



UNIVERSITY OF
SOUTH FLORIDA

A PREEMINENT
RESEARCH
UNIVERSITY

Dissertation Defense

The Warren Buffett Project: A Qualitative Study on Warren Buffett

Prepared by: **Christian Koch**, University of South Florida

Friday May 8, 2020

Dissertation Committee

T. Grandon Gill, DBA

Priya Dozier, DBA

Robyn Lord, DBA

Dejun Kong, Ph. D

Tianxia Yang, Ph. D



UNIVERSITY OF
SOUTH FLORIDA

A PREEMINENT
RESEARCH
UNIVERSITY

Dissertation Defense

The Warren Buffett Project: A Qualitative Study on Warren Buffett

Prepared by: Christian Koch, 2020 DBA
Candidate, University of South Florida

Prepared for: Dissertation Committee

Presented: May 8, 2020



UNIVERSITY OF
SOUTH FLORIDA

A PREEMINENT
RESEARCH
UNIVERSITY

Dissertation Defense Agenda

- I. Introduction: Who Is Warren Buffett
- II. Research Question
- III. Research Design and Methodology
- IV. Critical Findings
- V. My Contribution and Summary

Who is Buffett?

- Warren Buffett first took control of Berkshire Hathaway, a small textile company, in April 1965.
- Headquartered in Omaha, Nebraska, Berkshire operates as a conglomerate.
- It owns and operates businesses that have familiar brand names like Fruit of the Loom, GEICO, Dairy Queen, Duracell and many others.
- Berkshire also operates a large marketable securities portfolio run by Buffett. Some of the top equity holdings are Coca-Cola, Bank of America, American Express, Wells Fargo and Kraft Heinz.

Marketable Securities Portfolio

What's in Buffett's Portfolio

Berkshire Hathaway's largest stock holdings. It has recently cut its positions in Delta Air Lines and Southwest Airlines.

Company / Ticker	Shares Owned (mil)	Recent Price	YTD Price Change	Current Value (bil)
Apple / AAPL	245.2	\$267.99	-8.7	\$65.7
Bank of America / BAC	925.0	24.86	-29.4	23.0
Coca-Cola / KO	400.0	49.00	-11.5	19.6
American Express / AXP	151.6	94.82	-23.8	14.4
Wells Fargo / WFC	323.2	33.20	-38.3	10.7
Kraft Heinz / KHC	325.6	28.11	-12.5	9.2
JPMorgan Chase / JPM	59.5	102.76	-26.3	6.1
Moody's / MCO	24.7	241.68	1.8	6.0
U.S. Bancorp / USB	132.5	38.05	-35.8	5.0
Bank of New York Mellon / BK	88.1	37.14	-26.2	3.3
Southwest Airlines / LUV	51.3	36.47	-32.4	1.9
Delta Air Lines / DAL	58.9	24.39	-58.3	1.4
S&P 500		2789.82	-13.6%	

Sources: Boomborg; company reports

Buffett dumped all his airline stocks in April 2020



UNIVERSITY OF
SOUTH FLORIDA

A PREEMINENT
RESEARCH UNIVERSITY

This Market Is Made for Warren Buffett. Why Has He Gone Quiet?

By Andrew Bary April 10, 2020 2:12 pm ET



Warren Buffett, CEO of Berkshire Hathaway
Photograph by Subir Halder/The India Today Group via Getty Images

Warren Buffett's patience is paying off.

Barron's April 10, 2020 (p. 11)

Introduction: Why we should learn from Buffett

While others in the industry are scrambling/panicking, he has amassed a large cash reserve. The stock market has tanked and Buffett has a pile of cash \$128 billion to be specific.

Engaged Scholarship: Focuses on Real-World Problems

- Buffett isn't taught systematically in institutions where people are being prepared as investment and finance professionals

Research Question

- What Major Themes Can be Extracted from the Warren Buffett Archive?



UNIVERSITY OF
SOUTH FLORIDA

A PREEMINENT
RESEARCH UNIVERSITY

The screenshot shows the Warren Buffett Archive website. At the top, the title "Warren Buffett Archive" is displayed in white on a dark teal background. To the right of the title are a search icon and the text "SEARCH" and "CNBC.COM". Below the title is a navigation menu with the following items: "ANNUAL MEETINGS", "CNBC INTERVIEWS", "BUFFETT A-Z", "TIMELINE", "DOCUMENTARY", and "ABOUT". The main content area features a large, dark portrait of Warren Buffett. Overlaid on the portrait is the text "The definitive collection" in a gold, serif font, followed by "Buffett in his own words" in a large, bold, white sans-serif font. Below this, a paragraph of text reads: "The Warren Buffett Archive is the world's largest collection of Buffett speaking about business, investing, money and life." This is followed by a bulleted list of features: "- 26 full Berkshire Hathaway annual meetings, going back to 1994, with a highlight reel for each year", "- 130 hours of searchable video, synchronized to 2800 pages of transcripts", "- 500 video clips covering scores of subjects", and "- CNBC interviews, a Buffett Timeline, and a Berkshire Portfolio Tracker". In the bottom right corner of the main content area, there is a white-bordered box with the text "Featured Collection — 2019 Berkshire Hathaway Annual Meeting" and a "SEE MORE" link with a right-pointing arrow. At the bottom center of the page, the word "EXPLORE" is written in small, white, uppercase letters.

