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 Study in the States: Start Up Communities  
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### *The Rainforest Summary*

*The Rainforest* is an innovative approach to looking at startup communities, particularly the Silicon Valley, from authors Victor W. Hwang and Greg Horowitz. It looks at the Valley and identifies and picks apart very specific details that help make the Silicon Valley what it is: the greatest startup community in the world. *The Rainforest* does so by taking stories from multiple entrepreneurs, venture capitalists, and other business people and sharing them to connect to the point being made, as well as by connecting the business world and what is happening in the Valley to natural occurrences around the world in many different aspects of nature. By sharing real life experiences from successful business people and comparing the business world to the natural world, Hwang and Horowitz effectively show that it can become natural for humans to create many communities comparable to that of Silicon Valley if they simply follow the “Rules of the Rainforest.”

The first half of the book covers a wide range of topics, while mainly trying to say that many disciplines should be considered and understood to understand the mechanisms of innovative ecosystems. These secondary disciplines include biology, neuroscience, psychology, sociology, economics, law, and so on. The Rainforest includes a set of fourteen Rainforest Axioms to relate these topics to innovative ecosystems, otherwise known as Rainforests. The first axiom states, “While plants are harvested most efficiently on farms, weeds sprout best in Rainforests,” meaning that it is often people that aren’t perfect who come up with the best ideas and innovations. These people often do not fit into the perfect, cookie cutter world that many people try to live in. They see things a little differently and march to their own drum. This is what makes them innovative, seeing things in a new light. They grow best in the Rainforest because the people there are willing to hear them out and support their ideas. The second axiom states, “Rainforests are built from the bottom up, where irrational behavior reigns.” This axiom is trying to say that the “weeds” of the Rainforest think irrationally, or differently from a majority of the population. The people of the Rainforest are willing to risk it all for their passions, usually in a way that inspires innovation and the spread of ideas. They are entrepreneurs, the riskiest people in business, though they often can reap the most rewards. They are on the bottom of the Rainforest because they are truly the ones supporting it through their passion and new ideas.

Axiom number three takes on the environment of the entrepreneur, “What we typically think of as free markets are actually not that free.” By this, the authors are saying that markets are often not free because of barriers, such as common law, or unwritten laws that are widely accepted among some societies or communities. Most communities in the world operate under some set of common law, including the Silicon Valley. However, the Rainforest is looking to open up some of these barriers, leading into axiom number four, which says, “Social barriers – caused by geography, networks, culture, language, and distrust –

create transaction costs that stifle valuable relationships before they can be born.” These social barriers exist in nearly every society around the world. It is not the “norm” to reach out to someone who could help, so many people simply don’t. Or they can’t because the people they need to interact with are literally on the other side of the world. These barriers can be difficult to break down, but it is possible with the right mindset and with the advanced technology available today. Relationships are a huge deal in the Rainforest, enforced by axiom number five, “The vibrancy of a Rainforest correlates to the number of people in a network and their ability to connect with one another.” This axiom is saying the larger the network of people in a Rainforest creating real relationships, the better. And the better those people can communicate with one another, the stronger the innovative ecosystem will be. However, axiom number six points out a major flaw in society today, “High social barriers outside of close circles of family and friends are the norm in the world.” This is a big problem for those wanting to create Rainforests because Rainforests need people who are open to new relationships to be completely successful. In fact, Rainforests are almost entirely dependent on relationships between those in the Rainforest to get ideas into motion. After all, one person can’t wear all of the hats in an endeavor. Axiom number seven reinforces this, “Rainforests depend on people who actively bridge social distances and connect disparate parties together.”

Axioms numbers eight and nine each focus in on the people themselves again, rather than the community as a whole, “People in Rainforests are motivated for reasons that defy traditional economic notions of ‘rational’ behavior,” and, “Innovation and human emotion are intertwined,” respectively. Members of the Rainforest community are often motivated by their passions, not just money, from axiom number eight. This ties in closely with axiom number nine in that many people in the Rainforest are emotionally attached to their ideas and businesses. They are very passionate about their work and it is essentially their life. Without this emotion, people would not care so much about the innovation occurring, making it less important and therefore less likely to happen, just like outside of a Rainforest community. Axiom number ten also ties into this on a more broad view, saying, “The greater the diversity in human specialization, the greater the potential value of exchanges in a system.” This specialization in the rainforest is also essential to the health of the community as a whole. The Rainforest cannot function without people who come up with ideas, know the laws, know the right people to talk to and so on. Each of these jobs comes with a passion and emotional connection and commitment to what they do from the members of the Rainforest. The more excited and passionate the people in each of these jobs are, the better the relationships are, strengthening the Rainforest as a whole.

