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Good Returns

The Dangers and Rewards of Giving More Than You Get

The principle of give and take; that is diplomacy—give one and take ten.
—Mark Twain, author and humorist

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. Intense, dark-haired, and capable of talking about business forever, Shader was in his late thirties by the time he launched his first company, and he 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. At 5'4", with dark hair, glasses, and a goatee, 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 soccer 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. Given Shader's history, Hornik was eager to hear what he was up to next.

A few days after the soccer game, 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. Given Shader's reputation, and the quality of his idea, Hornik knew plenty of investors would be clamoring to 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. Although Hornik hoped Shader would conclude that the right decision was to sign with him, he put Shader's best interests ahead of his own, giving Shader space to explore other options.

Shader did just that: he spent the next few weeks pitching his idea to other investors. In the meantime, Hornik wanted to make sure he was still a strong contender, so he sent Shader his most valuable resource: a list of forty references who could attest to Hornik's caliber as an investor. Hornik knew that entrepreneurs look for the same attributes in investors that we all seek in financial advisers: competence and trustworthiness. 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. He knew they would vouch for his skill and his character.

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, so Hornik's list of forty references should have given him an advantage. 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. Shader walked away thinking, "I should probably add somebody to the board who will challenge me more. Hornik is so affable that I don't know what he'll be like in the boardroom." When he called Hornik, he explained, "My heart said to go with you, but my head said to go with them. I decided to go with my head instead of my heart."

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?

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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 and Wharton professor, I've dedicated more than ten years of my professional life to studying these choices at organizations ranging from Google to the U.S. Air Force, and it turns out that they have staggering consequences for success. Over the past three decades, in a series of groundbreaking studies, 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. They tilt reciprocity in their own favor, putting their own interests ahead of others' needs. 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, putting his goal of landing the investment ahead of Shader's desire for a flexible timeline.

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, preferring to give more than they get. 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. If you're a giver at work, you simply strive to be generous in sharing your time, energy, knowledge, skills, ideas, and connections with other people who can benefit from them.

It's tempting to reserve the giver label for larger-than-life heroes such as Mother Teresa or Mahatma Gandhi, but being a giver doesn't require extraordinary acts of sacrifice. It just involves a focus on acting in the interests of others, such as by giving help, providing mentoring, sharing credit, or making connections for others. Outside the workplace, this type of behavior is quite common.