

There's a Lot You Can Learn From Silicon Valley, but Don't Imitate It

Silicon Valley isn't only a place – it's a mindset.

It's optimistic, it's idealistic and everyone is there to make the world a better place, even if what they are building is just (yet another!) photo filter app.

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Even as Silicon Valley is being exposed for its dark sides – everything from its diversity shortcomings, to its focus on money, to scandals around sexual harassment, ageism and the cost of living – it's provided a playbook for growth and innovation for the rest of the world.

The key is for entrepreneurs in places like Kansas City and Nashville and Cincinnati to take the *right* lessons from the Bay Area, by focusing on the mindset: the idea that innovation comes through iteration, that failure should be embraced for what you can learn from it and that every business can be transformed by technology. These concepts can do much to accelerate business cultures everywhere.

Now is the time, when entire traditional industries are suffering and business leaders are under pressure to defend against disruptive forces, to ensure that this mindset is switched on to create prosperity and growth. Technology will continue to reshape economies across America. The question is if Middle America can learn this new game and build a new prosperity in old economy strongholds. I believe we can.

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in the Heartland

The next industrial revolution

Klaus Schwab, the founder and executive chairman of the World Economic Forum, argues we are in a great equalizing moment. He popularized the idea of the “Fourth Industrial Revolution,” where the true disruption in today’s world is about speed, scope and systems as technology is evolving into something that permeates every aspect of our daily lives.

Steve Case sees this time as the “Third Wave” of innovation. The first wave was the creation of the basic infrastructure of the internet to make it navigable by consumers, and the second was building the structures on top of that internet that allow for everything from search to customer relationship management. The third, he believes, is real-world industries becoming entirely transformed.

There remains a lot of market cap located in the middle of the country, and those corporations that are going to survive the next couple of decades are those that are proactive and creative in embracing technology to disrupt themselves. Old economy industry leaders need to learn from the legacy of Silicon Valley, but bring their own strengths and specialized know-how.

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Gartner predicts that “By 2020, five of the top seven digital giants will willfully ‘self-disrupt’ to create their next leadership opportunity.” It cites Amazon organizing itself around AWS Lambda rather than traditional cloud configurations, and pushing Alexa rather than all of the screen based ecommerce they’ve built for years. If big tech finds it needs to upend its own game to keep up, think about what traditional industries such as mining or transportation

should be doing.

Fortunately, Silicon Valley has provided a roadmap:

1. Focus on growth.

The tech industry has taught us the importance of thinking big, as opposed to growing incrementally. When I was involved with DotLoop, the founder, Austin Allison, thought big about changing how we buy and sell homes on our mobile devices, signing up eight of the top 10 real estate companies. Then Zillow swooped in and bought the company. The vision was big enough to matter and big enough to get noticed. Entrepreneurs need to be finding mentors, advisors and investors from Day One who have experience building companies from \$0 to \$10 million to \$100 million-plus.

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2. Don't be cheap.

It's no secret that it can be expensive to start a company in the Bay Area. Silicon Valley office space is famously pricey, reaching beyond \$120 per square foot, compared to less than \$20 in Cincinnati. Entrepreneurs should take advantage of the lower costs of doing business here, but don't take it too far. I've heard from too many tech recruiters that Midwest startups think they can hire great talent away from big companies for a "startup salary." That's not going to happen. Venture-backed companies in Silicon Valley pay up for talent, not because they want to but because they know they are worth it. Entrepreneurs can't afford to be cheap. Outside of Silicon Valley the relative cost to operate is low, but you still need top talent and at a startup time is your enemy.

3. Find the experts.

As technology moves beyond silicon and infrastructure, tomorrow's most valuable companies will be innovating within massive verticals like healthcare, finance, manufacturing and logistics. There is a premium for vertical domain knowledge in these industries, which exists in abundance in the middle of the country. Snag the top thinkers in your industry. Create customer advisory boards of the top executives. Leverage your industry insights to exploit new, emerging categories.

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4. Create the networks you want.

We have to overcome the geographical barriers that separate cities in the middle of the country, versus the density of startups in Silicon Valley, and to do that we must be intentional about connecting with others. When we were just starting out at Cintrifuse, which is a fund of funds that leads investments in early stage venture funds around the country, we connected with the Renaissance Venture Capital Fund, a Michigan-based fund that supports the growth of venture capital in the state, to compare notes, serve on each other's advisory boards, etc. We didn't see ourselves as competitors; we were both in it together, competing against a global economy. We probably talked a couple of times a week for three years as we were starting up. Entrepreneurs should create networks of partners and friends who are willing to openly share success and failures.

We are facing a truly unique opportunity for corporations and entrepreneurs alike to help the U.S. economy step up and thrive as a leader in the new global economy. We have learned a lot from Silicon Valley's startup culture and I am excited to see those lessons applied to benefit the rest of the

country.

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