



THE RECIPROCITY ADVANTAGE

**A NEW WAY TO PARTNER FOR
INNOVATION AND GROWTH**

**BOB JOHANSEN
and KARL RONN**

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“If your business is squeezed by ever-tightening margins and confronted daily by disruptive forces, understanding your reciprocity advantage will open you to the potential of nontraditional partnerships as a path to large-scale growth.”

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—**Scott Anthony, Managing Partner, Innosight, and author of *The First Mile* and *The Little Black Book of Innovation***

“Every winning strategy is based on a compelling insight, and *The Reciprocity Advantage* is loaded with insight. Capturing a reciprocity advantage will be the next strategic advantage.”

—**William G. Pietersen, Professor of the Practice of Management, Columbia Business School, and author of *Strategic Learning***

“Bob Johansen and Karl Ronn have produced a book that offers masterful insight into one of the defining features of today’s world: advantage through reciprocal value creation. Our old win-lose models are no longer fit for purpose. The best businesses today are aiming higher. Bob and Karl’s vision will help any leader unlock new forms of value with new thinking.”

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“*The Reciprocity Advantage* is required reading for my Marketing for Social Profit students. It gives readers at all levels of business experience perspectives and actionable information to enhance business and innovation results. Anyone interested in growing and making a positive collaborative impact should read this book.”

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—**John R. Ryan, President and CEO, Center for Creative Leadership**

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THE RECIPROCITY ADVANTAGE

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Berrett-Koehler Publishers, Inc.
San Francisco
a BK Business book

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Berrett-Koehler Publishers, Inc.
235 Montgomery Street, Suite 650
San Francisco, California 94104-2916
Tel: (415) 288-0260, Fax: (415) 362-2512
www.bkconnection.com

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First Edition

Hardcover print edition ISBN 978-1-62656-106-9

PDF e-book ISBN 978-1-62656-107-6

IDPF e-book ISBN 978-1-62656-108-3

2014-1

Project Management and book design: BookMatters. Copyediting: Tanya Grove.

Indexing: Leonard Rosenbaum. Cover design: Archie Ferguson.

*To Robin & Elizabeth,
Our life partners*

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PREFACE

Reciprocity and advantage—long thought of separately—will become increasingly synergistic. The next competitive advantage will be *reciprocity* advantage. This book shows you how to create a reciprocity advantage for your business.

The disruptions of the next decade will require organizations to think about and practice reciprocity on a massive scale. Now is the time to move, to ride the coming disruptions to your own benefit—and to the benefit of others.

Reciprocity will be key to business growth in the future. If you can create a reciprocity advantage, you will be able to grow your business in new ways. You may not have to do so right now, but you will within a decade. This is a future you cannot avoid.

Reciprocity is a means for disruptive business innovation and growth. Developing a reciprocity advantage will require intelligent giving that will lead to discoveries of how to make money in new ways. Think: give to grow.

The concept of reciprocity is rising and is going to work in new ways. It makes good business sense and is a better way to live. Having a reciprocity advantage will be essential to thrive in the coming world.

The goal of this book is to seed a transformational yet practical conversation about both reciprocity and advantage—simultaneously and from two very different perspectives. Bob Johansen is a practicing

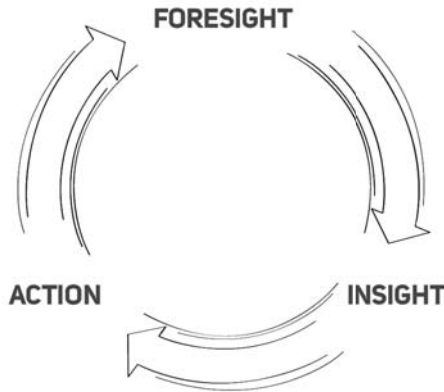


Figure 1: Foresight Insight Action
(Source: IFTF).

futurist, while Karl Ronn is a product innovation practitioner. Mapping the territory of reciprocity advantage requires both visionary foresight and practical innovation, combined in new ways.

Bob has more than 30 years' experience at Institute for the Future (IFTF) in Silicon Valley as a ten-year forecaster, with remarkable accuracy. Bob helps top leaders and rising stars draw insight from external foresight.

With more than 25 years of experience with a wide range of companies, Karl is an expert on disruptive innovation, which lies between insight and action. Karl was a key innovator behind new billion-dollar businesses like Swiffer, Febreze, and Mr. Clean Magic Eraser, for example.

