SMARTER

TOGETHER

HOW COMMUNITIES ARE SHAPING THE NEXT REVOLUTION IN BUSINESS

"Rob wisely recognizes that it is only through community and mutual support that we are able to realize our true potential."

- DEEPAK CHOPRA M.D.,
Author of Metahuman -
Unleashing Your Infinite Potential

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It is the spring of 2020 as I write this, and the world is reeling from the catastrophic impact of the COVID-19 pandemic. Hundreds of thousands of people have died. Financial markets are in disarray. Tens of millions have lost their jobs in the U.S. alone. While all are hoping these uncertain times will pass, it is certain that they will not be soon forgotten.

The pandemic brought devastation, but it also helped us profoundly understand our interconnectedness as a global society. In trying to protect ourselves and our loved ones, we were reminded of the importance of having access to trustworthy information. In taking steps toward developing a vaccine, we witnessed competing pharmaceutical companies sharing research. As part of trying to minimize the spread of the disease, we watched U.S. governors collaborate like never before.

Our newfound willingness to start embracing the power of community for our countries, our companies, and ourselves is playing a key positive role. The amount of community data collection, information sharing, and collaboration that we are witnessing is extraordinary relative to typical times. As horrible as the pandemic is on our society, it could be far worse if it were not for this willingness. Ultimately, being **Smarter Together** is helping us save lives.

I finished writing this book just before the pandemic began, but now I am even more convinced of the value in the topics it explores. I believe that as a society we are just starting to scratch the surface of the power that can come from our collective data, our ability and willingness to share it, and our desire to collaborate deeply. The opportunity to truly be **Smarter Together** is right before us. I hope that this book contributes to your worldview on this topic and that ultimately you'll agree.

–Rob Bernshteyn

Chapter 1

WELCOME TO THE FUTURE

Let me begin with this chapter's main takeaway: Going forward, purely transactional relationships—that is, you buy something from someone and that is the end of the relationship—will occur less and less frequently. Subscriptions and results-based selling ("If you don't get the outcome/value we agreed on, you don't pay") will become the norm.

Why am I predicting this kind of future?

It is simply the logical conclusion of the way businesses have been evolving.

I think all companies will go through three phases, or waves, of commerce:

Wave 1. They simply offer a product or service.

Wave 2. They provide Value-as-a-Service. (I will explain what that is, if you are not familiar with the term.)

Wave 3. Companies will be able to offer exponential value thanks to Community Intelligence. (This is the wave we are about to enter.)
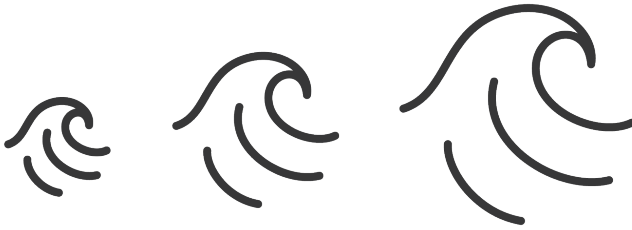
These three waves/phases could sound a little vague in the abstract, so let's get specific by showing how these trends could play out in the tech industry, by reprising an example from my own industry that I used in my previous book, *Value as a Service*.

Think back to the 1990s, when we were squarely in **Wave 1** (transactional relationships).

Enterprise software—which includes things like handling online payments or customer relationship management and is used to satisfy the needs of an organization rather than those of an individual user—had been a product-based world for decades. The product was first sold and deployed on mainframes and was later distributed through CDs (during the client-server era). But it was always a product. A company would make something physical, put it into a box, and ship it to a customer.

> *Purely transactional relationships are going away*
> *(and probably sooner than you think).*

In that first wave, you bought enterprise software from someone, and that could essentially have been the end of the relationship. The problem was that a significant portion of big deployments never delivered the anticipated value.

What we had was a one-sided relationship, in that all the risk rested with the customer. The customer paid up front; the software company shipped them the product, and then it was basically up to the customer to make it work. To add insult to injury, customers also had to wait to buy the next iteration to take advantage of any upgrades.

While that sounds like a great deal for the software providers, it really wasn't. For one thing, they had to deal with functions that were not part of their core competencies—even little things like producing the CDs and packaging and distributing them, for example. The business model also made for uneven revenue flow, which meant the providers scrambled every quarter to make their numbers, resulting in a stressful existence.

