



JOIN US AS WE TAKE A LOOK AT THESE SURPRISING CREATURES AND THEIR PURSUIT OF—SUCCESS!



IN THIS SIMULATION, WE SEE THE EFFECT THAT THE SCENT OF OPPORTUNITY HAS ON EACH OF THE POTENTIAL INVESTORS' BRAINS!



WHEN ALL IS SAID AND DONE ...

... SURPRISINGLY, IT'S THE GIVERS ATOP THE PROVERBIAL LADDER!



Good Returns

THE DANGERS AND REWARDS OF GIVING MORE THAN YOU GET. BY ADAM GRANT

On a sunny Saturday afternoon in Silicon Valley, two proud fathers stood on the sidelines of a soccer field. They were watching their young daughters play together, and it was only a matter of time before they struck up a conversation about work. The taller of the two men was Danny Shader, a serial entrepreneur who had spent time at Netscape, Motorola, and Amazon. Shader liked to call himself the “old man of the Internet.” He loved building companies, and he was just getting his fourth start-up off the ground.

Shader had instantly taken a liking to the other father, a man named David Hornik who invests in companies for a living. Hornik is a man of eclectic interests: he collects *Alice in Wonderland* books, and in college he created his own major in computer music. He went on to earn a master’s in criminology and a law degree, and after burning the midnight oil at a law firm, he accepted a job offer to join a venture capital firm, where he spent the next decade listening to pitches from entrepreneurs and deciding whether or not to fund them.

During a break between games, Shader turned to Hornik and said, “I’m working on something—do you want to see a pitch?” Hornik specialized in Internet companies, so he seemed like an ideal investor to Shader. The interest was mutual. Most people who pitch ideas are first-time entrepreneurs, with no track record of success. In contrast, Shader was a blue-chip entrepreneur who had hit the jackpot not once, but twice. In 1999, his first start-up, Accept.com, was acquired by Amazon for \$175 million. In 2007, his next company, Good Technology, was acquired by Motorola for \$500 million.

A few days later, Shader drove to Hornik’s office and pitched his newest idea. Nearly a quarter of Americans have trouble making online purchases because they don’t have a bank account or credit card, and Shader was proposing an innovative solution to this problem. Hornik was one of the first venture capitalists to hear the pitch, and right off the bat, he loved it. Within a week, he put Shader in front of his partners and offered him a term sheet: he wanted to fund Shader’s company.

Although Hornik had moved fast, Shader was in a strong position. Hornik knew plenty of investors would be clamoring to

Excerpt

work with Shader. “You’re rarely the only investor giving an entrepreneur a term sheet,” Hornik explains. “You’re competing with the best venture capital firms in the country, and trying to convince the entrepreneur to take your money instead of theirs.”

The best way for Hornik to land the investment was to set a deadline for Shader to make his decision. If Hornik made a compelling offer with a short fuse, Shader might sign it before he had the chance to pitch to other investors. This is what many venture capitalists do to stack the odds in their favor.

But Hornik didn’t give Shader a deadline. In fact, he practically invited Shader to shop his offer around to other investors. Hornik believed that entrepreneurs need time to evaluate their options, so as a matter of principle, he refused to present exploding offers. “Take as much time as you need to make the right decision,” he said.

Shader did just that: he spent the next few weeks pitching his idea to other investors. In the meantime, Hornik sent Shader his most valuable resource: a list of 40 references who could attest to Hornik’s caliber as an investor. When entrepreneurs sign with an investor, the investor joins their board of directors and provides expert advice. Hornik’s list of references reflected the blood, sweat, and tears that he had devoted to entrepreneurs over the course of more than a decade in the venture business.

A few weeks later, Hornik’s phone rang. It was Shader, ready to announce his decision.

“I’m sorry,” Shader said, “but I’m signing with another investor.”

The financial terms of the offer from Hornik and the other investor were virtually identical. And after speaking with the references, it was clear to Shader that Hornik was a great guy.