Procter & Gamble has long been a supporter of IFTF. Karl met Bob when Karl was at P&G, and they have known each other for many years. Karl was one of those IFTF clients who managed to translate foresight into insight and action in order to grow P&G's business. After Karl left P&G to start his own businesses and advise others, he got the chance to work with Bob on innovation strategies that take into account the external future forces of the next decade.

Together, Bob and Karl have created a formula that looks ahead ten years but also outlines an action plan for the next 90 days so that you can begin to create your own reciprocity advantage right away. The

model introduced here not only helps corporations discover their own reciprocity advantages, it can also be applied to individuals.

We look to the future, but this is a future that leaders can begin making today. We invite you into this conversation.

Bob Johansen & Karl Ronn

Palo Alto, 2014

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INTRODUCTION

The New Way to Grow a Business

Reciprocity and advantage are two words that are rarely used together. Advantage is basic to business. Reciprocity is basic to life.

In the present, most people think of reciprocity *or* advantage. In the future, this magical juxtaposition—reciprocity *and* advantage—will spark new business models for innovation and growth.

Reciprocity is the practice of exchanging with others for mutual benefit. Reciprocity is a very old idea in a very new context: the shift from today's Internet to tomorrow's cloud-served supercomputing ecosystem. The cloud will make it possible to create more businesses with more partners globally connected. The cloud will become the world's biggest amplifier, as we discuss in Chapter 8. The currency of the cloud will be reciprocity.

Reciprocity lives in the space between transactions (buying and selling) and philanthropy (giving for good causes).

Advantage lives in a world where businesses seek a superior position that leads to profit and growth. Advantage means achieving a winning position, but it doesn't necessarily mean that others must lose in order for you to win.

Reciprocity advantage will be a new type of competitive advantage.

- It will be grounded in a right-of-way that you already own.
- It will require that you give away some of your assets in

intelligent ways now in order to make money and grow your business over time. (Think: give to grow.)

- It can happen only when a company is able to *both* practice reciprocity *and* make money. (Reciprocity is the action; advantage is a gain that is earned by the action.)
- It must be designed to be massively scalable. Certainly, reciprocity can be practiced on a small scale, but this book focuses on creating large-scale growth through reciprocity.

This is a book that shows “what’s next?” and shares what we believe will become the biggest innovation opportunity in history. Society is just entering a unique period when doing good and doing well will have to be combined in ways that have never before been imagined.

To ground the concept of reciprocity advantage in a current example, consider the evolution of TED over the last 30 years. Karl has participated in many TED conferences over the years and has followed its progress up close.

The visionary architect Richard Wurman foresaw the convergence of Technology, Entertainment, and Design (TED) and created a forum for innovators in these fields to discuss what he called “ideas worth spreading.” He launched the first TED conference in 1984, before the virtual world we know today existed, back when Tim Berners-Lee was still writing a research proposal for what would become the World Wide Web, and almost ten years before we had browsers.

Wurman’s vision was to create the world’s most elite conference. The original TED conferences were expensive invitation-only events that took place in Monterey, California—a comfortable middle ground between Silicon Valley and Hollywood. A TED conference ticket was a hot commodity.

In 2001 Wurman sold TED to Chris Anderson’s Sapling Foundation. Anderson pledged to keep the spirit of TED alive, but the great expansion of the Internet called for a new business model. The organizers realized that producing a great conference was no longer enough—people wanted to co-create with TED, not just sit back and listen. These “TED Talks” became available free to anyone in the

world. By embracing social and technological change, TED prototyped its way into the future.

TEDx is the grassroots version of TED that has caught on around the world. Wherever people have “ideas worth spreading,” a TEDx conference is likely to pop up. When the Sapling Foundation allowed anyone to run a TEDx conference, it created a huge new reciprocity advantage that builds on its past success. TED moved from a highly exclusive model to a radically democratic one. Meanwhile, the conference in its original format has continued to grow dramatically. By becoming more open and giving away assets associated with the TED brand, TED has become even more elite.

TEDx is a real-world example of reciprocity advantage. Value is exchanged for mutual benefit over time. The Sapling Foundation recognized that it owned assets it could share, and it partnered with others to augment its current business in a way that it could not do alone. TEDx has created new growth and also strengthened the core business. Others try to compete, but TED clearly has the advantage of increased global brand power, and it was accomplished by giving up control in ways that many traditional businesses would find unimaginable.

