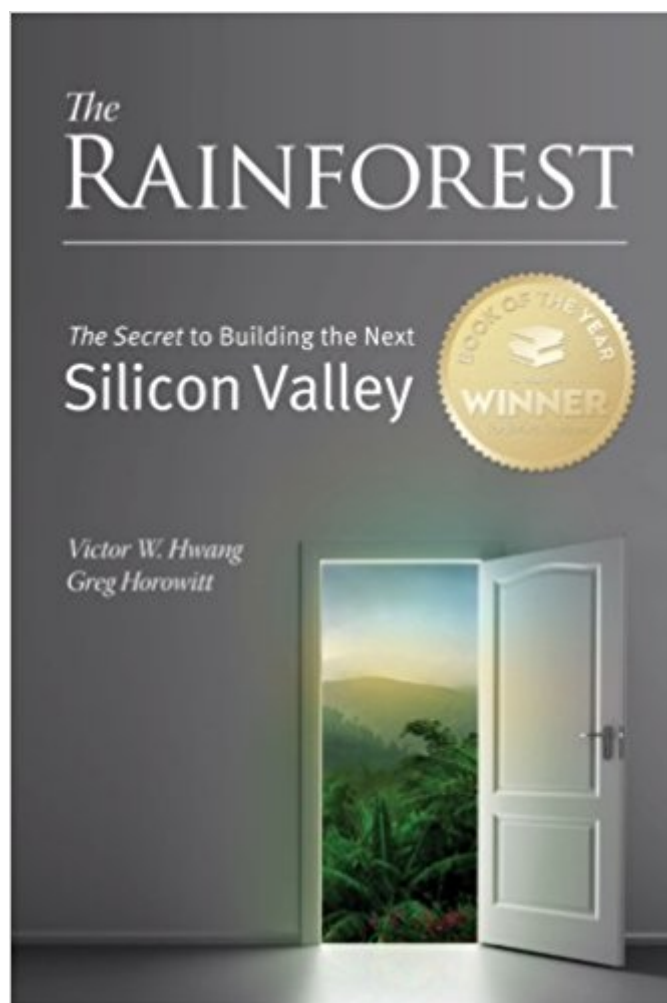


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The Rainforest: The Secret To Building The Next Silicon Valley



Synopsis

Winner: Book of the Year, Gold Medal in Business & Economics, [ForeWord Reviews](#) Winner: Small Business Book Awards Winner: Independent Publisher Book Awards, Finance/Investment/Economics (Bronze) What makes places like Silicon Valley tick? Can we replicate that magic in other places? [How do you foster innovation in your own networks?](#) Discover the answers in this groundbreaking book from two of the world's leading experts at the intersection of venture capital and global development. Victor W. Hwang and Greg Horowitz propose a radical new theory to explain the nature of innovation ecosystems: human networks that generate extraordinary creativity and output. They argue that free market thinking fails to consider the impact of human nature on the innovation process. This ambitious work challenges the basic assumptions that economists have held for over a century. The authors argue that such ecosystems - what they call Rainforests - can only thrive when certain cultural behaviors unlock human potential. People in Rainforests belong to "tribes of trust" and follow a secret unwritten code: the Rules of the Rainforest. The theory of the Rainforest is influenced by several breakthrough ideas in academia, including insights on sociobiology from Harvard, economic transactions from the University of Chicago, design theory from Stanford, and [the latest](#) [research in neuroscience and social network theory](#), among others. With an unorthodox and entertaining narrative, the book reveals the mysterious mechanisms of Rainforests. Furthermore, the authors provide practical tools for readers to design, build, and sustain new innovation ecosystems. The Rainforest will transform the way you think about technology, business, and leadership.

