Start-Up

What we may still learn
from Silicon Valley

EPFL– eLab – Session 1
17 September 2015
Hervé Lebret
www.startup-book.com

Agenda

- A short history of Silicon Valley
- Silicon Valley vs. Europe (part I): about culture & networks
- A few European examples
- Silicon Valley vs. Europe (part II): go West?
- The Innovation dilemmas
- A (long) conclusion!

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Google

Shareholder	Shares	Ownership
S. Brin	38'490'304	14.2%
L. Page	38'490'304	14.2%
A. Bechtolsheim	*1'600'000*	*0.6%*
D. Cheriton	*1'600'000*	*0.6%*
J. Bezos	*1'600'000*	*0.6%*
Stanford University	*1'842'070*	*0.7%*
Others	*8'717'930*	*3.2%*
Series A	15'360'000	5.7%
Kleiner Perkins	*23'893'800*	*8.8%*
Sequoia	*23'893'800*	*8.8%*
Series B	47'787'600	17.6%
Series C	6'479'000	2.4%
Others	110'470'300	40.7%
Eric Schmidt	*14'758' 800*	*5.4%*
Omid Kordestani	*4'810'520*	*1.8%*
IPO shares	14'142'135	5.2%
Total	271'219'643	100.0%

Table 1-1 - *Google Shareholding*

http://www.startup-book.com/2010/05/12/the-google-story/

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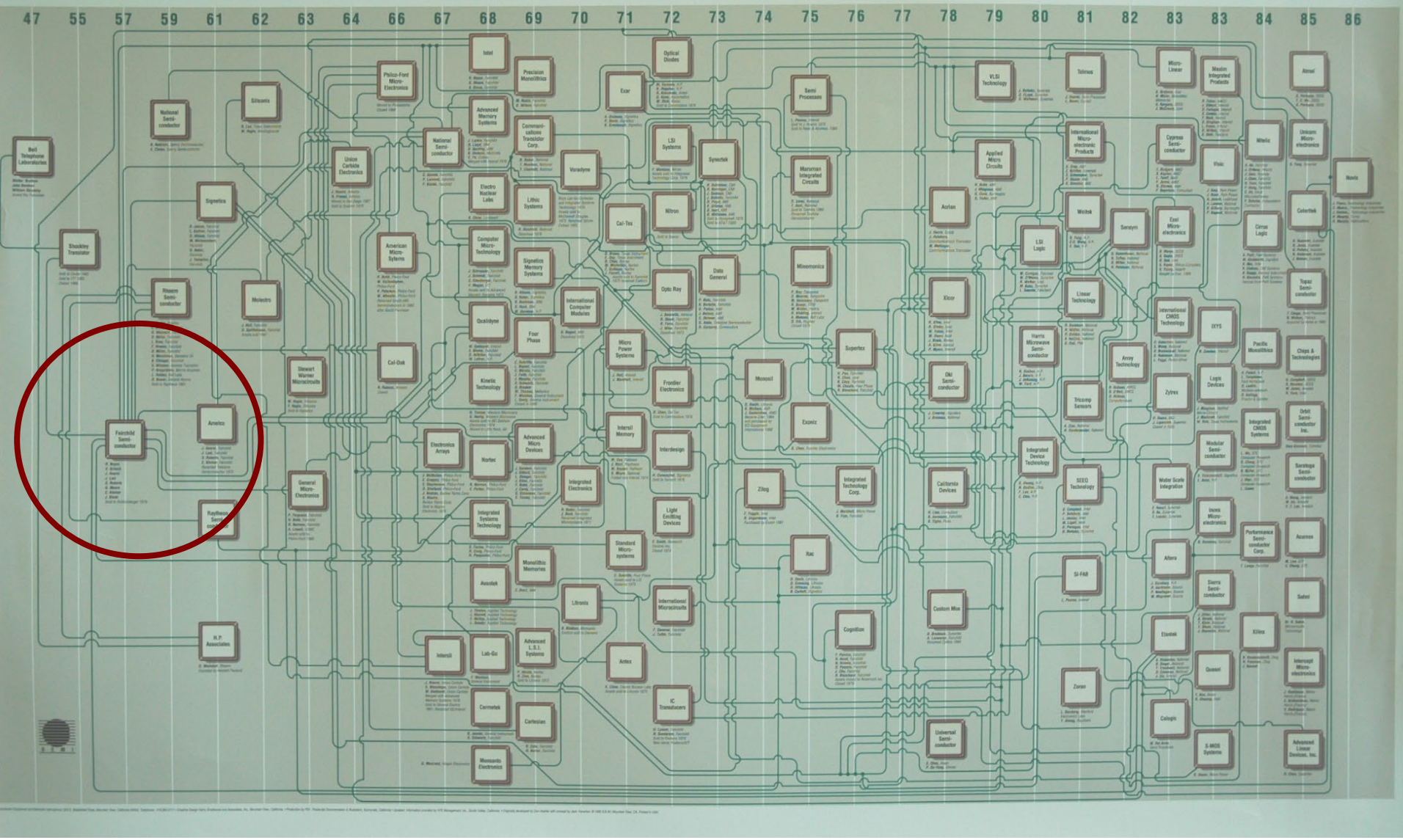
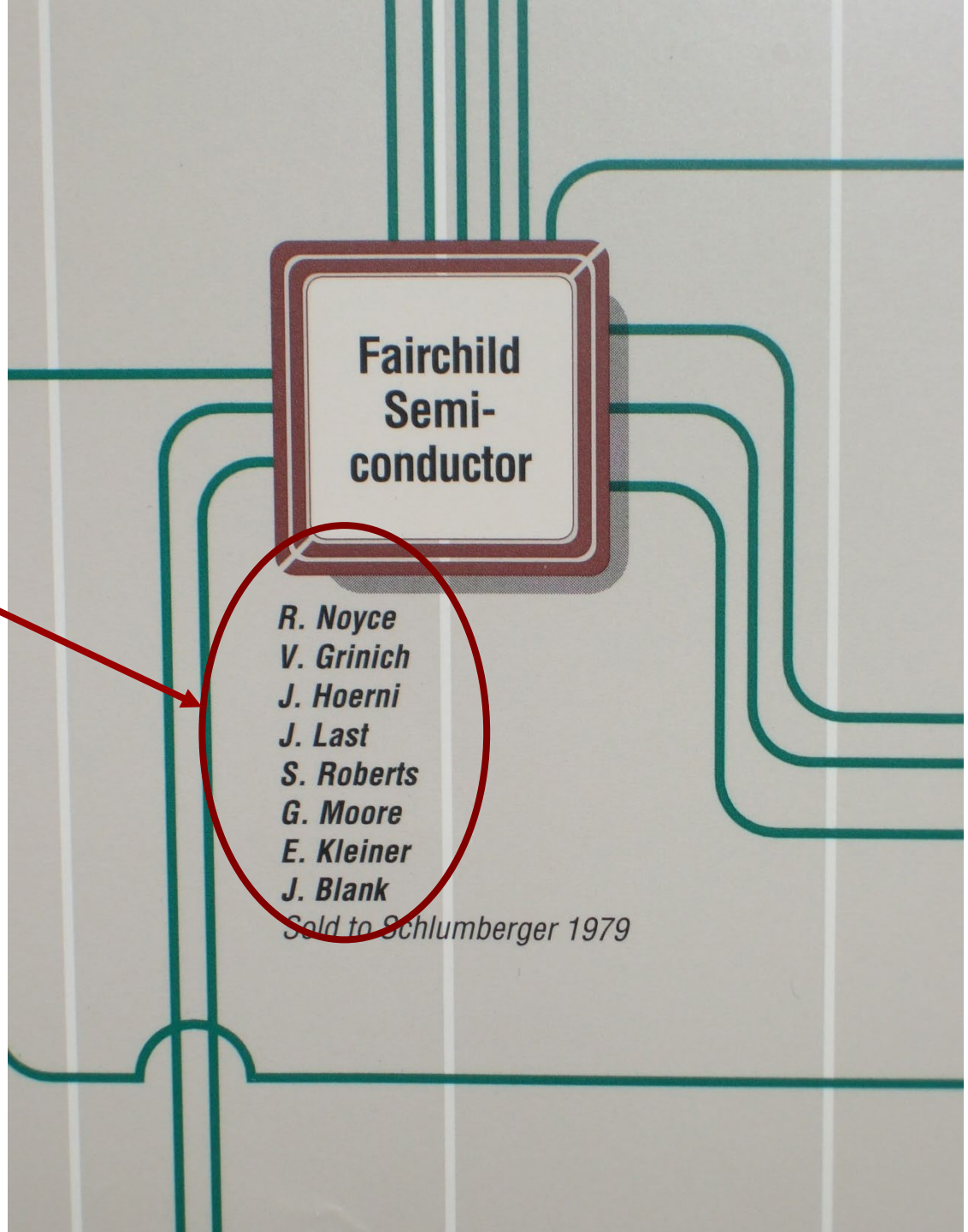
http://www.startup-book.com/2010/05/12/the-google-story/

