

Navigation Canceled

+ [More information](#)

 **Mercury Center**

San Jose Mercury News

[Home](#)

[Site Index](#)

[Search](#)

[Feedback](#)

[Help](#)

[Customer Service](#)

[Register for free e-mail
Dispatches](#)

Sections

[News](#)

[Business & Stocks](#)

• [Technology](#)

[Sports](#)

[Opinion](#)

[Living & Comics](#)

[Weather](#)

Classifieds & Services

[Classifieds](#)

[Jobs: JobHunter](#)

[Homes: HomeHunter](#)

[NewHomeNetwork.com](#)

Related Sections

• [In Time for Reports](#)

• [Latest Headlines](#)

[Mercury News Business](#)

• [Company Watch](#)

[Breaking News](#)

• [Personal Computing](#)

[Getting Ahead](#)

[HomeHunter](#)

• [Money Tree](#)

• [Silicon Valley 150](#)

[Mortgage Watch](#)

• [Motley Fool](#)

[Stocks](#)

• [What the Boss Makes](#)

• [Dan Gillmor](#)

• [Scott Herhold](#)

[Contact Us](#)

[About this page](#)

Business & Stocks

Published Sunday, November 14, 1999, in the San Jose Mercury News

Venture Capitals Funding blossoms beyond Silicon Valley as regional mini-hubs take root in the West

BY [SCOTT HERHOLD](#)

Mercury News Staff Writer

FOR more than three decades, the epicenter of the venture capital world has been somewhere between Sand Hill Road and downtown Palo Alto, a spot not far from the deli in the tony Andronico's Market at Stanford Shopping Center. But just as technology has flourished in other areas, so too have venture capitalists found solid moorings elsewhere in the West.

In Texas, Los Angeles or Seattle, the percentage of national venture capital dollars remains in single digits. Taken together, however, those three areas along with Colorado receive more than half as many dollars as Silicon Valley.

This is no pocket change in an era of massive venture capital funding. In the first nine months of 1999, the West's four largest regional VC hubs counted \$3.9 billion in investments, compared with \$7.7 billion in Silicon Valley, according to the Money Tree, the Mercury News/PricewaterhouseCoopers LLP venture capital survey.

Perhaps more interesting than the raw numbers, however, are the regional differences that emerge between investors in Silicon Valley and those elsewhere. The approach toward investing -- and thus the shape and scope of a start-up -- can differ as markedly as the cuisine, the accents and the landscape itself.

Venture capitalists who have worked here and elsewhere say the atmosphere in Austin or Seattle is more like Silicon Valley in a gentler age, when valuations hadn't reached today's sky-high levels and venture firms routinely shared deals with one another.

"It's still more of a collaborative environment in Seattle, specifically, and Austin," says Robert Nelsen, a general partner with Arch Venture Partners, which invests across the country. "So it looks like the Bay Area did five years ago, when there was a lot of teaming on deals, and where one single fund didn't take the whole deal and push everyone else out."

This poses advantages and disadvantages for entrepreneurs. Because competition for deals isn't quite as fierce elsewhere, the companies are valued at lower prices. But because the VCs aren't dealing with funds quite as big as Silicon Valley's, they often have a little more time to spend with a troubled start-up.

Like competition between college athletic teams -- and venture capitalists tend to be big sports fans -- the rivalry between Silicon Valley firms and those in Austin or Seattle has a flavor of regional chauvinism.

"There's a feeling in Silicon Valley that the strong teams there can do the multimillion-dollar deals by themselves," says Rick Summer, vice president of strategic networks for VCapital, a Chicago firm that helps firms line up venture capital money. "Well, likewise, and this has been a bit surprising, the firms in Austin actually feel the same way."

Even more so than in Silicon Valley, the character of start-ups elsewhere is heavily influenced by the nature of the big companies already established in a given region: In Southern California, it's entertainment industry companies like Walt Disney Co. In Dallas, near the headquarters of Texas Instruments, it's telecommunications. In Colorado, once the headquarters of TCI (now part of AT&T), it's the cable industry. And in Seattle, the dominant theme is established by Microsoft Corp. and Amazon.com.

These big companies form the natural recruiting grounds for any start-up: In fact, a close look at the genealogy of venture-backed companies uncovers several third-generation companies backed by the same venture firm that backed their grandparents.

But there are other factors as well, including the relative numbers of VCs and the mass of entrepreneurs. Of the four mini-capitals in the West, for example, Colorado is still the least active, with a little less than \$700 million in venture money so far this year. But even Colorado has seen a sharp