But it was this very same spirit of generosity that doomed Hornik’s case. Shader worried that Hornik would spend more time encouraging him than challenging him. Hornik might not be tough enough to help Shader start a successful business, and the other investor had a reputation for being a brilliant adviser who questioned and pushed entrepreneurs. “My heart said to go with you,” Shader told Hornik, “but my head said to go with them.”

Hornik was devastated, and he began to second-guess himself. “Am I a dope? If I had applied pressure to take the term sheet, maybe he would have taken it. But I’ve spent a decade building my reputation so this wouldn’t happen. How did this happen?”

David Hornik learned his lesson the hard way: good guys finish last.

Or do they?

According to conventional wisdom, highly successful people have three things in common: motivation, ability, and opportunity. If we want to succeed, we need a combination of hard work, talent, and luck. The story of Danny Shader and David Hornik highlights a fourth ingredient, one that’s critical but often neglected: success depends heavily on how we approach our interactions with other people. Every time we interact with another person at work, we have a choice to make: do we try to claim as much value as we can, or contribute value without worrying about what we receive in return?

As an organizational psychologist, I’ve dedicated more than 10 years to studying these choices at organizations ranging from Google to the US Air Force, and it turns out that they have staggering consequences for success. Social scientists have discovered that people differ dramatically in their preferences for reciprocity—their desired mix of taking and giving. To shed some light on these preferences, let me introduce you to two kinds of people who fall at opposite ends of the reciprocity spectrum at work. I call them takers and givers.

Takers have a distinctive signature: they like to get more than they give. Takers believe that the world is a competitive, dog-eat-dog place. They feel that to succeed, they need to be better than others. To prove their competence, they self-promote and make sure they get plenty of credit for their efforts. Garden-variety takers aren’t cruel or cutthroat; they’re just cautious and self-protective. “If I don’t look out for myself first,” takers think, “no one will.” Had David Hornik been more of a taker, he would have given Danny Shader a deadline.

But Hornik is the opposite of a taker; he’s a *giver*. In the workplace, givers are a relatively rare breed. They tilt reciprocity in the other direction. Whereas takers tend to be self-focused, evaluating what other people can offer them, givers are other-focused, paying more attention to what other people need from them. These preferences aren’t about money: givers and takers aren’t distinguished by how much they donate to charity or the compensation that they command from their employers. Rather, givers and takers differ in their attitudes and actions toward other people. If you’re a taker, you help others strategically, when the benefits to *you* outweigh the personal costs. If you’re a giver, you might use a different cost-benefit analysis: you help whenever the benefits to *others* exceed the personal costs. Alternatively, you might not think about the personal costs at all, helping others without expecting anything in return.

Outside the workplace, this type of behavior is quite common. According to research led by Yale psychologist Margaret Clark, most people act like givers in close relationships. In marriages and friendships, we contribute whenever we can without keeping score.

But in the workplace, give and take becomes more complicated. Professionally, few of us act purely like givers or takers, adopting a third style instead. We become *matchers*, striving to preserve an equal balance of giving and getting. Matchers operate on the principle of fairness: when they help others, they

protect themselves by seeking reciprocity. If you’re a matcher, you believe in tit for tat, and your relationships are governed by even exchanges of favors.

Giving, taking, and matching are three fundamental styles of social interaction, but the lines between them aren’t hard and fast. It wouldn’t be surprising if you act like a taker when negotiating your salary, a giver when mentoring someone with less experience than you, and a matcher when sharing expertise with a colleague. But evidence shows that at work, the vast majority of people develop a primary reciprocity style, and that it can play as much of a role in our success as hard work, talent, and luck.

Professionally, all three styles have their own benefits and drawbacks. But there’s one style that proves more costly than the other two. Based on David Hornik’s story, you might predict that givers achieve the worst results—and you’d be right. Research demonstrates that givers sink to the bottom of the success ladder. Across a wide range of important occupations, givers are at a disadvantage: they make others better off but sacrifice their own success in the process.

