

POLICY WATCH – February 2012

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The Importance of Failure

Everyone makes mistakes and most people hate that they do. It causes them fear and makes them risk averse. Operating from fear - whether it be fear of making mistakes, fear of uncertainty, fear of failure, fear of the “other” – is never good for an individual, organization or country. And not understanding the importance of failure can be a big deterrent to achieving goals and dreams.

One thing to remember is that failure is not the opposite of success. Failure is a lesson. Failure should be embraced as a learning tool, one of the best learning tools, not as something that should be avoided at all costs. If we look at what good has come from the recession, one powerful point is that there were a lot of lessons learned from businesses going under, people losing their jobs and governments' not knowing how best to help.

In “The Importance of Failure,” by Steven Horwitz and Jack Knych (Freeman, November 2011 • Volume: 61 • Issue: 9), the authors discuss the idea that failure has redeeming social value. They say, “If success is *all* good and failure is *all* bad, then it seems as though we should do *everything we can* to remedy or prevent failure. But is that so? Without denying the value of perseverance, and recognizing that the slogan “never give up” can be useful in overcoming certain obstacles, we must keep in mind that failure can act as *a guide to more worthwhile activities*. More important than this individual learning process is the irreplaceable role failure plays in the social learning process of the competitive market.”

Arguing that government intervention that shores up failing companies isn't always wise, the authors say, “When we refuse to allow failure to happen, or we cushion its blow, we ultimately harm not only the person who failed but also all of society by denying ourselves a key way to learn how best to allocate resources. Without failure, there's no economic growth or improved human well-being. According to the U.S. Small Business Administration, over half of small businesses fail within the first five years. But failed entrepreneurial activity is just as important as successful entrepreneurial activity. Markets are desirable not because they lead smoothly to improved knowledge and better coordination, but because they provide a process for learning from our mistakes and the incentive to correct them.”

The authors' view is that failure drives change. They say, “While success is the engine that accelerates us toward our goals, it is failure that steers us toward the most valuable goals possible. Once failure is recognized as being just as important as success in the market process, it should be clear that the goal of a society should be to create an environment that not only allows people to succeed freely but to fail freely as well. Because competition is a voyage into the unknown, we can only know after the fact what works and what does not. Thus economic failure is not ‘waste.’ Calling entrepreneurial failure a ‘waste’ implicitly assumes that one knew ahead of time what the best use of resources was. Such knowledge is not available to anyone, which is why failure is necessary to provide the needed signals.”

In yet another article stressing failure's importance, “The Importance of Failure: Why We're Wrong About Being Right,” by Allie Townsend (TIME Specials, Oct. 13, 2011) failure is seen as key to innovation. Says Townsend, “American inventors have given us some of the world's greatest advancements in electrical science, engineering, medicine, the auto industry and the Internet, but they've also produced some of history's greatest flops: the Ford Pinto, Smell-o-Vision, Crystal Pepsi, the Segway and — who could forget? — Snuggies for dogs. These famous flops

are reduced to punch lines or trotted out as cautionary tales in boardrooms and business schools across the country. What we don't realize, then, is that the fate of American innovation is actually tethered to our willingness to fail."

She says, "The tech industry is strengthened by mistakes, but we're fostering a culture of people who don't accept them. 'We beat up people who fail, and I worry about that,' said Groupon chairman and co-founder Eric Lefkofsky. 'Can we really honor risk takers and not pounce on them when ideas don't pan out?'"

When Steve Jobs started Apple in the 1970s, he had little to lose if he failed, which he did on his first product, the Lisa, leading to his ouster from Apple. Townsend tells of Tim Westergren, founder of Pandora, who "had maxed out 11 credit cards, was about \$150,000 in debt and was unable to pay his staff by the time he had a working prototype of his Music Genome Project. Loyal investors saved the project, which is now the Web's leading music-recommendation site." Lefkofsky reminds us that it is the unshaken belief of the founder who drives innovation and persistence in pursuing good ideas. He said, "Most ideas are definitionally crazy. It's because they haven't been tried before."