Yes, the company made money (sometimes a lot of it) selling the software and made a bit more by providing maintenance and technical support, but the business model didn't lead to great sustainable outcomes for anyone.

Enterprise software companies back then were in the production and transaction business: Produce the CD, sell the CD, and then either go out and find another customer or wait until it had an upgraded version to sell to its existing customers. They were strictly transaction oriented.

That's the way it was until we got to the second wave: Value-as-a-Service, which is where a lot of enterprise software companies are today.

Today, a software company can take their product, install it in a secure, remote virtual environment—whether at their headquarters or on a third-party platform—and have their clients access it directly. The way we consume software today is similar to how we consume electricity. There is a remote source that any single customer (or household) can subscribe to in order to receive value—the electricity—and they pay for what they use.

It is clear that software-as-a-service (SaaS) provides a much better value proposition and lower up-front risk to the customer. Before SaaS was an option, if you bought a $3 million product from a software company, you'd own that product and all of the risks that came with it, forever. It was your (the customer's) responsibility to get it to work the way you hoped it would. And whether it did or not, you were still out the $3 million.

With the subscription model, you're still likely to be paying the same $3 million, but it will be spread out over three years—a million dollars a year for a three-year subscription, as an example.

The advantages of the subscription model are obvious:

- You do not have to pay the entire $3 million at once.

- If the product does not perform as agreed, you may be able to cancel, saving the rest of the subscription price.

- It's quicker. You get up and running faster. There is less software to configure. You plug directly into the service.

- You don't have to wait until the next full iteration of the software is available to get upgrades; you can receive them as the vendor completes them and makes them accessible.

- On a related point, if the vendor is really good, they are incorporating, in real time, key suggestions from anyone who uses the software, so everyone can benefit almost immediately from the improvements.

You see why I describe the second wave as Value-as-a-Service. The very best SaaS vendors are well underway in moving to a Value-as-a-Service mindset and approach. They have moved from the transaction model in Wave 1 to the simple idea in Wave 2 of not only delivering their offerings in an "as-a-service" model, but also delivering results that will lead to quantifiable improvement: this much saved, this much improvement in lead generation, this much improvement in revenue, this much improvement in employee retention.

The relationship between buyer and seller increasingly works like this: You pay a fee, and in return we give you something of value that can be clearly and distinctly articulated.

I can't imagine going back to the old days of the purely transactional model with all of the risk on the buyer. In fact, I think we are now entering Wave 3. Why? With the second wave now firmly in place among leading companies, customers seek even more. That's always the way business works.

FROM HERE TO THERE

I ended my last book by saying that as the world becomes more and more competitive, companies will receive greater and greater pressure to deliver clear, quantifiable, value-based outcomes to their customers. By drawing on what the community knows—Community Intelligence—they're better suited to deliver that.

Why? Here are three quick examples:

1. Drawing on Community Intelligence could provide better benchmarks so that companies can improve in all areas—spending, recruiting, marketing, IT, and so on.

2. Companies could gain better insights into their suppliers (Part I). Who is giving the best deals? Can we consolidate our spending with fewer vendors to gain economies of scale?

3. Companies could gain better insights into their suppliers (Part II). An increasing number of customers will only do business with firms that are locally and ethically sourced or use sustainable materials. It will be easier to find suppliers who meet specific needs.

The net result is you will be able to deliver more value by being more thoughtful in planning your strategies based on Community Intelligence, as well as operationally more efficient in doing so. You will know you are doing business with suppliers who are offering the lowest prices. That can help you both boost your margins and allow you to offer lower prices. And you will also know that you have the best employees (based on industry benchmarks) who are performing optimally.

Every company will be better positioned to drive value through the use of Community Intelligence.

The upshot from the third wave of business? Commerce will be fully optimized. Consumers will get exactly what they want from the products or services they buy, and suppliers will get successful repeat customers.

This is extremely important because, again, providing value will be the battleground going forward. We won't be competing on products or services. We will be competing on the basis of how much value we can deliver to our customer. That is really what customers want and what they are buying. Not only will we be able to save them money—because our costs are lower and we are operating more efficiently—we will help them run their own businesses better, because we will be able to give them visibility into what is going on in their industry. (See Chapter 7.)

