

THE REBEL ALLOCATOR'S CHECKLIST

- Respect the Iron Law of Economic Survival: Cost < Price < Value.
- Value is perceived by the customer, focus on what doesn't change for them, engineering doesn't always have the right answer because of the customer's subjective perception.
- Small, incremental improvements really add up.
- Push decision-making down as close to the customer as possible.
- Choose your strategy: differentiated product or lowest-cost producer?
- Appreciate the tradeoffs between profit and brand. Are you storing fat or glucose?
- Practice zero-based budgeting.
- Strategic costs delight the customer and build a moat around your business. Invest in them.
- Non-strategic costs sap your resources and should be eliminated.
- Don't "paint the fourth wall."
- Cash is the oxygen of business. Don't cut it close.
- Fund strategies, not individual projects.
- Returns on invested capital tell you if you're providing value. It's your weight-lifting form. Only add the plates of growth when you can maintain good form.
- Growth isn't necessarily good or bad, it's just "more."
- Be patient like the pine cone. Everything moves in cycles.

- Be confident to zig when everyone else is zagging.
- Lay out all of your capital allocation options into a single menu before you decide.
- Keep your balance sheet conservative. One of your responsibilities is to serve as an economic shock absorber and protect various stakeholders.
- Imagine all the different ways to “put a roof over your head.”
- Perform the 11-Star Experience exercise to push the boundaries of what’s possible to delight customers.
- Don’t do mergers and acquisitions for the BBQ Factor, don’t expect synergy miracles.
- Using shares for M&A is like selling part of your business. Get back at least as much value as you’re giving up. Chances are, you’re overpaying.
- The dumbest activity occurs late in the cycle. Tread carefully.
- Be conservative with healthy margins of safety on all projections.
- If you can’t create value by reinvesting in operations, M&A, or creating a new business line, you should return capital to shareholders.
- You have a fiduciary responsibility to your shareholders to keep your stock trading as close to intrinsic value as possible. This helps prevent incoming and outgoing shareholders from taking advantage of each other.
- Having publicly traded shares are like having your own currency. Respect them as such.
- Use share buybacks to put a floor under your stock. You never know why a partner needs liquidity.

- Tell your partners/shareholders everything you'd want to know if your roles were reversed so they can arrive at their own fair value of the company.
- Paying a dividend should be a last resort.
- Never forget you are a fiduciary for your shareholders. Treat them like partners.
- Thoughtful allocation of resources is one of the most important societal functions entrusted to you. It's important for customers, employees, boards, management, and the environment. Give it your best effort.