TEDx is not without its critics. In April 2013 the *Harvard Business Review*¹ published an article pointing out the impacts that poorly researched TEDx talks could have on the TED brand. Certainly the move to TEDx was risky and TED must be vigilant in how they manage all facets of their brand. However, the world has changed, and TEDx leverages those changes. TEDx is clearly differentiated from TED. TEDx is experimental and grassroots. TED is elite and controlled.

TEDx is a curated business, but it is not controlled. TED embraced the energy of the global community, and the result is that TEDx conferences have been held in more than 130 countries. TED provides advice to organizers of TEDx ahead of time, but TEDx events are done independently by the local organizers. The parent TED organization monitors outcomes and can promote good talks or effectively demote poor talks by not giving them a broader audience. TED and

TEDx coexist, but they are very different. By giving up control in TEDx, the TED brand gains new power through the grassroots reach. In fact, giving up control is *necessary* to gain this added power.

The *Harvard Business Review* article is aptly titled “When TED Lost Control of Its Crowd,” but it misses the point—losing control is exactly what TED *must* do. Giving up control is often required in order to make money in new ways and start new businesses—to innovate in this emerging world. Curating is possible, but control is not. Lack of control certainly has risks (there will be bad TEDx talks), but the benefits far outweigh the risks. TED gave up considerable control, which has resulted in some criticism of quality, but the overall impact has been gigantic.

Here is Chris Anderson’s own explanation of how TEDx works:²

TED staff do not co-organise. We don’t pre-screen speakers. That would defeat the purpose. This is a ground-up effort. It’s only by genuinely granting power to local organizers that TEDx could have achieved its current scale. We have been astonished how good most of these events are. . . .

Like Wikipedia, it shouldn’t work but it does. And also like Wikipedia, occasionally mistakes creep in. Out of the 40,000 TEDx talk videos now online, about a dozen have been truly embarrassing, featuring pseudoscience or other absurdities.

But the system self-corrects over time. Organisers learn from each other, and we are committed to empowering them with tools and advice that will allow each year’s events to be a little better than the year before.

TED under Chris Anderson is focused on experimenting to learn, with as little direction as possible up front. Because TEDx experiments are everywhere, TED is a new model of inclusivity—even though the TED conference itself is still very exclusive. In this way, TED itself is both remarkably open *and* remarkably elite.

There will still be work ahead to ensure clarity on the differences between the TED brand and the sub-brand of TEDx. But this work will be agile curating—not traditional control of brands.

The journey came full circle in 2013 in Long Beach, where many of the TED Talks featured people who were identified via TEDx.

Brilliant innovation can come from anywhere, and now TED has the network to find it.

TED'S RECIPROCITY ADVANTAGE IN SUMMARY

What right-of-way does TED share with TEDx organizers? The TED organization has packaged its right-of-way as “TEDx-in-a-Box” and it includes

- the TED brand;
- the TED stage set and logo;
- the TED eighteen-minute high-production-values talk format.

Who are TED's partners? Passionate “TEDsters” around the world.

How did TED experiment to learn? TEDx began as an experiment in 2007. They used rapid prototypes to perfect their recipe for what to give away, what to control, and what to curate.

What assets does TED give away in order to learn?

- TED Talks from main TED event posted on the TED.com website.
- Recipes for organizing TEDx conferences.

How did TED scale? Volunteers organize TEDx events locally. Of course, not every TEDx is a success, so TED curates the results. Organizers of a good conference can give another TEDx; poor conferences aren't repeated. Only the very best talks are distributed through the cloud, growing their brand globally.

What is TED's reciprocity advantage? TEDx—the local version of TED staged anywhere—which complements and provides huge growth to the core TED brand and ideas worth spreading.

So What?

In five years TEDx has grown its grassroots effort to change the world with 30,000 “ideas worth spreading” presented in 133 countries. Just about every day, a TEDx event happens somewhere in the world.

Along the way, TEDx has also solved a problem for the main conference in today's world of instant news. In 2013, Chris Anderson used

TEDx and the local organizations as a talent search to find the very best people to bring to the main stage at the annual conference. This is an example of an advantage that TED gained from its reciprocity in allowing TEDx conferences to occur.