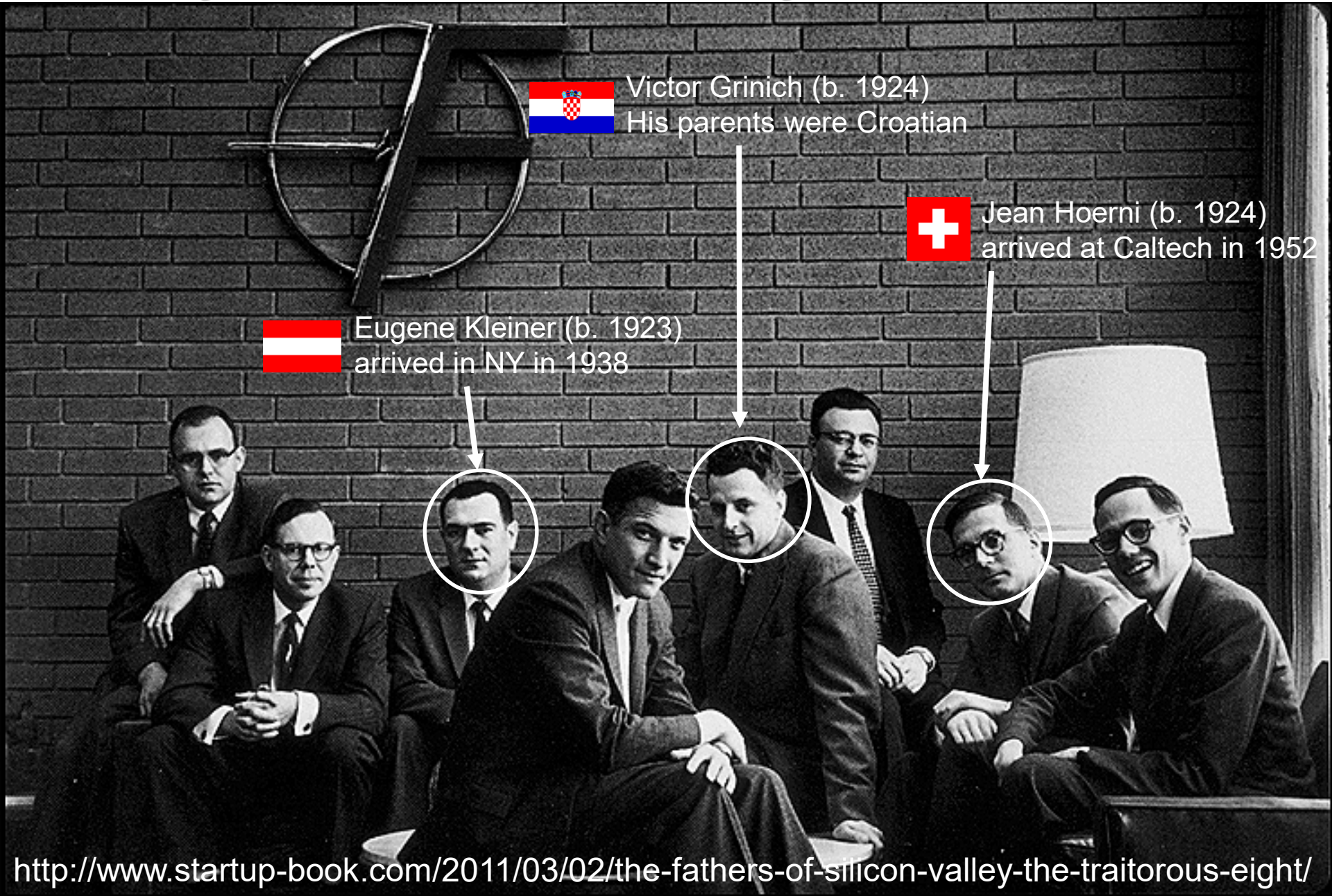
SILICON VALLEY GENEALOGY



The Eight Traitors at the origin of Silicon Valley

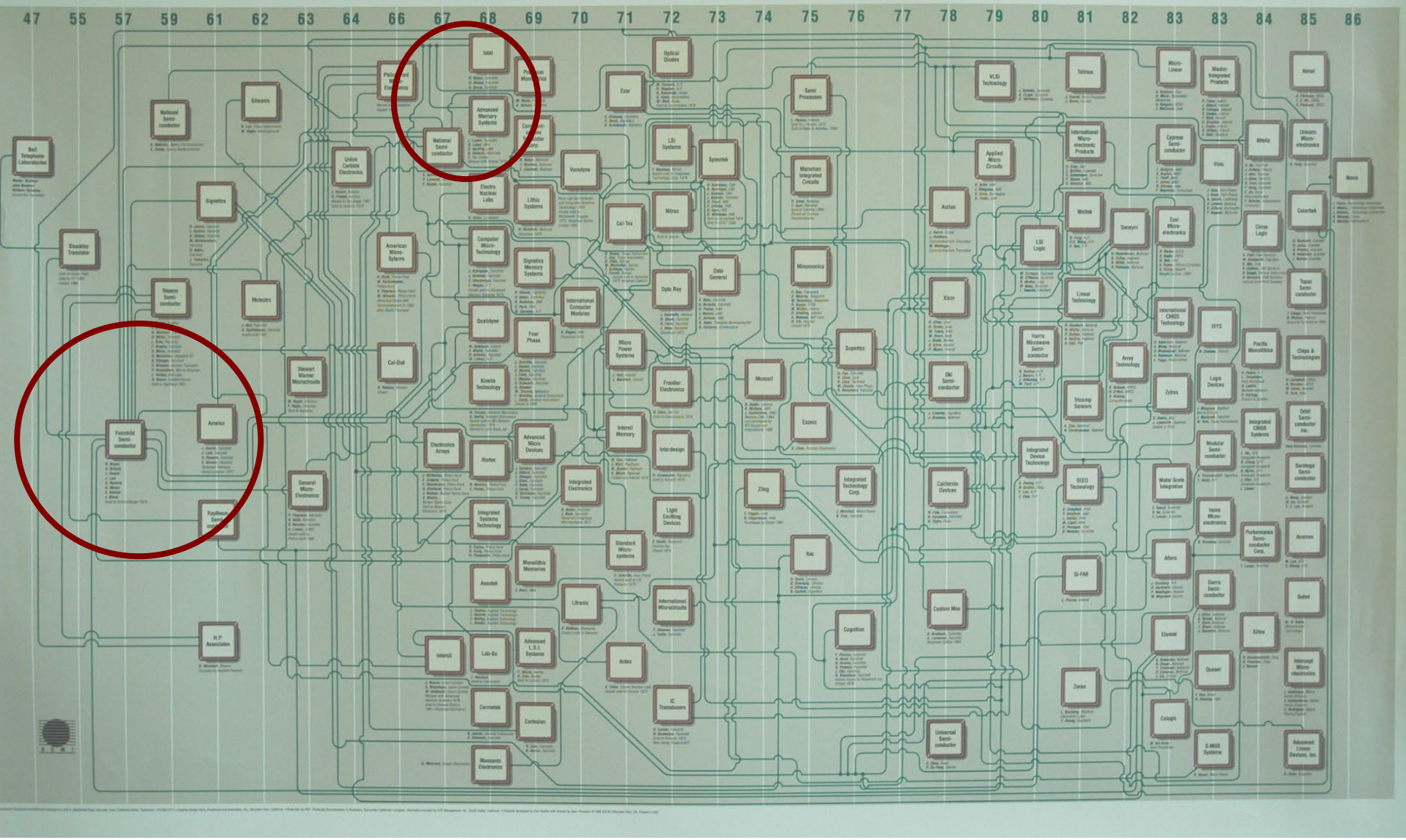


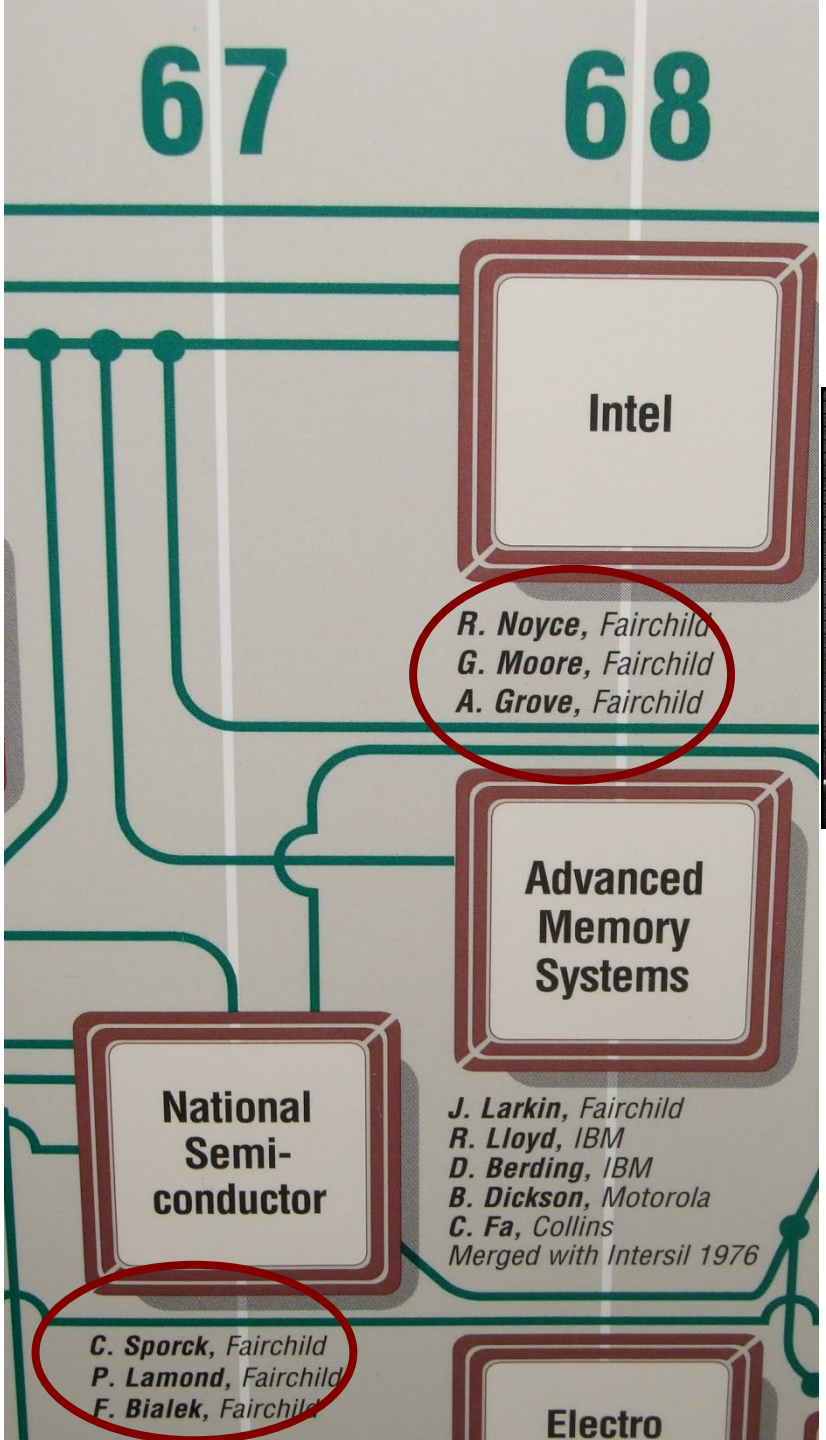
The eight Traitors: Julius Blank, Victor Grinich, Jean Hoerni, Eugene Kleiner, Jay Last, Gordon Moore, Robert Noyce and Sheldon Roberts.



http://www.startup-book.com/2011/03/02/the-fathers-of-silicon-valley-the-traitorous-eight/

SILICON VALLEY GENEALOGY





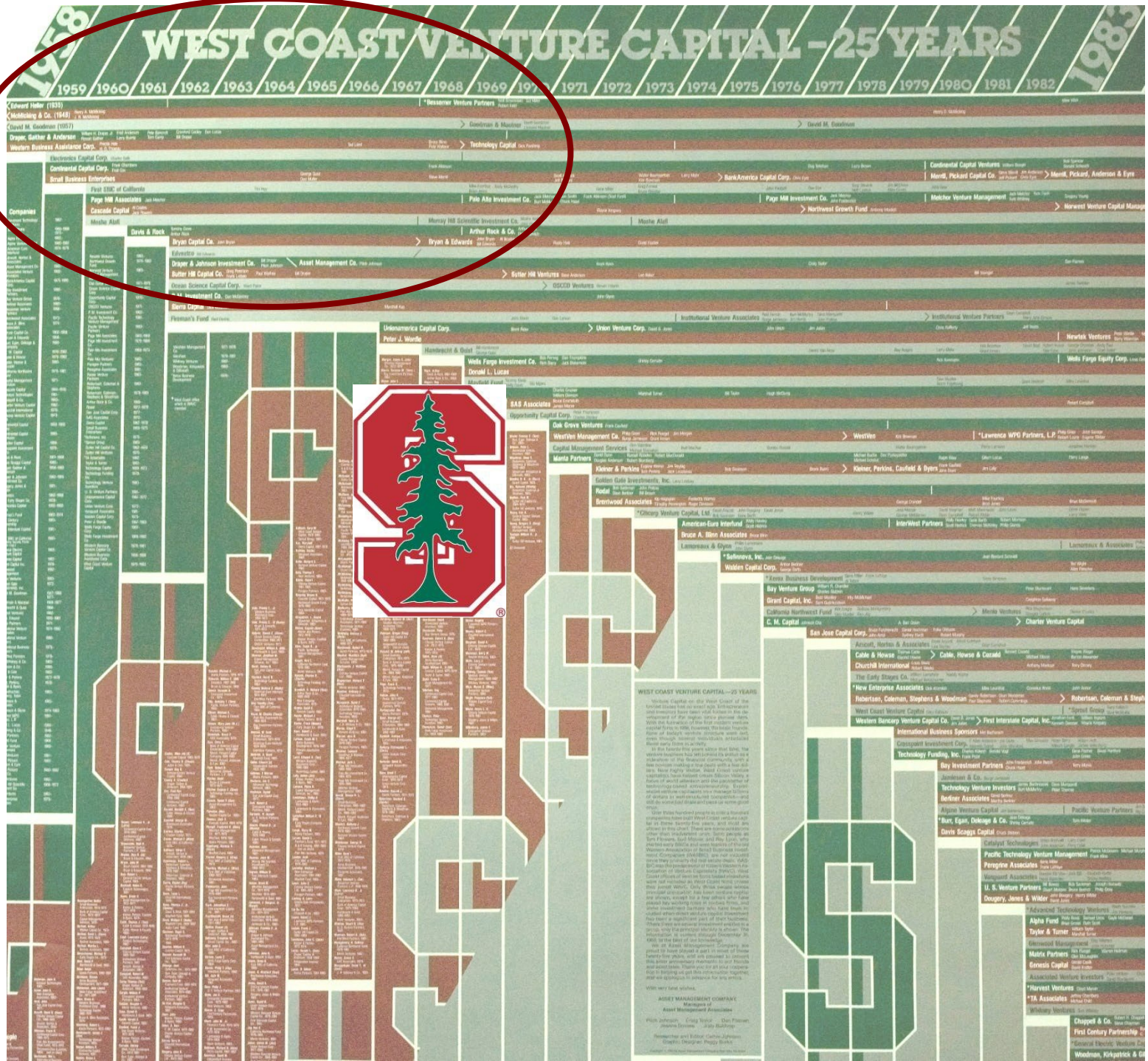
Cofounder
National Semiconductor, 1967

The one-page Intel business plan, 1968

The company will engage in research, development, adn manufacture and sales of integrated electronic structures to fulfill the needs of electronic systems manufacturers. This will include thin films, thick films, semiconductor devices, and other solid state componenes used ih hybrid and monolithic integrated structures.

A variety of processes will be established, both at a laboratory and production level. These include crystal growth, slicing, lapping, polishing, solid state diffusion, photolithographic masking and etching, vacuum evaporation, film deposition, assembly, packaging, and testing, as well as the development and manufacture of special processing and testing equipmentrequired to carry out these processes.

Products may include dioded. transistors, field effect devices, photo sensitive devices, photo emitting devices, integrated circuits, and subsysteme commonly referred to by the phrase "lagge scale integration" Principal customers for these products are expected to be the manufacturers of advanced electronic systems for communications, radar, control and data processing. It is anticipated that many of these customers will be located outside California.


WEST COAST VENTURE CAPITAL – 25 YEARS
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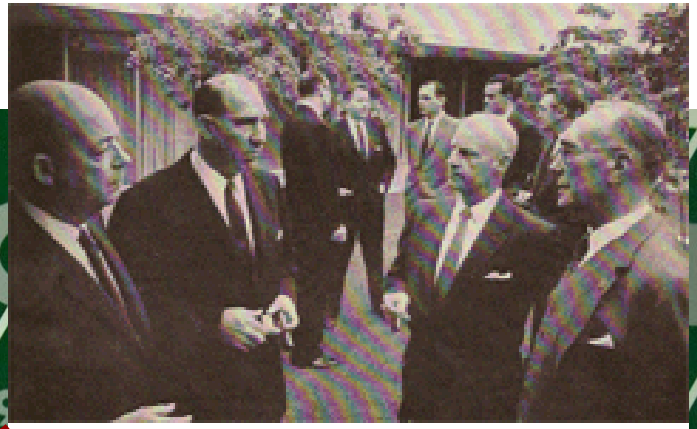
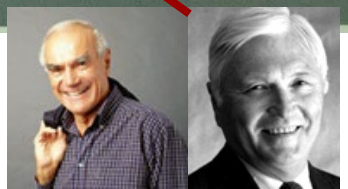
Companies
WEST COAST VENTURE CAPITAL—25 YEARS



From *Business Week*, Oct 29, 1960
General partners H. Rowan Gaither, Jr., Frederick L. Anderson, Laurence G. Duerig, William H. Draper, Jr. pictured left to right. William H Draper III in the background.

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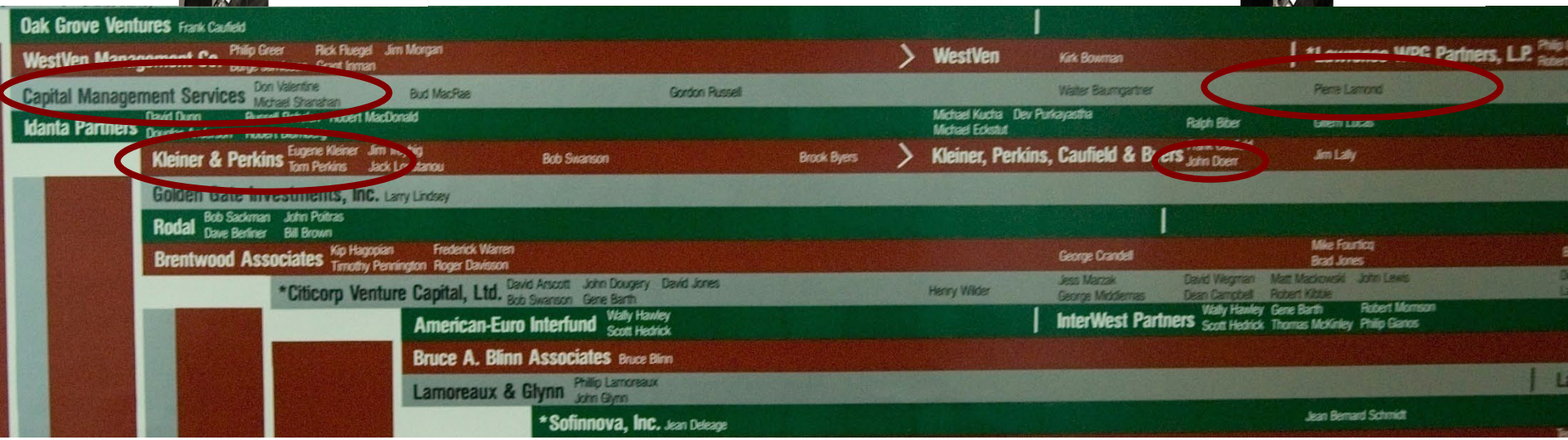
Companies
WEST COAST VENTURE CAPITAL—25 YEARS

Cofounder
National Semiconductor, 1967

Cofounder
National Semiconductor, 1967



EUGENE KLEINER
TOM PERKINS

JOHN DOERR

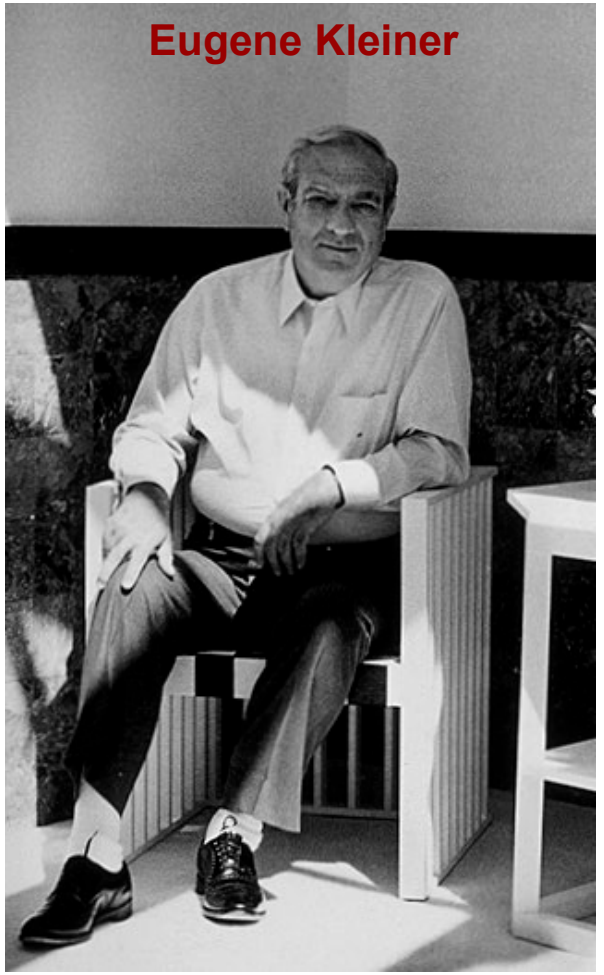
1957 – Arthur Rock

Rock, a NY banker, introduced the 8 traitors to Fairchild in 1957, then funded Intel and Apple

1972 - Kleiner Perkins

Tom Perkins (HP) and Gene Kleiner (Fairchild) raise together their first fund in 1972.

They consider themselves as the first VCs with an industry and entrepreneur background



1972 - Sequoia

Cofounder
National Semiconductor, 1967

Don Valentine,

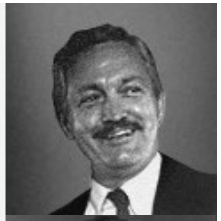
a co-founder of National

and Fairchild marketing director creates in 1972 the VC arm of the Capital Group, later named Sequoia.