Axioms eleven and twelve take a look back in time, stating, “The instincts that once helped our ancestors survive are hurting our ability to maximize innovation today,” and, “Rainforests have replaced tribalism with a culture of informal rules that allow strangers to work together efficiently on temporary projects,” respectively. The instincts of our ancestors that hurt us now include the immediate distrust of anyone new and only looking out for oneself rather than a community. These things hurt us now because we are much stronger and more

open to innovation as a community. No one can create widespread innovation on their own; they need the help of many. Tribalism refers to only association with those that one already knows, such as close friends and family, much like what axiom number eleven is talking about. However, axiom number twelve is saying that the Rainforest is replacing tribalism with a new culture that allows people to be open to talking to and collaborating with strangers. This newfound trust is essential to the success of the Rainforest. Trust can be considered to be a part of some of the informal rules mentioned in axiom number thirteen, “The informal rules that govern Rainforests cause people to retain their short-term self-interest for long-term mutual gain.” Trust, along with other informal rules, plays a major part in this; it can help two people collaborate to benefit both of them if they are willing to get to know each other and work together. Axiom number fourteen seems to pull it all together, stating, “Rainforests function when the combined value of social norms and extra-rational motivations outweigh the human instincts to fear.” This means that many small things have to come together, seemingly in the right place right time manner, to make the rainforest work. People in the Rainforest must be willing to attempt to adjust what they perceive to be the norm and also have an entrepreneurial mindset, willing to take on risk for what they love. There must also be many of these people who can be connected easily and each have a specialty that can help one another. This type of environment often happens very serendipitously.

The second half of *The Rainforest* looks at the rules of the Rainforest. It says that there do already exist rules in the Rainforests, looked at like commandments. The first set of commandments is the “thou shalt” commandments: thou shalt educate people, thou shalt build necessary public goods (roads, bridges, police, courts, military, etc.), and thou shalt invest in science to generate more knowledge and discoveries. The second set of commandments is considered the “thou shalt not” commandments: thou shalt not create burdensome regulations, thou shalt not allow corruption, thou shalt not unduly interfere in freedom of contract, and thou shalt not let inflation grow out of control. Most people would generally agree with the first two sets of commandments; it is the third set that seems to be under dispute. *The Rainforest* looks to establish the third set of commandments as seven new rules, the Rules of the Rainforest:

1. Thou shalt break rules and dream.
2. Thou shalt open doors and listen.
3. Thou shalt trust and be trusted.
4. Thou shalt experiment and iterate together.
5. Thou shalt seek fairness, not advantage.
6. Thou shalt err, fail, and persist.
7. Thou shalt pay it forward.

These seven rules serve to fill in the blanks left by the first two sets and help people in the Rainforest make good decisions about what is best for both them and the Rainforest community as a whole. It is not enough for the people of the Rainforest to be fluent in business terms, they need to understand what the community needs to become the most successful and create the most innovation.

In the second half of *The Rainforest*, the Valley, the Rainforest, and startups are compared easily to being the final frontier. In many ways, entrepreneurs and others involved in the startup communities are just like the people who set out in the past for new lands, such as the Americas and then the West and California. They are going out on a limb, stretching themselves to the extreme, and paving the way for others to follow. Entrepreneurs risk everything for their passion, creating innovation, just like explorers and pioneers risked leaving their lives behind and possibly even dying to see what else the world had to offer. They were fearless, smart, and had to learn how to look out for themselves and their traveling communities, just like entrepreneurs in the Rainforest today look out for themselves while also trying to do what is best for the community.

In the final chapters of *The Rainforest*, the authors share their insights on how to create more Rainforests around the world. Some of their techniques include creating “soft infrastructure,” including connections between researchers, universities, and businesses, creating trust among more diverse groups of people, decentralizing relationships, and creating a management system for the Rainforest itself, much like a management system would be created for a smaller business. In general, the building blocks of creating more Rainforests are centered on creating more meaningful relationships and connections. This includes incorporating trust and collaboration between parties that are extremely diverse. The more insight and ideas brought into a project from many different perspectives, the more innovation there will be. Rainforests, for the most part, are built on relationships.

Another aspect that is heavily focused on in the final chapters is capital and what it can mean to a startup. *The Rainforest* believes that small amounts of money in a startup can make a huge difference, while many investors believe that they must invest big or not at all. *The Rainforest* aims to change the investors mindset to be that it is not all about owning the biggest share in a company. In fact, early investors giving too much money to a startup can actually hurt that company’s passion that can lead to success and innovation. *The Rainforest* takes the standpoint that there should be a “big V, little C,” meaning that the venture, or the idea, should be the main point, while capital takes a backseat. The main focus should be on the ideas and innovation, not the money. If it’s about the money for the entrepreneur, they are usually not a true entrepreneur.

The final main point of *The Rainforest* is looking at how to measure a Rainforest. Looking at relationships can be a huge indicator in the Rainforest. In the Rainforest, there are many diverse relationships that span over both geographic and social barriers. There are also questions one can ask about the environment that they are in regarding people infrastructure, professional infrastructure, physical infrastructure, policy infrastructure, diversity, extra-rational motivators, and general social trust. While these are all good things to do and ask, it is still very difficult to see the growth of a Rainforest. In the words of the authors, “we are essentially flying blind” when it comes to looking at innovation because we are “too high above the Rainforest to see what really matters.” However, just because we cannot see innovation, does not mean we aren’t creating it and new Rainforests every day.