Book Information

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Customer Reviews

"In their debut business title, two venture capitalists offer an insightful, forward-thinking assessment of what makes Silicon Valley tick. If Silicon Valley can be held up as a living, breathing example of American ingenuity, why haven't we been able to recreate it elsewhere? Hwang and Horowitz suggest that Silicon Valley is an innovation ecosystem they liken to a rainforest—hence, the book's title. Thinking of Silicon Valley as a living biological system "helps innovators "tinker" together in the same way that atoms "tinker" together in natural biological systems ... [to] discover more valuable recipes for combining and recombining ideas, talent, and capital together." The authors proceed to offer an engaging, highly creative analysis of the workings of a "rainforest," using Silicon Valley as the prototype. They present 14 compelling "Rainforest Axioms," for example, "Axiom #2: Rainforests are built from the bottom up, where irrational behavior reigns," along with the "Rules of the Rainforest," "Rule #4: Thou shalt experiment and iterate together." The authors also explain how to build and measure a rainforest. The text is enhanced by well-designed graphic illustrations and explanatory charts. Hwang and Horowitz write with authority and wit, carefully backing up their theory with substantive examples. Readers get the feeling that the authors have unveiled a very big, important concept, one that could serve as the basis for intentionally, methodically developing other "rainforests" similar to Silicon Valley. However, they acknowledge that following the Valley's winning formula is challenging, suggesting that "The Rainforest concept does not come naturally to many leaders" and that it requires "a new active capitalism" to create a rainforest. While Silicon Valley may not be entirely unique, replicating its ecosystem is no easy task. A provocative study of innovation."

"...a detailed analysis of the power of environment on startup success, and in particular an explanation of why Silicon Valley has been such a powerful incubator of ideas and innovation.... If you are interested in the interplay of environment and business, and in understanding in broader terms how our professional relationships define our success, I recommend picking up a copy." --Forbes
"I thought I was planting seeds, but I have been planting weeds. This amazing book relates innovations to random propagations of life in the rainforest. I haven't read a book this innovative since Bionomics." --Tim Draper, Founder and Managing Director of the Draper Fisher Jurvetson Rainforest
"A well-written book with a valuable empirical and multi-disciplinary approach." --Prof. Ronald Coase, Nobel Laureate in Economics, University of Chicago
"The Rainforest - a book filled

with passion, energy and wisdom - bubbles over with energizing insights and practical advice for policymakers, entrepreneurs and venture capitalists around the world. Drawing on their deep experience as entrepreneurs and venture capitalists, as well as some of the most advanced research in the social and psychological sciences, Victor Hwang and Greg Horowitz use the analogy of the rainforest to clearly explain the complex evolutionary interactions that must exist... Few issues could be more important for the United States and for developing countries..." --Richard Foster, Former Director and Senior Partner, McKinsey & Company"Everyone's glooming and dooming, and this is literally the blueprint for the new world." --Daryl Browne, entrepreneur"Every once in a while, a business book with a big idea that defines a way of thinking comes along. Such books as Crossing the Chasm by Geoffrey Moore and Jim Collins's Good to Great come to mind. The Rainforest feels like one of those books." -- ForeWord Reviews"Offering a challenge to traditional economic wisdom, The Rainforest is a much recommended read for those who want to better understand the intersection of economics, innovation, and business success."-- Midwest Book Review

This book delves into the core of what spawns true innovation--or rather innovative environments--the human element. Innovation is not defined by technology or scientific discoveries or brilliant ideas. It is true that these elements are essential components of the process, but they are far from sufficient. A successful innovation culture requires people, people from all walks of life, all backgrounds and expertises--people are the glue that hold it all together. This book speaks to changes in culture, in the importance of lowering social barriers and alterations of perspective that are required to bring about the extensive (and often prohibitively difficult) collaboration that is necessary to create self sustaining innovative environments. It challenges ideas that innovation can be "engineered" from the top down and rather presents it as an organic growth, a symbiosis of tacit social contracts. True innovation comes from maximizing serendipity, it cannot be predicted, it cannot be engineered, but its conditions can be fostered. This book will change your perspective on how to enter into collaborative environments, how to interact with diverse parties, and how to change your attitude and behavior to benefit a system (and consequently yourself) that spawns truly revolutionary innovations.

As a recovering VC, builder of an entrepreneurial ecosystem and an economics geek, this book was validating, insightful, and prescriptive. It pulls together seemingly disparate intellectual threads and ties them neatly into a model for taking action. I found the word for what I do ("keystone") and

connections between complexity theory, entrepreneurship, ecology, entrepreneurship and my own dissatisfaction with the math choices of economics. I don't know if this will be as useful to those unfamiliar with these domains or the rapidly evolving field of startup communities, but it's clearly a major contribution and will guide my thinking and actions for some time.