Unique Data Set

The Warren Buffett Archive. This is the power and uniqueness of my research.

Warren Buffett Archive

- All the data was pulled from public information available on the *Warren Buffett Archive* website, which is located at: buffett.cnbc.com.
- The public website contains 26 full Berkshire Hathaway annual meeting videos and full transcripts dating back to 1994, 130 hours of searchable video and 2,800 pages of transcripts.
- The public website launched in May of 2018.



UNIVERSITY OF
SOUTH FLORIDA

A PREEMINENT
RESEARCH UNIVERSITY

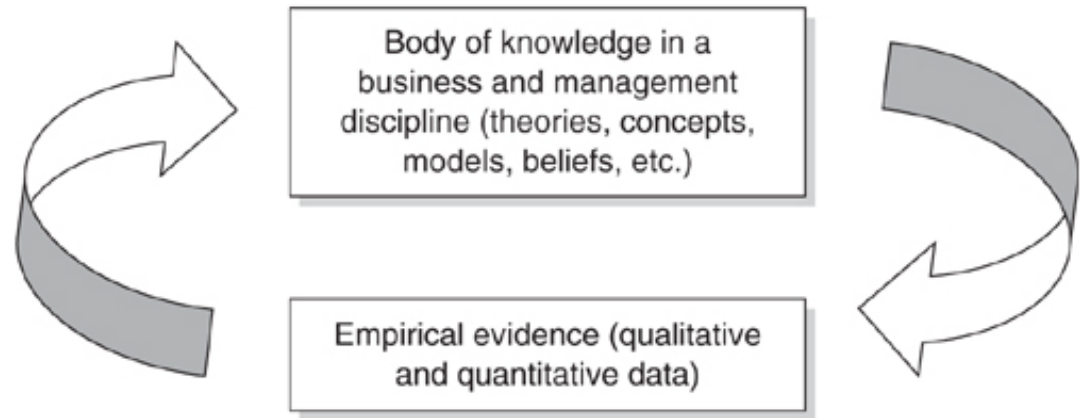


Figure 2.1 A model of research in business and management

Myers (2013, p.11)

Methodology

I used **Qualitative** Research to conduct the study on Buffett



UNIVERSITY OF
SOUTH FLORIDA

A PREEMINENT
RESEARCH UNIVERSITY

Table 2.2

Rigour and relevance

Rigorous research	Relevant research
'Scientific research'	Relevant to business practitioners
Emphasis on meeting scientific standards such as validity and reliability	Emphasis on being immediately relevant to practice
Subject to academic peer review	Published in consulting reports or industry magazines
Published in academic journals	Published in consulting reports or industry magazines
Theoretical contribution	Practical contribution

Myers (2013, p.12)

The research tilts toward the relevant scale

The research was approached using an **interpretive** framework



UNIVERSITY OF
SOUTH FLORIDA

A PREEMINENT
RESEARCH UNIVERSITY

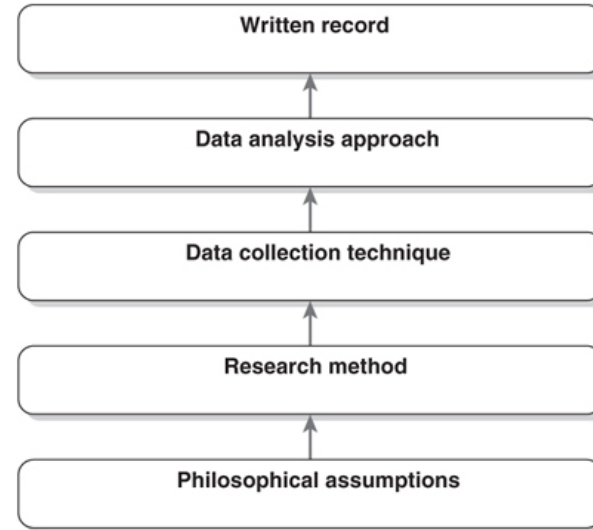


Figure 3.2 A model of a qualitative research design
Myers (2013, p. 24)

Research Design

Used Myers as a framework for my research design for the Buffett project.



