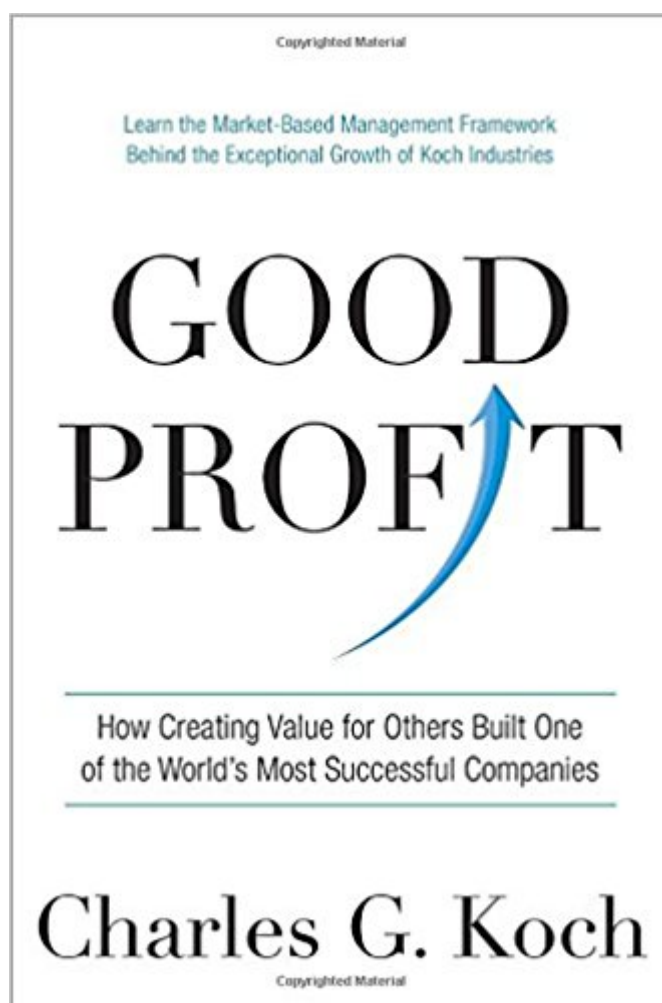


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# Good Profit: How Creating Value For Others Built One Of The World's Most Successful Companies



## Synopsis

THE REVOLUTIONARY MANAGEMENT SYSTEM BEHIND ONE OF THE MOST SUCCESSFUL COMPANIES OF OUR TIME

In 1961, Charles Koch joined his father's Wichita-based company, then valued at \$21 million. Six years later, he was named chairman of the board and CEO of Koch Industries, Inc. Today, Koch Industries' estimated worth is \$100 billion -- making it one of the largest private companies in the world. Koch exceeds the S&P 500's five-decade growth by 27-fold and plans to double its value on average every six years. What exactly does this company do and why is it so remarkably profitable? Koch's name may not be on your stain-resistant carpet, stretch denim jeans, the connectors in your smart phone, or your baby's ultra-absorbent diapers but it makes them all. And Koch's Market-Based Management® system is what drives these innovations and many more.

Based on five decades of interdisciplinary studies, experimental discovery, and practical implementation across Koch businesses worldwide, the core objective of MBM is to generate good profit. Good profit results from products and services that customers vote for freely with their dollars, products that improve people's lives. It results from a culture where employees are empowered to act entrepreneurially to discover customers' preferences and the best ways to satisfy them. Good profit is what follows when long-term value is created for customers, employees, shareholders, and society. Here, drawing on revealing, honest, and previously untold stories from his nearly six decades in business, Koch walks the reader through the five dimensions of MBM to show how to apply its framework to generate more good profit in any business, industry, or organization of any size. Readers will learn how to:

- Craft a vision for how to thrive in spite of increasingly rapid disruption
- Select and retain a workforce possessing both virtue and talent
- Create an environment of knowledge sharing that prizes respectful challenges from everyone at every level
- Award employees with ownership and decision rights based on their proven contributions, not job title
- Motivate all employees to maximize their contributions by structuring incentives so compensation is limited only by the value they create

A must-read for any leader, entrepreneur, or student, as well as anyone who wants a more civil, fair, and prosperous society, Good Profit is destined to rank as one of the greatest management books of all time.

## Book Information

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## Customer Reviews

"Charles Koch is right, there is a difference between Good Profit and bad profit. And this book helps show you the way to good profit -- whether you work for an international supermarket chain, a medium-sized regional business, or your own start-up." -- John Mackey, Co-Founder and Co-CEO Whole Foods Market

Charles Koch's Good Profit is a must read for any businessperson or serious student of business. As a transformative leader of Koch Industries, Koch the author delivers not just business wisdom but the economic punch of decision-making at the margin and Market-Based Management. The book, like Koch's management tools, bridges theory and practice masterfully. But the title's engine says it best: "Good profit arises from delivering value to customers." And Koch Industries' spectacular success over the past half century shows that good profit creates great value.

Glenn Hubbard, Dean and Russell L. Carson Professor of Finance and Economics, Columbia Business School

"The ultimate 'how to' book on running a successful business. Charles Koch's approach is extraordinarily thoughtful and comprehensive, reflecting his more than 50 years of experience in growing Koch Industries to the second largest private corporation in America. His emphasis on the key role that values play in his leadership and management model is especially important in today's business environment. A must read for those who want to take their enterprise to the next level."