In the world of engineering, the least productive and effective engineers are givers. In one study, when more than 160 professional engineers in California rated one another on help given and received, the least successful engineers were those who gave more than they received. These givers had the worst objective scores in their firm for the number of tasks, technical reports, and drawings completed—not to mention errors made, deadlines missed, and money wasted. Going out of their way to help others prevented them from getting their own work done.

The same pattern emerges in medical school. In a study of more than 600 medical students in Belgium, the students with the lowest grades had unusually high scores on giver statements like “I love to help others” and “I anticipate the needs of others.” The givers went out of their way to help their peers study, sharing what they already knew at the expense of filling gaps in their own knowledge, and it gave their peers a leg up at test time. Salespeople are no different. In a study I led of salespeople in North Carolina, compared with takers and matchers, givers brought in two and a half times less annual sales revenue. They were so concerned about what was best for their customers that they weren’t willing to sell aggressively.

Across occupations, it appears that givers are just too caring, too trusting, and too willing to sacrifice their own interests for the benefit of others.

So if givers are most likely to land at the bottom of the success ladder, who’s at the top—takers or matchers?

Neither. When I took another look at the data, I discovered a surprising pattern: *It’s the givers again.*

As we’ve seen, the engineers with the lowest productivity are mostly givers. But when we look at the engineers with the highest productivity, the evidence shows that they’re givers too. The California engineers with the best objective scores for quantity and quality of results are those who consistently give more to their colleagues than they get. The worst performers and the best performers are givers; takers and matchers are more likely to land in the middle.

This pattern holds up across the board. The Belgian medical students with the lowest grades have unusually high giver scores, but so do the students with the *highest* grades. Even in sales, I found that the least productive salespeople had 25

percent higher giver scores than average performers—but so did the most productive salespeople. The top performers were givers, and they averaged 50 percent more annual revenue than the takers and matchers. Across occupations, if you examine the link between reciprocity styles and success, the givers are more likely to become champs—not only chumps.

Guess which one David Hornik turns out to be?

After Danny Shader signed with the other investor, he had a gnawing feeling. “I was excited about my investor, who’s exceptionally bright and talented, but I was missing the opportunity to work with Hornik.” Shader wanted to find a way to engage Hornik, but there was a catch. To involve him, Shader and his lead investor would have to sell more of the company, diluting their ownership.

Shader decided it was worth the cost to him personally. Before the financing closed, he invited Hornik to invest in his company. Hornik accepted. He began coming to board meetings, and Shader was impressed with Hornik’s ability to push him to consider new directions. “I got to see the other side of him,” Shader says. “It had just been overshadowed by how affable he is.” Thanks in part to Hornik’s advice, Shader’s start-up has taken off. It’s called PayNearMe, and it enables Americans who don’t have a bank account or a credit card to make online purchases with a barcode or a card, and then pay cash for them at participating establishments. Shader landed major partnerships with 7-Eleven and Greyhound to provide these services, and in the first year and a half since launching, PayNearMe has been growing at more than 30 percent per month. As an investor, Hornik has a small share in this growth.

The payoff for Hornik was not limited to this single deal on PayNearMe. As Shader came to admire Hornik’s commitment

to acting in the best interests of entrepreneurs, he began to set him up with other investment opportunities. In one case, after meeting the CEO of a company called Rocket Lawyer, Shader recommended Hornik as an investor. Although the CEO already had a term sheet from another investor, Hornik ended up winning the investment.

Although he recognizes the downsides, David Hornik believes that operating like a giver has been a driving force behind his success in venture capital. Hornik estimates that when most venture capitalists offer term sheets to entrepreneurs, they have a signing rate near 50 percent: “If you get half of the deals you offer, you’re doing pretty well.” Yet in eleven years as a venture capitalist, Hornik has offered 28 term sheets to entrepreneurs, and 25 have accepted. Thanks to his funding and expert advice, these entrepreneurs have gone on to build a number of successful start-ups—one was valued at more than \$3 billion on its first day of trading in 2012, and others have been acquired by Google, Oracle, and Ticketmaster.

