A stakeholder is anyone or anything you commit to. Stakeholders take many forms but are denominated in one currency; time.

Financial costs are stakeholders. Each month of Netflix requires some amount of work, which you get paid for because of the time you've spent training.

Relational costs are stakeholders. Each mother or brother or spouse or neighbor is a relationship and relationships grow or whither when watered with time.

Experiential costs are stakeholders. Each job or hobby has travel time, participation time, preparation time, recovery time, and so on.

Hopefully, we mostly, choose our stakeholders. We pay for Netflix. We select a partner. We pick our jobs. Sometimes we choose unwisely. Let's take a new point-of-view regarding stakeholders.

One weekend morning my ten-year-old daughter wanted cereal. I told her 'sniff the milk' before she poured it. What?
'Sniff the milk!' What's that?

She didn't have a frame of reference for spoiled milk. I showed her with a swift sniff.

That's what we're going to do here. Instead of milk, we'll think about stakeholders. Magazines pile up, unread. Weeks go by between watching Netflix (or HBO). Timeshares expire. Some stakeholders are treacherous. Some stakeholders are happy tradeoffs.

Children are the best example. No one is always happy around their kids but they're always happy they have kids. It's the familiar familial aphorism; I may not like you right now but I always love you. Good stakeholders make our life better. Bad stakeholders make our life worse - and they reduce our optionality for good stakeholders.

Optionality is the humus for the flower of success.

When Seth Klarman was asked how investment firms succeed over time he said, “The more flexibility you have, the better your ability to maneuver in complicated, volatile, and fairly competitive markets.”

Klarman wants that maneuverability to have, “More weapons at your disposal.” He's earned this because the investors in his business trust him.

This, said Morgan Housel, is one reason that Warren Buffett succeed. It's been because he's had the trust of his stakeholders that no matter how crazy something looked, they believed he was crazy like a fox.

Buffett wanted the right stakeholders early on. In his book on Buffett, Roger Lowenstein wrote, "And he did not want mere discretion over people’s money, he wanted absolute control over it. He wanted no one to answer to for his decisions on stocks."

Klarman and Buffett have succeeded because of a multitude of reasons, but one of them is the right stakeholders.

John Boyd took a different approach to his stakeholders, he minimized them. Robert Coram wrote, “Boyd knew he had to be independent and he saw only two

ways for a man to do this: he can either achieve great wealth or reduce his needs to zero. Boyd said if a man can reduce his needs to zero, he is truly free: there is nothing that can be taken from him and nothing anyone can do to hurt him."

Boyd sliced away his commitments to everything, including family. Others advocate the opposite. Nassim Taleb wrote about 'Fuck You Money', a level of wealth where if you don't like a stakeholder, like a boss, you can parrot Johnny Paycheck. "Take this job and shove it, I ain't working here no more."

But it's not just about being loaded, it's about being lauded for your principles. Taleb told The Guardian, a janitor, "doesn't have to fit his ethics to his job."

This talk of optionality isn't prescriptive. This transcription is just a description of a position. Too many options are as bad as too few. It means you're missing chances. Infinite optionality means no spouse, no hobbies, no anything.

Optionality gives you the chance to move. Sometimes you want that, sometimes you don't. When Alice Waters started Chez Panisse in Berkley California she needed the ability to move - quite literally from table to kitchen to market. She kept her costs low, by visiting flea markets for plates. She kept her relationships insignificant. She, like Taleb, had the option to keep her ethics high while her profits were low.

Fewer stakeholders allow for career moves too. Sam Walton started Walmart when he was forty-four, but he had the optionality, maneuverability, and flexibility because his wife and family allowed it. The Waltons lived Walmart so much that family vacations were work research.

Sam Walton didn't miss many retail trends because he saw them on these family trips. Like a well-stocked pantry, Walton had ideas to feed to his stores. He never got stuck on this or that because he knew about this and that.

But generally, we don't see this and that. We only see this. Opportunity cost is a tricky matter. It's like a magic trick our brain plays upon itself. Take this example; when car shoppers were asked what they might buy if they didn't buy a new Honda, the replied that they could buy a new Toyota.

