The Rainforest

The Secret to Building the Next Silicon Valley

A new book by Victor W. Hwang and Greg Horowitt

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ONCE UPON A TIME...
Economic Process

Land → Labor → Capital → Knowledge → Add Value → Outputs
...but we are biology, not buildings
What Drives Economic Progress?
And real human beings are separated
... by geography, culture, language, social networks, and lack of trust.
This happens across entire systems.
THE RISE OF THE INDUSTRIAL ECONOMY
The Image of Limited Good

Scarcity
THE EMERGENCE OF KNOWLEDGE & CREATIVE ECONOMIES
Abundance
So What Causes Innovation to Happen?
Innovation happens when ideas have sex

Matt Ridley, ‘the Rational Optimist’
Chicken Ranch
BROTHEL

World Famous & Historic...

VOTED #1
NEVADA BROTHEL
OF THE YEAR
The World Famous
CHICKEN RANCH
“While we associate economic growth with technological development, organizational innovation has played an equal, if not more important role since the beginning of the industrial revolution.”

Economic historians Douglass North and Robert Thomas (P47 of “Trust”)
So the big question is...
Can we *engineer serendipity*?
YES!
Design vs. Engineering
Evolution of *d.thinking*

**Objects**
- Industrial design

**Buildings**
- Architectural design

**Cities**
- Urban design

**Economies?**
- Ecosystem design?
The Rainforest Process

Assess

• Who are the critical stakeholders?
• Who are the key leaders?
• What are the resources available?
• How does culture support the process?
• Who are the role models?
• What is the available infrastructure?
• What frameworks govern the community?
• What is already happening?

Design

• What are our goals?
• What is required to achieve them?
• What is the most effective way to create sustainable change?
• How do we create sustainable alignment among stakeholders?
• How do we establish and maintain a sense of urgency?

Build

• Who is in charge of execution?
• What is required for operations management?
• What are the necessary resources?
• When will specific milestones be accomplished?
• What are the various roles and responsibilities?

Iterate

• How do we define success?
• How do we monitor and measure progress?
• How do we learn along the way?
• How do we incorporate new knowledge and lessons-learned into our operations?
• How do we keep our organization open-minded and flexible?
### The Rainforest Canvas

#### Leaders:
- Who has the reputation, resources and commitment to lead new initiatives?
- Who will champion new initiatives within their own organizations?
- How can leaders and champions be more inclusive?
- Who are the entrepreneurs?
- Who are the service providers?
- Who are the inventors?
- Who are the capital providers?
- Who are the support organizations?
- What is the role of government?
- Who are the other key participants in the innovation ecosystems?

#### Stakeholders:
- Who are the service providers?
- Who are the inventors?
- Who are the capital providers?
- Who are the support organizations?
- What is the role of government?
- Who are the other key participants in the innovation ecosystems?

#### Resources:
- What resources are available to aspiring entrepreneurs (knowledge, mentorship, cloud hosting, etc.)?
- What sources of capital are there in the marketplace?
- How does this capital flow and interact with growing businesses?
- What is the volume and quality of talent in the labor pool?
- What are the main sources of innovative ideas/discoveries/inventions?
- What resources are available to service and support organizations that interact with entrepreneurs (workforce training, etc.)?

#### Activities:
- What are people already doing to stimulate innovation/entrepreneurship?
- How are these people collaborating with each other?
- What activities drive participation in the community?
- What events create ‘buzz’ and generate interest?

#### Engagement:
- Where, when and how do stakeholders interact?
- How do ideas, talent and capital come together?
- What are the lines of communication between partners?
- How do members of the community collaborate with each other?
- How does the community engage external or global partners?
- How does the community encourage recruitment of new constituents?
- How do young people get involved?
- What forums exist that allow the breakdown of social and professional hierarchies?

#### Role Models:
- Who are the local entrepreneurs that have built successful companies?
- Who are the local entrepreneurs that haven’t yet been successful and what can we learn from their failures?
- What regions have similar attributes and resources?
- What organizations have shared visions/values?
- Are there other regions with successful innovation ecosystems that we could learn from or emulate?

