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# THE PERSONAL MBA

*A World-class Business  
Education in a Single Volume*

JOSH KAUFMAN

PORTFOLIO / PENGUIN



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“Fundamentals are fundamentals. Whether you’re an entrepreneur or an executive at a *Fortune* 50 company, this book will help you succeed.”

—John Mang, Vice President of Japan Fabric & Home Care,  
Procter & Gamble

“This book goes far beyond business: I used the marketing, sales, and communication principles in this book to complete my PhD and land a highly competitive postdoc and professorship at a world-class research university. Whatever you do for a living, this book will help you do it even better.”

—Dr. Zachary Gagnon, Assistant Professor of Chemical Engineering,  
Johns Hopkins University

“If you’re thinking of starting a business, this book will radically increase your confidence. If you’re already running a business, this book will help you identify weaknesses in your systems to get better results. If you’re thinking about plunging yourself into debt to get an MBA, this book will challenge you to your core. Are you more interested in becoming a better businessperson, or having a document to hang on your wall to impress people?”

—Daniel Joshua Rubin, Playwright and Portrait Artist

“I graduated with an MBA in 2005 before I encountered *The Personal MBA*, but I still felt like I didn’t know anything about business. In retrospect, I wish I had read this book before enrolling in an MBA program—it would’ve helped me be more mindful while completing my degree. Who knows . . . I might have skipped the MBA completely. This is easily the best foundational business book available.”

—Roger Hui, Technical Account Manager, RedHat, Inc.

“I used the mental models in this book to create a profitable business in less than four weeks. Josh quickly dispels many mistaken beliefs about entrepreneurship, and his guidance has made me vastly more productive and successful, and my life more fulfilling.”

—Evan Deauble, President and CEO, Tic Tac Code LLC

“These concepts really work: I’m booked solid with clients, making eight times more money, feeling far less overwhelmed, and having a lot more fun. If you want to live up to our potential, you can’t afford to miss this book.”

—Tim Grahl, Founder and CEO, Out:Think Group

“After one hour with Josh, I immediately used his advice to bring in an extra \$120,000 this year. These simple principles are astoundingly effective.”

—Dan Portnoy, Founder and CEO, Portnoy Media Group



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*To the millions of business professionals worldwide who work  
to make people's lives better, in ways large and small.*



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# 1

## WHY READ THIS BOOK?

Just what the world needs . . . another business book!

—U.S. CUSTOMS AGENT AT JFK INTERNATIONAL AIRPORT,  
AFTER ASKING ABOUT MY OCCUPATION

Life's tough. It's tougher if you're stupid.

—JOHN WAYNE, WESTERN FILM ICON

Since you're reading this book, chances are you want to make something important happen: start a business, get a promotion, or create something new in the world. It's also likely that a few things are holding you back from achieving your dream:

- ▶ *Business Angst.* The feeling that you “don't know much about business” and therefore could never start your own company or take more responsibility in your current position. Better to maintain the status quo than face the fear of the unknown.
- ▶ *Certification Intimidation.* The idea that “business is really complicated” and is a subject best left to highly trained “experts.” If you don't have an MBA or similar expensive credentials, who are *you* to say you know what to do?
- ▶ *Impostor Syndrome.* The fear that you're already “in over your head” and it's only a matter of time before you're unmasked as a total fraud. No one likes a phony, right?

Here's the good news: everyone has these unfounded fears, and they can be eliminated quickly. All you need to do is learn a few simple concepts that will change the way you think about how business works. Once you've conquered your fears, you can accomplish anything.

If you're an entrepreneur, designer, student, programmer, or professional who wants to master the fundamentals of sound business practice, this book is for you. No matter who you are or what you're trying to do, you're about to discover a useful new way of looking at business that will help you spend less time fighting your fears and more time doing things that make a difference.

## You Don't Need to Know It All

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As to methods, there may be a million and then some, but principles are few. The man who grasps principles can successfully select his own methods. The man who tries methods, ignoring principles, is sure to have trouble.

—RALPH WALDO EMERSON, ESSAYIST AND POET

One of the beautiful things about learning any subject is the fact that *you don't need to know everything*—you only need to understand a few critically important concepts that provide most of the value. Once you have a solid scaffold of core principles to work from, building upon your knowledge and making progress becomes much easier.

*The Personal MBA* is a set of foundational business concepts you can use to get things done. Reading this book will give you a firm foundation of business knowledge you can use to make things happen. Once you master the fundamentals, you can accomplish even the most challenging business goals with surprising ease.

