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Tap Into the 7 Secrets of Silicon Valley's Innovation Culture

Today, companies can create a culture of value creation, no matter where they're based. Here's how.

By Soren Kaplan

Silicon Valley isn't just a spot on a map. It's a brand—a global symbol of enduring innovation.

Mark Zuckerberg moved Facebook from his Harvard dorm room to Silicon Valley. Steve Jobs grew up there. The stereotypical image of the entrepreneurial garage comes from the real one in Palo Alto that housed HP. But what, exactly, makes the Valley tick? And how much of it, if any, can be bottled up and applied outside the area?

Here are the seven secrets that underlie Silicon Valley culture. Individually, they might not be considered confidential per se. But each reinforces the others to shape a robust culture that fuels the region's innovation engine. And each can be translated into a specific business strategy that anyone can use to foster innovation.

1. Start small while relentlessly seeking scale

Silicon Valley companies—and the venture capitalists who fund them—don't just want profitable business models. They want scalable opportunities. Silicon Valley innovators know that funding, talent, and positive press gravitate to those who show how they'll move from concept to conquest (of the world). And this applies to nearly every business, not just the proverbial web service or mobile app.

Tesla, for example, broke into the automotive industry by creating the first electric-powered sports car. It took a Silicon Valley startup to do what Detroit could have done

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itself many years ago. But Tesla isn't stopping there. Next up: Flip the traditional "car dealer" model on its head by launching company-owned stores in affluent shopping locations that have an Apple store-like flair. As Tesla goes mainstream so has its stock, which jumped 400% last year.

2. Take a bath in the talent pool

Silicon Valley companies take creative approaches to finding and developing talent. Intuit's HR group uses "Immersive College Recruiting" to identify the highest potential graduates at the top universities. They don't just do conventional interviews. Instead, they invite students to on-campus idea jams focused on solving real business challenges facing the company. The best performers get internships—and eventually jobs.

Finding, hiring, and developing top talent is a never-ending journey. Silicon Valley companies recognize that technology might initially lead to a disruptive innovation, but they need smart people to transform that innovation into a profitable business.

3. Innovate with customers, not for customers

Most corporate marketers assume that innovation comes from the linear process of defining the market, researching customer needs, and then creating products or services to fulfill those needs. The assumptions? Customers are "targets" and it's the company's job to create something for them, market it to them, and sell it to them. Many Silicon Valley companies flip these views on their head by building business models based on "co-creating" with customers.

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Many of Lyft's customers, for example, are themselves the providers of its service. As an alternative to traditional taxis, Lyft fuels its ridesharing business model by using customers to give other members rides in their cars, many of which are adorned with pink mustaches on their hoods. Customers deliver Lyft's service and promote it all at the same time, and their passionate advocacy is an inherent component of the business model.

Zazzle doesn't just sell products like iPhone cases, personalized mugs, watches, T-shirts, and handbags. They give their customers online tools to customize their own trendy designs. The co-creation doesn't stop there. Customers can sell their designs to others while even setting royalty rates on their creations. Zazzle's creative business model is founded upon its customers' own creativity.

4. Make business as usual, unusual

The digital brand and product agency, Sequence, surprises employees with "boomerang passes." Named after an Australian airline promotion for dirt-cheap, same-day round-trip flights to surprise destinations, the company randomly gives the boomerang pass to one lucky employee each month. Upon arriving in the office, the recipient is whisked away on a one-day adventure—past excursions have ranged from Segway tours of redwood forests to horseback riding to flower arranging classes to trapeze lessons to a trip to Las Vegas for a tour of Zappos. Sequence recognizes that inspiration and growth come from stretching oneself through new experiences. Employees return to share insights about



(Image: via Getty Images)

how seemingly unrelated adventures inform—and could potentially transform—the business. These employee experiences reinforce the company’s belief that in a world of growing commoditization, it’s the quality of the customer experience that creates differentiation, something Sequence strives to bring to everything they do.

Other companies like Intuit bring customers physically into their offices to mix things up. Intuit’s monthly “customer office hours” provide all employees, from the software engineer to the HR manager to the financial analyst, with the opportunity to see, hear, and talk to real live customers. There’s no formal agenda. Some employees just listen. Others test assumptions and ideas for new products and services.

While most companies strive to create “laser focus” for their business, Silicon Valley companies also know that focus causes myopia—and they do everything they can to infuse outside thinking into everyday thinking.



5. Create the context for cross-fertilization

Smart people stream into the Valley from Stanford, Berkeley, and other local universities. Venture capitalists sprinkle funding across the most promising startups. Companies collaborate while concurrently competing. Experienced employees remain on the never-ending lookout for their next big opportunity—and frequently jump jobs across industries and markets, and even to competitors. Silicon Valley’s fertile ground—which literally started out as farmland—has become the ultimate venue for cross-fertilization.

As a result, entrepreneurs make the pilgrimage to set up shop in the valley. Established companies like Comcast and Walmart plunk down their new ventures there. And even governments like Denmark, Finland, and Ireland have established incubators to help their compatriots from home tap into the Silicon Valley network.

On any given day, one can find dozens of networking breakfasts, lunchtime speakers, and after-work cocktail parties, creating a way for people to connect. Many Silicon Valley companies use similar principles to promote this kind of environment internally. They know that cubicles create barriers, so they quite literally tear down the walls. Facebook, for example, frequently reorganizes its office space to mix up people and teams. And Google provides office space within its buildings to startups it believes possess big potential.

6. Take the “risk” out of risk-taking

“Take more risks” is corporate America’s reigning mantra. But creating a culture of innovation is an elusive goal when the C-Suite’s mandate inherently implies a penalty if efforts don’t work out as planned (otherwise it wouldn’t be a “risk”). This misguided notion stifles innovation from the start. Silicon Valley companies don’t promote “risk-taking” as an end in itself, but instead focus on specific behaviors associated with free-spirited thinking and action.

Hung all around their offices, Facebook’s pervasive and provocative posters, for example, promote the fact that “done is better than perfect” and that everyone should “move fast and break things.” But more importantly, when employees deliver something that is less than perfect or actually does break something, they’re not fired—the experience is used as a learning opportunity.

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Most Silicon Valley companies value trial and error, realizing it's better to put ideas forward in their infancy than wait until they're fully baked. The goal: quickly learn what works, what doesn't, and go from there. It's better to sacrifice saving face and instead, save time and money.

7. Be the disruption

A study (PDF) by Booz & Company found that only 20% of all global companies reinforced their business strategy with an innovation strategy. In Silicon Valley, the study says, it's 90%.

In a recent discussion with a senior executive at Netflix, I asked if the company had an innovation strategy. To my surprise, the answer was "no." He went on to say that Netflix, itself, is a disruptive innovation. Innovation is so embedded in the company's self-perception that it doesn't need a specific strategy to make innovation happen.

Many Silicon Valley companies formulate innovation strategies to support their business strategies. Others view their entire business as the disruptive innovation. Whatever the approach, these companies have big visions focused on making the biggest possible difference for their customers.

Today, companies outside the valley can now tap into online and mobile tools that promote a similar culture of value creation, no matter where they reside. No one knows what the future of Silicon Valley or its next disruptive innovations will be. But the innovation culture it built will likely endure, whether physically in California or globally in the cloud.



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