11.4: From the Field- A Short History of Silicon Valley

Francine Hardaway

What made Silicon Valley a Hub for entrepreneurs? And why has that become as much of a liability as an advantage?

Silicon Valley grew up in the area between San Jose, California, and San Francisco as a result of Frederick Terman, the legendary dean of Stanford engineering school during the 1940s and 1950s. He created the tradition of Stanford faculty starting their own companies. A number of companies we still reference came out of Stanford during those years, especially Hewlett Packard and Varian Associates.

The transistor was invented and manufactured in Silicon Valley, which gave the area a leg up in the radio and telegraph industries. And the Navy had a base in Sunnyvale. By 1957, Russia’s success with Sputnik unleashed a big space competition, and the U.S. government founded NASA. At the time NASA opened at Moffett Field near San Jose, the only company able to build electronics for the space capsule was Fairchild Semiconductor.

The legend of Silicon Valley from the beginning of the transistor industry is well-known and has been written about and documented. Most of the Valley’s early success came from either components like Silicon chips (from which the Valley got its name) or the hardware into which the chips were placed.

It’s actually fun to learn about the Valley’s history, because the lesson is that the beginning of Silicon Valley was all about men and women, engineers, who had ideas out of science fiction about what technology could enable. Many of those ideas have now come true, like the personal computer and the iPhone, both envisioned by Steve Jobs. And we now wear what was once envisioned in a comic book as the “Dick Tracy wrist radio”–the Apple Watch.

Early engineers were not after money, they were about making things possible that had never been possible before,
such as space travel. As a result, they received both government grants and venture capital. Before venture capital became a "thing," it originated from the financial centers like New York. Arthur Rock, for example, was an early investor in Intel, Apple, and Scientific Data Systems. The first Bay Area venture capital firms, who located on Sand Hill Road adjacent to the Stanford campus, were Kleiner, Perkins Caulfield and Byers, and Sequoia Capital.

If you are interested in the history of Silicon Valley, you might want to watch the HBO show Silicon Valley, which tells you everything you need to know about where Silicon Valley is in the present, and also the fourth season of AMC’s Halt and Catch Fire, which can take you from the 1980s to the rise of the World Wide Web.

We have now reached the point where Silicon Valley is a rich ecosystem where everyone with an idea eventually shows up because it’s possible to sit in a coffee shop and form a team, raise some money, and get started. Numerous accelerators, such as Y Combinator make it easy to get a start, and the cost of starting a company has come down significantly due to Amazon Web Services (cloud-based infrastructure) and software development tools and frameworks.

However, we're also reached the point where Silicon Valley is a self-parody, with all the downsides of its own success: race, age, and gender discrimination, drug and alcohol abuse, suicide and depression. Its "win at all costs mentality" has spawned excesses of every variety.

Not to mention the fact that it is now possible to start a company anywhere, especially near a university. Let’s give Silicon Valley credit for establishing a culture of entrepreneurship, which is really a culture of resilience, and then understand that for digital media, it’s not Paradise.

As the founder of Stealthmode Partners, Francine Hardaway is a nineteen-year advocate and resource for entrepreneurs and intrapreneurs. She has consulted with more than 1,000 startups and blogs about technology, entrepreneurship, and health-care policy issues at Huffington Post, Medium, and http://blog.stealthmode.com. Reach her on Twitter at @hardaway.

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