UNIVERSITY OF
SOUTH FLORIDA

A PREEMINENT
RESEARCH UNIVERSITY

Table 1 Phases of thematic analysis

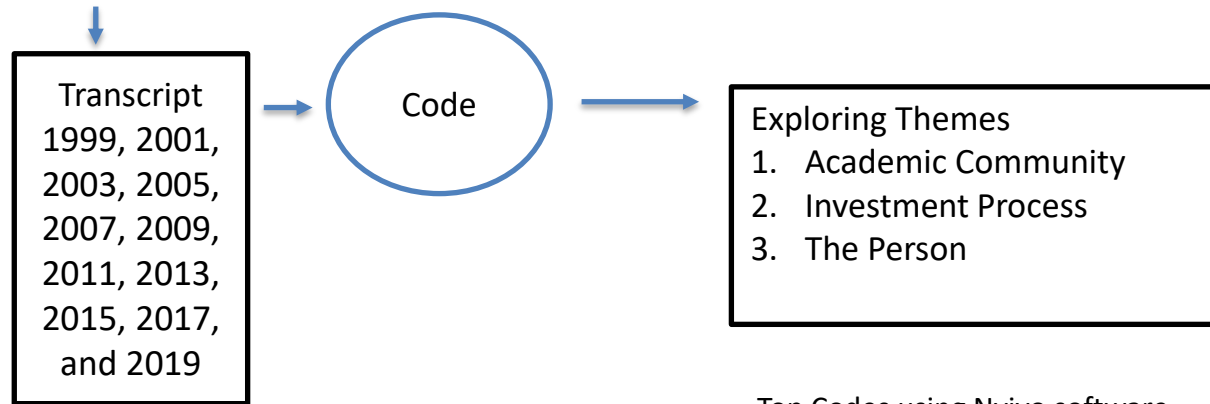
Phase	Description of the process
1. Familiarizing yourself with your data:	Transcribing data (if necessary), reading and re-reading the data, noting down initial ideas.
2. Generating initial codes:	Coding interesting features of the data in a systematic fashion across the entire data set, collating data relevant to each code.
3. Searching for themes:	Collating codes into potential themes, gathering all data relevant to each potential theme.
4. Reviewing themes:	Checking if the themes work in relation to the coded extracts (Level 1) and the entire data set (Level 2), generating a thematic 'map' of the analysis.
5. Defining and naming themes:	Ongoing analysis to refine the specifics of each theme, and the overall story the analysis tells, generating clear definitions and names for each theme.
6. Producing the report:	The final opportunity for analysis. Selection of vivid, compelling extract examples, final analysis of selected extracts, relating back of the analysis to the research question and literature, producing a scholarly report of the analysis.

Braun & Clarke (2006, p.87)

Method

I used a qualitative analytic method called **thematic analysis** used by Braun & Clarke (2006). This method is categorized somewhere between grounded theory (Charmaz) and case study (Yin) research.

The **Data Collection** Process: Each transcript consists of a six-hour question and answer period with Mr. Buffett.
The coded Nvivo database now consists of 66 hours of transcripts (11 years) that provided several coded themes to explore.



Top Codes using Nvivo software

Number of References

1. Investment Process (61)
2. Academic Community (101)
3. Berkshire Hathaway Intrinsic Value (66)
4. Brands (30)
5. The Person (53)
6. Munger (89)
7. Succession (57)

Coding Process

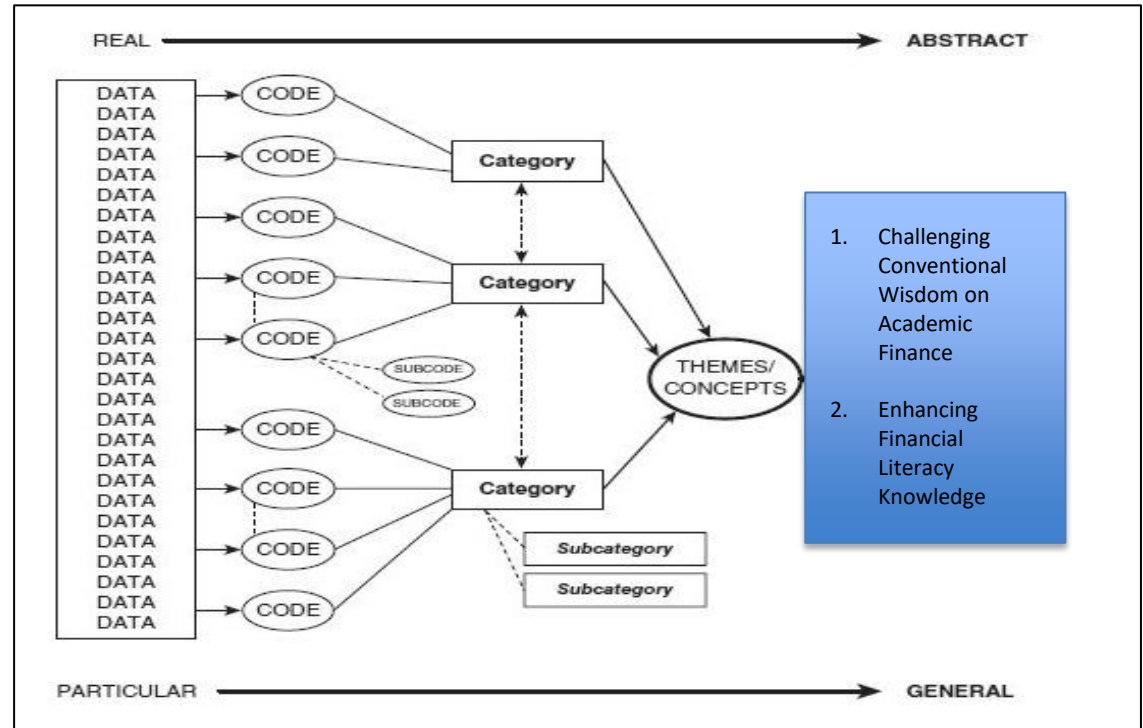
Key Terms:

Coding – Involves recognizing (seeing) an Important point and encoding it

Sorting – Putting codes into groups (relationship or frequency)

Synthesizing – Putting pieces together.

Theme – Captures something important about the data in relation to the research question.



Demonstrating Rigor Using Thematic Analysis

An example of codes developed by summarizing the transcripts and Identifying Themes.

Memo:

11/18/19

RQ1: What Major Themes can be extracted from the Warren Buffet Archive? To develop a list of themes that any investor could reference.

Exploring Node (codes)

1. Academic Community:

The debate between efficient market theory and value investors. Q: Will there ever be reconciliation with what's taught in business schools?

WB Comments:

- The market is generally fairly efficient.
- It's fairly efficient at pricing between asset classes
- But being fairly efficient does not make- does not support the EMH Theory approach to investing or all the offshoot that have come in the academic world.
- It's a mistake. It would have been like learning the earth is flat. It just you would have had the wrong start in life.
- Now, it became terribly popular in the academic world. It almost became a required belief on order to hold a position
- It was what was taught in all the advanced courses and a mathematical theory that involved other investment questions was build around it.
- Sort of unquestioned Dogma. The high priests of EM Theory
- It's hard to dislodge a belief that becomes sort of the dogma of the finance department.
- What's in testing is that at least 90% of the professional investment management operations don't think the way we do at all.
- Very few people have this idea of search for just a few opportunities.

Buffett states, “the market is...generally fairly efficient...But being fairly efficient does not suffice to support an efficient market theory approach to investing or to all of the offshoots that have come off of that in the academic world.”