As someone who has been involved in public policy, venture capital and economic development for over a decade, I only wished this book was available to me when I started. The joke we often used = 'the only place not trying to be Silicon Valley in this world is Silicon Valley itself.' That's because we focussed only on the tangibles and the first thing we could put a finger to was money as in "Let's have more VC dollars." This is somewhat like 'let them eat cake instead' when the basics have not been thought out. Victor and Greg have done an incredibly fine job in shaping the content to change this mindset. A chapter in this book "Capital in the Rainforest" points out that mutualism (where both sides benefit) and that V is always bigger than C (as in the entrepreneur matters more than the money). At the heart of this book, the authors are deeply spiritual thought leaders. They say that "making more by owning less" is possible. They essentially debunk the VC approach that early stage means more ownership = higher IRR. They offer elegant and fresh solutions like subsidized capital and 'balancing of interests.' Strongly recommended for policy makers, economic developers and VCs alike - it will change the way you see startups and your ecosystem. It will make you a responsible member of the forest.

The central premise of this book, that diversity within an ecosystem spawns innovation, is an elegant tool to build both companies and economies. I highly recommend this book to any entrepreneur who seeks to build a category-creating company because it shows specific examples of how partnerships and coopertition evolve new ways of solving problems by using the strengths of others to amplify the strengths of each player.

Here are some thought provoking Axiom's from Victor Hwang's book, "The Rainforest." We have his permission to quote him. This book is worth reading if you want to accelerate economic growth. If you think you know how to create business clusters then you must read this book. I would guess you are wrong. Comments are from Mike Franchell, Executive Director of the Community Based Business Incubator, Inc.(tm) How does your company compare to the Rainforest Axioms? The Rainforest by Victor w. Hwang and Greg Horowitz "When we think of innovation systems, we should not try to force individual innovations into existence, but we should try to design and shape the

proper environment that cultivates such innovations to be born." "The oddballs are the game changers in the innovations systems. In Rainforests, we want to nurture the weeds to grow." First Rainforest Axiom #1: While plants are harvested most efficiently on farms, weeds sprout best in Rainforests. A Rainforest is a human ecosystem in which human creativity, business acumen, scientific discovery, investment capital and other elements come together in a special recipe that nurtures budding ideas so they can grow into flourishing and sustainable enterprises. Why did ProFusion fail. "The answer lies in their respective cultural environments. Yahoo---(Had) access --- to human relationships. All the raw science and engineering talent in the world does not necessarily produce companies that can grow and thrive in the market place. Rainforest Axiom #2: Rainforests are built from the bottom up, where irrational economic behavior reigns. Rainforest Axiom #3: What we typically think of as free markets are actually not free. Rainforest Axiom #4: Social barriers- caused by geography, networks, culture, language, and distrust - create transaction cost that stifle valuable relationships before they can be born. Rainforest Axiom #5: The vibrancy of a Rainforest correlates to the number of people in a network and their ability to connect to with one another. Rainforest Axiom #6: High social barriers outside of close circles of family and friends are the norm in the world. "we focus on ideas, talent and capital" Key Stone - integrative, influential, impactful. Rainforest Axiom #7: Rainforests depend on people who actively bridge social distances and connect disparate parties together. Rainforest Axiom #8: People in Rainforests are motivated for reasons that defy traditional economic notions of "rational" behavior. Rainforest Axiom #9: Innovations and human emotion are intertwined. Rainforest Axiom #10: The greater the diversity in human specialization, the greater the potential value of exchanges in a system. Rainforest Axiom #11: The instincts that once helped our ancestors survive are hurting our ability to maximize innovation today. Rainforest Axiom #12: Rainforests have replaced tribalism with a culture of informal rules that allow strangers to work together efficiently on temporary projects. Rainforest Axiom #13: The informal rules that govern Rainforests cause people to restrain their short-term self-interest for long-term mutual gain. Rainforest Axiom #14: Rainforests function when the combined value of social norms and extra-rational motivations outweigh the human instincts to fear.

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