



Stanford eCorner

Obligation to Create Value

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March 06, 2013

Video URL: <http://ecorner.stanford.edu/videos/3108/Obligation-to-Create-Value>

Based on the principle of "creating more value than you capture," entrepreneur Tim O'Reilly shares why he thinks starting businesses should not be about an obsession on a rewarding exit, but about creating real value for users and customers. O'Reilly uses examples from technology, works of art, and the current economic climate to support his perspective.



Transcript

But I want to return a little bit to Square for my next lesson, which is a slogan that we've used a lot at O'Reilly. Create more value than you capture. Think about when Jack first started Square, he had a social mission in mind. He wanted to enable a class of small merchants who we felt was disadvantaged, who couldn't take credit cards. He wanted to enable anybody to exchange money in a new way. He was thinking hard about how you actually make the economy work better? That's a big interesting question and one that I think we miss a lot. We have a lot of start-ups that all they're really thinking about is how do I get a start-up that will get funded and get me to an exit. And maybe you think well I have an interesting problem, but this is the kind of thing my sense was that Jack wanted to solve that problem whether it turn into a big business or not, he just thought it was really, really interesting to solve. 20 00:01:15,040 --> 00:01:17,939 But there is also this sort of sense of trying to enable an economy that feels really important. This quote that I love from Les Miserables and it's so wonderful.

How many people do you - how many people saw the movie? Okay, I have seen the play or whatever, how many people read the book? Even better. The book is absolutely wonderful, probably one of my favorite novel of all-time. But, the story for those of you don't know it's a guy who was a prisoner for many years, he was in prison for stealing a loaf of bread. Like so many people in our prison system he's kind of ruined by this, he becomes sort of a criminal and he gets out, he can't get a job because he is branded as a criminal, he ends up stealing some candlesticks from a church that takes him in and the abbot there instead of turning him into the police, when the police come around he says, oh no, I gave them to him. And so Jean Valjean becomes, he sort of feels like has an obligation to do good after this. And he goes and he becomes a businessman and he creates this wonderful factory where he builds this wonderful business and this is the line that I love so much. He makes the entire region prosperous, so there was no pocket so obscure that had not a little money in it. No dwelling so lowly that there was not some little joy within it. And here is this key point, Father Madeleine, he is living under pseudo name because he was an escaped con. So Father Madeleine made his fortune, but a singular thing in a simple man of business did not seem as that were his chief care.

He appeared to be thinking a much of others and little of himself. You think about how many people in business that you could say that of? There are not that many and that's something really wrong with that. And I think it really started with this idea which came out in the '80s that the only obligation of a business is to make money for its shareholders. We've seen where that has taken us and into a situation where the Wall Street banks can think it's perfectly legitimate to screw over the entire economy as long as it fattens their profits. This is not okay. It's the big lie of modern business. You have an obligation if you're in business to create value. And that's one of the lines that I use all the time is that we should create more value than we capture. But this idea that Jack had that he wanted to build something that helped the economy that helped the small business. And you see this in Etzy, you see it in AirBrb, they want to figure out how to make an economy.

They want other people to succeed as a result to this; you see it in Kickstarter obviously. So, these are really important lessons if you are creating an ecosystem, if you're creating value for other people, your business will succeed.