



Stanford eCorner

Silicon Valley: Ground Zero for The Deal

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Don't live in Silicon Valley? If you're serious about business, you'd better pack your bags. The local ecosystem of ideas, entrepreneurship, and venture is so powerful, says investors Ron Conway and Mike Maples, that no other region can even come close, and that it pays to move here because every advantage counts.



Transcript

One of the things that keeps bubbling around in my brain as your talking is this incredibly rich ecosystem that we have here. Where we've got the successful entrepreneurs with the great track record. We've got the angel investors. We have the VCs. Of course we've got these talented students coming out of Stanford who are feeding these companies. Is there any other place in the world that has this type of ecosystem? And can it be replicated? Not even close. I'm really opinionated on this topic. Because we have, like, five investments in New York - that they're great companies but they're more work than three companies in Silicon Valley. Because the ecosystem is not there. The cost of living here is awful.

It's worse in New York. We cannot find CEOs who will work for less than \$300,000 a year. That's terrible! The most a CEO should make in a start-up is \$100k. So the ecosystem in Silicon Valley is so powerful. No one is going to come near us as far as I can see. I mean, these relationships where you have the lawyers, the attorneys, the bankers to give venture loans, the angels, it goes on and on and on. Just the attitude, the can-do attitude of Silicon Valley. It's nowhere close anywhere else. And every time I invest even in L.A. we have all kinds of problems where I say to the entrepreneur, "If you just move to Silicon Valley, all this would be solved." And that's actually born out by the facts.

So I was talking not long ago to somebody who invests in VC funds. And they've invested in hundreds of them over the last 30 years. And I said, "What's the one thing you've learned?" He said, "Draw a 25 mile radius around Stanford University and 75% of all returns in the venture business have come from there." That is statistic, right? I mean that's an incredibly powerful argument about just the power of Silicon Valley, the ecosystem. And somewhere on the order of 90% plus have come from that plus 10-mile radius around Route 128 in Boston. So can it be in a situation where there are too many resources? Can there be too much money chasing deals? No way. There can't be? No, there's more competition and the entrepreneur wins in that situation. The more choices entrepreneurs have, the better the ecosystem is. That's why Silicon Valley is so great. If I say no to an entrepreneur, the great news is there's another angel down the street that hopefully will do that deal. My goal is that every entrepreneur gets funded.

Because I think there aren't enough entrepreneurs. The more entrepreneurs, the more Silicon Valley will thrive. We have a lot of listeners to our podcast all over the world who are not in Silicon Valley. Get on the plane. I did what he said. Look at Mark Zuckerberg. Yes. Here is a guy who is sitting at Harvard. Facebook would still be successful today if he stayed at Harvard. There's no doubt about that in my mind.

He had the sense to come out here and drag four of his roommates with him. Because he knew out here he would find more engineers, more biz dev people and be able to build the ecosystem for Facebook faster. But let's imagine. Let's imagine that everybody can't get on a plane and come to Silicon Valley. Don't start a company. Ok. Let's imagine that you're in Latin America or you're in Asia or you're in Europe. And you say, "I want to create a rich entrepreneurial environment." What would be the three things you would recommend? I mean there is something you say, "I want to at least try." Do you say set up an incubator? Do say make sure that bring it about your investors? I mean what would be the thing that you would recommend? Well there are some good VCs in Europe. I mean if it was entrepreneur who said I'm not moving. Skype didn't do too bad, either.

Yes. But Skype was funded by a Silicon Valley... The Skype guys have actually founded a VC firm called The Tomacco in England. If it was an entrepreneur who wouldn't relocate I'd say talk to it, Tomacco. Go talk to Balderton Capital, which is some former Benchmark guys who I really think add value for entrepreneurs Danny Rimer. Danny Rimer at Index Ventures is good. So yes, there's an ecosystem in Europe, but it's tiny compared to Silicon Valley. You have lawyers to screw up all the docs. The people just don't know the way these companies work. How they should be formed.

So it's a special language. And the other thing is that part of the advantage that I think Silicon Valley's built over time. And this is coming from a guy who moved here. I moved here from Austin for this reason. But the very best entrepreneurs in the world make enormous sacrifices to come here and build just awesome companies. And so if you think about some of the best companies in Silicon Valley that are ever been built, they weren't built by native Californians. Silicon Valley isn't so much of a place. It's an idea about what's possible and what kind of company's can be built. And people who gravitate to that set of ideas and that way of thinking and that culture locate here. Because in a hyper brutally savagely competitive world of start-ups, every advantage counts.

All the lights are green here. When they're are yellow or red in other places.