A simple but wrong answer. They could buy four scooters. They could Uber for four months. They could buy two older models. But even these answers are incorrect.

If they didn't buy a new Honda they could pay down their mortgage or start a college savings program. They could do a singles-only cruise to the Caribbean and listen to pop stars under the stars. They could start saving for retirement. They could buy Bitcoin.

The list is inexhaustible and this is why it's exhausting. Opportunities are hard to see. Opportunity costs are hard to calculate. When Rory Sutherland was looking to buy a house he noticed the costs:

"I made the decision to underspend on property on the grounds that nearly everybody else was effectively maxing themselves out. The default behavior of housing was to buy as much as you can borrow. That assumes the greatest return on happiness comes from property expenditure. No one really looks at the opportunity cost. If you've got a massive mortgage there's a holiday you can't take, there are children you can't educate."

A Toyota for a Honda is an easy substitute. Vivid things are easy thoughts. But, when it comes to the big stakeholders; our financial, relational, and experiential choices the solutions become murky. How do you choose a spouse? How do you tell if a project at work is worth working on? Will a larger house make you happier? Actually, this one is easy, no it won't. Optimize your commute, not your house.

That's the only answer you're going to get. We aren't here for better answers. We're here for better questions.

1/ Financial
The general financial rule is to spend less rather than spend more. When Instagram started, it started as Burbn. It was a check-in app. Oops, let's clarify. It was *another* check-in app. Founders Kevin Systrom and Mike Krieger noticed that users didn't like the check-in part as much as they liked the photo part.

Then one day a friend said she wanted to take better pictures, like a professional photographer they knew. Well, Systrom said, he just uses filters.

Smartphones, social, pictures, and filters.

Systrom and Krieger had the time to figure this out because they kept their costs down. Systrom said about their first investment of five-hundred thousand dollars.

"That’s more money than I had ever heard of in my entire life of a business getting… so here are two guys with a prototype, a couple of computers, and no office, who raised a half a million dollars who are looking at each other like, we

think we can make this last. We were living on peanut butter and jelly sandwiches."

Whether they knew it or not, the Instagram founders were following Paul Graham's advice. "For most startups, the model should be grad student, not law firm. Aim for cool and cheap, not expensive and impressive."

It's not just startups that are cool and cheap. Charlie Munger, the partner to Warren Buffett, notes that the Berkshire Hathaway office is simple. Buffett has said, "I have every possession I want. I have friends with a lot more possessions but in some cases, I think the possessions possess them rather than the other way around."

Two of the most successful, financial and otherwise, investors and they both suggest keeping things simple and minimal. This was a commonality Jack Bogle had with Buffett. Burt Malkiel recalled, “When Jack Bogle first met Warren Buffett they were at a hotel together and Jack recognized Warren, went up and introduced himself, and he said to Warren, ‘you know the thing I really like about you is you have rumpled suits just the same as I do’ and Jack and Warren have become very good friends.”

William Thorndike wrote a book about 'outsiders' like Buffett, Munger, and Bogle. Thorndike concluded, “There’s an apparent inverse correlation between the construction of elaborate new headquarter buildings and investor returns.”

Each financial stakeholder immediately reduces maneuverability. Ideally, eventually, those additions grow the business and the options.

As John Boyd and Nassim Taleb pointed out, there are two ways to get beyond the reach of nagging stakeholders; shrink or grow. Ben Horowitz, encourages growth. He would know. Horowitz wrote about his own entrepreneurial experience:

"Over the next five years, investors wanted us to do lots of things. Some things they wanted were smart and some very stupid. We listened to what they had to say, but we always did what we thought was right and we never worried about the consequences. Investors did not control our destiny."

Horowitz figured out how to listen, filter, and then act on what his stakeholders suggested. This isn't always possible and it's rarely ever easy. What helps? Horowitz wrote:

"When you generate cash, you can respond to silly requests from the capital markets the way Kanye would:
Excuse me, is you saying something?
Uh uh, you can't tell me nothing."

