

TECH RECRUITING

CAN RESEARCH TRIANGLE ATTAIN SILICON VALLEY'S STATURE?

BY AJIT THAMPY

North Carolina's Research Triangle Park (RTP) shares several advantages with California's Silicon Valley. So what prevents RTP from attaining Silicon Valley's level of importance to the economy?

As Stanford professors, Joseph Bankman and Ronald Gilson, put it, "Communities are defined by their mythology. In Silicon Valley, the defining myth takes as its stage David Packard's or Steve Jobs' garage." The RTP has its own share of entrepreneur-heroes such as Jim Goodnight of SAS and Dennis Gillings of Quintiles. But the RTP, and in a broader sense the Southeast, seems to lack Silicon Valley's ability to produce great companies such as Intel, Genentech, Adobe, Oracle, eBay, Cisco, SUN, Intuit, Yahoo, Google, among others.

LONG-TERM START-UPS

RTP draws ideas and entrepreneurs from Duke, UNC Chapel Hill, and NC State just as Silicon Valley does from Stanford and UC Berkeley. The universities are very good at seeding, incubating, and spinning off start-ups. But what the RTP lacks most is an ecosystem for sustaining, supporting, and growing start-ups. Silicon Valley's ecosystem enabled Google to shoot from its humble beginnings to over a billion dollars of revenue in just five years.

The RTP does not have a symbiotic system that enables a start-up to rapidly scale up. Based on figures from the Research Triangle Foundation, 86 percent of RTP companies have 250 or fewer employees and 52 percent have 10 or fewer. Only a tiny number of start-ups from the RTP and surrounding areas end up listed on the New York Stock Exchange or NASDAQ. In other words, RTP start-ups tend to remain start-ups for a long time.

PURSUIING VENTURE CAPITAL

Sand Hill Road in Menlo Park is the financial nerve center of Silicon Valley. It houses many of the world's biggest venture capital (VC) firms such as Kleiner Perkins Caufield & Byers, Mayfield Fund, Institution Venture Partners, and Menlo Ventures. These firms sift and sort thousands of start-ups in their quest for "10X deals" that will return at least 10 times invested capital. The RTP also has VC firms but their cumulative investment pales in contrast to those in Silicon Valley. According to the MoneyTree Report, in 2007 VC firms invested \$10.1 billion in 974 companies in Silicon Valley.