There is even a conference about the importance of failure, FAILCON, held in San Francisco. Their motto is: It's time to stop being afraid of failure and start embracing it. Presented and attended by "failures," the conference urges people to realize that failure is an option and that you will succeed far greater by taking risks even if you fail. As the founders say, "We have all have founded, worked for or invested in startups that have failed. We're smart, we keep up with the latest in technology trends, but sometimes things just don't go as planned. How can you predict what will work and what won't? Well, you can't. But that doesn't mean you should stop trying. It just means you should start exchanging stories of what didn't work and how you pivoted, why you couldn't raise money, what the wrong hires were like, and when you decided it was time to let go. Entrepreneurs need to hear that from each other: that it's okay to fail, it doesn't mean you're worthless. You're just like the rest of us, learning from our making mistakes and building something bigger next time."

Let's start championing failure as a part of success. Let's treat our risk takers like the rock stars they are, applaud their reaching for the stars and stand behind them when they fail so they can brush themselves off and try again. And maybe if we do this in business, it will carry over to our elected officials who won't be so afraid to be innovative problem solvers. We need leaders who are willing to try new ways to meet the needs of their constituents without the fear that they will be pummeled for not always getting it right the first time.

Securitas Security Services USA New NBLC Board Member



Securitas Security Services USA joins North Bay Leadership Council as a board member. Securitas is a knowledge leader in security. As the nation's leading security provider, Securitas and its affiliates offer security solutions, including uniformed security officers, mobile patrol, consulting and investigations, and cyber-security. Their revenues in 2010 were over \$2.8 billion and they have 100,000 nationally and 300,000 employees globally. Securitas also operates in 49 other countries in North America, Europe, Latin America, the Middle East, Asia and Africa.

Mark Wood, NBLC's chair and BioMarin Pharmaceutical's Senior Vice President, Human Resources and Corporate Affairs, welcomed Securitas to the board, saying "NBLC is delighted to have the nation's foremost security services company joining our board of directors. We appreciate the insights that Securitas will bring to our membership, and having this important industry sector so well represented will help inform our public policy work as security is an increasingly complex and challenging area."

Securitas has a strong North Bay presence with 195 employees in Marin, Sonoma and Napa Counties. Their North Bay office is located in Rohnert Park. They are in an expansion mode with plans to double in size in the next 2 years and also increase the number of management personnel in the North Bay. Their affiliates allow them to offer services far beyond the usual security services. Some of the affiliates are: Pinkerton Consulting & Investigation, Pinkerton Government Services, National and Global Accounts, and Energy Services.

The board member will be Brad Lauer, Area Vice President. Lauer said, "Securitas is looking forward to working with the other leading companies in the North Bay and contributing to the important work of NBLC. Our company is based on service and we are eager to be of greater service to the communities we work and live in." Lauer has been with the firm for almost 6 years. Prior to that, he was First Sergeant in the Marines, serving his country for 22 years. He is due to receive his MBA from Northern Illinois University – College of Business this May, and received his MS in Criminal Justice from Illinois State University and BA in Administration of Justice from Southern Illinois University. An alternate has not yet been identified.

Securitas' mission is to help maintain a safe, secure environment for their clients and employees. Their work is based on three core values: integrity, vigilance and helpfulness. In addition, the company is embracing sustainability. They follow practices that utilize local resources to the greatest extent possible and are environmentally friendly. Securitas selects from and trains qualified local applicants as employees, qualifies local suppliers and partners with their clients regarding their sustainability initiatives.

Basin Street Properties Joins North Bay Leadership Council



BASIN STREET
PROPERTIES

Basin Street Properties (www.basin-street.com), one of Northern California's and Northern Nevada's prominent investors, developers and managers of commercial properties, has joined North Bay Leadership Council (NBLC).

Mark Wood, NBLC's chair and BioMarin Pharmaceutical's senior vice president – human resources and corporate affairs, said, "Basin Street has been a respected member of the North Bay business community for nearly four decades and has long demonstrated a deep commitment to improving

the North Bay's economic and community vitality. NBLC will benefit from Basin Street's unique understanding of the dynamics of the North Bay and look forward to their perspective on how to increase the region's economic competitiveness."