Overhead is a stakeholder, and the larger it is the less time you have. Rarely is that good. Instagram needed time to figure out what they would do. That's the heart of Paul Graham's advice too. Technology startups hop, skip and jump to ideas that finally work.

Individuals face the same tradeoffs as businesses. Each additional item; a square foot of home, a set of skis, a day of vacation, is a bill that's paid in time. Are they the tradeoffs you're stuck making or wisely selecting?

2/ Relational

If minimal bills are the simplest financial advice then marry well is the simplest for relationships.

The format for many podcast interviews is something like this:

A) Give us some background

B) Tell us your story

C) Reflect

Those reflections tend to fall into three buckets; inspire others to work hard, thank the gods and admit you are lucky or thank your spouse for their support. Part of it is the medium. To be interviewed means you've done something. You've started a business or wrote a book. These same spousal appreciations are in the dedication and acknowledgements sections of books. I couldn't have done this without So-and-so.

For good reason.

Richard Thaler started his career with four simple words: ‘dumb stuff people do.’ His research led to a Nobel prize but it's his relationship advice that most people should know. "You can never be happier than your spouse is." Here's a man with decades of academic experience on the quirks of human nature and he's distilled relationships to that mantra.

Other times we'll get lucky marrying the right person. There was one newscaster who had their life turned around by marriage. They were a bit of a loafer when their soon-to-be spouse issued this ultimatum:

"No one can understand what you’re doing. Your parents are terribly disappointed in you, for good reason. I’m just not interested in having a relationship with you anymore."

That newscaster got their act together. From a remote radio station they were transferred west. They covered an upcoming governor. Then it was a transfer east, to Washington D.C. Tom Brokaw said that advice from his wife, of over fifty-years now, was "a breakthrough."

In 2018, at the age of ninety-four, people have started asking Charlie Munger more about living well rather than living wealthy. It's as if Munger's candor, intelligence, and longevity have a greater appeal than his cash. His advice to someone young? "I would just get up every morning and do the best I could in every way and I’d expect, over time, to do pretty well. And it’s not very hard. I’d try to marry the right person instead of the wrong person."

Munger also suggests we 'invert the question.' Rather than ask; 'How do I have a good life?' we can ask, 'How do I have a bad life?' As the expression goes; happy wife, happy life.

Alex Blumberg thanks his wife for her support during Gimlet's start. “If she wasn’t on board I definitely couldn’t have done it.”

Spouses are the most important stakeholders in our lives but hardly the only. Because once you marry the right person you (may) start having kids with them. And kids, if you weren't aware, take a lot of time.

Gene Kranz was one of the first engineers at NASA. He flew to Florida and was picked up at the airport by a young man driving a convertible. That guy drove like

a maniac back to the offices and Kranz wondered what he had signed up for. Only later did he learn that they sent the astronauts out to pick up the arrivals. It was the early days.

Those first space programs; Mercury, Gemini, Apollo, were a lot of long days and nights. Time is non-fungible. Each hour at NASA was at NASA and not at home. He reflected on those early families in the central Florida heat:
“Behind every great man is a woman - and behind her is the plumber, the electrician, the Maytag repairman, and one or more sick kids. And the car needs to go into the shop.”

Helen Walton had a similar experience. When her husband Sam ran a few stores he did a lot with the family and the community. When he started opening Walmart stores he did a lot less. Helen recalled:

"We were supposed to be taking turns about getting the kids to Sunday school, and to get four little kids dressed for church with nobody to help me was a little unreal."

One way Walton spent more time with his family was combining work and pleasure. Daughter Helen says that their family trips consisted of camping, canoeing and visiting new stores; Walton's and the competitions.

Marcus Lemonis might be a modern mutation of Walton. Lemonis tells people:
"To be a business owner it's not a glamorous job. It requires you to make a lot of personal sacrifices. If you want to meet a business owner with a great home life and a great life balance — they're probably bs-ing you a little bit. It's very difficult to be a business owner and have balance. I'll be honest with you, I don't have good work-life balance."

