

Silicon Valley 2003 Back to the Future

Entrepreneurship in Silicon Valley is dead.
Long live entrepreneurship!

After nearly 20 years, I am still a denizen of Silicon Valley in large part because I love entrepreneurs - those wild-eyed dreamers who invent the future by launching new ideas in the marketplace against all odds. I love their quirky defiance, their unrelenting creativity. But most of all, I love their passion.

In the middle of the Internet Boom I was horrified by what passed for entrepreneurs. The carpetbaggers and speculators who swarmed the Valley looking for Dot.com get-rich-quick schemes to cash in on Wall Street's irrational exuberance.

When I first sat down to write "The Monk and the Riddle" in 1998, the Bubble was fast inflating. I should have been in nirvana. After all, my home team was winning and I was profiting to boot. But I had a gnawing feeling that something wasn't right in Silicon Valley; that it would all end badly.

After shouting that the emperor was naked, I expected to be persona non grata in the Valley forever more. But as luck would have it the book released in March of 2000. My portfolio was sinking fast, but my book found a rapidly growing audience of malcontent and confused people wondering what had gone wrong.

In a way, it was like winning a game of pool by sinking the last ball in the wrong pocket. A sour victory. Yeah, it turned out that what passed for entrepreneurship in Silicon Valley in the late 90s was simple momentum investment – any Dot.com was a pretty good bet for a quick flip. But I could never have predicted how devastating the eventual readjustment would be for the Valley. The overhang of lost fortunes and bankrupt dreams has brought this place to its knees.

The premise of "The Monk" holds as true today as it ever has -- you can't have entrepreneurship without real entrepreneurs. But what is a real entrepreneur? Harvard Business School defines entrepreneurs as people who pursue opportunity without regard to the resources controlled, a pretty prosaic definition. There is no mystery or wonder in that. No romance. What could all the fuss have been about?

Entrepreneurship in Silicon Valley is not just about starting new businesses, going public, cashing out and getting rich. No, that is just a fortunate, if rare, scenario. The heart of Valley entrepreneurship is about making constructive change using the tools of commerce. With business being the de facto religion of this great land, entrepreneurship is not simply a financial institution; it is a social institution. It is a potent way in which we as a society challenge the status quo and build value as measured by the marketplace.

Entrepreneurs -- real Silicon Valley entrepreneurs -- are driven by a vision of how things can be done better; new products, new experiences, NEW. They burn white hot with the need to prove they are right, and in the process reap the spoils. Great entrepreneurs don't do it FOR the money, but then again, most of them wouldn't do it without the possibility of being handsomely rewarded either. The money is the proof that their quest was worth it, that they made a difference, that they were smarter than their detractors. Don Quixote never made a cent tilting at windmills. But when the cold wind blows past the venture capitalists on Sand Hill Road like it does today, it's not the money that keeps those entrepreneurs doggedly pursuing their dreams. It's passion.

What I miss most about those ludicrous days of the Bubble Boys is not the easy money. What I miss most is the optimism. As irrational as the exuberance may have been, it at least reflected a deep faith in the Valley that the future would be better than the past and that we could all participate. The stock market may be a weak indicator of any particular company's true worth, but in aggregate it is a great indicator of the psyche of the nation. And we were on top of the world in the late 90s.

Post-crash, post-scandals, post-9/11, post-Afghanistan, post-reality, we have lost much more than our wallets or our security. We have lost our faith in the future -- our belief that two kids in a garage who could not even spell "IPO" might be worth a king's ransom if only their mousetrap was better than the rest.

Silicon Valley is suffering more than most places in America these days. And why not? It benefited more than most during the craziness. The general MO around here is plausible deniability. Judging from the whispers at the scaled down Valley soirees these days, no one actually invested in B2C, or B2B, or whatever acronyms were the herd wisdom du jour. It seems that those greater fools left town.

The Valley has gone through its denial, its anger, its bargaining, and is currently locked in the grip of its depression. Can acceptance be far around the corner?

The personal down sizing is quiet. The inventory of large and expensive homes for sale is growing, and without IPO windfalls the buyers aren't biting.

Many people who would not have considered themselves "unemployed" a year ago as they waited for a thaw before going back to work are finding themselves running out of time, and money. Most venture capitalists remain frozen in the headlights, trying to figure out how to make a return in this scaled down market. Investments are slow, and cautious, and unsatisfying.

So is Silicon Valley entrepreneurship really dead? Well, what passed for entrepreneurship in the Bubble is six feet under. Those foolish times aren't returning until there is no one left who remembers them.

But the Valley has a rich history of real entrepreneurship. Lead by great entrepreneurs like Bill Hewlett, Dave Packard, Bob Noyce, Gordon Moore, Steve Jobs, etc. People who couldn't resist

starting a business in order to change the world. Irrepressible types who made fortunes by being right, and creating great value for others in the process.

The dirty little secret is that most start-ups fail, most entrepreneurs don't make ghastly sums of money, and most investors loose their grubstakes. Entrepreneurship is a laboratory for new ideas, and like any set of experiments, most will not give you the desired results. So the Silicon Valley culture of entrepreneurship is not principally about IPOs, it is about failure and how people deal with it constructively. The Valley is distinguished for its ability to separate business failure from personal failure and to turn it into valuable experience, focusing it on whatever comes next.

Which brings us back to the future. Silicon Valley has a lot of digging out to do yet. There are still companies to close down, people to return home, and investors to wash out. Nevertheless, the catharsis is in full swing, and in the midst of it all, the entrepreneurial heart and soul of Silicon Valley beats strong and vibrant. There are still plenty of real entrepreneurs here. And while it is unlikely to be the photo-op that the Dot.coms were - the next thing is coming, I know it, the Valley knows it, and we will be ready when it arrives.

I just wish it would hurry up.

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