We find TED and TEDx fascinating, since they created a global brand based on reciprocity. As the World Wide Web took shape, TED embraced the turbulence and transformed itself from a company that put on elite conferences into a kind of organization that had never existed before. TEDx is a prototype for new business reciprocity-advantage models yet to be created. TED is just one example—there are many more.

The Basics of Reciprocity Advantage

Consider these basic definitions as we open the black box of reciprocity advantage.

trans·ac·tion (*noun*) tran-¹zak-shən: the instance of buying or selling something

Transactions are at the core of business today. In traditional business transactions, money is given for products received. You give me money; I give you goods in return. If you like the goods, you come back and give me more money for more goods. Both the buyer and the seller must see more value in giving up what they have (money or product).

Future forces will disrupt traditional transactional models, and margins will shrink. Transactions will continue to exist but will become increasingly commoditized. It will be increasingly difficult to run profitable businesses on this model alone. However, a transactional product may very well open the door to businesses with higher margins and higher values.

At the other extreme, consider

phi·lan·thro·py (*noun*) fə-¹lan(t)-thrə-pē: the desire to promote the welfare of others, expressed especially by generous donations to good causes

Philanthropy is motivated by altruism and the basic human instinct to give to others.

While business is stuck in the old world of transactions, philanthropy is stuck in the old world of grant giving—and often the accompanying burdensome bureaucracies. The big challenge for philanthropy is scaling: how to maximize the impact of good ideas that work locally. The same forces that are going to disrupt traditional transactional models will also disrupt philanthropy, albeit from different angles.

Philanthropy can be wonderful, but philanthropy is not what this book is about.

Reciprocity differs from transactions and philanthropy but has elements of both.

rec·i·proc·i·ty (*noun*) re-sə-'prä-s(ə-)tē: the practice of exchanging with others for mutual benefit

In a reciprocity-based business model, I give you something, and at some later point in time, I trust that I will learn how to get even more value back in return. While transactions are the currency of today's Internet, reciprocity will be the currency in tomorrow's world of cloud-served supercomputing. The cloud will allow individual companies to look out for the interests of their partners—and themselves—on an unprecedented scale.

A reciprocity advantage begins with smart giving, which is distinctly different from philanthropy or altruism. The reason for giving assets away isn't just about doing good—it's an important part of an ongoing value exchange spread over time where partners commit to looking out for each other as part of a shared vision.

Reciprocity advantage will live in the space between transactions and philanthropy—between list price and free. Businesses will be able to create new growth that would not have been possible to do on their own. And they will share some of that new value with others.

Harvard professor and expert on competitive strategy Michael Porter has studied this concept of “shared value.”³ His notion is that societal costs and benefits ought to be more integrated with businesses. He sees greater need for collaboration across these diverse organiza-

tions to identify societal needs and respond to them. Indeed, those who are closest to the problems are the best people to address them. In many cases, those are smaller businesses, governments, nonprofits, foundations, and even end users themselves. Large businesses have valuable assets, infrastructure, and know-how that make it easier and more efficient to scale solutions to these societal issues. In this way, business/community partnerships can spur innovation and growth that are profitable to the business and also benefit the community. Companies who find their own reciprocity advantage will be better partners in shared value initiatives.

We know from our discussions with others, however, that *reciprocity advantage* is an oxymoron for some people. It doesn't make sense to them because they define reciprocity as each party getting similar benefits—hence, no advantage. Current times urge some reflection on this assumption. Consider that disruptive innovation often occurs when two opposing concepts are put together and result in a new idea that shatters former assumptions. Sunny and rainy is a forecast for rainbows.

The ancient wisdom of reciprocity will be reborn in a digitally enhanced world of *And*. Transactions are choices made by businesses, usually in the interest of the intended customer. But transactions force the customer to choose among a small set of options offered to them. This is a world of *Or*: you can buy this *or* that. The future will be shaped by a wild array of external forces that will conspire to commoditize the world of *Or* in increasingly more extreme ways. Knock-off products will be created overnight—even faster than they are today—and competition over price alone will get fierce. Growth and ultimately success will depend on harnessing these forces and creating businesses together. The barriers to collaboration are falling just as pressures on price are increasing.

Reciprocity Will Scale Big

TEDx demonstrates the potential for *scalable* reciprocity to grow a good business and good will in ways that have never before been

possible. In this book, we will show how companies such as IBM, Microsoft, Google, Apple, and Amazon are creating a new type of advantage. Reciprocity advantage must be done on a large scale to make a significant difference. We focus our examples on the point of view of the large company that already has scale but needs new growth, but small entrepreneurs are the likely partners. So, the roles may differ, but reciprocity advantage applies regardless of your size.