Great family life and great work life are not mutually exclusive, but to have the best of both worlds means making the right choices. Some careers are large stakeholders on time. Sometimes people can be married to a job. Alice Waters chose the job.

"Finally, Alice had to choose between Tom Luddy and Chez Panisse. No one was surprised when she and Tom parted ways -- she was married to the restaurant, and both she and Tom recognized that she could never give him the time and attention that he required."

Ira Glass has an interesting take on this. One stakeholder in Glass's life is the family dog. In one interview, he's asked about a life hack:
"...and this is the very first time I've attempted to use the phrase 'life hack' in a sentence—is that my wife and I decided to live just a few blocks from where I work. We did this because of our dog. Since I spend at least an hour every night walking the dog, I didn't want to spend another 60 or 90 minutes a day commuting. I don't have the time. Like lots of people, I work long hours."

Glass's stakeholders are his job, his family, and his dog. There's no place for a commute in his 168 hours that construct a week. Glass finds a way to squeeze things in. Ezra Klein, on the other hand, got his break because he had time to spare.

Long before Klein thought of Vox making movies for Netflix he read a blog by some college kid named Matt Yglesias. "If this college kid can do it, I can at least try," Klein said. That blog led to him reading more, and, "all of a sudden I worked bizarrely hard." Klein got feedback from readers, this was the hey-day of helpful comments on blogs.

Klein's blog led to an internship at Washington Monthly, which Klein viewed as graduate school - only they paid him. “So much of my particular path is one lucky break after another,” Klein said. He had time because he didn't have stakeholders.

People are one of the biggest joys - and drags - of life. The best people nudge you to feel better the worst nudge you feel worse. Financial stakeholders can be big and small. It's easy to cancel a subscription. It's harder to get out of a mortgage. Relationships are harder yet. Are you friendly with your friends?

3/ Experiential

The final section may be the most important because it's the murkiest. It's easy to see the opportunity cost of a stakeholder. If you pay for Spotify you can't pay for HBO with those same dollars. Ditto for relationships.

For experiences we'll look at three areas we can learn about and from:
- Investors and their limited partners (LPs).
- Sports and how analytics is a petri dish of stakeholders.
- Career risks with the wrong stakeholders.

Much of investing advice can be summed up in the Howard Marks idea: you have to be different and you have to be right. Being the same as everyone else works fine for some things, like target-date retirement funds. But it doesn't work for others.

What most active investors want is to get money from the limited partners, and do what the investors thinks best. LPs give investors their money because they think the investor knows what's best to do. The arrangement seems clear. It's not.

Wes Gray is one of the active investors who's seen this stakeholder system get screwy:
“We know multiple multi-billion dollar hedge fund managers with heavy value focus that are literally out of business because of the back half of 2015 because deep value got destroyed and redemptions overwhelmed their ability to convince capital to stay."

That is, the LPs who thought their investors were so smart suddenly stopped suspecting so. Gray has an idea about how to deal with this about-face:
"The edge is not in building a better mousetrap. The edge is in coupling educated capital that understands why your mouse trap works and pairing the two together."

Educated capital is what Morgan Housel and Roger Lowenstein referenced in our introduction. Though Buffett has been at it for decades, this part of his system has only recently been copied by others. Now, investors want educated stakeholders.

Josh Brown said, ”If you can have the client come to you...that's an awesome email to get. We live for that."

Thomas Russo tries to find investors who used to be business owners. These people, Russo said, understand the ups and downs. They understand missed earnings, bad weather, and good cultures. He said: "And when I explain our goal it's quite familiar to what they felt as owners of businesses."

John Montgomery had a similar idea to Russo. Rather than former business owners who understand the means, Montgomery focuses on the ends.
"Stewardship is a pretty great screening tool. If you put at one end of the spectrum 'Greed' and a lot of the things the finance industry is criticized for and at the other end 'Generosity' and making a difference in life. It's pretty great to say, 'If you want to make seven figures and are about generating personal wealth you won't come to Bridgeway.'"

