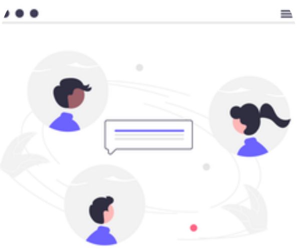
Leveraged Assets
Transcription

The notion of renting, sharing or leveraging assets—as opposed to owning them—has taken many forms throughout history. In the business world, leasing everything from buildings to machinery has been used as a common practice to shift assets from the balance sheet.

Technology enables organizations to easily share and scale assets, not only locally, but also globally, and without boundaries. Rather than owning physical and digital assets, Exponential Organizations often access, rent or share non-owned assets to stay nimble. Such an approach can be used even for mission-critical assets.



Airbnb specializes in turning people's homes into shared assets. Who would have thought that people would trust total strangers to spend a night in their home? Or that you could start a lodging business without actually owning anything? By envisioning people's extra bedrooms and even their entire homes as underutilized resources, Brian Chesky and Joe Gebbia, co-founders of Airbnb, created a double-sided platform to connect landlords with travelers.

Airbnb became the largest hotel chain. As the world's biggest hotel company, Marriott owns about 1.3 million guest rooms globally, according to data tracker STR, while Airbnb has nearly 5 million rooms listed, according to AirDNA. In fact, Airbnb has more guest rooms than the top five hotel brands combined, without owning any actual physical properties.

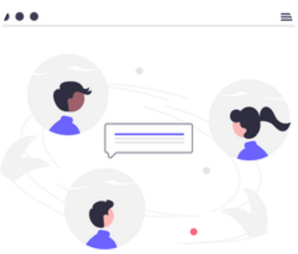
Uber and Lyft transformed the transportation industry in much the same way. Again, by thinking of cars as under-utilized resources and connecting riders and drivers on a social platform.

We now use the term "uber" as a verb on par with "google." AWS, which is Amazon Web Services, was set up in 2006 and though many people tell the story of how Amazon had spare server space lying around and decided to hire it out to third parties, Benjamin Black, who actually co-authored the initial proposal at Amazon that led to the creation of AWS, says otherwise.

In 2003, whilst running a website engineering team at Amazon, Black along with Chris Pinkham decided to work on a new infrastructure that would be more efficient and allow them to scale. They would do this by decoupling the applications from the infrastructure. They realized that "there could be a lot of value in doing that, and a lot of value to others potentially outside of Amazon," Black explained in an interview.

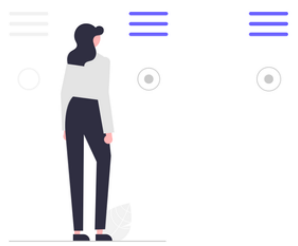
“We could sell it (the infrastructure) as a service.” Black and Pinkham wrote the idea up, which made its way to Jeff Bezos, who greenlighted the proposal. Pinkham then led a team to build Elastic Compute Cloud (EC2), which are virtual machines asa service and one of AWS’s first products released in 2006.

This is how you can create disruptive initiatives from within an existing organization, ultimately creating a new exponential organization. Create a product or service on the edge, pointing outward, shielded from the corporate immune system. Then ensure that it has a new business model and that your product or service will bring value to others outside of your organization.In 2019, AWS generated revenues of 35.03 billion U.S. dollars, a 300% increase from 2016. Owing to its high profitability and fast growth, it currently finances other parts of Amazon’s business.



An interesting example of a different type of organization is Curve, whose MTP is “to simplify your finances”. Curve connects all your credit and debit cards into one card, managed through their app. When you present your Curve card, you decide on the app which of your credit cards you want to use without having it physically with you. You can even go back in time and change the card you used. Curve leveraged credit cards, other banks’ assets and clients, whilst tapping into your spending habits. You see, Curve cleverly placed itself between you and your banks. Banks still get your purchasing history but so does Curve.

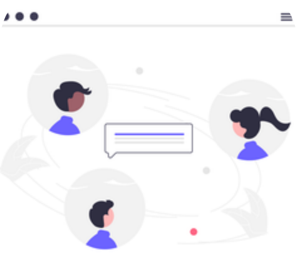
Waze helps millions of people every day to avoid traffic congestion and navigate traffic in their daily commutes. At its beginning was a simple insight - we can use navigational features of modern smartphones to gather an unprecedented amount of live data points, which can be used to precisely monitor and predict traffic patterns. Instead of building an expensive infrastructure of sensors, Waze uses the sensors everyone already has in their pockets.



Established in 2006, it grew its user base rapidly to almost 130 million active monthly users today. It was acquired by Google in 2013 for nearly a billion dollars and its 100 employees received the highest payout in the history of Israeli technology start-ups. Not a bad outcome for a simple idea of using commuter’s phones as a leveraged asset. The information age now enables companies to access both physical and digital assets anytime and anywhere, rather than requiring that they actually own them. Technology enables organizations to easily share and scale assets, not only locally, but also globally, and without boundaries. As with Staff on Demand, exponential organizations retain their flexibility precisely by not owning assets, even in strategic areas.

This practice optimizes flexibility and allows the enterprise to scale incredibly quickly as it obviates the need for staff to manage those assets. Non-ownership then, is the key to owning the future - except, of course, when it comes to scarce resources and assets. When the asset in question is rare or extremely scarce, then ownership is a better option. But if your asset is information based or commoditized at all, then accessing is better than possessing.

These are some of the Key questions you should ask yourself:



- What type of fixed costs can we move off the balance sheet by renting them?
- What processes can we outsource?
- Is there a spare capacity lying around inside or outside of our organization, which we can tap into?
- Can we build a new business around an asset we don't own, but can easily access?
- Which assets can we access by partnering with other organizations with complementary services to our own?
- Which of our own assets can we offer as a service to other organizations?

Consumers have become almost reprogrammed by the likes of Uber and Lyft when it comes to transportation, Airbnb in lodging and to some extent WeWork in the workplace. Critically, this movement offers greater convenience and constant access without imposing the burdens of ownership. This on-demand, hassle-free concept is the foundation for exponential organizations, fuelled by the power of community & crowds.