

Innovation Ecosystem Principles

These principles from the book *The Rainforest: The Secret to Building the Next Silicon Valley* are ones that InnoGraph promotes. By agreeing to these principles we all start with common ground.

Rule #1: Break rules and dream.

In most places around the world, people with big dreams are often considered naïve. Too often, a sense of fatalism permeates daily life and impedes innovative ideas. But the truth is that every great company in the world at its beginning was little more than two people sitting in a coffee shop, hatching a plan, sketching on a napkin. In Silicon Valley, a fundamental building block is the idea that quixotic quests are not to be laughed at, but are to be embraced. That college dropout wearing a hoodie might well be the world's next billionaire.

Rule #2: Open doors and listen.

Opening doors to meet highly diverse people and then listening to them are essential to an innovation ecosystem. Silicon Valley is a product of the collision of the frontier culture (which enabled complete strangers to form wagon trains heading west from Independence, Missouri and to entrust their lives to one another) and the hyper-diversity of modern California. It's probably not a coincidence that Silicon Valley's emergence happened in parallel with a sharp increase in the diversity of the population in California.

Rule #3: Trust and be trusted.

Rainforests cannot thrive without trust among strangers. In any interaction, the hard part is having the courage to give trust first. The common saying—"business is business"—implies that taking advantage of the other side is an acceptable way to do business. This behavior, however, can kill an innovation ecosystem. Business must be suffused with trust, and violations of trust penalized, for the system to work. This concept, while seemingly naïve to outsiders, is fundamental to why replicating Silicon Valley is so difficult. Although trust has a cost for the individual, the absence of trust has an even higher cost for the whole system.

Rule #4: Experiment and iterate together.

Rainforests require that people be willing to experiment together. Innovation is a continuous process of trial and error, misfiring and improving, over and over again. Initial designs are always flawed, so the process of innovation requires experimentation and perseverance. As co-

author of *The Rainforest: The Secret to Building the Next Silicon Valley* Greg Horowitz likes to say, “Build not for perfection, but for iteration.”

Rule #5: Seek fairness, not advantage.

Rainforests require that individuals strive to create fair, positive-sum transactions with each other, not engage in advantageous zero-sum games. This is not easy in most of the world, where business can be about “winning” at all costs. However, a sense of unfairness among teams or business partners can lead to a rapid breakdown in trust and cause resentments to build. On the other hand, a system in which players feel that they will be treated fairly lowers barriers to transactions, reduces fear, and keeps people incentivized to pursue aspirations together.

Rule #6: Err, fail, and persist.

The expectation of people in Rainforests is that there will be many ups and downs, wrong turns, and false starts. The key is to get up and try again. In the Rainforest, error and failure are still unpleasant, but they are not the end of the road. If players learn from the experience and improve their odds of success the next time, then failure and error can actually be good things. From a macro view, there is not real failure in the Rainforest, only learning.

Note: With great strategy, project and knowledge management risks are reduced. Rework through lack of knowledge, wasting time and resources need not be part of this cycle.

Rule #7: Pay it forward.

One of the great surprises for newcomers to Silicon Valley is that, if you need help, you can talk to almost anybody. The reason for this is the notion of “paying it forward”—doing a favor for someone without expecting to get paid back directly. Paying it forward is not done simply to be charitable; the system dies without it. Players in Rainforests maintain faith that everything “comes back around” in the end, like a form of invisible currency. It is as if individuals are making a transaction with the Rainforest as a whole, based on faith that the system ultimately rewards people who are helpful to others.

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Reference

Hwang, V.; Horowitz, G. (2012). *The Rainforest: The Secret to Building the Next Silicon Valley*. Los Altos Hills, Ca: Regenwald (self-published).