Hornik’s hard work and talent, not to mention his luck at being on the right sideline at his daughter’s soccer game, played a big part in lining up the deal with Shader. But it was his reciprocity style that ended up winning the day for him. Even better, Shader won too, as did the companies to which Shader later recommended Hornik. By operating as a giver, Hornik created value for himself while maximizing opportunities for value to flow outward for the benefit of others. ♦

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Karma FOR CAPITALISTS

Q&A

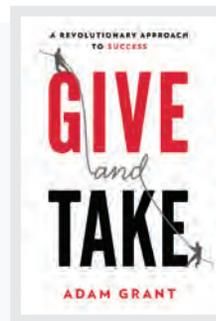
Adam Grant is the youngest tenured professor at Wharton and one of the most fervently praised by students. His secret? He tries to give to others more than he immediately gets back—a philosophy that also underpins his evidence-based approach to business management. In his new book *Give and Take*, Grant contends that reciprocity styles shed light on how America’s best networker developed his connections, why the genius behind one of the most successful shows in television history toiled for years in anonymity, how a basketball executive responsible for some of the worst draft busts in history turned things around, and how we could have spotted the takers at Enron four years before the company collapsed—without looking at a single number. “Ultimately,” he says, “the notion that givers finish first—not only last—challenges some of our most fundamental assumptions about success.” He spoke with *Gazette* associate editor Trey Popp about how sacrificing your self-interest can be the best way to attain it.

When it comes to how we interact with others at work, you’ve concluded that there are three kinds of people: givers, takers, and matchers. You say that most people act like matchers most of the time. That does seem like a prudent way to behave in professional circumstances. What are the drawbacks?

There are three risks that matchers take as they wander through their professional lives.

The first risk is creating a transactional feeling in the people they interact with. If you’re a matcher, and you’re always trading favors, when you help somebody it often feels like you’re just doing it because you want something back, not because you really care about them or the relationship is important to you.

A second risk—and I think in some ways this is the biggest one—is if you’re a



matcher, you will have a more limited and narrow sphere of relationships, because you only help the people you think can help you back. Which of course is the whole point of being a matcher. But that means a

less diverse network of people, and it also means not helping some people who are probably going to go on and do great things one day.

Put those two things together, and what you end up getting is potentially a little bit shallower and a little bit narrower network. We know neither of those things is desirable. And then there’s this third element of being a matcher, which is that you actually draw different kinds of people into your network. You get this reputation as sort of a wheeler-dealer, a favor-trader. Over time you don’t necessarily attract people who are willing to give first, and who really want to expand the pie.

You note that there are two kinds of givers: those who give of themselves so much that it's to their own ultimate detriment, and those who somehow turn their other-directed attitudes into a competitive advantage, or a sort of success that creates a feedback loop. What separates the champs from the chumps, as you say?

One big differentiator between the failed and successful givers is how flexible they are in their actual reciprocity styles. The givers who get themselves into trouble are the ones who give all the time, to all the people who have requests. The givers who succeed, one of the things they do is they're a little bit cautious around takers. They're more likely to shift into a matching mode when dealing with somebody who has either a history or a reputation of taking.

If you're not naturally a giver, how can you become one?

I would first ask the question: Should you become one? And I would leave that to you to decide. But if you decided you wanted to jump more in that direction, I think the first step is to figure out what are the roles and relationships where you naturally gravitate toward giving. And what is it about those roles and relationships that resonates? Usually that boils down to either a particular kind of person or group of people that you naturally care about, or a form of giving that you really enjoy.

I've encountered some people in the course of my research who, in most of their roles and relationships, are more inclined to be matchers or takers—but they really love connecting people. They just find it intrinsically enjoyable and meaningful to make introductions. I think they also find that to be a really low-cost form of giving. It's so quick and easy to introduce new people. And if you know them both well, and you have a sense of how they could benefit from knowing each other, it just seems like a win-win.

I've encountered other people where—this is something we see a lot, when we look at the research on the topic—when you just find an area of knowledge fascinating, you almost can't help but share it with somebody else.