Basin Street offers a broad range of real estate services for office, retail and mixed use properties, including development, property management, construction management, financial and asset management and property acquisition and disposition. The Petaluma-born development firm helped establish the city as a telecom hub. Bill White founded the company in 1974 and started building Redwood Business Park in 1982, which attracted several high-tech startups that grew exponentially. Bill White was inducted into the Sonoma County Business Hall of Fame last fall.

Matt White took over the firm as president in 2001 and took the enterprise beyond its business park beginnings with developments like the \$100 million Theatre District, which revitalized Petaluma's downtown with apartments, offices, small businesses and a cinema. The firm has also expanded its real estate portfolio into the greater Reno and Sacramento areas. Recently, Basin Street re-acquired eight buildings in Redwood Business Park, continuing its commitment to accommodate regional businesses through all phases of their growth and to provide the North Bay's diverse tenant base with quality real estate options. Also dedicated to philanthropy, Basin Street supports a number of local organizations through board memberships and volunteerism, such as the Southern Sonoma/Marin Boys and Girls Club.

Scott Stranzl, Basin Street's vice president, will be the member representative. Stranzl said, "We care deeply about the vitality and progression of our North Bay communities. We joined NBLC because we share their goals of improving regional business competitiveness, education and transportation."

Stranzl leads the leasing and marketing division of Basin Street. In this capacity, he provides strategic analysis for lease transactions and oversees in-house and third-party commercial real estate brokers throughout the company's portfolio. With more than 15 years in the commercial real estate industry, Stranzl has been instrumental in closing deals in excess of 5.5 million square feet. He earned his B.A. from San Diego State University.

Tom Birdsall, Basin Street's regional partner and a member of its Board of Directors, will serve as the alternate. Birdsall is responsible for all of the company's operations and projects in Northern California and manages Basin Street Hospitality. Birdsall received an A.B. in economics from U.C. Berkeley and a Masters in Public Policy from the Kennedy School of Government, Harvard University.

GOOD NEWS

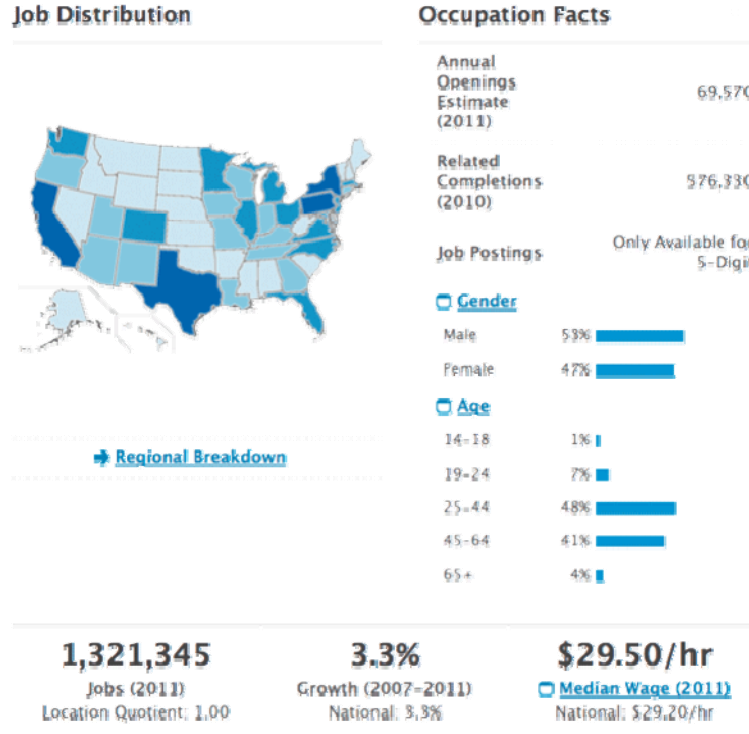
Dow Jones industrial average closes above 13,000 for 1st time since 2008 financial crisis

