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trekking

a newsletter on practical strategic thinking and action
issue #51: lessons from the grateful dead

editor's message

This month we feature a number of examples of entrepreneurs who have created business models that differ from the mainstream. In Strategic Thinking we describe how the Grateful Dead went against the conventional wisdom on protecting their intellectual property, and in Strategic Action we give you some ideas on how you can think through this approach for your business. Our Industry Snapshot recommends Muhammad Yunus' commencement speech at MIT on social entrepreneurship, and in the Reading List we review *Predictably Irrational* by Dan Ariely.

strategic thinking

The Dead Got It

In the music business, most performers create an album and then go on tour to promote it. The Grateful Dead followed a business model that was completely different from this. Their primary source of income was from touring and from the sales of products like T-shirts. They also condoned the recording of their concerts by fans—something that is strictly prohibited by most artists (although Dave Matthews does sell tickets to some fans to record concerts—www.dmband.com/legal/index.html).

This willingness to “give away” their music through fan recordings made the Dead stand out in their business. It is also instructive in today's world, where the products we sell are increasingly related to knowledge (such as service businesses and information products)—something we examined in a recent Trekking issue (www.trekconsulting.com/Publications/Newsletter/Issue43/Issue43.html), “Getting Paid for What You Know.” The question is what to sell and what to give away.

In today's Web 2.0 world, sharing information is highly valued. You get attention, credibility and trust by “sharing” your organization's knowledge. But, obviously, you also need to get paid. How to swing this? Read on for some ideas from Michael.

-Mary Adams (adams@trekconsulting.com)

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strategic action

How You Can Get It Too

Every company has extensive knowledge assets. Knowledge resides in the competencies of your people, your processes, your intellectual property, your brands and your relationships with vendors and other external partners (for more information on the study of this kind of knowledge asset, visit the IC Knowledge Center—www.icknowledgecenter.com/ICDefined.html).

Once you have a good understanding of what you “know”, you then have to decide where and when to give it away and where and when to charge for it. Here are some questions to ask about your company that will help you decide:

- What do people really value about us?
- What are we really getting paid for?
- Are we charging at the right point in the value chain?
- Is there a different way to get paid for our intangibles?
- What can we give away that will show what we have and leave people wanting more?

- Michael Oleksak (oleksak@trekconsulting.com)

industry snapshot

Muhammad Yunus' Commencement Speech at MIT

“Each of you has the power to change the world”

This year's commencement speaker at MIT was Muhammad Yunus, the 2006 Nobel Peace Prize winner. Many years ago, he created the Grameen Bank (bank of the villages) to provide microfinancing to the poor in Bangladesh. He subsequently has built organizations to provide clean water, telephones, energy and healthcare, making him an amazing serial entrepreneur.

In his address, he says,

“Whenever I needed a rule or a procedure in our work, I just looked at the conventional banks to see what they do in a similar situation. Once I learned what they did, I just did the opposite.”

His stories of turning conventional logic on its head are well worth the read. It's worth noting that he does not define his type of organization as non-profit, rather as social business.

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He calls for as much discipline and creativity in social businesses as in businesses that maximize profit. He just thinks that the goals are different. Interestingly, he has convinced a number of for-profit businesses to enter into joint ventures to solve social concerns. The bottom line for his nutrition joint venture with Danone is “how many children can overcome nutritional deficiency in a year.”

Read the full text of his speech (web.mit.edu/newsoffice/2008/yunus-0606.html).

reading list

Predictably Irrational – The Hidden Forces that Shape Our Decisions

By Dan Ariely

Ariely, an MIT professor, wrote this book in an effort to address human behavior, which at times is irrational. In some ways Predictably Irrational reminds me of Freakonomics, but it is not as engaging.

There are some interesting points made, such as the positive effect that signing an Honor Code has on the deterrence of cheating. Another interesting experiment described by the author proves the temptation of offers for freebies, even when made together with offers that could be more valuable but involve a small cost. Ariely also reports on work that reveals how expectations shaped the dollar value people placed on items (such as sports tickets and wines).

While there are some interesting points about human nature, there aren't enough take-aways to make this worth recommending.

announcements

This month's topic was inspired by a blog posting by Mary Adams (hybridvigor.org/2008/06/09/giving-away-intangibles-what-you-can-learn-from-the-grateful-dead/) at the Hybrid Vigor Institute on the dilemmas of publication businesses in a Web 2.0 world.

On Tuesday morning, August 12, at Babson College, the Exit Planning Exchange (XPX—www.exitplanningexchange.com/) will present Foley & Lardner attorney, Susan Pravda, who will speak on “Preparing Your Business for Exit.” To register, please call Cheryl Warren-Powers at 508.520.6778.



about trek consulting

Trek Consulting LLC helps companies to face the challenges of growth, building value and dealing with change. Since 1999, we have been a valued partner to business owners and leaders on their arduous journey to business success. We know that we cannot make this journey for our clients, but we can make it easier and more successful. We focus on getting you the best information available, facilitating sound planning and decision-making, making sure you have the right skills and resources to face your challenge, and coaching you through the road-blocks that invariably arise along the way.

Our clients report improved market focus, greater revenues, better margins and increased profits. To learn more about Trek Consulting and how we can help you improve your company's results, visit us on the web at www.trekconsulting.com or call us at 781-729-1008.