Warren Buffett, 1999 Annual Meeting Transcript



UNIVERSITY OF
SOUTH FLORIDA

A PREEMINENT
RESEARCH UNIVERSITY

Name	Files	References	Created On	Created By	Modified On	Modified By
Think Like Owners		5	9 11/13/2019 5:55 PM	CK	12/3/2019 7:23 PM	CK
Humor		9	22 11/13/2019 5:59 PM	CK	12/4/2019 9:53 AM	CK
Boards		2	9 11/13/2019 6:01 PM	CK	11/20/2019 1:17 PM	CK
Star Quotes		10	45 11/13/2019 6:03 PM	CK	12/8/2019 9:50 AM	CK
The Intelligent Investor		1	2 11/13/2019 6:05 PM	CK	11/13/2019 6:06 PM	CK
Individual businesses		1	8 11/13/2019 6:08 PM	CK	11/14/2019 9:52 AM	CK
Stocks		3	15 11/13/2019 6:10 PM	CK	11/16/2019 9:14 AM	CK
Market Forecasts		5	8 11/13/2019 6:11 PM	CK	11/21/2019 11:14 AM	CK
Long-Term Capital Management		1	8 11/13/2019 6:14 PM	CK	11/13/2019 6:30 PM	CK
Ben Graham		1	2 11/13/2019 6:19 PM	CK	11/13/2019 6:21 PM	CK
Wall Street		2	4 11/13/2019 6:22 PM	CK	11/19/2019 11:36 AM	CK
gain-loss ratio		1	2 11/13/2019 6:27 PM	CK	11/13/2019 6:29 PM	CK
Berkshire's intrinsic value		9	57 11/13/2019 6:33 PM	CK	12/7/2019 2:38 PM	CK
external world		1	1 11/13/2019 6:42 PM	CK	11/13/2019 6:42 PM	CK
Retailing Industry		1	3 11/13/2019 6:45 PM	CK	11/13/2019 6:49 PM	CK
Brands		5	28 11/13/2019 6:50 PM	CK	12/4/2019 10:20 AM	CK
influenced by the internet		2	3 11/14/2019 8:20 AM	CK	11/15/2019 12:00 PM	CK
The Person		12	53 11/14/2019 8:27 AM	CK	12/8/2019 10:22 AM	CK
problems of compounding large size		1	5 11/14/2019 8:38 AM	CK	11/14/2019 8:45 AM	CK
treasure hunt		1	1 11/14/2019 8:45 AM	CK	11/14/2019 8:45 AM	CK
return on equity		2	5 11/14/2019 8:55 AM	CK	11/15/2019 11:12 AM	CK
permanent loss of capital		1	1 11/14/2019 9:03 AM	CK	11/14/2019 9:03 AM	CK
marketable securities portfolio		1	3 11/14/2019 9:07 AM	CK	11/14/2019 10:16 AM	CK
expectations of people		3	8 11/14/2019 9:08 AM	CK	11/20/2019 12:11 PM	CK
Timing-Waves of Optimism and Pessimism		3	7 11/14/2019 9:14 AM	CK	11/20/2019 8:07 AM	CK
communication stocks		1	2 11/14/2019 9:25 AM	CK	11/14/2019 9:25 AM	CK
China		6	13 11/14/2019 9:43 AM	CK	12/7/2019 3:08 PM	CK
big gulps		2	6 11/14/2019 9:55 AM	CK	11/17/2019 3:44 PM	CK
buying pieces in the stock market		3	6 11/14/2019 9:57 AM	CK	11/21/2019 11:07 AM	CK

Qualitative Data Analysis Software

Nvivo software for storing, managing and analyzing qualitative data.

My Commentary on Phases of Thematic Analysis

Phase 1: Familiarizing yourself with your data: Reviewed the entire Warren Buffett public database.

Phase 2: Generating Initial Codes: Reading, listening to, summarizing raw data into codes.

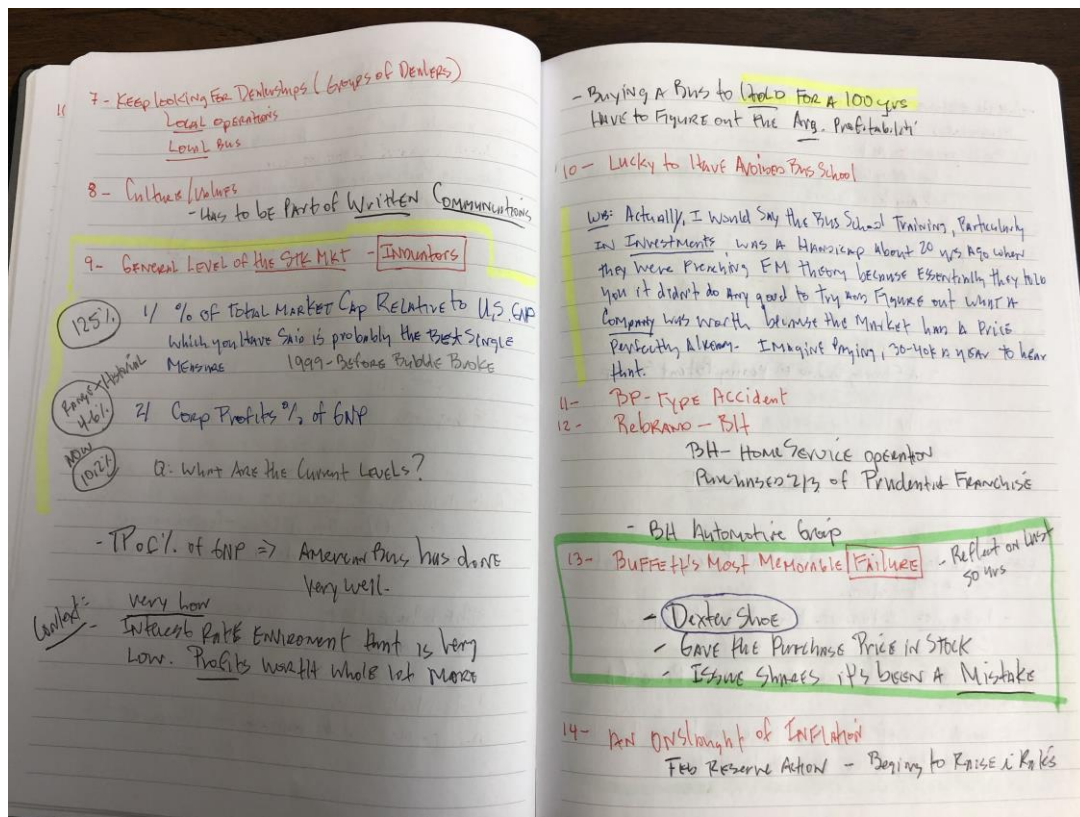
Phase 3: Searching for themes: Comprehensive process of 11 years of data coding. Systematic, step-by-step process that was iterative and reflexive.