So the evolution of business looks like this. We go from simply offering a product (Wave 1) to providing Value-as-a-Service (Wave 2) to offering exponential value thanks to Community Intelligence (Wave 3). This is the way business is evolving, and quite frankly, we have no choice but to do business this way for three important reasons:

1. Some 90 percent of the world's data has been created in the last two years. Some 2.5 quintillion (2,500,000,000,000,000,000) bytes of data *daily* is now brought into existence, according to IBM, which says the rate is likely to accelerate.

2. The world is now definitely "flat," a shorthand way of saying fully connected. Advances in technology have made it possible to do business, or almost anything else, instantaneously with billions of other people across the planet. (We no longer think twice about using Skype or FaceTime to talk to someone literally halfway around the world. The fact that you likely think these are commonplace examples shows how far we have come.)

3. The world is moving faster than ever, and, to echo IBM's prediction, I can't imagine it slowing down anytime soon. Given the pace at which businesses are changing and the increased competition, commerce is moving too quickly for us to go it alone. And competition is not only becoming greater but also catching up to you faster, no matter how wonderful your product or service. You're competing with everyone in the world because the people in your industry can access your customers, and you can access theirs. The world has become a far smaller place.

> *Community Intelligence will give us an opportunity to deliver even more value to our customers in an increasingly hypercompetitive business environment.*

In this smaller, faster-moving world, you need to draw on every resource you can. And Community Intelligence is certainly a major one.

WHERE THIS IDEA CAME FROM

I have been thinking about the idea of drawing on the knowledge of the community to benefit the community for almost 20 years. It started back when I was in graduate school, after a couple years of working in the tech industry.

I was in the MBA program at Harvard Business School (HBS). During the two years that I was working toward my degree, my mind was completely focused on how CEOs solve problems. My classmates and I read literally hundreds of business cases from every

industry, we heard guest lectures from the CEOs themselves, and we would listen to our professors describing the trials that people who run organizations deal with.

Eventually, if you are paying attention, you're able to spot commonalities in those challenges, such as those involving leadership, strategy, execution, competitive differentiation, and complex competitive dynamics. Reading and thinking about and discussing all of those challenges allows you to develop pattern recognition. You see what all these business cases have in common.

Doing this work in business school is exhausting. You go to classes all day and read and highlight cases every night. You never really see the outside. So, one of the things I did during the summer between semesters was to buy a bike at a garage sale to force myself to go outside once in a while and get some exercise.

I rode it around Cambridge, Massachusetts, where the business school is located, and sometimes I would ride along the Charles River toward MIT, where I would see their artificial intelligence (AI) lab, which wasn't much back then. (I started business school in 2000.)

I had always been interested in AI, and I was convinced it would have a major impact on business. Pedaling around the AI lab got me to thinking about how we could use AI to solve the business challenges we were studying.

That was one genesis of my thinking about employing the power of community. Another was all of the people I saw as I rode around the campuses of my school and MIT. For the most part, everyone was working in a collegial environment. They were working together on tasks. That underscored for me the fact that, together, people were stronger and more effective than they were when they worked individually. It was a true community experience. It was living proof

that even if we are talking about the brightest people, all of us are smarter than any one of us.

And that, by the way, was exactly how it worked in the classroom at HBS. With every one of the cases we looked at, we did not solve them individually—we worked in teams. Every person's viewpoint, when taken together, helped us make the smartest choices in how to take a business forward and solve the problem at hand. It was a group information-sharing process that informed each person's ultimate view on any particular subject.

So that was another piece that went into my thinking: How could you draw on the community and apply it to the industry I came from—technology?

The more I thought about it, the more I understood that putting AI and community together made sense. If you could get people to work together and share information, and then use technology to leverage their thinking, tasks could be a lot more efficient. It just made a lot of sense. It would be a way to bring business forward, especially my industry. (I was working in enterprise software back then.)

All I'd ever done was implement software. And, by the way, that implementation did not take into account the ideas we just discussed. It was not done thoughtfully. There was nothing collaborative about it, with the exception of what I carried in my head from one project to another. And definitively, there was no intelligence sharing. Every company kept their information strictly to themselves.

I kept thinking about the idea of leveraging the knowledge of the community through technology and collaboration. Why? Because I was in classrooms thinking about business and collaborating with my classmates. I could also see the changes coming about because of technology and AI—I even took a course at MIT to learn

more—and I realized that all of these things could come together to make companies operate more efficiently.

Now at the time, the melding that I was imagining wasn't yet possible for a number of reasons:

- AI wasn't there yet.