Joel Greenblatt's concentrated positions meant that “like clockwork, I would lose twenty percent of my net worth in two or three days.” This was inevitable. “My investors were great but maybe they wouldn’t be so kind when that happened and it did seem to happen every two or three years.” Now Greenblatt has a stakeholder of one, himself.

Marc Andreessen said that at a16z, "We tend to go all in or not." They make mistakes too. In venture capital, Andreessen said, half of all companies go to zero, one quarter return two percent, and one-quarter return above three percent. "The good news is that we have a base of limited partners that deeply understand that this is how it works so when we have one that goes to zero they don't call us up and complain."

Venture capitalists align their LPs with their mission. Entrepreneurs need to align their venture capitalists with their mission. Andy Weissman advised startups that once they pocket venture capital dollars they also shoulder the venture capital business model:

“If you take money from a venture capitalist, the way the economics of the VC world work, are an investor like me needs to make 10 or 100 x on our money,

which means we need these companies to be really large businesses for us to return money to our investors. If they're not, those returns make less sense to us. When the time to take venture money is when you think your incentives are completely aligned with that. You have to believe it's a big business. You are comfortable taking big risks, including existential risks around managing that business."

Ben Thompson said, "Having VC money sucks because you have this sort of pressure that you have to grow and you have to go public."

Stewart Butterfield's faced this problem after Flickr, but before Slack. He wanted to make an online game. "Doctor Seuss meets Monty Python," he said. The game had early adopters, paying customers, and excited developers. Yet, it couldn't work. Butterfield said:

"We never found the magic formula that would make it work economically. It would have been a fine lifestyle-business, but it was never going to become the type of business that would justify seventeen and a half million dollars of venture capital."

For some businesses, it's not an official group of LPs but a large informal one. Colloquially we call these conglomerates 'customers.' Marcus Lemonis said, "Customers are investors, they choose to give you revenue or not."

In some ways, businesses can select for customers like investors select for LPs. Dan Egan at Betterment said that he hopes the company is wonderfully boring. Too many individual investors spend too much time acting and not enough time thinking.

David Ogilvy said much the same thing. "The great thing is to have the right clients." Ogilvy was the contrarian advertising man who put a man with a monocle in one of his most iconic ads. You have to be different and you have to be right, wrote Marks, and Ogilvy got to be different and right thanks to the right stakeholders.

Sports has faced the deluge of analytics like a teen faces hormones. There's a new face, mood swings, and a different product at the end. Sports, unlike puberty, though has a lot of stakeholders.

-Sport analytics

In 1985 Bill James published Baseball Abstract. In 2003 Michael Lewis published Moneyball. Each was a popularization, Lewis's also a bit of glamorization, of the analytical potential of baseball. The reaction was, like a baseball game, placid.

Why? The stakeholders. Scouts didn't want it. Fans didn't want it. Coaches didn't want it. These people already knew what to do. The newspapers too thought analytics were stupid. They were the ones who decided what was what. The problem wasn't stupidity, it was clumsiness. When teams merged onto the freeway of analytics it was with such speed that some stakeholders suffered whiplash.

Teams that saw an advantage transitioned quickly. General Manager of the NBA Houston Rockets, Daryl Morey, has reflected the most on this:

"Our poor CEO, all the press hits of negativity for our owner Leslie Alexander hiring me. He's just dealing with the radio guys calling me Deep Blue, calling the owner crazy."

Morey recognized the problem. Statisticians, neé nerds, arrived like missionaries. They announced, "Whoa, you're doing this all wrong." Morey says his integration was easier:

"By the time basketball started looking at analytics, a lot of our analysis was making coaches feel better. Guys like Shane Battier averaged eight points and five rebounds but coaches loved them. A lot of the advanced analytics stuff said that guys like Shane were worth a lot more than you think. When you have a message that's like 'hey you're right, here are a few areas you could improve' versus, 'hey, you've been wrong your whole life you idiot' the integration was a little easier."