Over the past five years, I've read thousands of business books, interviewed hundreds of business professionals, worked for a *Fortune* 50 corporation, started my own businesses, and consulted with businesses ranging from solo operations to multinational corporations with hundreds of thousands of employees and billions of dollars in revenue. Along the way, I've collected, distilled, and refined my findings into the concepts presented in this book. Understanding these fundamental principles will give you the

tools you can rely on to make good business decisions. If you invest the time and energy necessary to learn these concepts, you'll easily be in the top 1 percent of the human population when it comes to knowing:

- ▶ How businesses *actually* work.
- ▶ How to start a new business.
- ▶ How to improve an existing business.
- ▶ How to use business-related skills to accomplish your personal goals.

Think of this book as a filter. Instead of trying to absorb all of the business information that's out there—and there's a *lot* out there—use this book to help you learn what matters most, so you can focus on what's actually important: making things happen.

## No Experience Necessary

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People always overestimate how complex business is. This isn't rocket science—we've chosen one of the world's most simple professions.

—JACK WELCH, FORMER CEO OF GENERAL ELECTRIC

Don't worry if you're a complete beginner. Unlike many other business books, this book does not require any prior business knowledge or experience. I don't assume you're already the CEO of a large company who makes multimillion-dollar decisions on a daily basis. (But this book will still be very useful if you are!)

If you *do* have business experience, take it from many of my clients around the world who have MBAs from top schools—you'll find the information in this book more valuable and practical than anything you learned earning your degree.

Together, we'll explore 226 simple concepts that help you think about business in an entirely new way. After reading this book, you'll have a much more comprehensive and accurate understanding of what businesses *actually are* and what successful businesses *actually do*.

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## Questions, Not Answers

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Education is not the answer to the question. Education is the means to the answer to all questions.

—BILL ALLIN, SOCIOLOGIST AND EDUCATION ACTIVIST

Most business books attempt to teach you to have more *answers*: a technique for this, a method for that. This book is different. It won't give you answers—it will help you ask better *questions*. Knowing what's critically important in *every* business is the first step in making good business decisions. The more you know about the essential questions to ask in your current situation, the more quickly you'll be able to find the answers you need to move forward.

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## Mental Models, Not Methods

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The limits of my language are the limits of my world.

—LUDWIG WITGENSTEIN, PHILOSOPHER AND LOGICIAN

To improve your business skills, you don't need to learn everything there is to know—mastering the fundamentals can take you surprisingly far. I call these foundational business concepts *mental models*, and together, they create a solid framework you can rely on to make good decisions.

Mental models are concepts that represent your understanding of “how things work.” Think of driving a car: what do you expect when you press down on the right-side pedal? If the car slows down, you'll be surprised—that pedal is supposed to be the accelerator. That's a mental model—an idea about how something works in the real world.

Your brain forms mental models automatically by noticing patterns in what you experience each day. Very often, however, the mental models you form on your own aren't completely accurate—you're only one person, so your knowledge and experiences are limited. Education is a way to make your mental models more accurate by internalizing the knowledge and experiences other people have collected throughout their lives. The best education helps you learn to see the world in a new, more productive way.

For example, many people believe things like “starting a business is risky,” “to get started, you must create a massive business plan and borrow a lot of money,” and “business is about who you know, not what you know.” Each of these phrases is a mental model—a way of describing how the world works—but they’re not quite accurate. Correcting your mental models can help you think about what you’re doing more clearly, which will help you make better decisions:

INACCURATE MENTAL MODEL	ACCURATE MENTAL MODEL
Starting a business is risky.	Uncertainty is an ever-present but manageable part of business, and risks can be minimized.
In order to successfully create a business, you must create a flawless business plan before you start your business.	A written plan is secondary to understanding the critical functions of your business, and no matter how much you prepare, there will <i>always</i> be surprises along the way.
You must raise large amounts of capital before you start building your business.	Raising money is necessary only if it allows you to accomplish something that would otherwise be impossible (like building a factory).
It’s not what you know, it’s who you know.	Personal connections are important, but knowledge is key if you want to use those connections to your best advantage.

After learning the mental models in this book, many of my clients have realized that their picture of *what businesses are* and *how businesses work* was inaccurate—getting their venture off the ground would be far easier than they originally imagined. Instead of wasting valuable time and energy feeling intimidated and freaking out, learning these concepts gave them the freedom to stop worrying and start making progress.

This book will help you learn the fundamental principles of business quickly so you can focus your time and energy on actually *doing* useful things: creating something valuable, attracting attention, closing more sales, serving more customers, getting promoted, making more money, and changing the world.

Not only will you be able to create more value for others and improve your own financial situation, you’ll also have more fun along the way.

## My “Personal” MBA

Self-education is, I firmly believe, the only kind of education there is.