The world of the next ten years will best be characterized as volatile, uncertain, complex, and ambiguous (VUCA), which we talk about more in Part Two. But in spite of all the threats, it will also provide a window of opportunity—if we are smart enough to act now.⁴ The VUCA World will demand reciprocity.

We have organized the book into three parts:

PART ONE

WHAT IS A RECIPROCITY ADVANTAGE?

- What is it?
- Understanding our model.

PART TWO

FUTURE FORCES THAT WILL DEMAND RECIPROCITY

- Why will it be important?
- Understanding that the future will be very different from the present—and how finding a reciprocity advantage can help you take advantage of the disruptions.

PART THREE

HOW TO DEVELOP YOUR OWN RECIPROCITY ADVANTAGE

- How can you do it?
- Finding new opportunities for growth.

This book introduces a reciprocity-based business model for creating growth that capitalizes on the future disruptions that are coming. We will challenge you to create your own reciprocity advantage.

Figure 2 introduces the model we have created for this book, a cycle from uncovering your *Right-of-Way* to *Partnering to Experiment to*

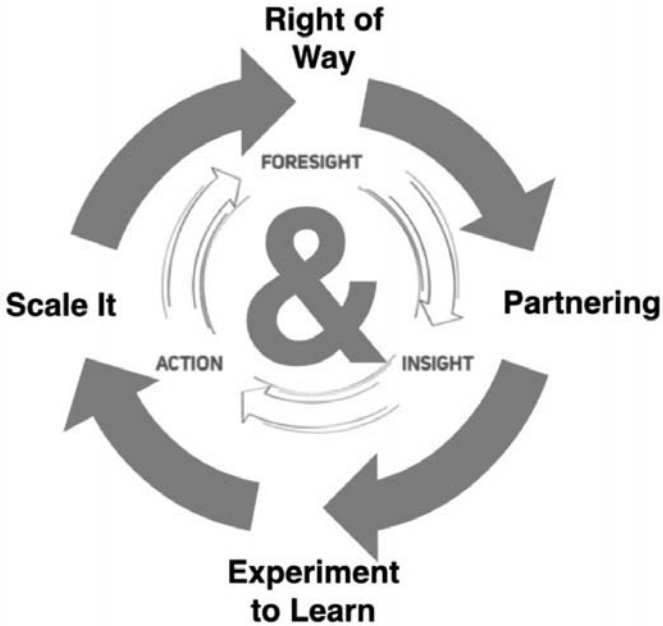


Figure 2: Steps to Scalable Reciprocity.

Learn and finally, when you are ready, to *Scale It*. This is an ongoing cycle, however, and it is unlikely to be a neat process. Certainly, it won't be linear.

Foresight, insight, and action will all play a role. Uncovering your right-of-way will involve rethinking your past with an eye toward your future.

All four steps summarized in Figure 2 must be mastered to create a reciprocity advantage. We start with right-of-way because the best reciprocity advantage will be grounded in a strong core business. However, we acknowledge that you may well run a lot of experiments and learn that you have an even better right-of-way to develop or that you have chosen the wrong partners. This is a cycle of learning, so expect to cycle round multiple times in order to develop your own reciprocity advantage. And to learn your way to the future will require partners.

Reciprocity-based business models will create new opportunities

for high-margin businesses that can be much more profitable than traditional transactional businesses. The world of *And* can make the world a better place *and* make money. A reciprocity advantage is a chance to do good while also doing very well.

A reciprocity advantage is delicate to achieve and maintain. Go too wide, and you're a philanthropist. Go too narrow, and you'll be back doing transactions. Reciprocity is more than giving to get. Reciprocity is partnering for greater value for more players.

If you don't look out for your partners or if you don't have authenticity in your new business model, you'll just be doing clever marketing—not reciprocity.

Over the next decade, reciprocity advantage will become increasingly profitable and scalable in ways that are just becoming imaginable today. Future forces will disrupt your business, and that evidence is already visible. By providing many examples of companies that are already embracing the disruptions and by showing you the advantage of getting there early, this book will help you get started in creating your own reciprocity advantage.

