Serial entrepreneurs and today's Silicon Valley

6-8 minutes

Oct 29, 2007

Several days ago, Gary Rivlin of the New York Times called me about a story he was writing about the brilliant Max Levchin of Paypal and Slide, and the general topic of serial entrepreneurs in Silicon Valley. The story came out yesterday; below are the notes I prepared for my conversation with Gary.

In a nutshell, Gary's question to me was: what makes serial entrepreneurs tick? Why do people like Max keep going and start new companies when they could just park it on a beach and suck down mai tais?

First, in my experience, Silicon Valley entrepreneurs are all over the map when it comes to personality and motivation. Some are purely mercenary -- one hit and they're out. Others just love the technology, and the business is a side effect. Still others are like Chauncey Gardiner in *Being There*. And some just love starting and building companies.

Second, there were serial entrepreneurs in the past, but there are certainly more now than ever before. There are many factors that lead to this -- here are the big ones:

- There are simply more entrepreneurs now -- due to the amazing surge in venture capital and the culture of startups over the last 10-15 years -- so you'd expect more serial entrepreneurs just based on that.
- A lot of new companies simply develop faster these days than they did in the past. Microsoft and Oracle, for example, both put in 10 years of incredibly hard work before going public (both founded in '76, IPO in '86), and they only had a few hundred employees each when they went public -- and those were the two biggest software successes of their era.

  Versus these days, when many companies are founded, built, scaled up, and sold (or, yes, taken public!) in a few years.

  The process can happen so fast that people are freed up much faster; therefore, upon being freed up they are younger and tend to have more raw energy than people who in the past would have spent 10 or 20 or 30 years building a single company -- and by the time *they* freed up, they maybe didn't want to put that level of effort into something again.

- Also because of the faster cycle time, when you start company #2 you can assume that it won't necessarily consume the next 10-20-30 years of your life -- you can probably build something successful over say 5 years, maybe 8 years max, and so you're not committing the rest of your life.

  This makes it easier for people to say, OK, hey, it worked once, I'll try it again.

- The culture of startups in the Valley is clicking on all cylinders -- everything from fundraising to hiring to building out a management team to signing up lawyers and accountants and bankers is simply easier than ever before. I'm talking in a macro sense -- over the last 10 years, versus prior decades, even considering the early 2000's bust.

  So it's just easier to start the next company that it was the past -- the "pain in the ass" factor is lower.

- In terms of exit, there are some IPO's, but the big thing is that M&A is a widely accepted and viable exit. Big companies in and related to the Valley have actually become quite good, in general, at acquiring small companies -- not perfect, but quite good. They do it frequently, in order to build out their product families or grow market share. This of course inspires more companies to be started and tends to compress the time cycles further.

Third, all that said, it is striking how many of the truly revolutionary companies are started, at least in part, by people who haven't done it before. Google (Brin and Page), Yahoo (Yang and Filo), Facebook

(Zuckerberg), Apple (Jobs and Wozniak), etc.

When you see one of those really revolutionary companies and there's some young kid with the idea, of course, they often are linked up with one or more seasoned, experienced people -- Google (Schmidt, Doerr, Moritz), Yahoo (Moritz, Koogle), Facebook (Thiel, Breyer), Apple (Markkula). So even there you see a kind of a serial entrepreneur (or VC or executive) effect which is another form of what you're talking about.

Fourth, drilling deeper into the motivations of the great serial entrepreneurs I know, the dominant themes are:

- Desire to prove oneself -- either "I can do it again -- it wasn't a fluke the first time", or "I was the junior partner last time, now I'll be the senior partner", or "I got fired from my last company, I'll show those f****** VCs", or something like that.
- Desire to continue working and being productive -- "I'm 26 or 30 or 34, I have a lot of energy, I have to keep moving, and I'm certainly not going to go to work for some boring big company or be another hack VC... obviously I need to start another company".
- In love with the technology or a new idea -- there's more of this than cynical people think.
- A feeling that we're in a unique time and place where it's *possible* for us to start, build, and be successful with multiple companies -- it'd be a shame to walk away from the opportunity to continue to be a part of such a magical time and place. This is a big motivator for me, by the way. Growing up, I would have never *dreamed* that an industry like this would exist or that I would get to be a part of it. I pinch myself every day.
- Money, *but* not just "I can buy a fancier cashmere car cover" kind of thing (although there is some of that) -- just as often I think it's money as a way to keep score (often in the form of something like, "I can't believe Mark Cuban is a billionaire and I'm not; I can do that too"), *or* money as a way to have an impact on the world philanthropically -- the more you make, the more you can give away. That last one is certainly becoming a bigger and bigger motivator for me.

With any given serial entrepreneur, it's probably a mix of these.

Fifth, a sharply related topic to all of this is that the opportunities are bigger than ever before. It's not an accident that companies like Google or Facebook or Paypal just get huge, and apparently overnight.

For the first time in history, you have a global market of 1+ billion people, all connected over an interactive network where they're all a click away from you. That's amazing.

And 100 million new people are being added to that count every year, and that will continue for the next 30 years.

A huge and growing market makes all kinds of magical things possible, and I think that's what we're seeing now.