Are there some fields where givers seem to get the most mileage out of their attitude, or

alternatively, where their other-directedness puts them at a real disadvantage? As I read *Give and Take*, I thought about Michael Lewis's classic book about bond trading, *Liar's Poker*. I had a hard time seeing how a giver could last very long as a bond trader.

For somebody who is, like, an all-out giver, that would be tough. Now, I do think somebody who chose a particular group to give to, that were not takers, and created an inner circle of people that you would give to freely with no strings attached—I think that person could have benefited from the kind of reputational capital we've been discussing, and also might have then had an expanded network of weak and dormant ties to bring in new information. But essentially there are a couple of conditions under which it's really hard for a giver to prosper, especially without having a long run being *really* long.

The first condition is repeated interaction, where there is reputational capital to be built up. A second would be interdependence, where you actually have to collaborate with other people to get your work done effectively. If you're in a totally independent job, where you never have to rely on anybody else, then it's not clear that being a giver would be as advantageous as it is in a high-teamwork or high-service environment.

And then a third would be, at some level, what's the mix of people around you, getting back to my original point. Are you surrounded by a bunch of takers who just have a homing instinct to veer in and pounce the moment they spot you as a giver? Or are you in a world where it's more the standard environment, where most people are matchers, and it's a lot easier for a giver to thrive.

You've concluded that giving can be the cause of success. But couldn't it be the other way around? Couldn't it be that somebody like David Hornik [see excerpt, page 39] is just so incredibly talented that he can basically afford to elevate the interests of others and yet still come out ahead of the average person?

I think that there are a lot of people who look at it that way. And I would throw a few pieces of evidence back at them, the first one being, if that's the case, why don't we see people giving more as they gain status and wealth? And in fact, we don't. The

wealthy give away smaller fractions of their income than people at lower socioeconomic strata.

A second thing is there is pretty powerful evidence that shows that giving *first* can have a stronger effect on success later than the reverse does. One body of work that I didn't cover in the book, but probably should have, is a series of studies showing that, if you want to look at a group of people and track who's going to get promoted, lo and behold, one of the best predictors of who rises to the leadership position in a group is who actually does the most giving within the group. There are studies documenting this in very diverse settings. It's true in mechanics' everyday lives, there's evidence in the military, and even from banks that promotion rates are predicted by the frequency of giving and helping that you do toward the other people that you work with. And I think two things happen when you give to the people around you. Number one is you signal that you have the group's interest at heart. And number two, the giving is an opportunity for you to display your expertise in a non-threatening way.

The third piece of evidence that I would point to is the study by Arthur Brooks that I highlight in Chapter 6, where the more money you make in a given year, the more you will then donate to charity. So even if it's smaller and smaller fractions, it's a larger total amount. But the effect is stronger in the opposite direction: the more you give away in one year, the more you actually *make* in the subsequent year. And that shows, I think pretty clearly, that giving can affect success just as powerfully as success can affect giving.

How do you think that works?

There hasn't been a good study yet that connects all the dots. But in general, when people choose what kind of giving they want to do, it does tend to boost their happiness and inject a little bit more meaning into their lives. And oftentimes, then they feel like, "Gosh, I want to go and earn more so I can give more away." And you start a little bit of a virtuous cycle, you know, where the happiness and meaning kind of spill over into encouraging harder work, or smarter work. And as you work harder and smarter, then oftentimes your earnings increase.

A second possible explanation is, you could imagine that when people give, they become a little bit more security-oriented. They're like, "Wow, I just lost a good chunk of my wealth, I've got to do something to recover that!" And then they sort of double down [on work].

A third explanation, which is also interesting and as yet untested, is that as people give, they end up building meaningful relationships with people who are really grateful for their contributions. And that opens up access to new networks—made up largely by matchers, who are now going to reciprocate and support you because you've given generously to their cause.

So if there weren't matchers around, the givers might not get quite as much mileage out of their behavior.

I think that's right. I think there's this interesting paradox when you look at givers, which is that they're less good at supporting givers than matchers are. Because if you're a giver, you're judging where you contribute based on where you can have the most impact, which is usually need. And the person who needs it most is not necessarily the same person who's just helped you. And so it tends to be the matchers, right, who have that sort of "master chit list"—a balance sheet of credits and debits. And the matchers are the ones who are like, "I have to go back and even the score."