Jake Nichols told the Wharton professors who host the Moneyball podcast, that talking to golfers has been easier than other sports, "mostly because you don't have the stakeholders that are already in place; a more traditional manager or general manager or owner. You can go right to the players."

What makes sports different is the number of know-it-alls. Billy Beane told Michael Lewis, "Everyone who picked up a bat thinks he knows baseball." Jeff Luhnow has learned both internal and external lessons from Beane. Before the Astro's won the world series, Luhnow said in 2016:
"I think it's important in our position we spend the requisite amount of time managing the stakeholders; the fans, the media, the influencers in the organization, the ownership - all of those stakeholders. I spend a large part of my job managing those stakeholders. It all comes down to communication."

Successful transition starts at the top, with owners who support subordinates. LPs who trust their VCs.

Now the environment in sports is friendlier. The stakeholders; fans, owners, and beat writers get it - sort of. Brian Cashman said of the New York Yankees front office, “It’s always been a big part of what we do here...I’m fortunate to be in a situation where analytics is a big part of what we do, and with the belief of all the key people in the organization.”

Some organizations are more aligned than others. When Wharton Professor Cade Massey was asked about the Cleveland Browns 2018 draft he said, “(Cleveland does) have to manage the politics of their situation. How much should that weigh? I don’t think it should weigh very much.”

Massey pointed out the issue of career risk. He explained that some choices, "may not be irrational if you are a general manager and your job is at stake and you want to win this year. But for an organization, it’s hard to imagine that’s ever rational.”

Good bosses hold the shit umbrella. Bad bosses let it roll downhill. This creates the principal-agent problem and career risk.

-Career risk

Rory Sutherland explains it this way: “If I pretend everything is logical, it may not be a really good decision but if things go wrong no one can blame me. This is an extraordinary form of corporate insurance.”

Another way this manifests is the expression, 'you don't get fired for buying IBM.' This was true for both investors, with the wrong LP base, and for engineers, with the wrong bosses.

Michael Mauboussin put it this way: “I do think there’s an element of career risk, and this spans not just sports but also investment management. Bill Belichick goes for it on fourth down and it doesn’t work out and people give him the benefit of the doubt. But if you’re a coach who has a .500 team, it may be the correct decision but if you lose that game people don’t think about the quality of your decision-making process, they do think about the outcome, that’s a real big problem.”

// Summary

In 2015, author Andy Martin followed author Lee Child as he wrote the twentieth book of the best-selling Jack Reacher series. Martin, unlike Child, gives ample backstory.

Before writing Reacher, Lee Child was fired from his job in television. He recalls two options; working at a warehouse or writing a book. He wrote the first chapter, handed it to his wife, and asked, "What do you think? Should I keep going?"

"Keep going," she said.

Stakeholders encourage us to move forward.

Child's subject, Jack Reacher is an ex-military cop who finds himself on busses that end up in places with conflicts that need to be resolved. Oh, and someone always needs their ass kicked. The books are great and sprinkled with interesting nuance. Like, Reacher's possessions.

As a nomad, Reacher has no wardrobe. He only carries a debit card, an ID, and a toothbrush. His vigorous showers, sometimes utilizing a full bar of soap, keep him clean. But eventually, he's gotta change his clothes.

So he does what any other good-guy-vigilante does, and heads to a second-hand store. Reacher shoulders his new set and trashes his old. In one book he comments that buying new clothes every few days only seems expensive.

Think of the alternative; having a closet. But in classic children book form; if you have a closet you need a house if you have a house you have a mortgage, if you have a mortgage you have a job, if you have a job you don't have time. Maybe owning clothes is the isn’t expensive thing. Fellow fellow of fiction Tyler Durgen agrees, "the things you own end up owning you."

In a conversation with Stephen King, Child said that this minimalism appeals to everyone. "It turns out anecdotally to be equally a woman's fantasy they would just love to walk away and be somewhere else tomorrow with nothing tying them down."

It all comes back to time. How much do you have? What do you want to do?

Hopefully, those are some better questions. Thanks for reading.