

Insights from *The Personal MBA* by Josh Kaufman

Do I need an MBA to be a successful businessperson?

"Here's the answer: five simple words that will save you years of effort and hundreds of thousands of dollars: Skip business school. Educate yourself." – Josh Kaufman

3 Disturbing Truths about MBA School

- MBA School debt takes the average MBA student 12 years to pay off.
- MBA Schools teach out-dated business practices that are worthless by the time you graduate.
- Getting an MBA degree doesn't guarantee you a high-paying job or make you a skilled manager. One Stanford University study analyzed MBA graduates for 40 years and found that having an MBA had zero correlation to career success and salary increases.

After learning these disturbing facts about MBA School, author Josh Kaufman decided to skip MBA School and teach himself the fundamentals of business. After reading 100's of business books, he realized that business was far less complicated than he initially thought. In fact, every successful business could be explained using the following 5 part system:

5 Part Framework to Evaluate Any Business



Value Creation: Is the business creating something people *actually* want to buy?

In the book 'Trade-Off: Why Some Things Catch On, and Others Don't,' Kevin Maney identifies two primary characteristics of products and services that people are willing to pay for: convenience and high-fidelity.

- Convenience means quick, reliable, easy, and flexible.
- High-fidelity means high aesthetic appeal, high emotional impact, and a high degree social status.

"If you're craving pizza, a table at the original Pizzeria Uno in Chicago is high-fidelity; Domino's home delivery is convenient. Accordingly, Pizzeria Uno benefits more from making the dining experience remarkable, while Domino's benefits more from delivering decent pizza as quickly as possible." – Josh Kaufman



Marketing: Is the business attracting and holding people's attention?

When Apple announced the first iPod, they told the world that the new device would be "1000 songs in your pocket." This headline was remarkable at the time, and it violated people's expectations. The goal of every marketing team should be attracting attention through remarkable and unexpected messages.

"In the classic marketing book Purple Cow, Seth Godin uses a wonderful metaphor to illustrate this principle. A field full of brown cows is boring. A purple cow violates the viewer's expectations, which naturally attracts Attention and interest. If you design your offer to be Remarkable—unique enough to pique your prospect's curiosity—it'll be significantly easier to attract attention." – Josh Kaufman



Sales: Do people believe and trust the business enough to make a transaction?

If a stranger were to walk up to you at the bus stop and offer you \$20 in exchange for \$10, would you make the transaction? Probably not, because you don't believe or trust the offer is legitimate. However, if your friend standing next to you could vouch for this stranger, you'd probably make the transaction.

Sales is all about making a customer believe and trust the business can deliver on its promise. The quickest way to build belief and trust is social proof. Examples of social proof include one hundred 5-star Amazon reviews, or getting a recommendation from a key influencer like Oprah. Thousands of people trust Oprah, and that trust is transferred to any product she recommends, leading to thousands of sales.



Value delivery: Is the business exceeding customer expectations?

Customer expectations have to be high enough for the customer to make an initial purchase. After the purchase is made, however, if the performance of the offering surpasses customer expectations the customer will be more likely to buy again and recommend the business to friends.

Zappos, the online shoe company, provide their customers with free expedited shipping, despite not advertising free expedited shipping; the surprise that comes from exceeding customer expectations is far more valuable. The best way a business can reliably exceed customer expectations is building efficient systems of delivery, and providing excellent customer service.



Finance: Is the business making more money than it is spending?

The final part is straightforward: ensure more money is coming in than going out.

"It's really not any more complicated than that. Yes, there can be fancy models and jargon, but ultimately you're simply using numbers to decide whether or not your business is operating the way you intended, and whether or not the results are enough...to justify all of the time and effort that goes into running the operation." – Josh Kaufman