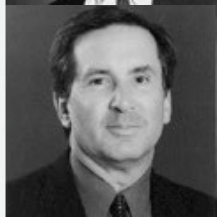
Kleiner Perkins

Perkins and Kleiner will be joined by Caufield and Byers in 1977 and the partnership becomes KPCB.

FRANK CAUFIELD



BROOK BYERS



KP CB

Later come famous icons John Doerr (Intel) and Vinod Khosla (Sun founder)

JOHN DOERR

VINOD KHOSLA

Sequoia

SEQUOIA CAPITAL®

THE ENTREPRENEURS BEHIND THE ENTREPRENEURS ®

Joining Valentine, the firm will grow with famous to-become partners.

Pierre Lamond (National) - 1981

Mike Moritz (Time Magazine) – 1986

Doug Leone (HP, Sun) – 1988

Cofounder
National Semiconductor, 1967

Correspondent
TIME Magazine, 1979

Sales
Hewlett Packard, 1979

Some of their investments

KP

First fund: $8M

Tandem, Genentech, Hybritech,
Compaq, Sun,
Amazon, AOL, Netscape, Google

The $1.6 million the firm invested in Tandem Computers Inc. in 1975 was worth $203.4 million in 1982. Genentech was an even better investment, with a return of 200 to 1 in two years.

http://www.startup-book.com/2009/02/09/about-kleiner-perkins-first-fund-episode-3

Sequoia

First fund: $7M

In the early days, Atari, Apple
then 3com & Cisco
Also Oracle, Cypress, Yahoo, nVidia, Google, youtube

About Swanson…& Boyer

- Bob Swanson was working for Kleiner Perkins
- He had the intuition genetic engineering would become important
- Against the will of his firm, he left KP and began contacting the best biologists in the San Francisco Region
- He got a 10-minute Friday afternoon meeting with Herbert Boyer who agrees on the potential, but sees it as a 10-year horizon; we are in 1976…
- "Why, why, why" does not stop saying Swanson. "Why does it have to be so long?"
- The 10-minute talk became a 3-hour meeting with many beers
- The beers apparently convinced Boyer
- The duo went back to Kleiner who was extremely skeptical
- Impressed by their energy, he accepted to invest $100k in a step-by-step mode to assess the risk and potential
- …
- … *(more on http://www.startup-book.com/2009/06/11/bob-swanson-herbert-boyer-genentech)*
- In 1980, Genentech went public and the biotech industry was born!

Entrepreneurs and investors

60’s

70’s

TOM PERKINS

EUGENE KLEINER

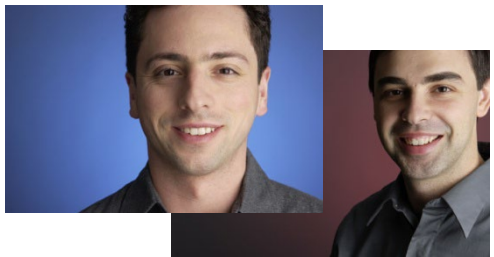
5/12/23 – 11/20/03

80’s

VINOD KHOSLA

JOHN DOERR

90’s



SEQUOIA CAPITAL

KP CB

Kleiner Perkins Caufield & Byers

Another source to enjoy the early days

http://www.somethingventuredthemovie.com/

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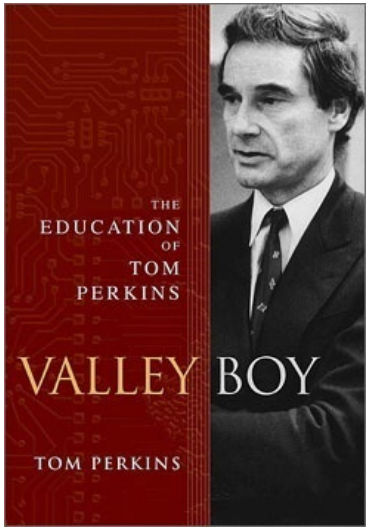
Steve Jobs about why Silicon Valley "[There are] two or three reasons. You have to go back a little in history. I mean this is where the beatnik happened in San Francisco. It is a pretty interesting thing…You've also had Stanford and Berkeley, two awesome universities drawing smart people from all over the world and depositing them in this clean, sunny, nice place where there's a whole bunch of other smart people and pretty good food. And at times a lot of drugs and all of that. So they stayed… I think it's just a very unique place"

Don Valentine on Founders: *"Founders are genetically impossible by choice."*
"There are only two true visionaries in the history of Silicon Valley. Jobs and Noyce. Their vision was to build great companies…Steve was twenty, un-degreed, some people said unwashed, and he looked like Ho Chi Min. But he was a bright person then, and is a brighter man now... Phenomenal achievement done by somebody in his very early twenties… Bob was one of those people who could maintain perspective because he was inordinately bright. Steve could not.
He was very, very passionate, highly competitive."

“Launching a start-up is not a rational act. Success only comes from those who are foolish enough to think unreasonably. Entrepreneurs need to stretch themselves beyond convention and constraint to reach something extraordinary.” Vinod Khosla



“The difference is in psychology: everybody in Silicon Valley knows somebody that is doing very well in high-tech small companies, start-ups; so they say to themselves “I am smarter than Joe. If he could make millions, I can make a billion”. So they do and they think they will succeed and by thinking they can succeed, they have a good shot at succeeding. That psychology does not exist so much elsewhere.” Tom Perkins

Famous US start-ups

Company	Foundation	IPO	Market value	Employees
Apple	1976	1980	$520B	80'000
Google	1998	2004	$367B	50'000
Microsoft	1975	1986	$327B	99'000
Oracle	1977	1986	$185B	120'000
Facebook	2004	2012	$150B	7'000
Amazon	1994	1997	$138B	117'000
Qualcomm	1985	1991	$135B	31'000
Intel	1968	1971	$130B	107'000
Cisco	1984	1990	$124B	75'000
eBay	1995	1998	$66B	32'000
Yahoo	1994	1996	$34B	12'000
Tesla	2003	2010	$24B	6'000
Twitter	2006	2013	$18B	3'000
Average	**1989**	**1994**	**$171B**	**57'000**
HP	*1939*	*1957*	*$62B*	*317'000*

Reference : Yahoo Finance, May 21, 2014

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Facebook	2004	2012		7'000
Amazon	1994	1997		117'000
Qualcomm	1985	1991		31'000
Intel	1968			00
Cisco	1984	1990	$124B	75'000
eBay	1995			32'000
Yahoo	1994			12'000
Tesla	2003	2010	$24B	6'000
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KPCB

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BENCHMARK CAPITAL

Reference : Yahoo Finance, May 21, 2014

Famous European start-ups

Company	Foundation	IPO	Market value	Employees
SAP	1972	1988	$88B	66'000
ASML Litho	1984	1995	$35B	10'000
ARM Holding	1990	1998	$20B	3'000
Dassault Syst.	1981	1996	$15B	11'000
Gemalto	1988	2000	$9B	12'000
King Digital	2002	2014	$5B	800
Logitech	1981	1990	$2B	9'000
Criteo	2005	2013	$2B	800
Betfair	2000	2010	$1.7B	1'600
CSR	1998	2004	$1.5B	2'000
Swissquote	1997	2000	$0.7B	500
Soitec	1992	1999	$0.6B	1200
F-secure	1988	1999	$0.4B	900
Average	**1990**	**2000**	**$14B**	**9'000**
Nokia	*1865 (1966)*	*1915 (1994)*	*$27B*	*55'000*

Reference : Yahoo Finance, May 21, 2014

Biotech is not much different…

Company	Creation	IPO	Capital.	Employees
Amgen-Immunex	1980	1984	72	20’000
Genentech	1976	1986	86	10’500
Gilead	1987	1993	32	2’515
Genzyme	1981	1986	15	9’000
Biogen	1978	1983	14	3’750
Medimmune	1987	1991	7.5	2’350
Cephalon	1987	1991	4.1	2’900
Vertex	1989	1991	3.7	945
Invitrogen	1987	1999	2.9	4’830
Affymetrix	1991	1996	1.7	1’120
Human Genome	1992	1993	1.4	770
Medarex	1987	1991	1.4	492
Zymogenetics	1981	2002	1.0	498
Celera	1998	1998	1.0	480
Average	**1985**	**1991**	**17.4**	**4’300**

Company	Creation	IPO	Capital.	Employees
Shire	1986	1996	10.6	2’870
Elan	1969	1992	5.6	1’734
Actelion	1997	2000	5.0	1’252
Genmab	1999	2000	2.5	240
Qiagen	1996	1996	2.3	1’590
Crucell	1993	2000	1.4	900
Average	**1990**	**1997**	**4.5**	**1’430**

Similar data in biotech: http://www.startup-book.com/2010/06/14/europe-vs-usa-growth-in-it-and-biotech/

Source: Google Finance, Yahoo Finance, March 8, 2007

The European VCs – old model

Average IRRs	Europe 1984-2003	Europe 1994-2003	USA 1984-2003	USA 1994-2003
All funds	7.2%	8.3%	15.5%	25.4%
Early stage	1.9%	1.3%	19.1%	37.0%

Table 9-5: *Performances of Venture Capital in Europe*

	US Model	**Old European Model**
People	Entrepreneurs (founders and builders)	Consultants and accountants
Stage	Creation (seed)	Early (A round) but not seed
Provide	"Value added"	"Just money"
Style	Hands on (active)	Hands-off (more passive)
Talent	Sales & marketing	Scientists
Objective	Create very large companies	Create medium size companies
Philosophy	Maximize upside	Minimize downside
Returns	Target a small number of big winners (home run investing)	Believe returns can be earned across the portfolio

Table 9-1: *Comparison of the VC Models in the US and in Europe in the First Years*

Source: Tim Cruttenden – International VC Conference – Melbourne, 2006

Founders' age

Company	Foundation	Founder	Age
Microsoft	1975	Bill Gates	20
Microsoft	1975	Paul Allen	22
Oracle	1977	Larry Ellison	33
Apple	1976	Steve Jobs	21
Apple	1976	Steve Wozniak	26
Cisco	1984	Len Bosack	29
Cisco	1984	Sandra Lerner	29
Sun	1982	Vinod Khosla	27
Sun	1982	Bill Joy	28
Sun	1982	Andy Bechtolsheim	26
Google	1998	Larry Page	25
Google	1998	Sergey Brin	25
eBay	1995	Pierre Omidyar	28
eBay	1995	Jeff Skoll	30
Yahoo	1995	David Filo	29
Yahoo	1995	Jerry Yang	27
Netscape	1994	Marc Andreesen	23
Intel	1968	Robert Noyce	41
Intel	1968	Andy Grove	32
Amazon	1994	Jeff Bezos	30
HP	1939	Bill Hewlett	26
HP	1939	David Packard	27
Dell	1984	Michael Dell	19
Facebook	2004	Mark Zuckerberg	20

Average: 27

Founder	Company	Age
Hasso Plattner	SAP	28
Dietmar Hopp	SAP	32
Hans-Werner Hector	SAP	32
Klaus Tschira	SAP	32
Francis Bernard	Dassault	>36
Pier Luigi Zappacosta	Logitech	30
Daniel Borel	Logitech	30
Bernard Liautaud	Business Objects	27
Denis Payre	Business Objects	27
Jamie Urquhart	ARM	32
Mike Muller	ARM	31
Tudor Brown	ARM	31
André Auberton-Hervé	Soitec	31
Jean-Michel Lamure	Soitec	44
James Collier	CSR	40
Glenn Collison	CSR	35
Mike Lynch	Autonomy	31
Richard Gaunt	Autonomy	28
Marc Lassus	Gemplus	49
Daniel Le Gal	Gemplus	37
Marc Bürki	Swissquote	37
Paolo Buzzi	Swissquote	37
Jean-Baptiste Rudelle	Criteo	35
Franck Le Ouay	Criteo	31
Risto Siilasmaa	F-secure	22
Petri Allas	F-secure	21

Average: 32

Founders' origin

Founders and Spin-offs from Leading Institutions in Silicon Valley and in the Boston Area					
	Silicon Valley (1)			Boston (2)	
	Employee Founders	Spin-off Start-Ups		Employee Founders	Spin-off Start-Ups
Leading Companies					
Apple	94	71	Data General	13	13
Cisco	41	35	DEC	52	41
HP	117	99	EMC	9	6
Intel	76	68	Lotus	29	26
Oracle	73	57	Prime	5	5
SGI	50	37	Raytheon	7	7
Sun	101	79	Wang	11	11
IBM	82	77	IBM	23	23
Leading Universities					
Stanford	71	64	MIT	74	63
UC Berkeley	20	20	Harvard	32	31

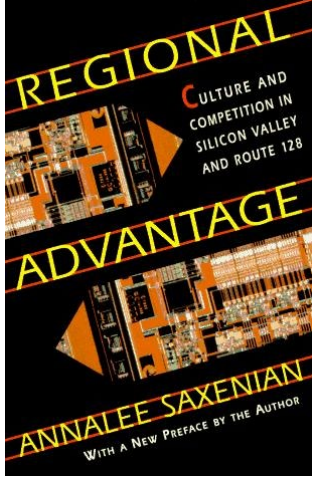
(1) Founder sample size : 2'492
(2) Founder sample size : 1'157

Table 7-1: *Professional Origin of Start-up Founders*

Source: J. Zhang (2003) compiled data from VentureOne based on VC-backed spin-offs from 1992 to 2001

A Darwinian ecosystem

1982	2002
1. Hewlett-Packard	1. Hewlett-Packard
2. National Semiconductor	2. Intel
3. Intel	3. Cisco [b]
4. Memorex	4. Sun Microsystems [b]
5. Varian	5. Solectron
6. Environtech [a]	6. Oracle
7. Ampex	7. Agilent [b]
8. Raychem [a]	8. Applied Materials
9. Amdahl [a]	9. Apple
10. Tymshare [a]	10. Seagate Technology
11. AMD	11. AMD
12. Rolma	12. Sanmina-SCI
13. Four-Phase Systems [a]	13. JDS Uniphase
14. Cooper Lab [a]	14. 3Com
15. Intersil	15. LSI Logic
16. SRI International	16. Maxtor [b]
17. Spectra-Physics	17. National Semiconductor
18. American Microsystems [a]	18. KLA Tencor
19. Watkins-Johnson [a]	19. Atmel [b]
20. Qume [a]	20. SGI
21. Measurex [a]	21. Bell Microproducts [b]
22. Tandem [a]	22. Siebel [b]
23. Plantronics	23. Xilinx [b]
24. Monolithic	24. Maxim Integrated [b]
25. URS	25. Palm [b]
26. Tab Products	26. Lam Research
27. Siliconix	27. Quantum
28. Dysan [a]	28. Altera [b]
29. Racal-Vadic [a]	29. Electronic Arts [b]
20. Triad Systems [a]	30. Cypress Semiconductor [b]
31. Xidex [a]	31. Cadence Design [b]
32. Avantek [a]	32. Adobe Systems [b]
33. Siltec [a]	33. Intuit [b]
34. Quadrex [a]	34. Veritas Software [b]
35. Coherent	35. Novellus Systems [b]
36. Verbatim	36. Yahoo [b]
37. Anderson-Jacobson [a]	37. Network Appliance [b]
38. Stanford Applied Eng.	38. Integrated Device
39. Acurex [a]	35. Linear Technology
40. Finnigan	40. Symantec [b]



Lamarckian Culture	**Darwinian Culture**
Continental Europe	USA
Hierarchy of Schools	Diversity in excellence
"I did Polytechnique"	"I created a business"
Uniformity of elites	Diversity of elites
Large Corporations	"Small Business Act"
Culture of Engineering	Culture of Research
"Agrégés" (teaching)	PhD (research)
Culture of Compliance	Culture trial and error
Managed innovation	Darwinian algorithm
Selection on IQ	Selection on creativity
Applied R&D	R&D by emergence
Colbertism	Freedom of territories
Career	Entrepreneurship
CAC40	Top25

http://www.startup-book.com/2011/12/19/darwinian-and-lamarckian-innovation-by-pascal-picq/

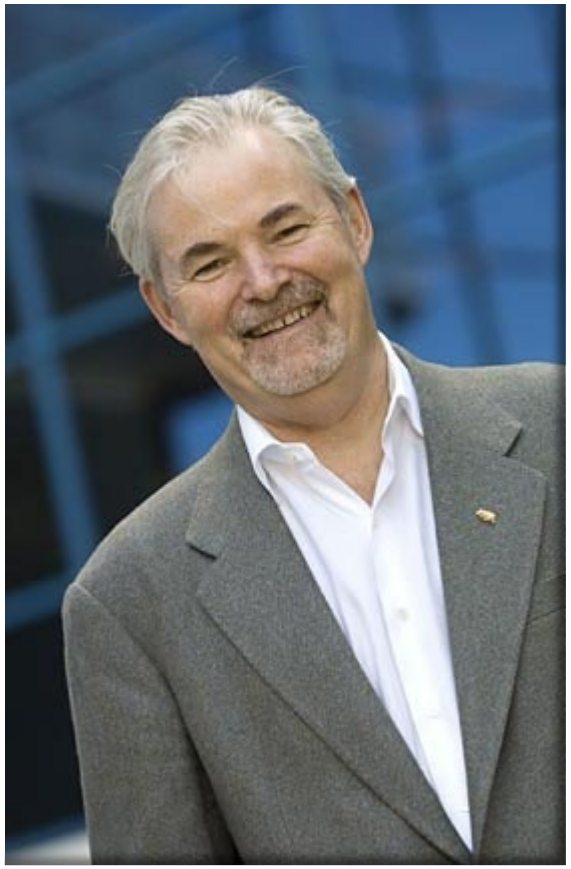
Twenty of the 1982 companies did not exist anymore in 2002 and twenty one of the 2002 companies had not been created in 1982.

