetting the service the LBO-firms did the US and later the European shareholders. By focusing on shareholder value they eliminated a huge waste of resources and created a productivity boom during two decades. T. Boone Pickens was one of the main architects.

"Boone" is in many ways like a Texan version of the Hank Rearden character in *Atlas Shrugged*, just that he stayed put and fought. I would love to say he won the war but given the increasingly politicized corporate governance agenda of many institutional owners, I'm not so sure.

Mats Larsson, September 25, 2013