Richard B. Myers, General, USAF, Ret., 15th Chairman of the Joint Chiefs of Staff

"Charles Koch is a genuine patriot, and his lifelong mission is to make America as strong

and free as she can be. "He believes the principles of economic opportunity that have guided America are worth protecting. This book will teach us how." - (Papa) John Schnatter, CEO Papa John's Pizza

"Good Profit is an exploration into the mind and philosophy of one of America's most extraordinary businessmen. Charles Koch explains through example, anecdote, and impressive analysis how Market-Based Management has enabled Koch Industries to create real, sustainable value for consumers and businesses alike. You will be pleased by his openness. He is as candid about his failures as he is his successes, and willing to expose both in the interest of the greater good." -- Leslie Rudd, Entrepreneur, Winery Owner, former owner Dean & DeLuca

"Writing about Charles Koch has become a cottage industry but, until now, there's been little from the man himself. Read his new book, Good Profit, and you can learn directly from him what he thinks and how he has built one of the biggest and most successful businesses in the world." -- Michael L. Lomax, Ph.D. President and CEO, United Negro College Fund (UNCF)

"Here is a clear example of the American dream and how our country benefits when successful entrepreneurs create new jobs (and more taxes for government services) while providing the golden egg for philanthropic efforts. The real story behind this book is not just Charles Koch's secret to success it is the remarkable path he and his brother took in becoming two of America's most generous philanthropists. Their recipe for creating "good profits" has enabled them to grow their businesses, reward their employees and still have plenty left over to invest in the nation's most important charitable groups and institutions supporting America's freedom. It is a worthwhile read!" -- Charles R. Schwab

Charles G. Koch is chairman of the board and CEO of Koch Industries, Inc., a position he has held since 1967. He is renowned for building Koch Industries into the second-largest private company in the nation -- currently valued at \$100 billion-- making him the fourth wealthiest man in America, according to Forbes.

Wichita, Kansas-based Koch Industries, Inc. began as Wood River Oil and Refining Co. in 1940. Koch employs more than 100,000 people in about 60 countries worldwide, with 60,000 of those in the United States. Since January 2009, Koch has earned more than 1,000 awards for safety, environmental excellence, community stewardship, innovation, and customer service.

Overall the book is well written and easy to read and includes a personal side of Charles Koch not

seen before-like the 153 death threats he got in 2014. The book discusses how Koch has grown tremendously since the 1960's (Charles didn't simply inherit the company as some might say). At 79 Koch still puts in 9 hour work days. The company has grown so much by reinvesting 90% of their earnings back into the company. What is interesting is how Koch Industries despite having 100,000 employees doesn't appear to be bureaucratic and individuals are always asked to challenge and consider continuous improvement which sometimes never occurs at even Fortune 500 companies. Overall the book is a mix of economics, a business profile, behavioral finance, philosophy, and good story telling of business failures. What I enjoyed the most Charles Koch is honest about his failures (there are plenty too). At one time Koch believed the company would go bankrupt in the 1970s. Koch tries to apply Market Based Management to every day examples (including the NFL and even how much time he should spend working editing grammar of the book he wrote). Case studies at the end of the book are interesting. Anecdotes of Koch over the long company history are sprinkled throughout the book. For instance the company got rid of insurance programs and mainly self insures. Only downside of book is wished it had more of the personal side. The book is really a great book for anyone who wants to try to live their life to their maximum potential.

Charles Koch outlines several of the underlying principles included in his successful program of, Market Based Management. One element that I like best is that it is important to never "brag" or feel "proud" of supposedly winning a deal or business with a customer. There is a story in the book that goes something like this: "Executives were sitting around a table after a successful deal for some millions was won, they were talking about how "smart" they were and that the customer must have been "fooled" into going along with the deal. Suddenly, a senior executive (not Koch, but speaking with Koch's approval), stood up and said "This is outrageous! The customer is our friend and must be treated as such! If you were to speak poorly of your friends, and your friends were to learn of it, pretty shortly you wouldn't have any friends at all. This is the same with the customer, and the customer deserves our respect! We are nothing without the customer!" Charles Koch proceeded with saying nothing, knowing that nothing more needed saying. This little anecdote left a lasting impression with me. There were many more, and lots of practical advice. One thing that I think I have in common with Charles Koch, and that I liked about him is that he admits to being a voracious reader. Something that I feel all leaders must be. You must base your views in data, and analysis, backed up by heart. Charles G. Koch seems to be the sort of man that never makes a decisions without having a very good reason behind it. This book will prove that to you, if you are interested in

learning about the man and the company.

Charles Koch has read many great books, or at least he has benefited from many great books. He admits that he had help writing this book, and so I do not know if he read all the books, or if someone else did and told him. Either way, this book "Good Profit" contains much wisdom from both ancient and modern sources. Koch tells how his family built their very successful company, which is interesting, and gives good lessons in ethics, which can help anyone to live a better life.

**Market Based Management (MBM) framework** Mr. Koch explains Corporate Welfare and what he calls "bad" profit vs. Market Based Management principles and "good" profit. Where products and services are valued by the market and don't have a need for corporate welfare (government subsidies, rebates, tax breaks, bail-outs, import tariffs). MBM allows us to focus on consumer market needs and find solutions. Koch explains how his company has become so profitable over the years, including his family and personal values that have driven him to success. He tells how his employees succeed and how the success of implementing MBM can benefit individuals and businesses profit in a principled way. This is a very telling book and worth the read for both sole proprietors and corporate management and executives.

Forget what you've heard about Charles Koch in the political realm. What you really need to know is that he's created a theory of business operations and management that combines a whole host of humanistic and holistic elements, and with that theory, has produced a \$100 billion company. The key to the book is that this guy has been a mathematics nerd since childhood, and it shows. Everything is metrics and quantified, even economics. The "dismal science" gives way to actual science. This is a follow-on to Koch's earlier book *The Science of Success*, and plows much of the same ground. But it's updated and expanded, with much more about what went wrong in the years since his first book was written, and how he fixed it. Best of all, there's not a word of politics in the book. It's all about how to run an enterprise with respect toward your workers and society.

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