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## Entrepreneurship in Silicon Valley: The Road to Sustainable Prosperity

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# Entrepreneurship in Silicon Valley: The Road to Sustainable Prosperity

BY JUNE Y. LEE



The spirit of entrepreneurship has been at the heart of California, both economically and culturally. On the economic side, California has the largest economy in the U.S. and the world's fifth largest economy after the U.S (excluding California), China, Japan, and Germany. According to the Department of Finance of California, this robust growth has been ascribed to the success of information technology and manufacturing, along with the subsequent impact to real estate and financial services sectors. On the cultural side, the current generation has grown up with products and services offered by Silicon Valley. There is even an eponymous television series called Silicon Valley, underlining the large presence of Silicon Valley in the popular culture.

Why is entrepreneurship successful in California, and in particular in Silicon Valley? Silicon Valley has a long history of creating and nurturing an ecosystem of entrepreneurs, startups, investors, and academics. Since the 1940s, research-based

technology development has served as the basis of formation of Silicon Valley, and successful examples included Hewlett-Packard (HP) and Varian Associates. This ecosystem is now self-sustaining and self-perpetuating: experienced entrepreneurs remain active in the ecosystem by investing in, advising, and mentoring the next generation of entrepreneurs. Established firms in Silicon Valley also play an active role in the ecosystem through acquisitions and spin-offs. The commitment and effort of these stakeholders contribute to the success of Silicon Valley.

In addition, academic institutions played a significant role in making Silicon Valley successful. Universities have provided a safe environment for students to explore and test ideas resulting in tremendous economic value. For instance, the economic values created by Stanford University and its alumni are equivalent to the world's tenth largest economy, according to a study by [Eesley and Miller \(2012\)](#). More specifically, 39,900 active firms that have been founded by Stanford alumni created 5.4 million jobs and generated \$2.7 trillion in revenue worldwide. More recent examples include Google, Instagram, Snapchat, Trulia, and Coursera. Other universities, such as University of California, Berkeley; California Institute of Technology; University of California, San Francisco, also offer vibrant pipelines to translate academic prototypes into viable products.

The meteoric rise of Silicon Valley and its immense economic, social, and cultural significance have not been without turmoil. While Silicon Valley is known for its technological innovation, wealth creation, and economic prosperity, there has been growing income disparities in the recent decades. More specifically, increases in housing prices and living costs has contributed to gentrification and displaced residents in other sectors, such as education and the arts. This effectively hinders economic mobility, particularly for low- and middle-income families. Hence, there needs to be a more inclusive regional economy to ensure all working families across different income distributions can reside and making living in Silicon Valley.

Another area in which San Francisco Bay Area must improve in order to serve as a role model for the rising “Silicon Valleys” of other states and nations is the promotion of equity and diversity in gender, ethnicity, and socioeconomic status. For instance, according to [All Raise](#), 9% of decision-makers at U.S. based venture capital firms are women and only 15% of the U.S venture dollars in 2017 went to teams with a female founder. Also, according to the diversity reports produced by Silicon Valley firms such as Google and Facebook, the representation of ethnic minorities and women among tech workers is alarmingly low. Given that technology is becoming increasingly embedded into our daily lives—for instance, a [2017 USC Annenberg study](#) reports that 92% of Americans access the internet and spend 23.6 hours a week online on average—diverse teams are critical to creating products and services that serve diverse user bases. This would also lead to greater return on investments from the perspective of firms.

California has been enjoying remarkable success in Silicon Valley thanks to a self-sustaining ecosystem of entrepreneurs and ventures, and strong academic institutions that encourage transfer of technology. At the same time, it faces challenges in ensuring economic equity in the region and improving the diversity of its leaders and workforce. More open discussions and thoughtful leadership will be needed to solve these challenges going forward.