Good Profit Checklist

Principled Entrepreneurship: Creating superior value for customers while consuming fewer resources and acting with integrity.

Adversity: Often a blessing in disguise.

Money: A valuable tool for accomplishment or a dangerous vice that will destroy your initiative and independence.

Boss: There is only one boss, the customer.

Berkshire: Buys companies when their competitive position (economics) is attractive and their management is good.

Koch: Make acquisitions when we can create additional value and synergies.

Buffet and Koch: Read books.

Creative Destruction: Creating the new commodity, technology, source of supply, type of organization, etc. Those who do the best job of satisfying the customer should succeed because only then will both the industry and consumer benefit.

Logic v. Feelings: Need to be carefully balanced in an organization.

Economic Freedom: Property rights, free trade, sound money, and anti-regulation. Greater economic freedom is correlated with higher income per capita, longer life expectancy, better environmental quality, improved health and education, less corruption and better living (source Fraser Institute Economic Freedom of the World).

Self-Interest v. Selfishness: Self interest is acting in a way that promotes yourself and leads to mutually beneficial outcomes. Selfishness is doing something that benefits yourself at the expense of everyone else.

Regulation Pitfalls: When Soviet nail factories had their output measured in weight, they tended to make bug, heavy unusable nails at a time when everyone needed small nails.

Tragedy of Liberation: When people in China were given a quota of rat tails to deliver they starting breeding the rodents.

Mental Models: Intellectual structures that enable us to simplify and organize the world.

People’s Comparative Advantages: People are like countries, they are good at some things and not as good at others. People should do what they are best at.

Beard Rule: Action without study is fatal. Study without action is futile.

Process of Discovery: Observing the gab between what is and what could be.

Exit Mechanism: Never enter a partnership without an exit mechanism.

Management: Avoid sending mixed signals on risk-taking, give feedback, keep analysis focused on accuracy rather than precision.

Accuracy v. Precision: Accuracy is getting close to the center of your target. Precision is when all your shots are in the same place but not necessarily close to the center.

Tragedy of Commons: Shared areas with unclear or non-existent demarcation of responsibility. Cause for most wrong things.

Motivation: Dissatisfaction with the present, vision for a better state, belief that we can reach better state.

Failures: When Edison failed 10,000 times to find the light bulb someone asked him if he was disappointed with all his failures. He said I’ve successfully discovered 10,000 ways it won’t work.