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Building High-Impact Entrepreneurship and Investing Communities in Flyover Country | Part IV: Embracing Job Mobility

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Many folks trace the origins of today's Silicon Valley to a group of engineers who defected from Shockley Semiconductor in 1957 to build Fairchild Semiconductor. The "Traitorous Eight" (credit William Shockley for the moniker) had been with Shockley for less than two years when they defected. Over the next twenty years, these engineers would themselves variously graduate from what is today often referred to as "Fairchild University." Together they launched more than 65 tech-driven companies, including such household names as Intel, National Semiconductor, AMD, and the granddaddy of Silicon Valley venture capital firms, Kleiner Perkins.

The Traitorous Eight were the first poster children for the extraordinary job mobility that has characterized Silicon Valley since the late 1950s. More recently the "PayPal Mafia" has been the headliner: a group of early PayPal folks who have since gone on to launch or fund dozens of high profile Silicon Valley startups. The fact is, high employee turnover is embedded in the ethos of Silicon Valley, even as it annoys some of the more established tech titans.

In her classic book-length study of Silicon Valley culture, "Regional Advantage," Annalee Saxenian reported that the average job tenure in the Valley was just two years, a figure much lower than the national average. Moreover, and for our purposes (as will be developed) more to the point, significantly lower than the comparable figure in the Boston-area tech community over the relevant time period.

Job mobility is, of course, expensive for employers, and generally frowned on by many business managers. Managing the departure of one employee, and the recruiting and training of a replacement, involves significant out-of-pocket expenses as well as softer costs. And yet, it is widely understood that as much as high job mobility imposes real costs for employers in Silicon Valley, that same job mobility is a key feature of Silicon Valley's innovation and prosperity engine, not a glitch. How is that?

Most obviously, Silicon Valley startups – being time-, talent-, and capital-constrained as they compete with bigger and more established players as well as each other – absolutely depend on their ability to attract critical talent as and when they need it. (And, for that matter, to jettison the same when they hit the cash wall or pivot to new markets or technologies.) Moving fast starts with ideas and decisions, but gets nowhere fast absent execution. Thus, high-impact startups cluster in places where key tech talent is not only abundant, but mobile.

In addition, the high impact startup life cycle is an accelerated one. The breadth, depth, and variety of talents needed to support the rapid and often convoluted evolution from raw startup to self-sustaining business changes dramatically over just a few years; often just a few months, weeks, or even days. I knew a financial manager in Silicon Valley who specialized in taking on the CFO role a year or so before a prospective IPO, and leaving for the next such company a year or so after the IPO. He did that a half-dozen times before settling down to a more (well, somewhat more) sedate career path.

Of course, as much as emerging high impact businesses depend on ready-access to job hoppers, more established Silicon Valley tech titans sometimes wish that high-mobility was, for them, in the rear view mirror. Indeed, several of them have, on more than one occasion, been accused of entering into informal and even formal "no poaching" provisions with their peers.

And yet…even Silicon Valley titans probably owe at least some of their continued success to high levels of job hopping in the Valley. Their counterparts in Boston's once dominant high impact entrepreneur and investing community surely would have benefited from more job mobility. Former New England tech titans, as for example DEC, Data General and Wang, were companies that placed a premium on long-term employment and regularly bludgeoned their employees with Massachusetts' draconian non-compete law. These companies and others, where job hopping was discouraged, and even punished, might still be with us if, like their Silicon Valley counterparts, they had been pushed harder by more startups founded and staffed by their graduates/defectors. As it is, I can't think of a single spin-out from Boston's "Big Three" that has had as much impact as any of dozens of companies established by former employees at Intel and AMD – not to mention Fairchild and PayPal.

At the end of the day, part of building a self-sustaining, high-impact entrepreneurship and investing culture is changing business and social attitudes and expectations about job mobility. Building a startup and sustaining one that finally "arrives" as an established tech player, both depend on low-friction job markets, where startups can access (and shed) talent "just-in-time", and more established companies are kept on their own innovation-toes by those same pesky startups, as well as each other.

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