Pending Home Sales Near 2 Year High: Contracts to purchase previously owned U.S. homes neared a two-year high in January, further evidence the housing market was slowly turning the corner. The National Association of Realtors said its Pending Home Sales Index, based on contracts signed in January, increased 2 percent to 97.0 - the highest reading since April 2010. New contracts generally lead sales by a month or two. Housing data ranging from home building to resale's have been relatively upbeat, buttressing other signs of underlying economic strength that should help the U.S. recovery. The housing market is becoming less of a drag on the economy and home construction is expected to add to growth this year for the first time since 2005.



Jobs Outlook in U.S. Improves for 2012, Business Economists Say: Employment will improve more this year than economists previously estimated, helping the world's largest economy to keep growing, a private survey showed. Payrolls will rise 170,000 a month on average in 2012, up from a November projection of 127,000, according to the results of a survey by the National Association for Business Economics issued today in Washington. Unemployment will average 8.3 percent, down from 8.9 percent in the prior forecast. Respondents "are seeing strength in a number of economic measures," Gene Huang, NABE president and chief economist at FedEx Corp., said in a statement. Three straight months of faster job growth are helping to sustain the economic expansion that began in June 2009. Employers added 243,000 jobs in January, the most in nine months, and the unemployment rate fell to 8.3 percent, the lowest since February 2009, according to the Labor Department.

A Picture is Worth 1000 Words



SAVE THE DATE ... NBLC's Economic Insight Conference – May 31st

California's Bright Future ... *Sunglasses Required!*

NBLC's Economic Insight Conference

Sheraton Hotel, Petaluma

7:30 a.m. – 9:00 a.m.

May 31, 2012



Learn why California, and the U.S., have a bright future and what choices need to be made to ensure that American remains resilient and a world economic leaders. The future's so bright you need "shades!"

MEMBERS IN THE NEWS

Kaiser Permanente Aims to Cut GHG Emissions 30% by 2020

Kaiser Permanente, which has pledged to green its facilities, energy and supply chain, set a goal today of reducing its carbon footprint by 30 percent by 2020.

Lucasfilm Project approved by Marin Planners

Filmmaker George Lucas' plan for a digital production studio on the old Grady Ranch in Lucas Valley won a unanimous vote of approval from Marin County planning commissioners Monday as officials agreed the project was in line with a master plan approved more than a decade ago - and will have little impact on the environment.

Ghilotti Construction awarded \$10 million sitework contract for 49er stadium

The Ghilotti Construction Company has been awarded a \$10.4 million public works contract by the City of Santa Clara Stadium Authority to conduct site research and to manage the relocation of underground utilities on the grounds set aside for the new 49er football stadium between Highways 101 and 237.

Codding Enterprises gives \$180,000 gift to SSU to create Hugh Codding Entrepreneur-in-Residence

Sonoma State University's School of Business and Economics will soon add an "entrepreneur-in-residence" to its program, a move funded by an \$180,000 donation from Codding Enterprises and one that Dean William Silver said would help create an "entrepreneurship pipeline" linking students, the North Bay Innovation Hub and the regional economy.

Comcast releases Internet Essentials Progress Report

During the fall of 2011, Comcast launched Internet Essentials - the Nation's largest and most comprehensive broadband adoption program, with a focus on closing the digital divide and getting more low-income Americans connected to the Internet. Today, Comcast released the Internet Essentials Launch Report.

Read more online at www.northbayleadership.org/news



Who We Are

Twenty one years ago, business leaders founded the North Bay Leadership Council on a simple premise: We can accomplish more by working together. Today, the Council includes over 43 leading employers in the North Bay. Our members represent a wide variety of businesses, non-profits and educational institutions, with a workforce in excess of 25,000. As business and civic leaders, our goal is to promote sound public policy, innovation and sustainability to make our region a better place to live and work. For more information: Call 707.283.0028 / E-mail info@northbayleadership.org

www.northbayleadership.org