- The computer power was lacking.

- The technology wasn't agile enough to mine massive data stores and share what was learned. It was all client-server topology back then. It took years to install, and you needed a PhD to modify it. It was simply too rudimentary to be able to support business needs at speed.

- You couldn't collaborate because there was no interplay between companies. Each company was living completely in its own world, and as a practice, people weren't willing to share business information.

But, even though it was way too early, I thought that using the information generated by the community to benefit the community, the companies, and the people who worked inside those companies was a good idea. We simply needed the technology and the willingness of people to share information to catch up.

WHY IS THIS POSSIBLE NOW?

Much has happened in the 20 years since I first had this idea. And those changes have made it possible to (finally) put the idea of Community Intelligence to work.

One of the biggest changes is the willingness of people like you and me to share information. We now live in a sharing economy. We do it personally—think of all the social media people use to share what is going on with them—and nearly everywhere in our lives. Uber and Lyft are examples of the sharing economy. So are places like WeWork, which provides shared workspaces; Airbnb; and services like Turo where you can rent your car from others.

Sharing is now commonplace. Just think of all the examples—both bad and good—of videos going viral. Someone catches someone doing something nice for someone, or someone in a position of power abuses someone, and the whole world knows almost immediately. Our society is more open than it ever was. That's one thing that has changed since I first began thinking about the idea.

And along with that sharing has come an increased willingness to connect and then to collaborate. We have talked a bit about that in the sense that all of us are smarter than any one of us, and also about the willingness of companies that compete head-to-head in one place to collaborate in other areas and then to end those relationships when there is no longer value to continuing them.

Given that the world is smaller, more transparent, and moving faster, you don't have a choice except to collaborate, often in real time. Few organizations have the resources to go it alone. And collaboration today no longer requires you to know who you are collaborating with. For example, in the collaboration I am talking about—Community Intelligence, where organizations share information—you don't even necessarily need to know another person or company. You are going to get insights simply because you are a member of the community. You can sightlessly collaborate just as you do when you have Waze open when you are driving your car.

This is not about relying on the wisdom of crowds

Let me answer two questions that I sometimes get when I begin talking about how the power of the community can help the community, your company, and you.

The first is "How is this different from crowdsourcing?"

Substantially.

And the second is "How is this related to drawing on the wisdom of crowds?"

Vaguely.

Let's deal with crowdsourcing first. Crowdsourcing is the practice of engaging a bunch of people (i.e., a crowd) toward a common goal of funding or creating something. So, in that sense, you could say it is, at best, slightly similar to Community Intelligence in that we are trying to create something too—organizations that perform better.

But crowdsourcing requires a member of the crowd to do something. With Community Intelligence, information flows automatically like it does with Waze. It doesn't require any action on behalf of the crowd, other than the willingness to have some third party monitor what the crowd is doing.

The second major difference: Crowdsourcing is not capturing the information of the entire crowd, only the members who are actively contributing. So, in that sense, it is like a Yelp review, where you only know the comments of people who contributed, but not of everyone who went to the restaurant. You are getting some data points, but not all.

"The wisdom of the crowd" idea, which gets its title from James Surowiecki's book, comes closer to what we a`re talking about. Surowiecki's central argument: The opinions of many people are, in the aggregate, more accurate than the opinions of individuals or small groups.

However, the key distinction with what we are discussing is opinions. If you ask three people what the capital of Oregon is, they might say they don't know. So their opinions don't help you much.

And if you ask 100 and 73 say "Portland," it doesn't mean the answer is correct just because that's what the majority of the people surveyed said. (Oregon's capital is Salem.)

With Community Intelligence you get facts. The people who are participating are showcasing exactly what they did ("We bought 10 desks from Supplier X for $762 a desk). They are not guessing about anything.

Another fact that has changed is the speed of data exchange that is now possible because of both computing power and the internet. The full exploitation of the internet has also made us more collaborative. You can see it through social networks, online bulletin boards, and even gaming. People play games online with people they have never met, people who can be halfway across the world.

So, the first factor that has changed is the people, us. The second is the computing power. The amount of data that we are able to collect nonintrusively is accelerating at a rapid pace, and the technology processing capabilities that are available to crunch that data, and then distill knowledge out of it, have gotten dramatically better as well.

The third concept that has changed is software. We've been able to create systems that are much more agile and flexible. Now, not only the computing power but the actual functionality and flexibility of the available software allow the collaboration to happen.