#### Frameworks:
- What is the regulatory environment for innovation?
- What legal/bureaucratic barriers stand in the way of entrepreneurship?
- What widespread social norms surround the innovation ecosystem?

#### Infrastructure, Capability & Community:
- What is the density and quality of service providers (law, IP, consulting, real estate, etc.)?
- What boundary spanning organizations exist?
- What is the local level of serial entrepreneurship?
- What is the density and quality of physical infrastructure (airports, internet connections, etc.)?
- What are the core sectors of the local economy?
- What are the strongest regional comparative advantages?

#### Culture:
- What kind of innovative social networks exist already?
- How do people deal with uncertainty, risk or randomness?
- How is failure perceived?
- Do people build for perfection or iteration?
ACTIONS $\rightarrow$ OUTCOMES

This is where we tend to focus
BELIEFS $\rightarrow$ BEHAVIOR $\rightarrow$ ACTIONS $\rightarrow$ OUTCOMES

This is where we should focus
Emotions can be Powerful

**Scarcity**
- Fear
- Apathy
- Neglect
- Mistrust
- Hoard
- Blame
- Abuse

**Abundance**
- Trust
- Love
- Joy
- Inspire
- Share
- Forgive
- Courage
What is the connection between emotion and high impact economic growth?

We’ve moved into the experience economy

Based on the work of Joseph Pine and James Gilmore in “The Experience Economy”
From *Egocentric System* to...
The Rainforest Recipe

Assets: “Hardware”
- People
- Professional
- Physical
- Policy

Culture: “Software”

Keystones
- Diversity
- Extra-rational Motivations
- Social Trust
- Rules of the Rainforest
- Interpretation of Rules

generate social friction
dissipate social friction
What can we learn from psychology?
How does human behavior really change?
Event: Learn by Doing, Diversity


Behavior: Role Modeling, Peer-to-Peer Interaction

Emotion: Social Trust
Implicit → Explicit
EXPLICIT vs TACIT

The Science of Motivation
MIT, Carnegie Mellon, Univ. of Chicago
Authenticity

+ 

Legitimacy
Rules of the Rainforest

1. Break rules and dream
2. Open doors and listen
3. Trust and be trustworthy
4. Experiment and iterate together
5. Seek fairness, not advantage
6. Err, fail, and persist
7. Pay it forward
Because it’s not about *thinking outside the box*

Its realizing *the box doesn’t exist!*
20 years from now...what will be the next
‘According to Darwin’s *Origin of Species*, it is not the most intellectual of the species that survives; it is not the strongest that survives; but the species that survives is the one that is able best to adapt and adjust to the changing environment in which it finds itself.’

Try fast, learn quickly, fail small... and evolve rapidly
Mistakes don’t define us... they refine us!
A New Paradigm

• Predict and Repeat $\rightarrow$ Learn and Adapt
• Business Planning $\rightarrow$ Business Modeling
• Eliminate Risk $\rightarrow$ Manage Risk
• Never Fail $\rightarrow$ Fail fast and cheaply
• Outputs $\rightarrow$ Outcomes (Patents $\neq$ Products)
• Invention $\rightarrow$ Innovation
Ambiguity + Discomfort

"The truth is that our finest moments are most likely to occur when we are feeling deeply uncomfortable, unhappy, or unfulfilled. For it is only in such moments, propelled by our discomfort, that we are likely to step out of our ruts and start searching for different ways or truer answers."

Unknown
Diversity and independence are important because the best collective decisions are the product of disagreement and contest, not consensus or compromise.

*James Surowiecki, the Wisdom of Crowds*
Tools to Build Rainforests

1. Learn by Doing
2. Enhance Diversity
3. Celebrate Role Models and Peer Interaction
4. Build Tribes of Trust
5. Create Social Feedback Loops
6. Make Social Contracts Explicit
REMEMBER YOU MATTER!
“Spontaneous sociability is critical to economic life because virtually all economic activity is carried out by groups rather than individuals.”

Economic historians Douglass North and Robert Thomas (P47 of “Trust”)
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