



Stanford eCorner

The Silicon Valley Ecosystem

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Boston and San Diego can claim some footing, but Silicon Valley is truly the hub for technological innovation, says KPCB partner Beth Seidenberg. Her venture firm is doing some work in Europe and China, but Valley culture includes education, technical expertise, talent, and access to capital unparalleled elsewhere. To illustrate her point, Seidenberg offers a case study that compares the ecosystems of Southern California to the offerings of Northern California universities and Sand Hill Road.



Transcript

We use the term, frequently, ecosystem. The value that you all have training at Stanford and being in the Silicon Valley in the Bay Area is enormous. It is an environment unlike any other environment I've ever seen and anybody has ever created. There is certainly an ecosystem in Boston. There is a little bit of one in San Diego. But in the United States, those are the hubs for innovation. In Europe, they haven't been able to pull this together. China, we're doing a lot of work there. They're starting. India, not really.

It's really unique. What makes this unique is culture. So the fact that this course exists is a perfect example of the culture of entrepreneurship. You have to have technical expertise in your area. One of the major takeaways for you is, if you're thinking about going into a startup company, starting a company on your own, working with somebody, go work in your sweet spot. Work in an area that you understand and you know. Eventually, you can branch out, but when you start, work in an area where you have expertise. There is a lot of talent. There's a lot of capital, and that all comes together very nicely in this ecosystem. I thought about changing this talk.

I gave a similar talk down in Southern California that is trying to build an ecosystem like Silicon Valley. They're not there, and there are key elements that are missing. So I'm going to show you a slide on Northern California and a slide on Southern California, but imagine that you are in Kentucky or you are in New York City - tries to do this, and it's just not the same. You'll get it when I show you the examples. Talent and scale, the slide speaks for itself. Why are the companies so important? Companies are important because they're training grounds. That's where you learn the basic elements of how to operate and how to put pieces together. We get a lot of talent from the bigger companies that are formed here in Silicon Valley. When I put this together, I struggled to find a set of companies that would really have a talent pool that we could draw from. It's different.

You have a biotech. You've got a couple of them. You've got computer tech, and then you've got some service companies. Very different formula. If you look at research talent, the cluster of universities around the Bay Area is just remarkable. This is what allows Boston to start with a cluster of very good startup companies; MIT, Harvard, MGH, Broad Institute, a very very good set. In San Diego, you have basically three institutions. There's not as much depth. Then, Southern California actually has a set of very good institutions, but what we find, and we've done a number of startups recently out of UC Santa Barbara and Caltech, is that we find the technology and then we move it. We move the technology maybe with a founder to the ecosystem up here or sometimes in San Diego because if you don't have the talent and the management pool and the banks and the lawyers and everybody else around you, it's very hard to start companies.

Capital. Drive up and down Sand Hill Road, there's a ton of capital. It's not a problem. But the other part that's really important are organizations like the Stanford Biodesign Program. We back a lot of companies and ideas, and people are trained to know how to start companies. Ideo is a great incubation center. I know you've heard from Mir about starting a device company. His incubator has just spit out multiple companies. Many places do not have that kind of infrastructure. Then, serial entrepreneurs, people who can tell you what it's like and how to do it and mentor and guide you.

Very important components. In Southern California, again, there's all these questions. There is one VC firm. There are a couple of small firms. Nobody really has put a foothold or headquarters down there. There are some law firms in L. A. but they serve the entertainment business. It's a little bit different when you're supporting starting a film versus biotech or a device company, although the risks are very similar, but there are no incubators. Then, the serial entrepreneurs have kind of done one company.

It's not multiple companies, so very different set of opportunities.