NOTES: This table was compiled using 1982 and 2002 Dun & Bradstreet (D&B) Business Rankings data. Companies are ranked by sales.
[a] - No longer existed by 2002.
[b] - Did not exist before 1982.

The Wagon Wheel Bar

"During the 1970s and 1980s, many of the top engineers from Fairchild, National and other companies would meet there to drink and talk about the problems they faced in manufacturing and selling semiconductors. It was an important meeting place where even the fiercest competitors gathered and exchanged ideas."

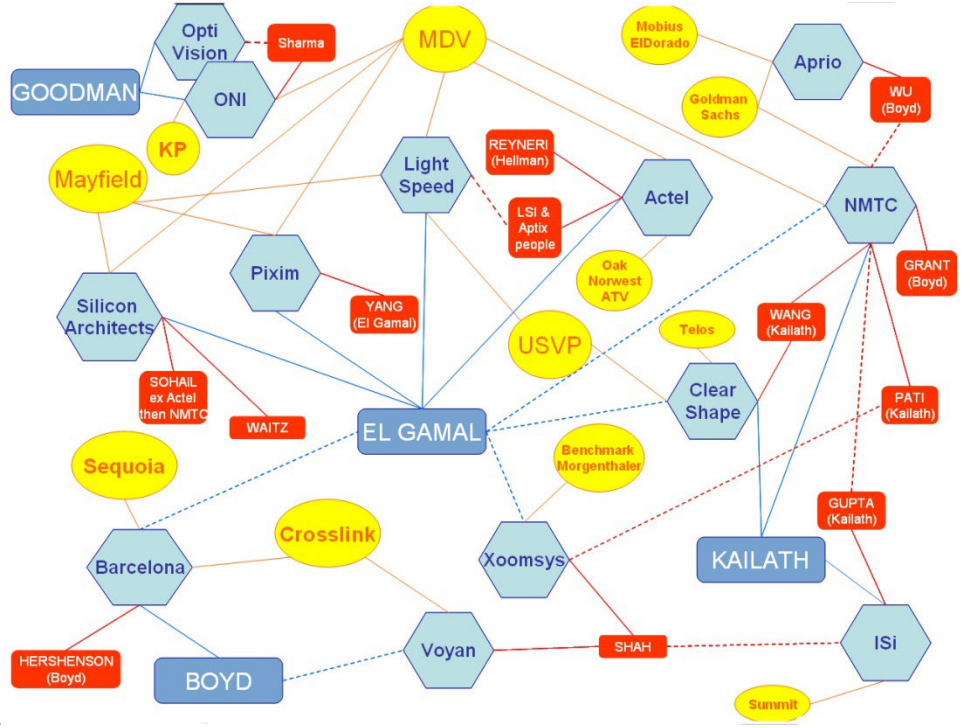
Richard Newton (1951-2007)

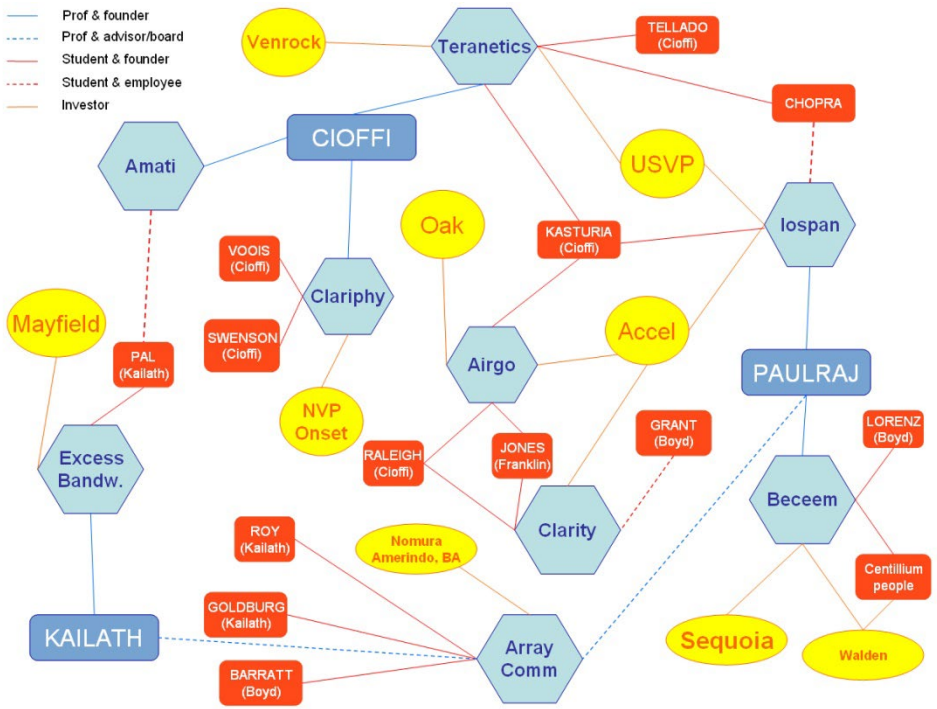


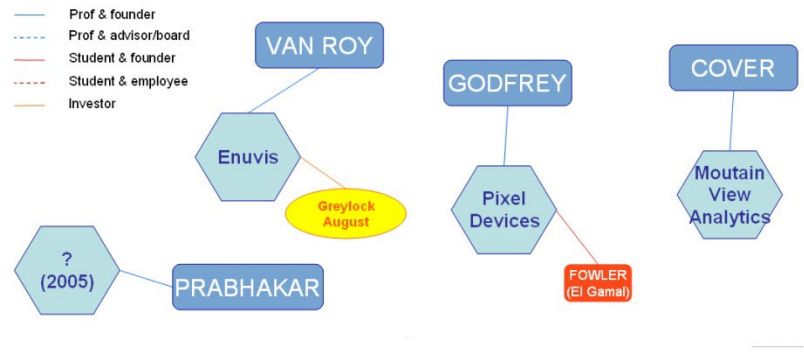
Richard Newton had stated: “Silicon Valley and the Bay Area are cradles of innovation.” And he further added, stating a colleague of his: “The Bay Area *is* the Corporation. […When people change jobs here in the Bay Area], they're actually just moving among the various divisions of the Bay Area Corporation.”

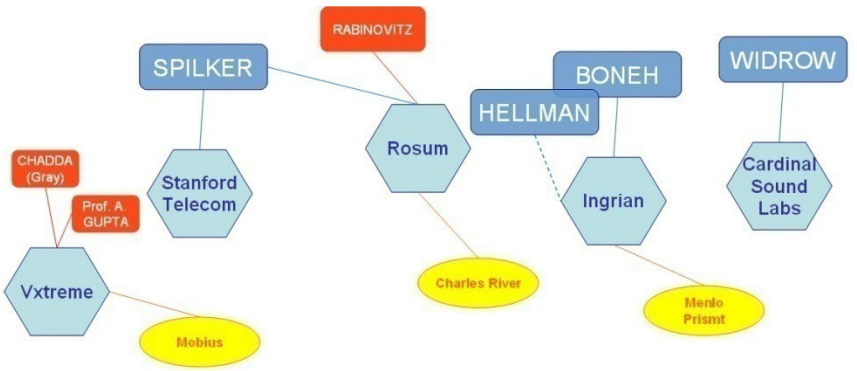
“If there is a single point I wish to make here today, it is that as a discipline, both in industry and in academia, we are just not taking enough risks today.”

About networks again:
a Stanford lab. example









Value creation from Stanford

	VC Amounts ($B)	M&A Value ($B)	Public Value ($B)	Sales ($B)	Jobs
Spin-offs	3	8	300	65	100’000
Others	29	248	370	280	900’000
Total	32	256	670	345	1’000’000

More on http://www.startup-book.com/2010/06/18/high-growth-and-profits/

Cisco's growth: A&D

Year	Number of employees	Sales (in SM)	Acquisitions	
			Number	Amount (SM)
1984	2			
1985	2			
1986	4			
1987	9	1.5		
1988	29	5		
1989	111	27		
1990	251	69		
1991	503	183		
1992	875	381		
1993	1'459	714	1	89
1994	2'269	1'334	3	419
1995	3'827	2'232	4	468
1996	8'259	4'096	7	4'714
1997	10'728	6'440	6	572
1998	14'623	8'459	9	1'094
1999	20'657	12'154	18	14'598
2000	34'613	18'928	23	12'081
2001	38'402	22'293	2	331
2002	35'670	18'915	5	1'133
2003	34'466	18'878	4	748
2004	34'371	22'000	12	796
2005	38'413	24'800	12	7'996
2006	49'926	30'120	9	316

Table 7-2: *The Cisco Growth - Employees, Sales and Acquisitions*

Start-ups' origin

Area	Number
Silicon Valley	56
California (exc. SV)	5
Massachusetts	12
Texas	11
Other American States	17
Israel	4
Scandinavia	3
United Kingdom	2
Others	5

Table 7-3: *Geographic Origin of Cisco Acquisitions*

More on http://www.startup-book.com/2009/11/04/ciscos-ad/

Agenda

- A short history of Silicon Valley
- Silicon Valley vs. Europe (part I): about culture & networks
- A few European examples
- Silicon Valley vs. Europe (part II): go West?
- The Innovation dilemmas
- A (long) conclusion!

Other European success stories

Company	Country	Status	Value	VCs
Skype	Sweden	M&A eBay	$2.6B (2005)	DFJ, Index
Navision	Denmark	M&A Microsoft	$1.5B (2002)	-
mysql	Sweden	M&A Sun	$1B (2008)	Benchmark, Index
Qeyton	Sweden	M&A Cisco	$800M (2000)	-
Element14	UK	M&A Broadcom	$800M (2000)	Oak, Amadeus
Virata	UK	M&A Globespan	$545M (2001)	Oak, Index, 3i
Kelkoo	France	M&A Yahoo	$500M (2004)	Innovacom, Banexi
Adva	Germany	IPO Frankfurt	$470M (2006)	-
Swissquote	Switzerland	IPO Zurich	$470M (2006)	-
ILOG	France	IPO Nasdaq/Paris	$300M (2006)	Oak, Atlas

Other European success stories

Other European success stories

All acquirers are US companies!!!

Company	Country	Status	Value	VCs
Skype	Sweden	M&A eBay	$2.6B (2005)	DFJ, Index
Navision	Denmark	M&A Microsoft	$1.5B (2002)	-
mysql	Sweden	M&A Sun	$1B (2008)	Benchmark, Index
Qeyton	Sweden	M&A Cisco	$800M (2000)	-
Element14	UK	M&A Broadcom	$800M (2000)	Oak, Amadeus
Virata	UK	M&A Globespan	$545M (2001)	Oak, Index, 3i
Kelkoo	France	M&A Yahoo	$500M (2004)	Innovacom, Banexi
Adva	Germany	IPO Frankfurt	$478M (2006)	-
Swissquote	Switzerland	IPO Zurich	$470M (2006)	-
ILOG (now IBM)	France	IPO Nasdaq/Paris	$300M (2006)	Oak, Atlas

D as in …
Draper

BENCHMARK CAPITAL

funded eBay

Index VENTURES

The European VCs – new model

	US Model	Old European Model	New European Model
People	Entrepreneurs	Consultants and accountants	Founders and operators
Stage	Creation (seed)	Early (A round) but not seed	Seed, follow through
Provide	"Value added"	"Just money"	"Value added"
Style	Hands on (active)	Hands-off (more passive)	Involved
Talent	Sales & marketing	Scientists	Recruiting outside Europe
Objective	Very large companies	Medium size companies	Large companies
Philosophy	Maximize upside	Minimize downside	Maximize value
Returns	Home run investing	Believe returns can be earned across the portfolio	Big winner focus

Table 9-3: *Comparison of the Recent VC Models in the US and in Europe*

European Venture Capital

The race is opened for the European KP and Sequoia…

Fund (€M)[2]	Location	94	95	96	97	98	99	00	01	02	03	04	05	06-07	Total
3i	Europe	330		650			2000								3000
Accel	UK								400						400
ACT	Ireland	63			19		111		171						360
Alta Berk.	UK			55				67							120
Amadeus	UK				77			360							440
Apax UK	UK		245		460										700
Apax FR	France			82		305		720							1100
Apax GE	Germany				132										130
Atlas	Europe				230		404	758	600						1990
Auriga	France					65				115				150	330
Banexi	France					61		150					130		340
Benchmark	UK							400				300			700
Capman	Finland						203			156					360
Capricorn	Belgium				22				50						70
CDC Inno	France							142	112						250
Crescendo	UK				115		250	650							1000
DFJ eplanet	UK						650								650
Doughty H.	UK							270							270
DVC	Germany					20	80	200							300
Early bird	Germany					60		202							260
Eqvitec	Finland					68		57	133				50	140	450
Europatweb	France						500								500
Galileo	France					89		160							250
Gilde	Netherlands			150			200								350
Holland	Netherlands						150								150
IDG-Acacia	UK							100							100
Index	Europe					180			244				300	350	1070
Innovacom	France					40		200			120				360
Invision	Switzerland				115	21		90							220
Kennet	UK				70			200							270
Logispring	Europe								103						100
Nesbic/Solid	Pays Bas					45		140					75		260
Northzone	Scandinavia				7	10	75				78			175	340
Nordic VP	Scandinavia							220				115			330
Iris	France						400				104				500
Partech	France			120				300						150	570
Polytechnos	Germany					65		130							190
Prelude	UK				100										100
Quester	UK							29	60		35				120
Scottish EP	UK							35	160					240	430
Siparex	France			25		61		36							120
Sofinnova	France	47				121			330				385		880
TVM	Germany				93	61		300	336	128			240		1150
Ventech	France						62	112							170
VI Partners	Switzerland								70						70
Viventures	France					118		299							410
Wellington	Germany				55			210					150		410

