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What the New North Can Learn From Silicon Valley

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Since returning to my Northeast Wisconsin roots fifteen years back, after a career in high tech entrepreneurship and venture capital in Silicon Valley and North Carolina, I've spent much of my professional time trying to foster the emergence of a self-sustaining, high-impact entrepreneurship and investing community here in the New North. Northeast Wisconsin's entrepreneurial roots run deep, all the way back to the forest-products pioneers of a hundred years ago and more, upon whose legacy we largely owe our continuing (for now) prosperity. It's past time for a new generation of Wisconsin entrepreneurs to lay a new foundation for another century of prosperity.

By any objective measure – and the most obvious and helpful, I think, is venture capital investment – I've failed. Or we've failed, as while there are not a lot of us working on the project, there are several dozen to several hundred of us, depending on how you count. There was virtually no venture capital investment in the New North fifteen years ago. Since then, while the needle might have twitched a time or two, it has not made any sort of material, sustained move. Worse, while we've been treading water (can you do that in a puddle?) our friends in Madison have been busy establishing a venture-financed entrepreneurial beachhead that at least a few folks in Silicon Valley have taken notice of, if not yet come calling on, in any force.

All of that said, I still believe that the New North has the raw materials to support a regionally important high impact entrepreneurship and investing community. Nothing like Silicon Valley, of course. Maybe not even in Madison's league – though even with a lot of catching up to do I wouldn't concede that quite yet. In all events an entrepreneurial innovation community more than sufficient to energize a new generation of innovation and wealth creation that could provide a foundation for continued New North prosperity for decades to come.

So, the obvious question. Why so little progress? Why haven't all of us smart, well-connected, enthusiastic folks

pushing the “we can do that here!” narrative made any real headway?

There are a bunch of reasons. But two, I think, set the table for all of the others. Two assumptions about the challenge that most all of the regional cheerleaders get wrong.

The first deal-killer assumption goes something like this: “That may be the way they do it in Silicon Valley, but that’s not the way we do it here.” Sometimes, this attitude is employed offensively, as, for example, “well, they may work longer hours in Silicon Valley but our employees are more loyal,” which is true enough. Sometimes it is employed defensively, as for example: “We just don’t have the risk capital resources to build companies the way they do on the Left Coast,” which is also true. In both cases, though, the contentions are valid – but they are fundamentally misdirected and misleading.

The argument about longer hours and loyalty is flawed because it is widely accepted among close observers and participants in the Silicon Valley juggernaut that as much as job-hopping may cost employers, those costs are dwarfed by the benefits employers reap from being able to rapidly poach (actually, as often as not just recycle) time-sensitive, mission-critical talent from their regional brethren. Timely access to employees who are willing to live and breathe their work – and believe me, the archetypical Silicon Valley programmer deep in the bowels of Facebook works a lot more hours than her counterpart deep in the bowels of, say, Kimberly-Clark – is way more valuable to high impact emerging companies than having employees that bleed the corporate colors. Most Silicon Valley startups, after all, flameout (or cash out) in less than ten years in any event.

People with the “that’s not the way we do it here” mentality should understand why they do it their way in Silicon Valley before they say our way is better, or even good enough. So while there are surely established “Big-Tech” icons in Silicon Valley – just as there are big companies in the New North – that would like to see employees stick around longer than they generally do, the emerging, venture-backed companies – the kind of companies we need more of here – absolutely depend on their ability to quickly attract job-hoppers looking for their next, next big thing gig. Employee churn is a feature of Silicon Valley’s high impact entrepreneurship and investing culture, not a glitch.

As for the argument that the New North just doesn’t have the venture/risk capital resources to do high impact entrepreneurship, well ... so what? Go back several decades, to when Silicon Valley was becoming Silicon Valley, not being Silicon Valley, and Silicon Valley didn’t have the venture capital resources to do what Silicon Valley does so much of today. We should stop looking at today’s Silicon Valley headlines – the billion dollar (and even hundred billion dollar) venture funds doing \$100 million investments in proven management teams – and start looking at the “origin” times of Silicon Valley when \$50 million was a huge fund; \$3 million a big round; and management teams were typically bereft of entrepreneurs who had “been there, done that” before. Consider that the first round of Genentech was \$250k and was based on a business plan (and scientific team) assembled by a junior venture capitalist.

The Silicon Valley model that matters to the New North is emphatically NOT the one that is in all the headlines today. It is rather the Silicon Valley of the 1970s and 1980s. A time when job-hopping was as important to the ethos as it is today, but also a time when experienced capital and talent was a lot scarcer than it is today. If we want our little corner of paradise to find a meaningful place in the orbital plane of Silicon Valley, we should start (finally) by studying, and learning from, what makes Silicon Valley tick. And, even more to the point, what got it ticking in the first place. Have some humility, people. We must develop a really solid understanding of how Silicon Valley got to the top of the innovation mountain before we start our own climb up from the valley floor.

Post Script: If you want to learn a lot about what made and makes Silicon Valley tick, a good place to start is “Regional Advantage” by Anna Lee Saxenian. This classic and highly respected study of the Silicon Valley ethos is even more compelling for folks in places like the New North in that it casts the Silicon Valley ethos as a contrast to Boston’s more traditional business ecosystem – New England being a region that despite having a clear first mover advantage over Silicon Valley was, in less than twenty years, a distant second and fading player in the high impact innovation and investing world.

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