In contrast, they invested \$509 million in 53

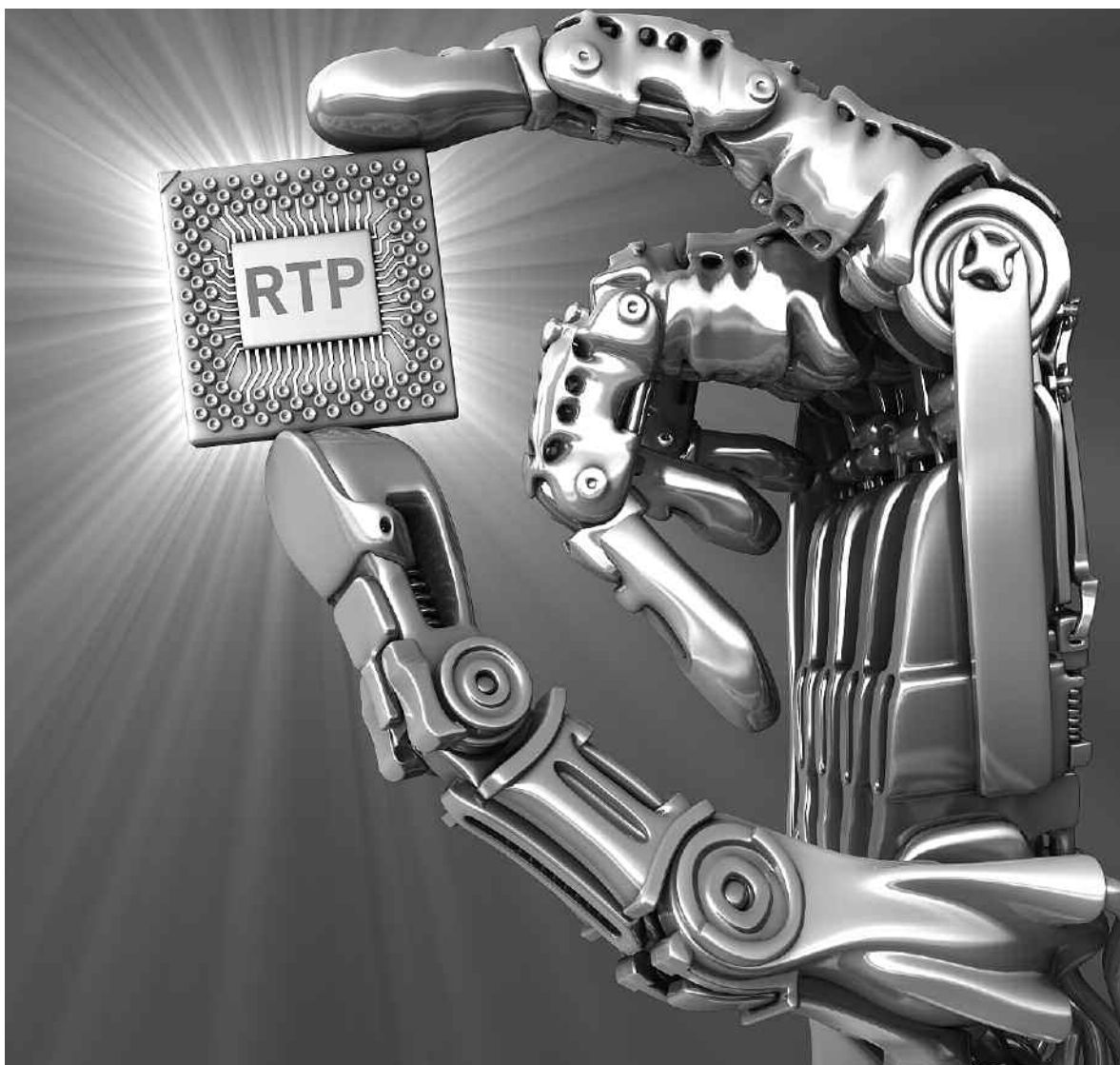
companies in the RTP. But that number does not tell the whole story. Nearly half – \$235 million – was invested by billionaire Carl Icahn in Durham-based software company Motricity. Unlike their Silicon Valley counterparts, local entrepreneurs appear more reluctant to pursue VC funding for fear of losing control of their start-ups. They also lose the opportunity to gain from the management expertise that venture capitalists can provide.

SEARCHING FOR TALENT

Centers of innovation such as Silicon Valley and RTP provide talented people with a risk-taking mentality. But start-up companies need a constant infusion of new talent to grow. The presence of retained executive search firms provides a rough measure of the area's capability to bring management talent to firms. The executive search industry is a vibrant part of Silicon Valley's ecosystem and every major search firm has at least one office serving the Bay Area.

Compared with that, Stanton Chase (the author's firm) is the only top-10 executive search firm with an office in the Triangle area. The general tendency of RTP firms seems to be to "hire from the Rolodex" rather than to hire the best qualified and most talented people, wherever they are located. In the long run, a policy of parochial self-sufficiency may be short-sighted.

Across the U.S., highly skilled immigrants start a significant proportion of high-technology companies. North Carolina significantly trails California in attracting highly skilled immigrants to start up companies, according to a Duke University study. Over half (52.4 percent) of Silicon Valley start-ups had one or more immigrants as a founder.



By contrast, only 18.7 percent of RTP start-ups had an immigrant founder. The RTP will need a marketing strategy to attract and keep the best and brightest immigrants.

Rx FOR SUCCESS

The RTP area has a lot to offer new residents: great weather, good schools, excellent parks, year-round outdoor activities, and none of the horrendous commute seen in Silicon Valley. However, talented people are reluctant to move to the area because of the unattractive salary levels, despite the lower cost of living. Additionally, the RTP does not offer professionals the same level of career and job mobility available in the Bay Area. The only way to ameliorate that situation would be to enable more start-ups to become big companies. That will create a virtuous cycle where big companies create new opportunities, leading to higher wage levels, which in turn will attract more



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talent and new enterprises.

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