SWISSQUOTE

A typical European success story

SWISSQUOTE

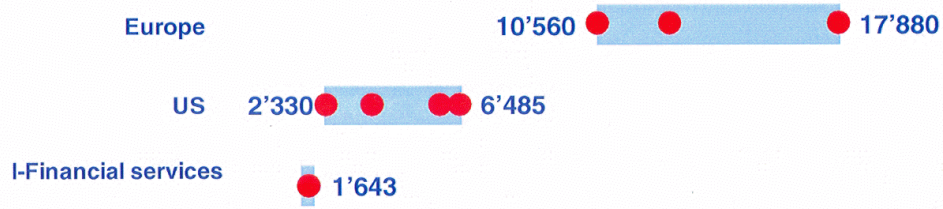
1990: 1st office

SWISSQUOTE

1990: 1st office
1997: www.swissquote.ch

Valuation based on multiple "Market cap/Accounts 2001"

Comparable companies (in CHF)



Swissquote accounts

1999	500
2000	4'200
2001	25'000(1)

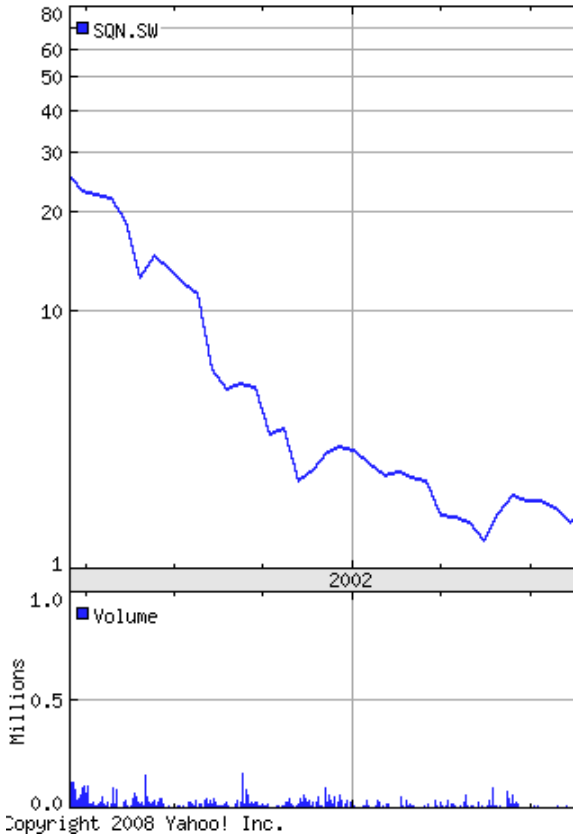
(1)Assumption: additional 6'000 I-Bank customers

Swissquote valuation

Applied multiples	10'000 – 16'000
Value	CHF 250 - 400 million

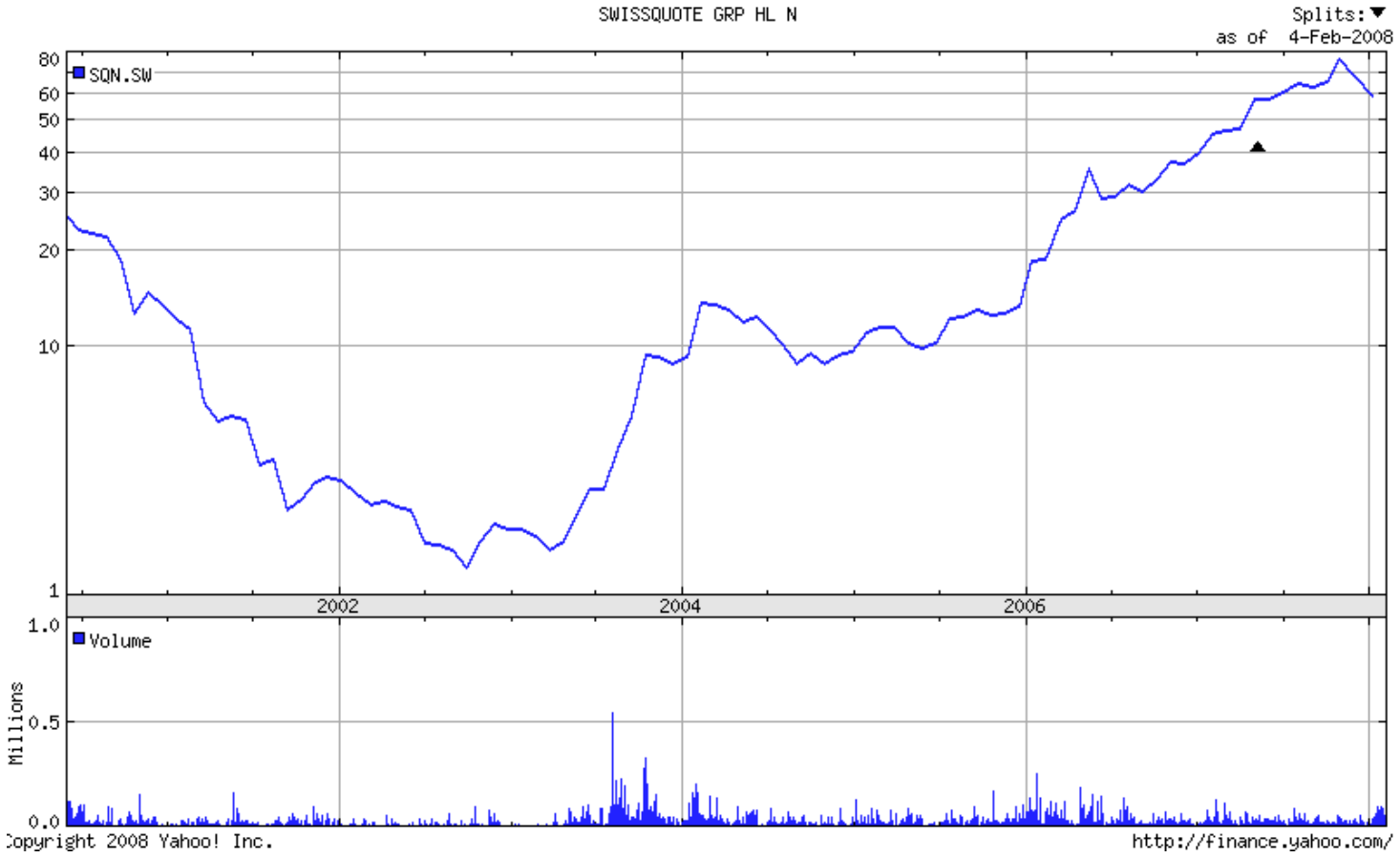
SWISSQUOTE

1990: 1st office
1997: swissquote.ch
2001: the Internet crash



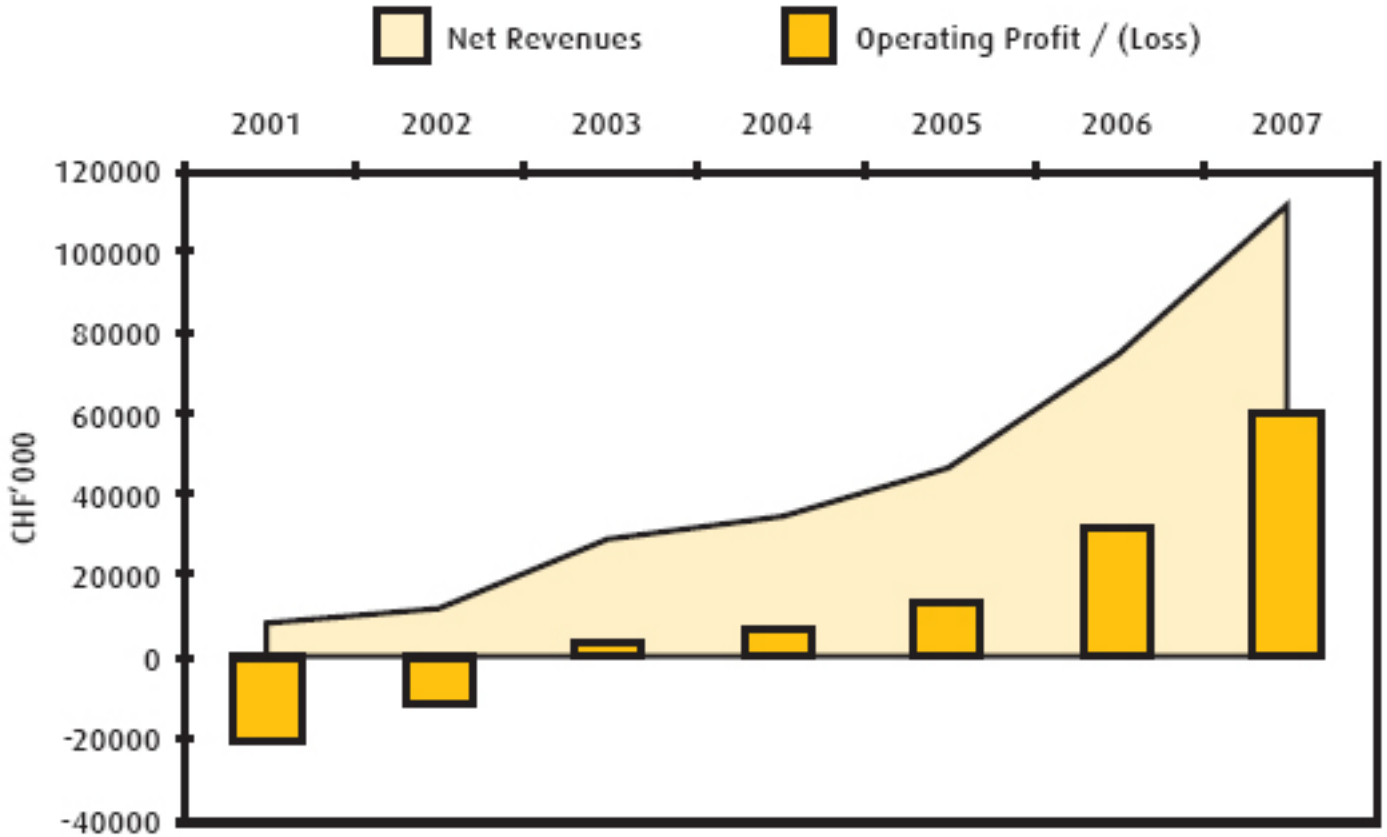
SWISSQUOTE

1990: 1st office
1997: swissquote.ch
2001: the Internet crash
2002-06: survive to succeed



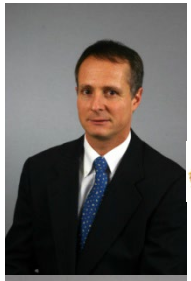
SWISSQUOTE

1990: 1st office
1997: swissquote.ch
2001: the Internet crash
2002-06: survive to succeed
2007-08: a success story



The new start-up model

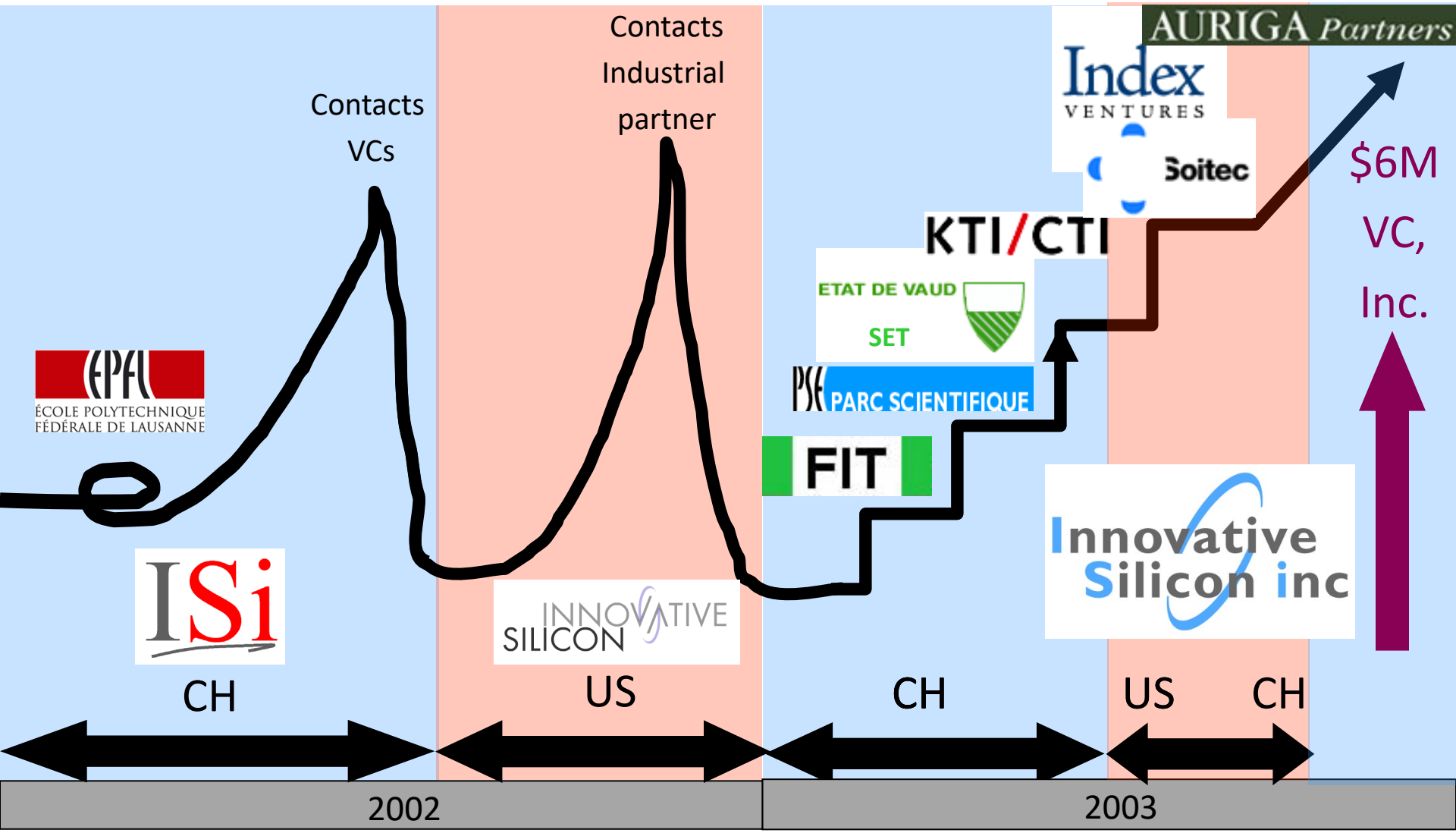
The new Start-Up: founders



- **Pierre Fazan, Founder and CTO**
  - PhD Physics, 20+ years process integration, 8 years Micron Technology
  - > 150 patents

- **Serguei Okhonin, Chief Scientist**
  - PhD EE, 22+ years device physics, test & reliability
  - > 20 patents

The new Start-Up model



Innovative Silicon

- **Mark-Eric Jones, CEO**

EE, 20+ years in start-up management,
CEO, 3Soft, VP & GM, MoSys

- **Jeff Lewis, Vice-President Sales & Marketing**

22 years in management, marketing, engineering
CEO CiraNova; VP Marketing, Form Factor and Artisan