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PART ONE

Reciprocity on a Massive Scale

The four chapters in Part One introduce the four steps to reciprocity advantage. This four-step cycle will give you a new way to think about innovation and growth.

Chapter 1. Uncover your right-of-way—an existing platform where you already have permission to innovate with authenticity. Which of your assets have value for others and could also help you create complementary business growth? Essentially, what underutilized assets could you give away now that would yield greater value later?

Chapter 2. Find the best partners, ones who will allow you to accomplish what you could not do alone. Which partners will lower your risk, increase your innovation potential, and look out for you?

Chapter 3. Learn by experimenting. Give away assets intelligently in order to learn how to create value in new ways. The goal is to learn in an open, low-cost, and iterative way that allows for time to discover which questions to ask. How can you and your partners learn how to make money in new ways within your right-of-way?

Chapter 4. Scale it once you figure out what works, but keep it small until you are ready. The focus here is on how to make your new business big. Cloud-served supercomputing will be an amplifier for almost everything. When you are convinced that your business is **desirable**, **viable**, and **ownable**, you are ready to scale.

Following these four steps will help you uncover your right-of-way and create your reciprocity advantage, which will make extremely good business sense—given the external future forces of the next decade.

Creating new businesses is risky. Using your existing but underutilized right-of-way to create a new business will lower your risk dramatically. You already own the assets you are sharing or giving away, and in most cases, you are not getting any value at present from these underutilized assets. If these assets can be unleashed to create new growth and capitalize on the disruptions that will occur in the near future, you can create a reciprocity advantage.

Reciprocity advantage will scale much faster if it is grounded in trust. James Fallows, in his book *More Like Us*, introduced the intriguing notion of a radius of trust:

Except for psychopaths, everyone treats someone else decently. The question is how many people are classified as “us,” deserving decent treatment, and how many are “them,” who can be abused. When the radius of trust is small, the society is carved into tribes, castes, and clans. People are loyal to the handful of brothers inside the circle and may as well be at war with everyone else. The obligation to behave decently—and the expectation of decency in return—ends with family or friends. (*More Like Us*, p. 25)

Fallows was writing about trust in 1989. Building strong brands and strong businesses has always been an effort to build trust. What’s changing is transparency.

In the past, companies could exert considerable control over their brand story through one-way broadcast media. In the future, control of corporate stories will be very difficult and transparency will be mandated. What people say about your brand will be much more important than what *you* say about your brand.

In a world of increasing global connectivity, the importance of trust will increase. Transparency will be required, while control of your own brand story will be increasingly difficult. If companies are not transparent, transparency will be forced upon them and forced

transparency may well be unfair. Companies will need to embrace this loss of control but figure out ways to grow even when they do not have control. If you are not trustworthy, you will not grow in this world—at least not for long.

**Right of
Way**

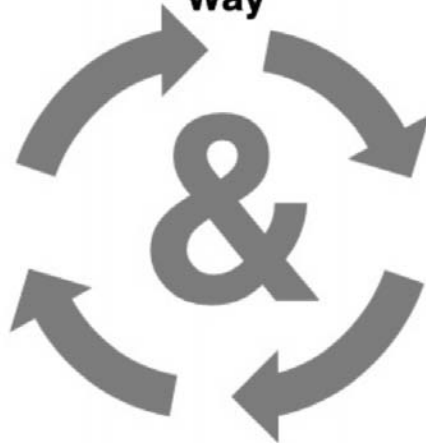


Figure 3: Step One toward
Reciprocity Advantage.

CHAPTER 1

Reciprocity Right-of-Way

In which the complex notion of right-of-way is unpacked and put into play in search of growth and scale.

Right-of-way has multiple meanings. In law, it means a basic exclusivity where one person has permission to do something others cannot do. In California, Oregon, and some other states, pedestrians have the right-of-way over cars. According to Dictionary.com, right-of-way is defined as

1. a common law or statutory right granted to a vehicle, as an airplane or boat, to proceed ahead of another;
2. a path or route that may lawfully be used;
3. a right of passage, as over another's land;
4. the strip of land over which a power line, railway line, road, etc., extends.

Right-of-way is an unrealized opportunity space where you can create a new large-scale practice of exchanging with others for mutual benefit. Right-of-way is the space within which you can create your reciprocity advantage. Indeed, a reciprocity advantage becomes possible only within your right-of-way. For example, consider the evolution of IBM over the last 30 years.

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