—ISAAC ASIMOV, FORMER PROFESSOR OF BIOCHEMISTRY AT BOSTON  
UNIVERSITY AND AUTHOR OF OVER FIVE HUNDRED BOOKS

People often ask me if I have an MBA. “No,” I reply, “but I did go to business school.”

As a student at the University of Cincinnati, I was fortunate enough to participate in the Carl H. Lindner Honors-PLUS program, which is essentially an MBA at the undergraduate level. The program was generously funded via scholarships, and as a result I had the remarkable opportunity to experience most of what business schools teach without the crippling burden of debt.

I’ve also been on the “fast track to corporate success.” Through the University of Cincinnati’s cooperative education program, I landed a management position at a *Fortune* 50 company—Procter & Gamble—during my second year of college. By the time I graduated in 2005, I had an offer to become an assistant brand manager in P&G’s Home Care division, a role typically reserved for graduates of top MBA programs.

As I began my last semester of college, I started focusing less on my coursework and more on the future. My new job would require a solid understanding of business, and almost all of my peers and managers would have MBAs from top-tier schools. I briefly considered enrolling in an MBA program, but it made no sense to pursue an expensive credential to get the kind of job I already had, and my responsibilities would be demanding enough without adding a load of coursework by enrolling in a part-time program.

While considering my options, I remembered a bit of career advice that Andy Walter, the first associate director I reported to at P&G, had given me: “If you put the same amount of time and energy you’d spend completing an MBA into doing good work and improving your skills, you’ll do just as well.” (Andy doesn’t have an MBA—he studied electrical engineering in college. He’s now one of the company’s top global IT managers, responsible for leading many of P&G’s largest projects.)

In the end, I decided to skip business school, but not business education.

Instead of enrolling in an MBA program, I skipped the classroom and hit the books, creating my own “Personal” MBA.

## A Self-Directed Crash Course in Business

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Many who are self-taught far excel the doctors, masters, and bachelors of the most renowned universities.

—LUDWIG VON MISES, AUSTRIAN ECONOMIST AND AUTHOR OF  
*HUMAN ACTION*

I’ve always been an avid reader, but before I decided to learn everything I could about business, most of what I read was fiction. I grew up in New London, a small farm town in northern Ohio where the major industries are agriculture and light manufacturing. My mother is a children’s librarian, and my father worked as a sixth grade science teacher, then as an elementary school principal. Books were a major part of my life, but business was not.

Before getting my first real job, I knew next to nothing about what businesses were or how they functioned, other than that they were places people went every day in order to draw a paycheck. I had no idea that companies like Procter & Gamble even existed until I applied for the job that swept me into the corporate world.

Working for P&G was an education in itself. The sheer size and scope of the business—and the complexity required to manage a business of that size—boggled my mind. During my first three years with the company, I participated in decisions across every part of the business process: creating new products, ramping up production, allocating millions of marketing dollars, and securing distribution with major retailers like Walmart, Target, Kroger, and Costco.

As an assistant brand manager, I was leading teams of thirty to forty P&G employees, contractors, and agency staff—all of whom had competing projects, plans, and priorities. The stakes were huge and the pressure was intense. To this day, I can’t help but marvel at the thousands of man-hours, the millions of dollars, and the enormously complex processes necessary to make a simple bottle of dish soap appear on the shelf of the local

supermarket. Everything from the shape of the bottle to the scent of the product is optimized—including the text on the cardboard boxes used to ship inventory to the store.

My work at P&G, however, wasn't the only thing on my mind. My decision to skip business school in favor of educating myself developed from a side project into a minor obsession. Every day I would spend hour after hour reading and researching, searching for one more tidbit of knowledge that would help me to better understand how the business world worked.

Instead of using the summer after graduation to relax and go on vacation, I spent my days haunting the business stacks at the local bookstore, absorbing as much as I possibly could. By the time I officially started working full-time for P&G in September 2005, I had read hundreds of books across every discipline that business schools teach, as well as in disciplines that most business schools don't cover, such as psychology, physical science, and systems theory. When my first day at P&G finally arrived, I felt prepared to strategize with the best of them.

As it turned out, my self-education served me well—I was doing valuable work, making things happen, and getting good reviews. As time went on, however, I realized three very important things:

1. *Large companies move slowly.* Good ideas often died on the vine simply because they had to be approved by too many people.
2. *Climbing the corporate ladder is an obstacle to doing great work.* I wanted to focus on getting things done and making things better, not constantly positioning myself for promotion. Politics and turf wars are an inescapable part of the daily experience of working for a large company.
3. *Frustration leads to burnout.* I wanted to enjoy the daily experience of work, but instead I felt like I was running a gauntlet each day. It began to affect my health, happiness, and relationships. The longer I stayed in the corporate world, the more I realized I wanted out. I desperately wanted to work on my own terms, as an entrepreneur.

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