ISi

INNOVATIVE SILICON

Innovative Silicon™

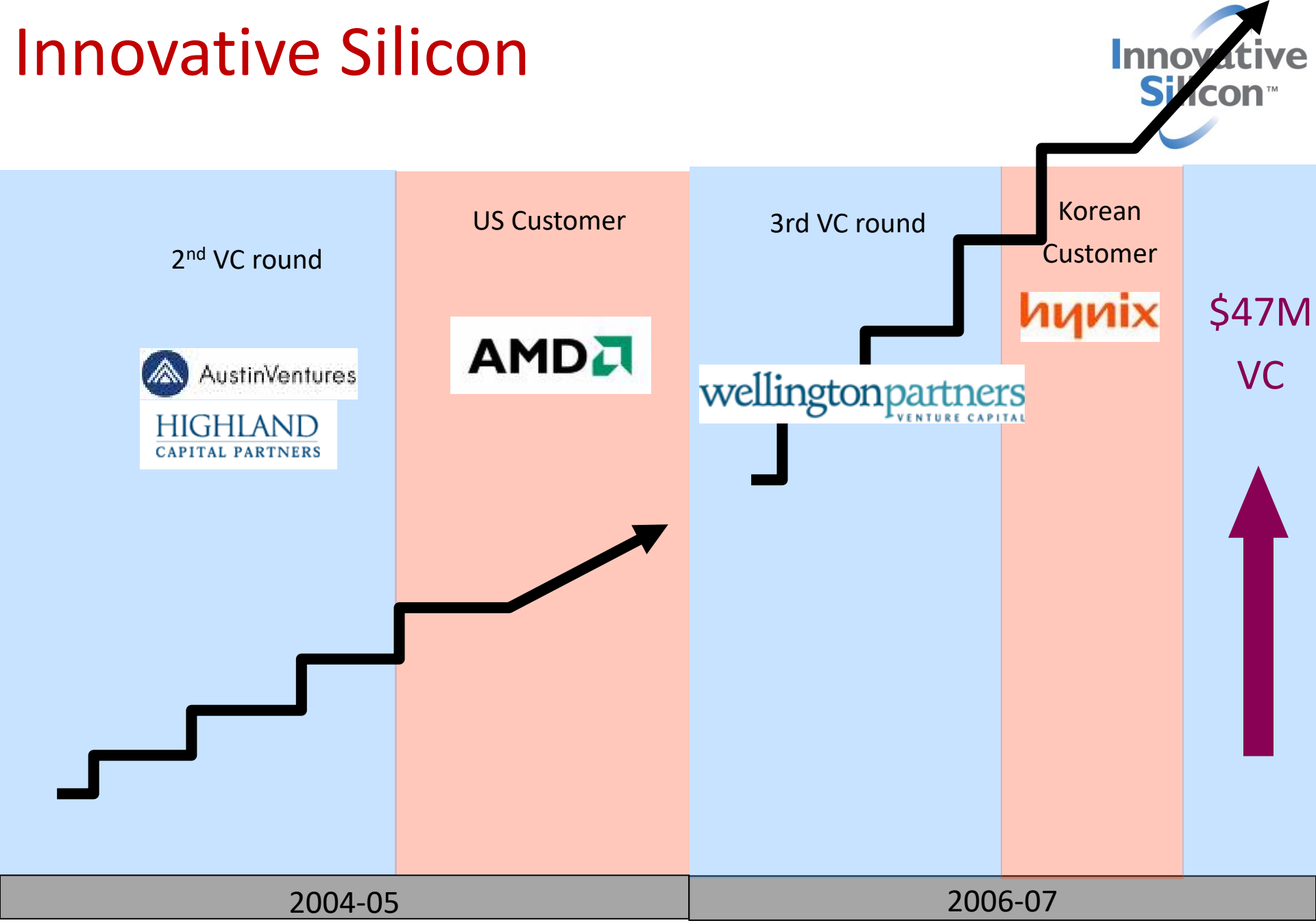
- **Michael Van Buskirk, Vice-President Engineering**

30 years in industry AMD, PMC Sierra
CTO Spansion (AMD & Fujitsu)

- **Virginia Picci, CFO**

20+ years in finance, Pricewaterhouse Coopers Boston & Geneva

Innovative Silicon



Enable the growth: NEXThink

Pedro Bados (Nexthink) is a clear illsutration of the critical role of a friendly ecosystem.

Jul. 07: 2nd round
CHF 6M

Jun 04: Loan of CHF100k

April 06: 1st round
CHF 1.6M

Mar 04-Jun 04: coaching PSE
financed by EPFL

Déc. 04: Lauréat de la "startup competition"

May 04: publication in
Dialogue newsletter

Jan 05: 1st pilots
with customers

Avril-Sept 04: label STI SU

Janv. 04: contact with an
IT expert

Dec 04: contacts with VCs

Sept 03: Invention disclosure
March 04: Option for License
April 04: Patent filing

Sept 04: création de NEXThink SA

Generate

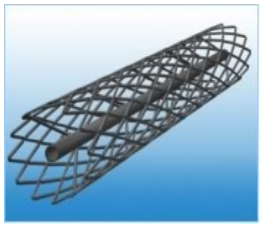
Develop

Launch

Grow

EndoArt

Ups & downs which finish well



1998 EPFL Spin-off, two founders, developing a stent technology

1999 First VC round: €8M

2004 Out of cash, IP litigation, €6M to be paid to litigator

2005 New VC round: €3M, new development of a gastric ring followed by clinical tests, new VC round of €9M in 2006

2007 **Acquisition of EndoArt by Allergan for $97M**

A few thoughts:

- Technology — success not linked to initial idea
- Investments — €30M
- Management — 2 CEO's
- Duration — 9 years

As a conclusion on Endorart

quoting their former CEO

Be ambitious, dream

Be prepared for adventure,

be aware that anything is possible.

European Start-Up models

Old	New
No venture capital	A lot of capital
Mostly local management and isolated	International management and a dense network
Local customers	Global customers
Very slow growth	Aggressive & risky growth

Lifestyle vs. high growth

Agenda

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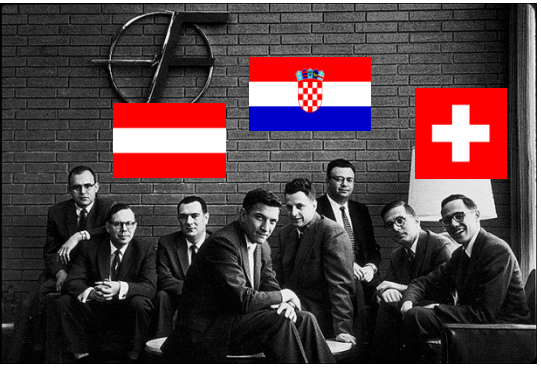
Europeans in Silicon Valley



Cofounder
National Semiconductor, 1967

"Europeans that come to North America are on a quest."

Andy Grove

Intel co-founder

http://www.startup-book.com/2009/12/11/a-european-in-silicon-valley-aart-de-geus/

http://www.startup-book.com/2010/03/16/a-swiss-in-silicon-valley/

Europeans in Silicon Valley

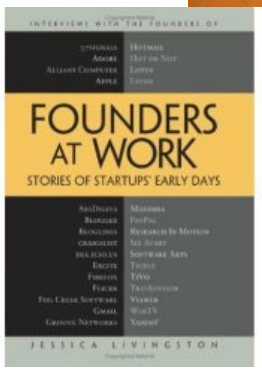
Country	Technical fields				California Start-ups
	Software	Hardware	Communi-cation	Semicon-ductor	
India	34%	24%	15%	15%	20%
Taiwan	3%	6%	17%	10%	13%
China	4%	6%	19%	15%	10%
Israel	6%	2%		5%	3%
United Kingdom	9%	6%	6%		2%
Germany	5%	4%	2%	5%	4%
France	2%	2%			2%
Poland	1%	1%		5%	2%
Switzerland			2%	5%	1%
Europe (others)	6%	4%	10%		1%
Total Europe	23%	17%	20%	15%	12%

Table 11-1: *Origin of Immigrant Founders of Start-ups in the USA*

Compiled from Vivek Wadhwa, AnnaLee Saxenian, Ben Rissing & Gary Gereffi, America's New Immigrant Entrepreneurs.

Paul Graham

“I read occasionally about attempts to set up "technology parks" in other places, as if the active ingredient of Silicon Valley were the office space. An article about Sophia Antipolis bragged that companies there included Cisco, Compaq, IBM, NCR, and Nortel. Don't the French realize these aren't startups?”



“How to be Silicon Valley?”

Few startups happen in Miami, for example, because although it's full of rich people, it has few nerds. It's not the kind of place nerds like. Whereas Pittsburgh has the opposite problem: plenty of nerds, but no rich people.




Ingredients of tech clusters…

- Universities and research centers of a very high caliber.
- An industry of venture capital (i.e. financial institutions and private investors).
- Experienced professionals in high tech.
- Service providers such as lawyers, head hunters, public relations and marketing specialists, auditors, etc.
- *Last but not least, an intangible yet critical component: a pioneering spirit which encourages an entrepreneurial culture.*

Source: M. Kenney "Understanding Silicon Valley, the Anatomy of an Entrepreneurial Region", in chapter: "A Flexible Recycling" by S. Evans and H. Bahrami

An entrepreneurial culture means:

- Passion and ambition.
- A pioneering spirit which accepts uncertainty and risk taking, which tolerates failure. 失败乃成功之母
- Innovation and commercialization via a trial and error process (including customers)
- A decentralization and freedom offered to talents who should not be snatched from start-ups.
- The necessity of a critical mass.
- Feelings of urgency for the entrepreneurs and patience from the environment.
- Feelings of urgency and of competition which imply ambitions of rapid growth and adequate resources.
- Motivation, hard work, connections, personal networks, mentors.
- Founders, ideally young (energy) and possibly migrants, never alone.
- Experienced teams backing the founders, and motivated by optimized capital structures.

A start-up is a baby

- Do parents know about educating a baby?

so why do we say to founders to gain experience first?

- Do parents control everything it does, forever?

so why founders are so paranoid about losing control?

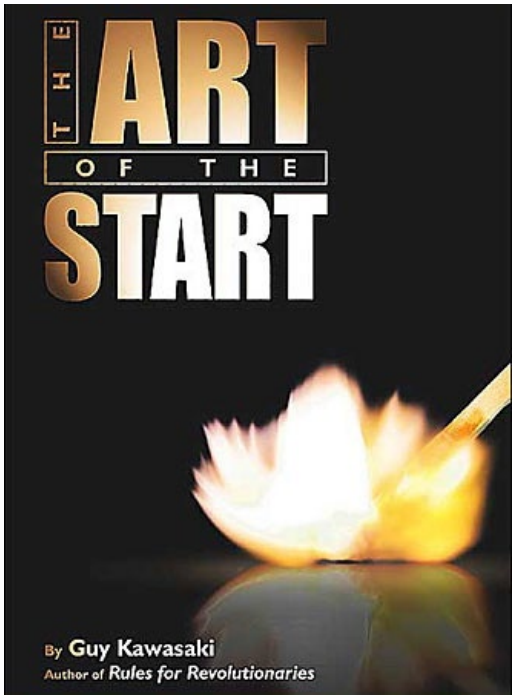
- Would they give/abandon responsibility to teachers, doctors, “professionals”?

so should not founders just hire the best people to increase chance of success?

A start-up is a baby which needs to grow and its founders should help it succeed (and yes your start-up baby is the most beautiful on earth…)

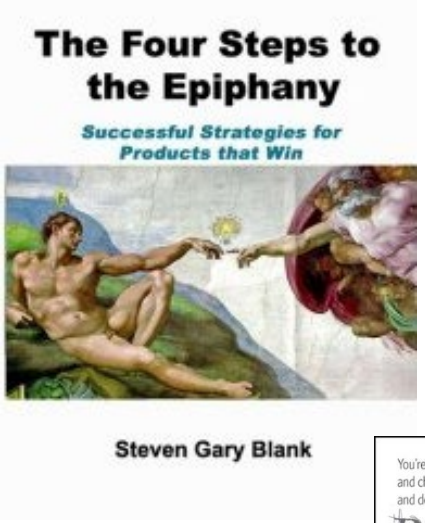
What is needed to succeed?

- ✓A great idea
- ✓Great people
- ✓A unique product
- ✓A big market
- ✓The ability to sell to investors and customers

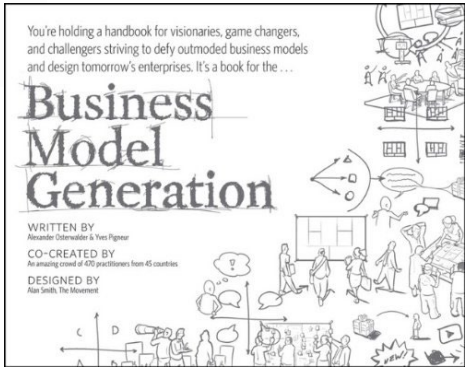


What is needed to succeed?

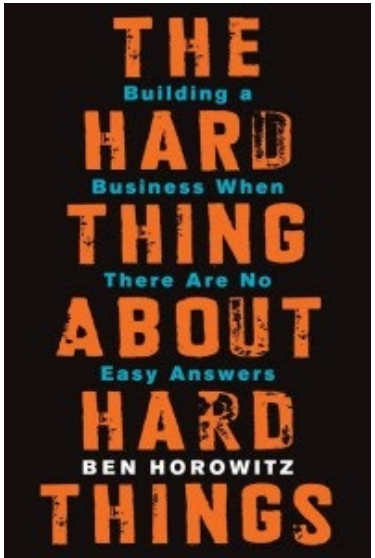
- ✓ **Customers**



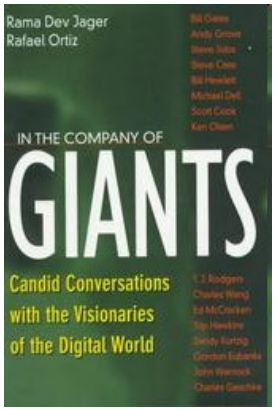
- ✓ **A viable business model**



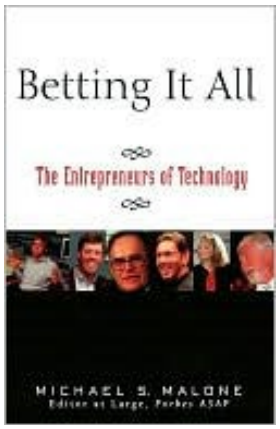
- ✓ **Courage**



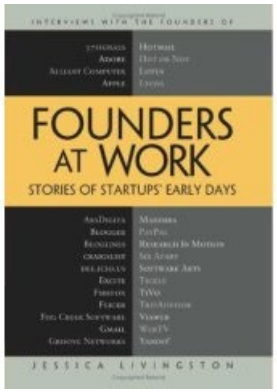
Entrepreneurs say it all



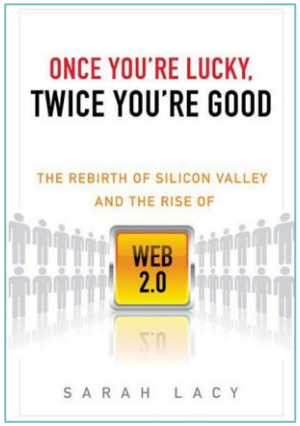
In the Company of Giants
Rama Dev Jager
Rafael Ortiz
1997



