Diversity, cultural networks power innovation
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University of California, Berkeley School of Information's dean, AnnaLee Saxenian, often talks about a visit, in the '90s, by a high-level delegation from Japan. The Japanese kept asking where the government's administrative offices were. They wanted to meet the people who did the central planning for Silicon Valley in order to learn directly from them. They couldn't comprehend, said Saxenian, that such an authority didn't exist -- that Silicon Valley thrives without government intervention.

People in Silicon Valley laugh when they hear these stories. But I have friends in Washington D.C. who, to this day, believe that government has a role to play in Silicon Valley-style innovation. They are mistaken, as are countries, such as Japan, that have invested billions of dollars on science parks and top-down clusters. To stimulate innovation, they have to first understand what really makes the Valley tick.

For the past two years, I have been researching the success of one ethnic group: Indian immigrants. Before 1980, hardly any Silicon Valley firms were founded by people from India. But, as AnnaLee Saxenian documented in 1999, of the companies started in the Valley from 1980 to 1998, seven percent had an Indian founder. A survey my research team undertook at Duke University in 2006 found that this proportion had increased to 15.5 percent in the companies founded from 1995 to 2005. This is astonishing considering that, according to the 2000 census, fewer than six percent of the Silicon Valley workforce were Indian born.

How did this group achieve this feat? They did so by mastering the Valley's rules of engagement. They formed mentoring networks and started helping each other.

The largest Indian networking group, TiE (The Indus Entrepreneurs), was founded in 1992 by a number of Indian executives who managed to break through the glass ceiling of American business. Their goal was to uplift their community by fostering entrepreneurship. They held monthly events, taught entrepreneurship, and provided mentoring and support. And they facilitated Indian-style matchmaking of entrepreneurs with each other and investors and corporate partners. They created two member categories: a charter member, called a "guru"; and a regular member, or a "disciple." When disciples achieved success, they were expected to pay it forward by becoming charter members and helping incoming members.

TiE was so effective that it led to the formation of hundreds of companies, some of which achieved billion-dollar valuations. And Indians became a respected part of the Silicon Valley ecosystem. TiE set out to be an inclusive organization by including South Asian groups that did not normally mingle—such as Pakistanis, Sri Lankans, Bangladeshis, and Nepalis. It later expanded its membership to include entrepreneurs of all nationalities.

I personally benefitted from TiE when I was starting a software company in Raleigh, North Carolina. Notable entrepreneurs such as Sun Microsystems co-founder Vinod Khosla readily provided me with valuable startup advice despite the fact they didn't know me. So when I achieved success, I co-founded the Carolinas chapter of TiE to mentor other entrepreneurs.

Only a tiny proportion of Indians in the Valley now frequent TiE meetings. They don't need TiE any more. There are hundreds of other mentoring forums and dozens of networking events every day in Silicon Valley. Some are formal events with hundreds of attendees, and others are casual gatherings in public places. The coffee shops buzz with activity, and ideas are exchanged openly. Tech workers frequently job-hop between competitors. The Valley is essentially a series of concentric networks that constitute one giant social network.

The magic of Silicon Valley happens because the Valley supports entrepreneurial experimentation and collective learning. This is what enabled Silicon Valley to race ahead of its long-time competitors, such as Boston's Route 128, and what no region in the world has been able to replicate.

It goes without saying that a key attribute of Silicon Valley is its diversity. This is exactly what best-selling author and urban development expert Richard Florida observed when he studied the growth and success of 50 metropolitan areas in the U.S. He found that the most innovative regions were those with the most gays, bohemians, and immigrants. These groups flourish in Silicon Valley, and its diversity has undoubtedly provided it with great advantage.

This means that the key to boosting entrepreneurship and innovation is to encourage diversity, mentor entrepreneurs and facilitate their networking. Science parks and industry subsidies can't do this. This holds important lessons too for groups that are left out of tech entrepreneurship—such as women, African Americans, and Hispanics. They need to continue to form new networks and strengthen existing ones in order to uplift each other and address concerns unique to their communities. Government can't make that happen either.

Fonte: The Washington Post, Washington, 28 Oct. 2011, Innovations, online.