
Economics For Entrepreneurs is a project of the Mises Institute, to demonstrate how the application of economic principles helps entrepreneurs succeed.

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1. The Law Of The Customer

Agile Principles

- The one valid definition of business purpose is to create a customer.
- The customer – with mercurial thoughts and feelings - is at the center, and demands to be delighted.
- Continuous innovation is a requirement to delight customers.
- Everyone in the firm must view the world from the customer’s perspective, and share the goal of delighting the customer.
- The firm must have accurate and thorough knowledge of the customer.
- The firm’s structure changes with the marketplace.
- Speed of response becomes crucial and time is a strategic weapon.

Austrian Principles

- Customer sovereignty – customers decide what is produced by buying or not buying.
- Value is subjective – and so customer preferences can change rapidly and frequently.
- Responsiveness is not enough – the goal is to imagine the customer’s future needs, and involve them in the production of future value.

2. The Law Of The Network

Agile Principles

- Collaborative network of competence replaces hierarchy of authority.
- The network has no leader but it does have a shared, compelling goal.
- The network is the sum of the small groups (rather than individuals) it contains.
- Each group has an action orientation.
- The network’s administrative framework stays in the background. No bureaucratic reporting.

Austrian Principles

- The true network is the market – which includes customers (of which there are many more than firms).
- Networking the production side of the firm is an incomplete act.
- A fully-functioning network includes customers and consumers with equally valid connections to the firm, not just collaborative production partners.

3. The Law Of Small Teams

Agile Principles

- Big and difficult problems are disaggregated into small batches and performed by small cross functional teams – scaling down the problem.
- 7 +/- 2 is a good rule of thumb for team size.
- Each team is autonomous, and works in small batches and short cycles.
- Each team aims to get to “done” – either done or not done, never almost done.
- No interruption. 6 Radical transparency. 6 Retrospective reviews.
- Customer feedback each cycle.

Austrian Principles

- Required services can be a component of value creation – such as compliance, operations management, etc.
- Bureaucracy can’t be eliminated entirely without a reduction in customer value.
- Focus on creating value for the future, while ensuring no loss of current reputation and relationship.