Betting It All
Michael S. Malone
2001



Founders at Work
Jessica Livingston
2007

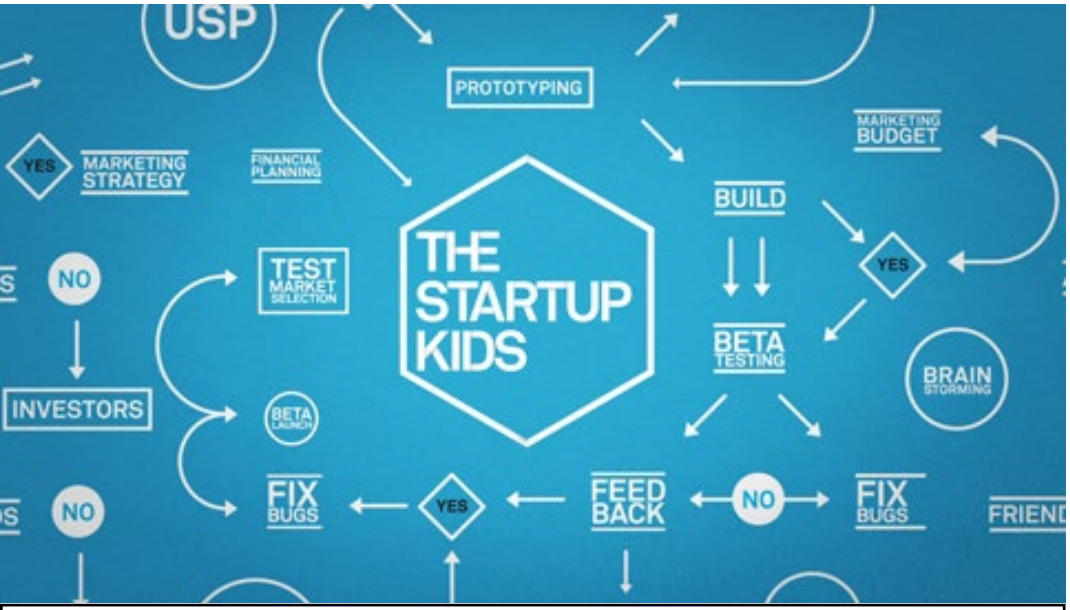


Once You're Lucky,
Twice You're Good:
Sarah Lacy
2008

Start-Up Nation
Dan Senor
Saul Singer
2010

European Founders
at Work
Pedro Gairifo Santos
2012

Entrepreneurs say it all



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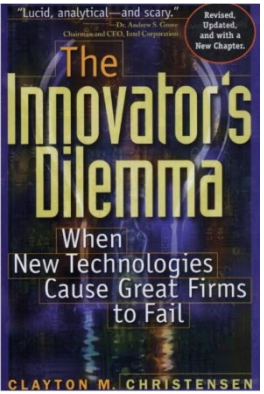
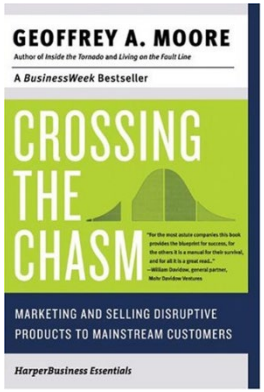
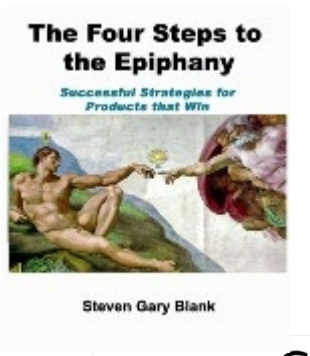
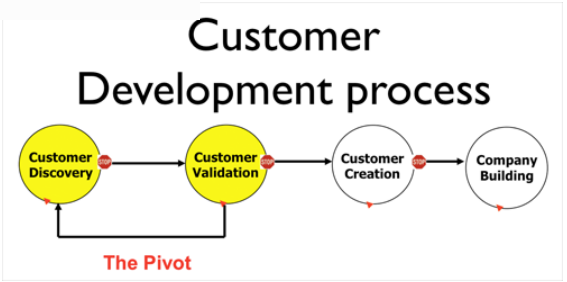
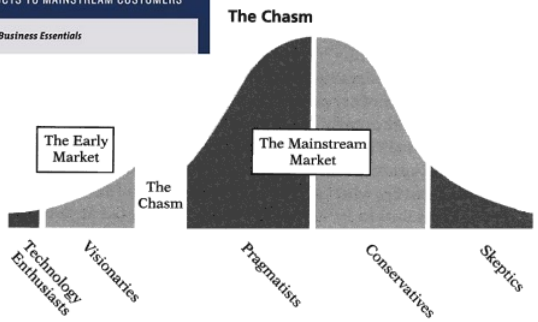
The innovation challenges

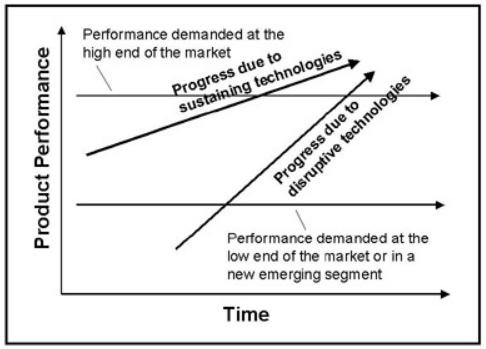












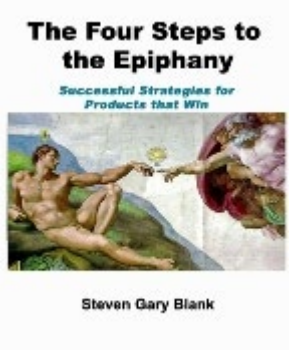
Innovation is full of counterintuitive traps.

Steve Blank & “systematic” innovation

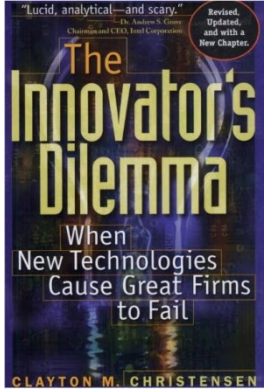
Steve Blank who believed he had developed a scientific theory of innovation said, “Over the last decade we assumed that once we found repeatable methodologies (Agile and Customer Development, Business Model Design) to build early stage ventures, entrepreneurship would become a “science” and anyone could do it.

I’m beginning to suspect this assumption may be wrong. It’s not that the tools are wrong. Where I think we have gone wrong is the belief that anyone can use these tools equally well.” In the same way that word processing has never replaced a writer, a thoughtful innovation process will not guarantee success.

Blank added that ” until we truly understand how to teach creativity, their numbers are limited. **Not everyone is an artist**, after all.”

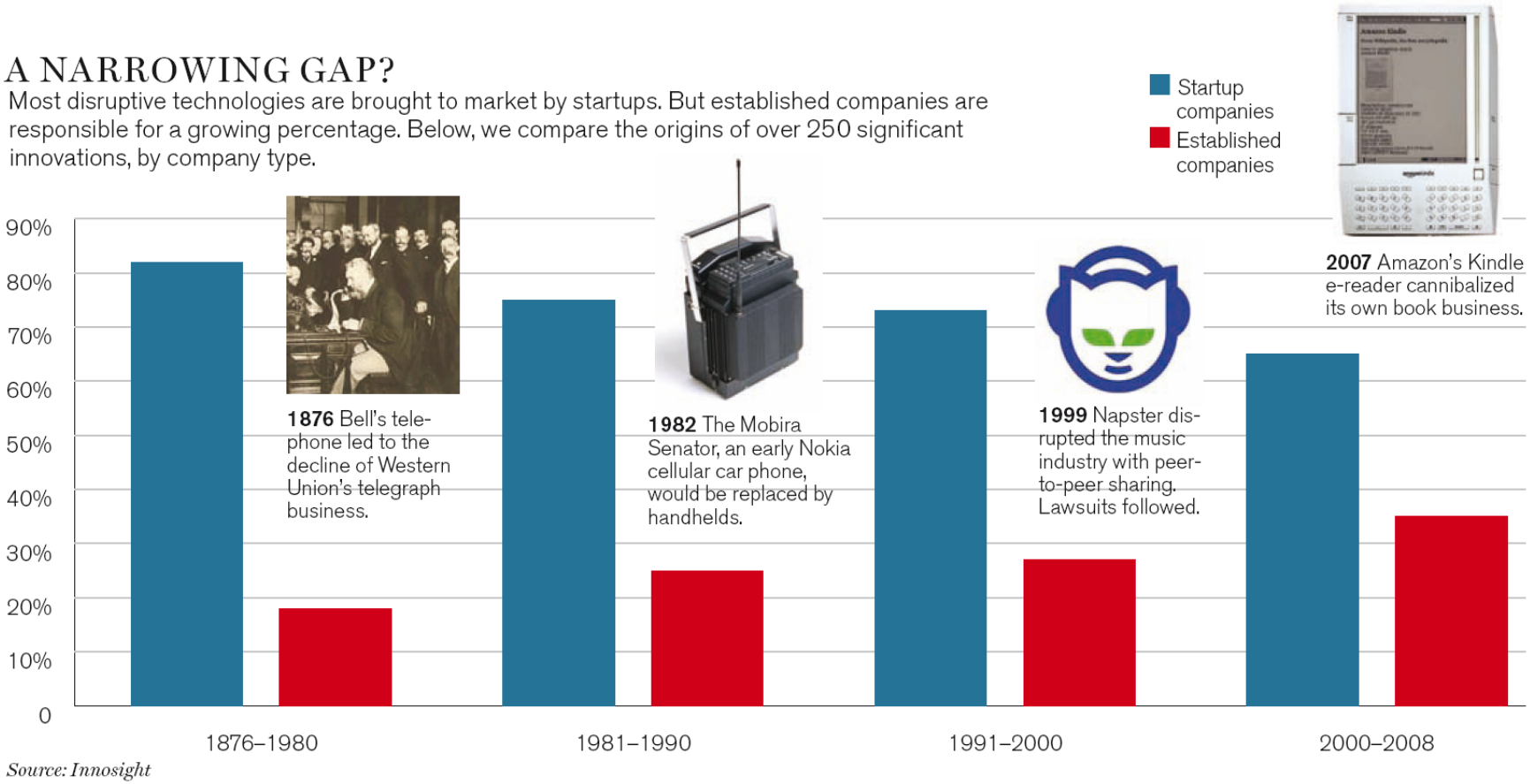


The empire strikes back



A NARROWING GAP?

Most disruptive technologies are brought to market by startups. But established companies are responsible for a growing percentage. Below, we compare the origins of over 250 significant innovations, by company type.



Source: Innosight

Clayton M. Christensen – MIT tech. Review. Feb. 2012

Are big companies the best catalysts of innovation, or are small ones better?

Joseph Schumpeter argued both sides of the case.

- In 1909 he said that small companies were more inventive.
- In 1942 he reversed himself. Big firms have more incentive to invest in new products. In a competitive market, inventions are quickly imitated, so a small inventor's investment often fails to pay off.

But in the 21st century:

- economic growth is increasingly driven by big ecosystems such as the ones that cluster around Apple's iPhone or Google's Android operating system.
- globalization puts more of a premium on size than ever before.
- many of the most important challenges for innovators involve vast systems, such as education and health care, or giant problems, such as global warming.

However

- although big companies often excel at incremental innovation, they are less comfortable with disruptive innovation—the kind that changes the rules of the game.
- what matters is not so much whether companies are big or small, but whether they grow.

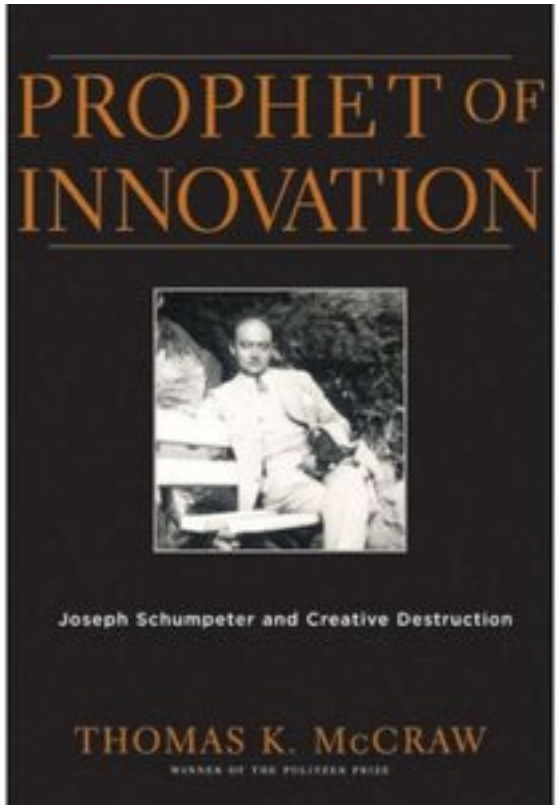
Schumpeter & destructive creation

"In Schumpeter's vision of capitalism, innovative entry by entrepreneurs was the disruptive force that sustained economic growth, even as it destroyed the value of established companies." Wikipedia

New firms "do not arise out of the old ones but start producing beside them". In transportation for example, "it is not the owner of stage coaches who builds railways".

Any company [falling into routines] "will soon be overtaken by aggressive, risk-taking competitive entrepreneurs".

Entrepreneurship was never widespread even if there were "early forerunners such as Venice, Florence and the Netherlands." It was even widely resisted for reasons which are "as much cultural and social as they are economic".

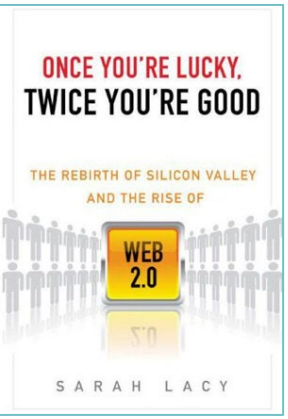


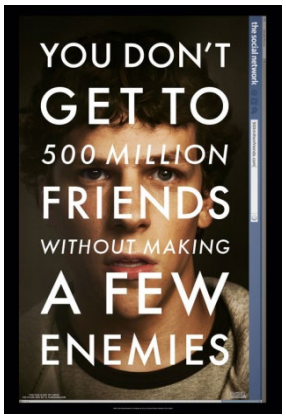
http://www.startup-book.com/2012/03/31/prophet-of-innovation-joseph-schumpeter-and-creative-destruction

Agenda

- A short history of Silicon Valley
- Silicon Valley vs. Europe (part I): about culture & networks
- A few European examples
- Silicon Valley vs. Europe (part II): go West?
- The Innovation dilemmas
- A (long) conclusion: and the future?

What about the 21st century?





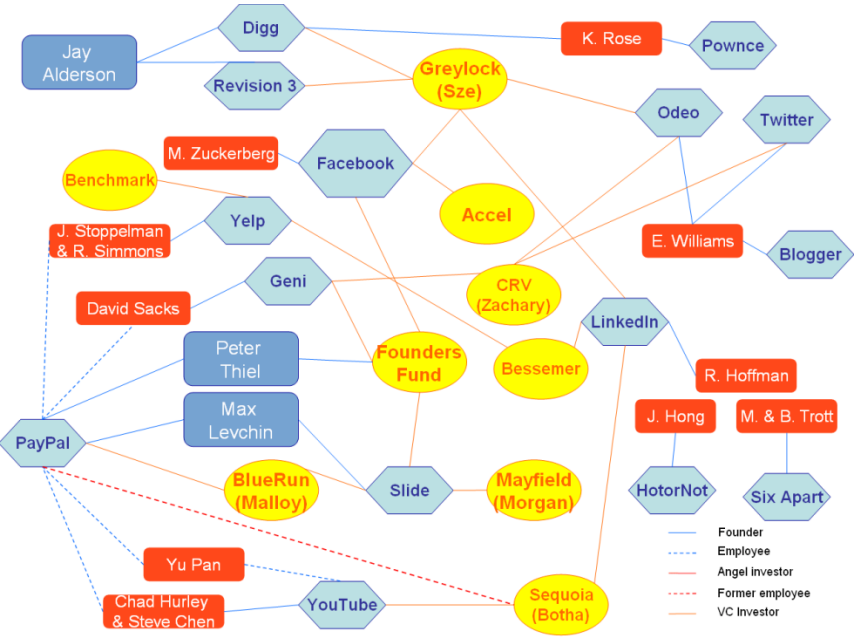
	Activity	Internet			**Company**		**Facebook**			Incorporation		
	Town, St	Palo Alto, CA			IPO date		not yet!			State	DE, MA; CA	
f=	founder	Price per share		$75.00	Market cap.		$33'007'500'000			Date	Jul-04	
D=	director	Symbol		not yet!	URL		www.facebook.com			years to IPO		
	Title	Name	Initial * Ownership	Angel round and reorg Ownership**		Series B Ownership	Current Ownership	Initial* Ownership	Angel round and reorg Shares**		Series B Shares	Current Shares	Value
fD	Founder & CEO	Mark Zuckerberg	65.0%	42.1%	31.3%	25.6%	24.0%	6'500'000	9'800'000	105'600'000	105'600'000	105'600'000	$7'920'000'000
f	Co-founder	Dustin Moskovitz	5.0%	10.7%	7.8%	6.4%	6.0%	500'000	2'500'000	26'400'000	26'400'000	26'400'000	$1'980'000'000
f	Co-founder	Eduardo Saverin	30.0%	12.9%	6.5%	5.3%	5.0%	3'000'000	3'000'000	22'000'000	22'000'000	22'000'000	$1'650'000'000
f	Co-founder	Chris Hughes		0.0%	1.2%	1.0%	0.9%			4'000'000	4'000'000	4'000'000	$300'000'000
	Founders		70.0%	65.7%	46.9%	38.2%	35.9%	10'000'000	15'300'000	158'000'000	158'000'000	158'000'000	$11'850'000'000
	Sean Parker			8.6%	5.2%	4.3%	4.0%		2'000'000	17'600'000	17'600'000	17'600'000	$1'320'000'000
	Total common before options			74.3%	52.1%	42.5%	39.9%	10'000'000	17'300'000	175'600'000	175'600'000	175'600'000	$13'170'000'000
	Options-Total		20.0%	15.7%	37.7%	30.7%	28.9%	2'857'143	3'657'143	127'000'000	127'000'000	127'000'000	$9'525'000'000
	Total - company			90.0%	89.8%	73.3%	68.8%	12'857'143	20'957'143	302'600'000	302'600'000	302'600'000	$22'695'000'000
	Investors (Angels)		10.0%	10.0%	10.2%	8.4%	7.8%	1'428'571	2'328'571	34'500'000	34'500'000	34'500'000	$2'587'500'000
	Investors (A - Accel)					13.0%	12.2%				53'500'000	53'500'000	$4'012'500'000
	Investors (B - Greylcok, Meritech, FF)					5.4%	5.1%				22'500'000	22'500'000	$1'687'500'000
	Investors (Series C)						6.1%					27'000'000	$2'025'000'000
	Total- Investors				10.2%	26.7%	31.2%	1'428'571	2'328'571	34'500'000	110'500'000	137'500'000	$10'312'500'000
	Total			100.0%	100.0%	100.0%	100.0%	14'285'714	23'285'714	337'100'000	413'100'000	440'100'000	$33'007'500'000