So, data, technology, and people are the three fundamental

components that are shifting to create the proverbial perfect storm that is leading to this community concept.

BUT SHOULD WE DO IT?

It is one thing to say we now have the ability to draw on the power of community. It is quite another to say we should. Why should we? Let me start in what some people will think is a surprising place.

At our core, we are social beings. Yes, we have all of this technology and data, but we are, in essence, collaborators, and we have been since we were cave people living in tribes. The word *community* comes from the word *commune*, which in its verb form means "to converse or talk together, usually with profound intensity, intimacy, and so on." And if we are talking about *community* as a noun, it is "any small group of people who have common interests or responsibilities."

So, either way you use the word, we are social beings who, in the context of this book, are operating within a capitalist structure. That means we partner with one another when it benefits both parties. We don't do it altruistically. Rather, self-driven interest drives the desire to collaborate.

When it comes to the power of community in general, and Community Intelligence in particular, collaboration is important, as is the fact that it can be done with a minimum of friction. If the collaboration is cumbersome, if it takes a lot of time, and if we have to do it face-to-face—working out all the logistics that that entails—the odds of any collaboration happening are reduced. Having to coordinate calendars and go to a central location is not an agile (read: friction-free) way to operate.

But think back to the Waze example where they are pinging your phone once a second and you don't have to do a thing, other than be

using the Waze app. That is virtually frictionless collaboration. You are contributing without having to do (almost) anything.

When it comes to Community Intelligence, technology is what allows us to pick up information without friction.

COULD YOU GO IT ALONE?

Occasionally, when I talk about the potential power of community and Community Intelligence, some company leaders—even those of high-performing companies—dismiss the idea out of hand.

The first comment goes something like this: "Yes, I understand how drawing on what the community knows could help some companies. But we are doing just fine on our own, thank you."

I think that's inside-the-box thinking. You don't truly know what's possible unless you open up your worldview, which is what the power of community allows you to do.

> *Drawing on the power of community in general, and Community Intelligence in particular, will allow you to do what you do better.*

It gives you perspective on the entire world of possibilities for your business. It provides more options to pursue, such as new customers you might want to target and different ways to incentivize your employees.

The second bit of pushback I get? "Okay, I can understand how getting the data from the community could make me better. But I am going to have all of this information flooding in, and I am going to be overwhelmed by irrelevant stuff and forced to analyze all that data."

I would agree, if that is the way it worked. But you should not be doing the analysis. You should be getting distilled prescriptive insights. It should work like Waze. You don't have to analyze traffic patterns. Waze does it for you and then prescribes the best routes. All you have to do is say, "It's okay for you to track my driving through the app." Once you do that, Waze does all of the hard work.

The pressure should be on the technology, not you. You shouldn't feel any pressure. You should get only value. And to get it, all you should have to do is share what is going on with you, exactly as you do with Waze.

Now you can say to me, continuing our Waze analogy, "Well, I don't have to do this. I've been driving this same route for 15 years, and I drive great. I don't need any help getting from here to there."

I have no reason to doubt you. But wouldn't you want to know that it is actually 15 minutes faster on Thursdays if you go another way?

By saying you should consider the power of Community Intelligence, I am not denigrating your abilities in any way. I am willing to concede, to continue our analogy, that you are a wonderful driver, but there are many drivers out there who are using some of the latest technology to outhustle you, and you don't want to get left behind.

To retain your leadership as an amazing driver, you're going to want to get the latest technology to stay ahead. Perhaps you are reading this book because you want to stay out in front of the competition. Using the power of community is one way to do it. That's on the positive side.

And on the negative side, by using Community Intelligence, you can protect yourself from being blindsided. That is no small outcome. Given the pace of business today, where product life cycles are much shorter, and new (and unanticipated) competitors can enter

your market seemingly overnight, you want as much warning as possible so you can prepare, counterattack, and thrive.

WHAT DO YOU DO ABOUT ALL OF THIS?

Given everything that we have just talked about, what is a leader or an employee to do?

The easiest option is to embrace technologies that can make your business more agile and then take advantage of those technologies and the improvement they bring to improve your company. Use the information I've presented to foster collaboration and learn from others around you. Take full advantage of the power of community.

The rest of the book will be devoted to showing you how.

To learn more about becoming Smarter Together, please visit www.coupa.com/smarter