INNOVATION

The Gold Rush Mentality:
Risk, Failure, and Innovation

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The Gold Rush depersonalized failure and made California fertile ground for innovators. Lessons for anyone panning for the next golden idea.

This morning I heard a radio interview with H.W. Brands, a historian at the University of Texas at Austin. He suggested that California became fertile ground for innovators, whether in early Hollywood or present-day Silicon Valley, because of a historical precedent. In the nineteenth century, failure in business was seen as personal, the result of a character flaw. The Gold Rush in California created a different paradigm. Miners sometimes succeeded, but often failed. Instead of blaming themselves for the failures, (since they saw others much like them strike it rich) they tended to put their lack of success down to luck. The rock you pulled out of the stream might be gold, but then again, it might not. Moving to the west and trying your luck was a risk, but any one try was more of a gamble, since your success depended on many factors you couldn't control. Some were successful quickly; others made it through grit, persistence, and, eventually, good fortune. Some who failed returned home to the east and some went on to try other opportunities – such as setting up stores to sell needed supplies to the miners.

In California, then and now, failure has often been depersonalized and even considered a prerequisite for eventual success. Only 1% of startups ever become billion-dollar tech superstars – but nobody knows at the beginning which ones will make it. Entrepreneurs take risks to build a business around a great idea (at least they think it's great) and investors, whether from large venture capital firms or sites like Kickstarter, take risks that the business will succeed. Both know that failure is more probable, but as in nature, creating more opportunities means a greater possibility of success. Not all seeds will sprout, not all eggs will become frogs. Not all start-ups will become Google.

So what are some lessons for individual entrepreneurs and innovators? The Gold Rush Mentality means:

- **Keep coming up with ideas.** If one doesn't work, another might. More ideas mean an increased possibility of success.
- **Don't fall in love with one idea and continue to invest past the point of no return.** (Yes, there are exceptions to this that make good stories – but they are rare.) Keep your options open, fail fast, and be willing to cut your losses and move on to the next ideas.

- Embrace failure – mistakes, miscalculations, or bad luck are not the result of character flaws, unless you're unwilling to learn something from the experience.
- **Take intelligent risks[1]:** Consider costs and benefits, make an educated guess about probability, and find where you can adjust and mitigate the downsides or enhance the upsides. Then you can decide which risks are worth investing in.
- Avoid analysis paralysis – if you drive out all the risk or chance of failure, someone has been there before you and there's no more gold in that stream.

The miners of the mid-nineteenth century didn't look much like Steve Jobs or Mark Zuckerberg or Anne Wojcicki. But they understood the value of risk-taking, of perseverance, of resolve, of learning from and moving beyond failure. Whether in California or anywhere else on the globe, we can adapt the "Gold Rush Mentality" as we pan for the next golden idea.

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NOTES

[1] See Intelligent Risk-Taking: From Vision to Action, a copyrighted program of Barnes & Conti Associates, Inc.

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Founder of **The Influence Guru**, Kim Barnes is a coach, facilitator, and author with more than forty years of experience in leadership, influence, and organization development. She was a founder and, for many years, CEO of Barnes & Conti Associates, and developed or co-developed programs including *Exercising Influence*, *Inspirational Leadership*, *Intelligent Risk-Taking*, *Consulting on the Inside*, and *Managing Innovation*. She is the author of six books, including *Exercising Influence* (Wiley) and *Building Better Ideas* (Berrett-Koehler). She works with enterprise companies, government agencies, small businesses, and individuals from the San Francisco Bay Area.

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