Reputation can have a powerful influence on whether we succeed or fail. How do you think the rise of social-networking tools like Facebook and LinkedIn have changed the cost-benefit calculus of different reciprocity styles?

I'm still waiting for good data to come out on this. But I do believe, based on my observations and many of the stories that I've heard, that it's gotten a little bit harder for takers to hide in the shadows, and a little bit easier for givers to gain reputational capital. And I think the way that works is twofold. First of all, you can learn a ton about people before you've ever met them, in a way you couldn't have in the past, through looking at what they've contributed to Twitter, to YouTube, to Facebook, to LinkedIn, and so on.

More powerfully, we now have, based on social media, the ability to really visualize

everybody else's network. Which means that, when I go onto LinkedIn, and I'm considering a new business partner or a new client or somebody that I'm going to potentially need to trust, I can typically find a common connection—and that opens the door for me to learn a lot about that person's reputation. Which means the takers are usually going to sink a little bit, and the givers are going to rise based on how they've treated people in the past.

There was a Facebook analysis showing that 92 percent of people in most countries are connected by just three degrees of separation. And over 99 percent of all people are connected by four degrees. So a friend of your friend probably knows a friend of their friend.

This idea that social networks allow us to ferret out the takers and fakers more easily doesn't seem all that far removed from how people sometimes imagine life 100 or 200 years ago, when you kind of knew everyone in your town, so maybe the penalties for selfishness were harder to escape. Do you think that the balance of givers, matchers, and takers is more or less set according to our individual human nature, or fluctuates as one era gives way to another?

I think that we have gone a little bit back to the future. [Before the technological revolutions in communications and transportation] you had this tightly connected, closely knit circle of people that you were intensely invested in your reputation with. Then, as you could move around, as you could reach a more interesting group of people, I think it became easier to be a taker with one group and then kind of move on and start fresh with another.

I think that's harder to do today. If the kind of impact that social media has had on a select part of the world continues and spreads, we may, based on this sort of "everyone is connected" kind of ethos, become on balance a little bit less taking and more giving.

What about the downsides of developing a reputation as a giver? If you're discovered to be so helpful, I would think that could eat up a lot of your time and energy. How do you deal with that?

Well, look, I try to live by giver principles as often as I can. One of the things that

I've had to do as my career has progressed is become clear about my priorities and my boundaries. And that means, whenever a request comes in, I know that my family comes first—my wife and children. My students come second. My colleagues come third. And anybody else who's asking is fourth, after I've fulfilled my responsibilities to those three groups. And that has made it easier over time, both as I try to figure out where to spend my time, and also as a response when somebody who's not in one of those three groups reaches out, and I'm completely overwhelmed and just spending a lot of hours trying to help.

Wharton's a pretty competitive place. How do you incorporate your insights about this subject into the classroom?

First of all, to me, the whole idea that Wharton is a super-competitive place is mostly a myth. Certainly people are high-achieving and motivated and driven. But in the undergrad program there's no required grading curve. And in the MBA program there's a curve, but grade non-disclosure. So students are not allowed to share their grades with potential employers, and neither are we as faculty. So there's not a lot of sort of zero-sum kind of thinking in the way that you might anticipate. I have found Wharton students to be amazingly helpful and cooperative and collaborative, and even giving.

But basically you have to break down this belief that everybody else is a taker. Or, at minimum, that there aren't givers around. And so one of the things I do is, first of all, talk about this content. I try to give them lots of good examples of successful givers, and sort of have them identify that there are givers in their midst—and, even if they themselves don't lean in that direction, there are other people who do.

The big thing for me is the "reciprocity ring," where in class we have students come together, and anybody who wants to can make a request for any kind of help. And that, I think, is often transformative.

So awareness is the first step. When you actually see that there are plenty of givers around you, you just have to think, "Wait a minute, in this environment maybe I was operating based on my stereotypes as opposed to the actual experiences." ♦