Phase 4: Reviewing themes: Explored Buffett's comments on academic finance and financial literacy.

Phase 5: Defining and naming themes: Defined specific quotes that captured themes to present.

Phase 6: Producing the report: Completed 3 papers (collection of articles).

Memos: 112 pages of my own commentary. Reflecting and Refining on Buffett



Three Paper Dissertation

- Paper 1: Buffett's view of challenging conventional wisdom on academic finance.
- Paper 2: His explanation of investing concepts enhances financial literacy knowledge.
- Paper 3: A case study where Buffett faced insider trading claims which complements our research on insider trading.

Articles Published During DBA Program

- Paper 4: Insider Trading article published in the MBR in 2018.
- Paper 5: The Corporate Brand: Empirical Findings. Won The American Society For Competitiveness *Outstanding Paper Award* in October 2019.

Challenging Conventional Wisdom on Academic Finance

- Business colleges and universities have been criticized for failing to prepare students for the real world of finance.
- One of the most vocal critics of university finance programs has been heralded investor Warren Buffett.
- The findings on Buffett's unconventional perspective should be integrated into business schools' finance curriculum for the benefit of future students.

Six Critical Findings



Warren Buffett: Enhancing Financial Literacy Knowledge

- Billionaire Warren Buffett has amassed a large professional following among those in the investment world.
- Despite his proven success as an investor, Buffett and his approaches to investing and finance have not been passed along to everyday Americans.
- We analyze Buffett's approaches to managing investments which is an important component of financial literacy.
- The analysis yields eight critical findings that can be incorporated into the financial literacy knowledge.

Eight Critical Findings

8 Critical Findings Focused on
Concepts of Financial Literacy

Holding
Cash

Compound
Interest

Inflation

Stock Market
Cap. to GDP
Ratio

Stocks are
Businesses

Self-discipline

Emotional
Stability

Electronic Herd

☆ **Stock Market Capitalization to GDP for United States** (DDDM01USA156NWDB)