VCs & board

D	Accel	Jim Breyer
	Greylock	
	Meritech	
D		Peter Thiel
D		Marc Andreessen
	Washington Post	Donald E. Graham

Revenues	2009	2008
Amount	$800'000'000	$280'000'000
Growth	186%	
Number of employees	1700	
Avg. val. of stock per emp	$776'471	

* The difficulty with facebook is that probably they were internal sales of stock in addition to the fact that founders' shares number evolved.
A lot of ESOP might be owned by investors and/or other type of shareholders
** On September 27, 2004, Peter Thiel formally acquired 9% of the new company with a convertible note worth $500,000.
Before the transaction, Facebook ownership was divided between Zuckerberg, with 65%, Saverin, with 30%, and Moskovitz, with 5%.
After the transaction, the new company was divided between Zuckerberg, with 40%, Saverin, with 24%, Moskovitz, with 16%, and Thiel with 9%.
The rest, about 20%, went to an options pool for future employees. From there, a good chunk of equity went to Eduardo's replacement, TheFacebook.com's new COO, Sean Parker.
On October 31, 2004, Eduardo signed a shareholder agreement that alloted him 3 million shares of common stock in the new company.
In the agreement, he handed over all relevant intellectual property and turned over his voting rights to Mark Zuckerberg. Mark became Facebook's sole director.
On January 7, 2005, Mark caused Facebook to issue 9 million shares of common stock in the new company.
He took 3.3. million shares for himself and gave 2 million to Sean Parker and 2 million to Dustin Moskovitz. This share issuance instantly diluted Eduardo's stake in the company from ~24% to below 10%.
The only way to reconcile all numbers is to imagine some stock split around 10 new shares for 1 old which explians the huge new number issuance



Investors	Round	Date	Amount	# Shares	Price per share	Valuation ($M)	Ownership at time of round
Peter Thiel and others	Angel	sept.04	$500'000	34'500'000	$0.01	$5'000'000	10.0%
Accel	A	may. 05	$12'700'000	50'568'097	$0.25	$98'000'000	13.0%
Greylock, Meritech, Founders Fund	B	apr. 06	$27'500'000	22'710'665	$1.21	$500'000'000	5.5%
Microsoft	C	oct.07	$240'000'000	7'058'824	$34.00	$15'000'000'000	1.6%
Li Ka-shing	C	2007-08	$120'000'000	5'280'000	$22.73	$10'000'000'000	
Others	D	2008-09	$335'000'000	14'740'000	$22.73	$10'000'000'000	
	Total		$735'700'000	134'857'585			

Facebook also raised $100M in debt with TriplePoint in 2008

Facebook numbers ($M or '000s)						
Year	Revenue	Income	Employees	Financing	Cash Flow	Debt
2004				0.5		
2005	10			12.7		
2006	52			27.5		
2007	150		450	300		
2008	280	50	1'000	75	-150	100
2009	1'080	180	1'410	200		
2010			1'700	120		
Total				735.7		

What about the 21st century?

Is it about biotech and IT only?

http://www.startup-book.com/2010/03/08/tesla-motors-and-paypal-a-tale-of-founders/

	Activity	Automotive		**Company**	**Tesla Motors, Inc.**			Incorporation	
	Town, St	Palo Alto, CA		IPO date	Jun-10			State	DE
f=	founder	Price per share	$5.0	Market cap.	$645'649'465			Date	Jul-03
D=	director	Symbol	TSLA	URL	www.teslamotors.com			years to IPO	6.9

	Title	Name	Founder's Ownership	Employee Ownership	PreIPO Ownership	Post IPO Ownership	Founder's Shares	Employee Shares	PreIPO Shares	Post IPO Shares	Value
f	founder, ex-CEO	Martin Eberhard									
f	founder	Marc Tarpenning	39.8%				*3'192'873*	*3'192'873*	*3'192'873*	*3'192'873*	$15'964'365
D	Chairman & CEO	Elon Musk						*28'300'444*	*28'300'444*	*28'300'444*	$141'502'220
	founders' shares *		100.0%	60.2%	8.1%	6.2%	8'025'401	8'025'401	8'025'401	8'025'401	$40'127'005
	CTO	Jeffrey Straubel		1.0%	1.0%	0.8%		1'012'034	1'012'034	1'012'034	$5'060'170
	CFO	Deepak Ahuja		0.1%	0.1%	0.1%		137'497	137'497	137'497	$687'485
	VP S&M	John Walker									
	VP Manufacturing	Gilbert Passin									
	founder	Ian Wright									

* there were 8.025M common shares in Dec 2004; founders' shares show all Elon Musk shares (inc. Investor shares)

Officers & executives	100.0%	9.3%	9.3%	7.1%	8'025'401	9'174'932	9'174'932	9'174'932	$45'874'660
Other common *		4.2%	4.2%	3.2%		4'148'244	4'148'244	4'148'244	$20'741'220
Total common before options	60.2%	13.4%	13.4%	10.3%		13'323'176	13'323'176	13'323'176	$66'615'880
Options-outstanding		36.8%	36.8%	28.3%		36'509'302	36'509'302	36'509'302	$182'546'510
DOE warrant		9.3%	9.3%	9.3%		9'255'035	9'255'035	9'255'035	$46'275'175
Options-Available		40.4%	40.4%	31.0%		40'042'380	40'042'380	40'042'380	$200'211'900
Options-Total		86.6%	86.6%	66.4%		85'806'717	85'806'717	85'806'717	$429'033'585
Total - company	8.1%	100.0%	100.0%	76.8%		99'129'893	99'129'893	99'129'893	$495'649'465
Investors (Blackstar-Daimler)			22.6%	17.4%			22'427'223	22'427'223	$112'136'115
Investors (Al Wahada)			22.1%	17.0%			21'891'419	21'891'419	$109'457'095
Investors (Others, not management)							- 44'318'642	- 44'318'642	-$221'593'210
Total- Investors			0.0%	0.0%			-	-	$0
Total - PreIPO	8.1%		100.0%	76.8%			99'129'893	99'129'893	$495'649'465
IPO				23.2%				30'000'000	$150'000'000
Option (underwriters)									
Total outstanding	6.2%			100.0%				129'129'893	$645'649'465

NB: The information in this prospectus does not reflects the 1-for-3 reverse stock split of our outstanding common stock effected in May 2010.

Board

H.E. Ahmed Saif Al Darmaki	
Brad W. Buss	*Cypress Semicon*
Ira Ehrenpreis	*Technology Partners*
Antonio J. Gracias	*Valor Management*
Steve Jurvetson	*DFJ*
Herbert Kohler	*Daimler*
Kimbal Musk	

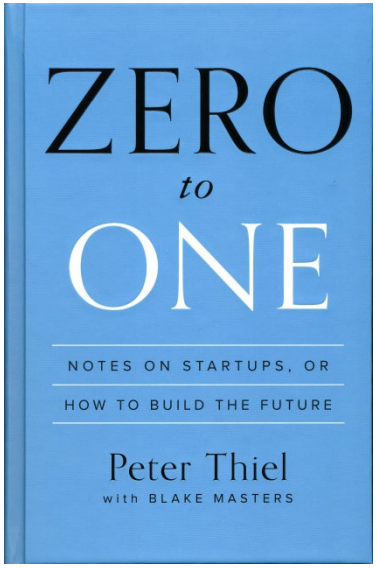
Total cash before fees	$150'000'000
Paid to underwriters	
Others	
Net	$150'000'000
sold by company	30'000'000
sold by shareholders	3'300'000
Total shares sold	33'300'000
Option to underwriters	-

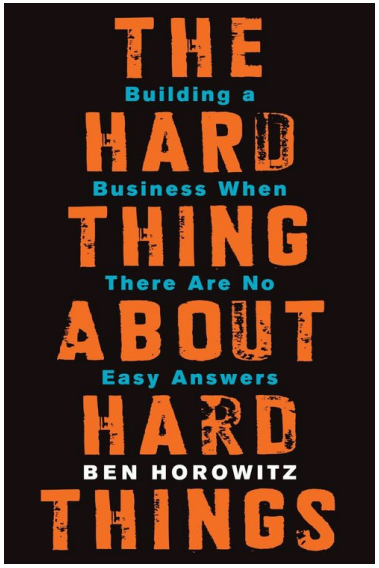
Revenues	2009-9m	2008
Amount	$93'358'000	$14'742'000
Growth	533%	
Number of employees		514
Avg. val. of stock per emp		$875'048

Investors	**Round**	**Date**	**Amount**	**# Shares**	**Price per share**
Elon Musk, Compass, SDL	A *	Apr-04	$7'500'000	15'213'000	$0.49
Valor	B		$12'899'000	17'459'456	$0.74
Musk, Brin, Page, Skoll, DFJ (32 in total)	C	Jun-06	$39'789'000	35'242'290	$1.13
Private Investors	D	May-07	$45'000'228	18'440'449	$2.44
Daimler	E **	May-09	$258'216'380	102'776'779	$2.51
Al Wahada Capital	F	Aug-09	$82'500'003	27'785'263	$2.97
	Total		$445'904'610	216'917'237	

What about the 21st century?

And the investors?





If you are not convinced yet…

Loic Lemeur: “Why Silicon Valley kicks Europe's butt”

twitter

I love Europe. But you won’t like my presentation. It’s all positive and honest though.

The main reason why Silicon Valley wins is how much time we take for lunch

Silicon Valley is all in one place: best internet companies and never seen as that many bright people concentrated

It feels like a campus

Business happens 24/7 even when you don’t expect it

There is more seed funding and VCs

Social environment is very flexible (hire fast in growth cycle, fire fast in recession)

“How can I help” attitude

Easy to get an appointment and meet pretty much anyone

People tend to trust you by default if you say you can do it

Diversity is actually higher than in Europe with so many immigrants in Silicon Valley

Key tech bloggers and press care much more if you’re a Silicon Valley company #fact #toughtochange

European entrepreneurs wake up to dominate their city or country first, not the World

In Europe, too much copying US stuff (Foursquare latest example), they could not do that in Silicon Valley

Tend to hire locally: only french, spanish, german teams => more difficult to go global

Think in english by default is challenging

You guys can fix it. Go ahead and kick ass like Vente-Privee or Meetic

Find a niche, innovate, aim at being the world leader of something, not local leader

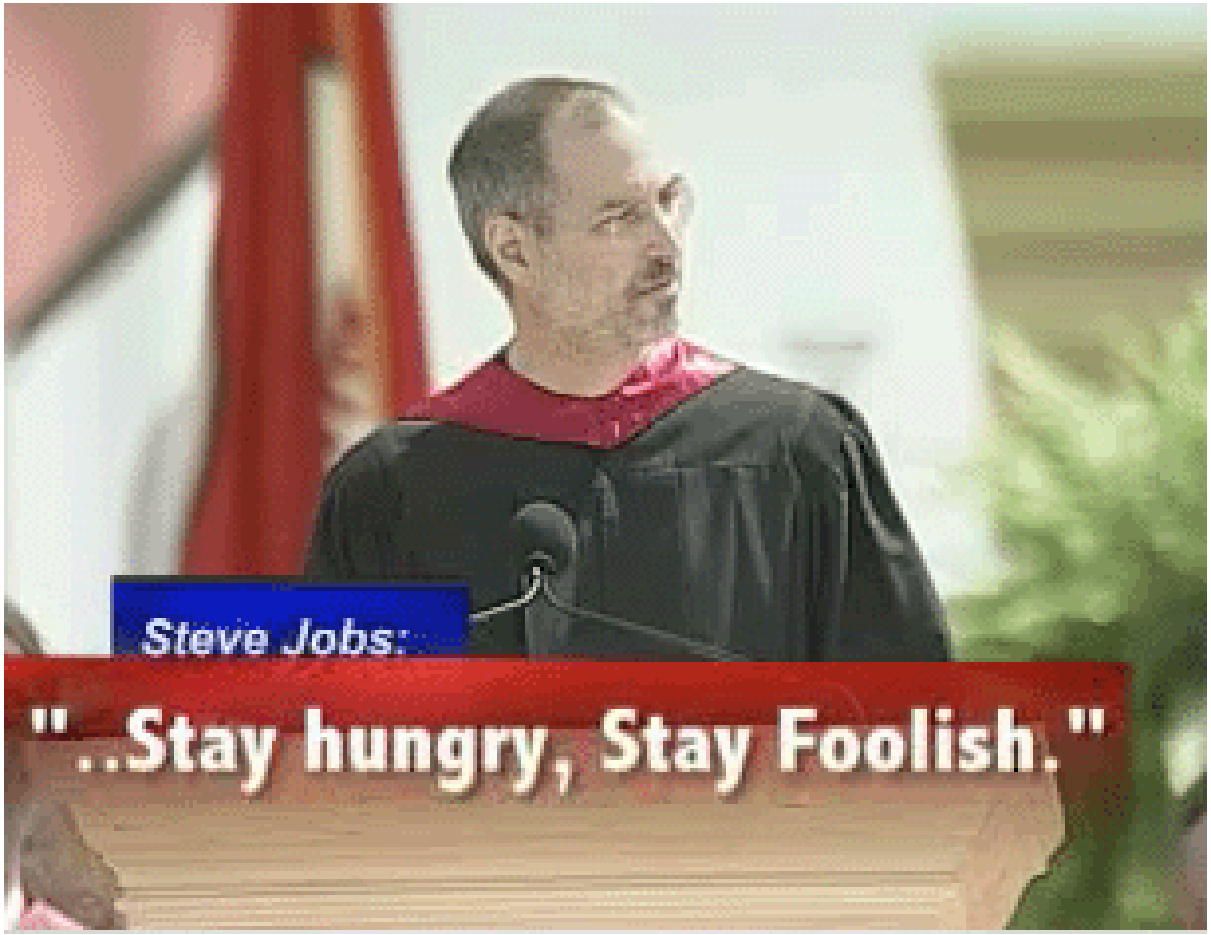
Focus on execution, the idea doesn’t matter that much

Gather an initial (global) community of users and iterate like crazy based on feedback

Entrepreneurs are the heroes

“Look around who the heroes are. They aren’t lawyers, nor are they even so much the financiers. They’re the guys who start companies” **Robert Noyce**

And more importantly, “have fun”.



http://www.startup-book.com/2007/07/04/steve-jobs-at-stanford-university-in-2005/
http://news.stanford.edu/news/2005/june15/videos/53.html

Start-Up

Q&A?

and more on

http://www.startup-book.com