The University of Chicago
Booth School of Business
36106 Managerial Decision Modeling
Josh Hamilton the 125 Million Dollar Man
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The Los Angeles Angels are a Major League Baseball team. In 2013 they attracted attention for signing Josh Hamilton, a free-agent who played for the Texas Rangers during the 2012 season, to a five-year $125 million dollar contract. Not including benefits such as a hotel suite on road trips and other bonuses, the contract calls for the following cash payments.

Year	Salary (Millions)
2013	$25
2014	$15
2015	$23
2016	$30
2017	$30

The total of the salary payments is $123 million. The Los Angeles Angels will also pay $2 million to a Josh Hamilton charitable foundation bringing the total contract to $125 million. An obvious and natural question is: *Is Josh Hamilton worth the money?*

I realize that not all students are familiar with the game of baseball, and students that are familiar with baseball, may not be fans. However, answering the question of whether Josh Hamilton is "worth" the money is actually a very generic problem. The generic problem is how much to pay to either obtain or retain a superstar employee. According to Booth urban legend, in an effort to ward off a competing offer, Nobel Laureate Merton Miller was given a permanently stocked refrigerator full of his favorite beers. I was once asked to be an expert witness in a case where the 38-year-old CIO of a Web hosting and co-location firm died of a heart attack several weeks after being given a clean bill of health by his cardiologist. A guilty verdict was rendered in the malpractice suit and the question was how much to pay the surviving family members. Hence the key question was how much the CIO was "worth."

Answering the question of whether or not Josh Hamilton is worth $125 million leads to the following learning objectives.

1. Learn to *structure a problem* in order to apply decision modeling – i.e. do the following:

2. Learn to identify objectives and constraints.

3. Learn to identify parameters and inputs that affect the model.

4. Learn to construct a simple model.

5. Learn to use the Excel NPV (Net Present Value) function.

6. Learn to use the Excel Scenario Manager, Goal Seek, and Data Table tools.

7. Learn to identify sources of uncertainty.