DOWNLOAD 

Observation:
2017: **153.21100** (+ more)
Updated: Oct 21, 2019

Units:
Percent,
Not Seasonally Adjusted



Frequency:
Annual

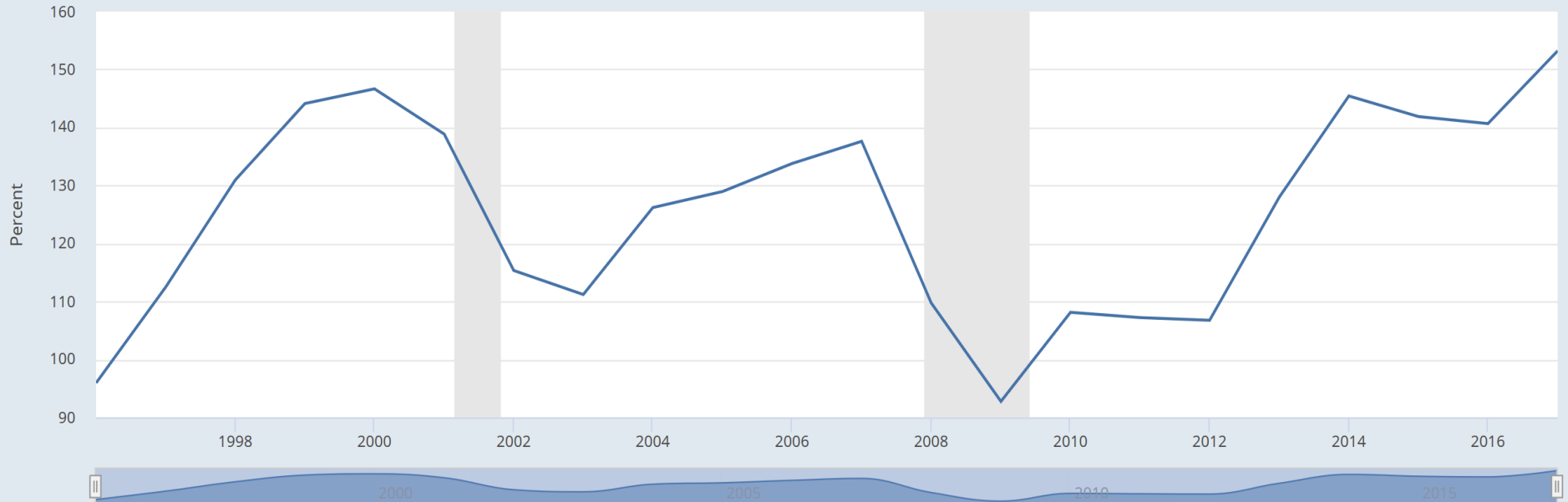
1Y | 5Y | 10Y | Max

1996-01-01

to 2017-01-01

EDIT GRAPH 

FRED  — Stock Market Capitalization to GDP for United States 



Shaded areas indicate U.S. recessions

Source: World Bank

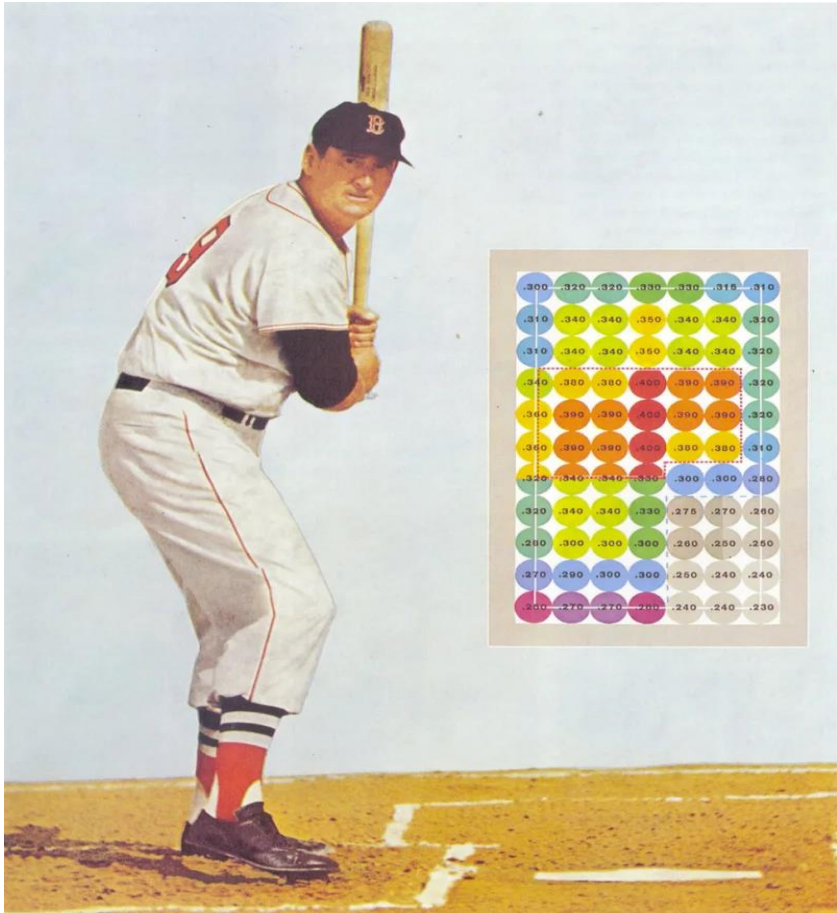
fred.stlouisfed.org

Wait for the Fat Pitch: Wait for the Pitch in the Sweet Spot



UNIVERSITY OF
SOUTH FLORIDA

A PREEMINENT
RESEARCH UNIVERSITY

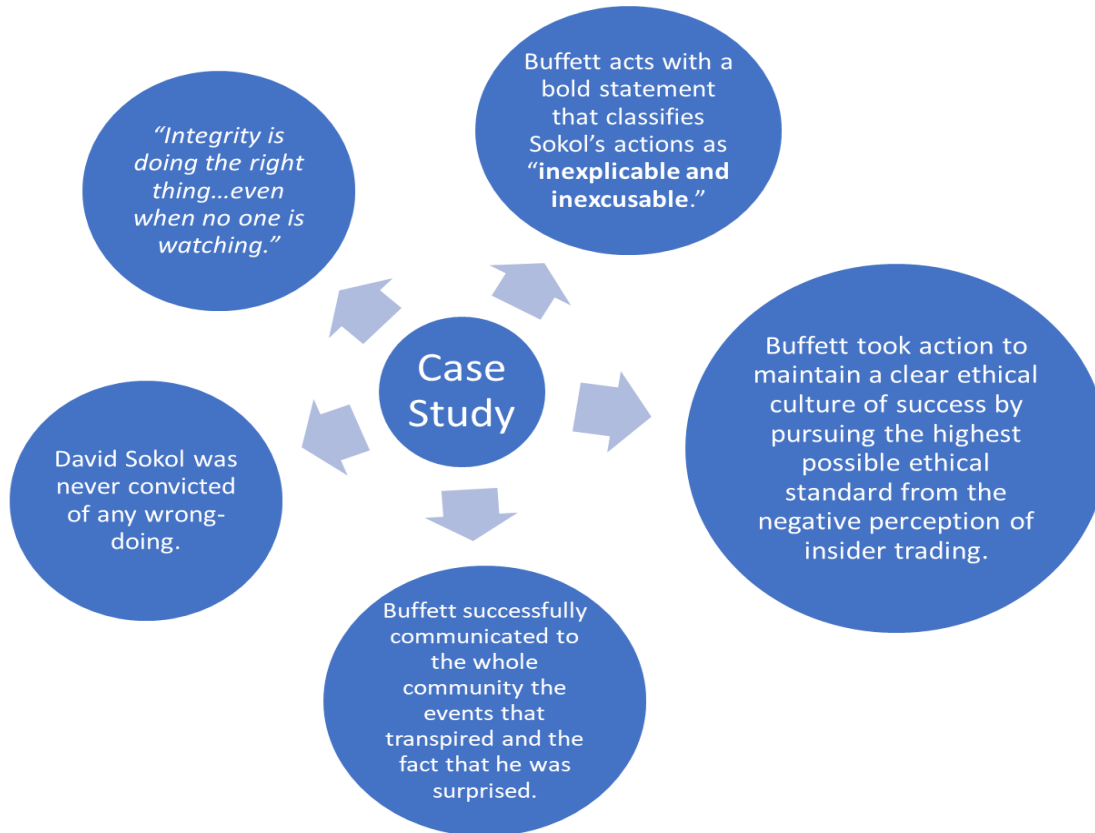


The Science of Hitting (1970) by Ted Williams

Buffett Faces Insider Trading Claims: A Case Study

- In 2011, days after the public announcement of the all-cash deal to acquire Lubrizol, Buffett learns that his top executive, David Sokol, has potentially committed the action of insider trading.
- Sokol was Buffett's number three man. He was the Chairman of several Berkshire subsidiaries. In fact, Sokol was considered Buffett's protégé and the lead candidate to replace him upon his retirement.
- As soon as Buffett is informed about the insider trading claim, the situation quickly turns into a **decision-making problem with four core elements**: 1) Managerially difficult; 2) Emotionally charged; 3) Intense media coverage; 4) Ethical and moral paradox.
- What does Buffett do?

Case Study: Critical Findings



My Audience

- We planned to write the article for consumers and financial advisors. However, the more the papers developed, we realized that professors teaching finance would also benefit from Buffett's common-sense approach
- The main audience to benefit from my work is academic faculty, and students. We encourage professors teaching in business schools to develop a course on Buffett's principles; currently, these principles are not taught in corporate finance or investments classes

Contribution

- The Buffett Project contributes toward the advancement of knowledge in the areas of finance and investments.
- Timing of our work was grounded in seeing the opportunity that the Warren Buffett Archive would provide for Qualitative Business Research.
- Buffett's knowledge is critical because it provides useful perspective for those within the financial sector, including financial advisors and their clients, as well as those in academia, including faculty members and business school graduates, as well as students.
- All these stakeholders should make better informed financial decisions from the understanding our critical findings.

Future Research

- Buffett's annual meetings frequently feature him describing the outcomes of various financial endeavors, both his own and those of other companies.
- Considering that Buffett's career depends on behavioral analysis, studying his responses through the lens of **attribution theory** would provide enlightening insight as to how Buffett views success.
- In psychology, **attribution theory** dives into how individuals evaluate and explain the results of various events, such as business deals. Each of these attributions can have an impact on one's motivation, which can then be used to predict future performance.

Extension of Research

- I am interested in **extending my academic research** on Buffett to other top money managers.
- My working hypothesis is: The challenging conventional wisdom theme is more common in finance and that there are key lessons to be learned from other top money managers.

Summary

- Lowenstein (1995) states, “In the annals of investing, Warren Buffett stands alone. Starting from scratch, simply by picking stocks and companies for investment, Buffett amassed one of the epochal fortunes of the twentieth century” (Introduction).
- Lowenstein clearly identifies Buffett as a person worthy of further study who has made an impression within the investment community.
- Took advantage of the Warren Buffett Archive and its unique data set.
- Based on the analysis of 11 years of transcripts, we found six critical findings focused on Buffett challenging the conventional wisdom of academic finance and eight critical findings focused on the concepts of financial literacy.
- Our contribution with our dissertation research is that we insert Buffett into this conversation. He provides an understanding of investments, finance concepts and markets that can improve both academic finance and financial literacy because many of his lessons directly contradict what has been taught in business school.



**UNIVERSITY OF
SOUTH FLORIDA**

A PREEMINENT RESEARCH UNIVERSITY