EXCERPT FROM ALMOST by Hap Klopp

INTRODUCTION

“The world is shifting to an innovation economy and nobody does innovation better than America. Nobody does it better. No one has better colleges. Nobody has better universities. Nobody has a greater diversity of talent and ingenuity. No one’s workers or entrepreneurs are more driven or more daring. The things that have always been our strengths match up perfectly with the demands of the moment.” – President Barack Obama, December 6th, 2011

What is Silicon Valley really like?

America’s greatest hope for innovation is in Silicon Valley. This geographic magnet of talent and money is where the action is, and so to take a swing here is unlike taking one anywhere else. Imagine the joy of creation and the dream of reward.

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There are well-known stories of gigantic successes, but Silicon Valley is actually full of many more failures. In fact, the true “secret sauce” of Silicon Valley culture is that it does not shun failure. It embraces it.

So what is that like? What happens on this sliver of land on the West Coast where large intellects with even larger egos chase gigantic ambitions, and then things go wrong? What is that like? That’s what Silicon Valley is really like. It is vibrant and chaotic. It always feels like a big thing is about to happen, but it usually does not happen. It almost happens.

Almost... the word hurts the soul. So much effort falling into oblivion. And it keeps happening again and again, this amazing effort. Why? What is it in Silicon Valley that makes it okay, and in some way essential, to swing for the fences?

While companies outside of Silicon Valley generally view failure as a career-ending disgrace and the people involved are shunned, Silicon Valley companies prize the experience gained and believe in the positive benefits of “failing forward.”

Silicon Valley’s difference is that it expects failure and it embraces failure. Whereas “greed is good” to Wall Street, failure is good to Silicon Valley. “Nice try, learn from it, now go get ‘em again” is the prevailing attitude. Proof of this can be seen in the portfolios of most Silicon Valley venture capitalists. A
A common VC portfolio is based on the hope that three of ten investments will be home runs, three will be write-offs, and the remaining four will be mediocre and have to be sold off or somehow disposed of prior to the closing of the 7-10 year fund. What is left from those that weren't home runs (the failures) is a huge number of experienced and skilled employees who can be re-purposed for the next great entrepreneurial effort.

In Silicon Valley, it is understood that experience is what you get when you don't get what you want. It is an atmosphere where people are allowed to fail. In Silicon Valley, those who have failed are very attractive prospects for the next venture. This makes the culture self-perpetuating, as high-powered, risk-oriented entrepreneurs are encouraged to dream big dreams that sometimes do, in fact, come true. Particularly when given a second chance. When people experience failure and can actually figure out what went wrong, they have an incredible foundation for future decision-making.

So what is Silicon Valley really like? Well, Steve Jobs was kicked out of Apple.

But after Jobs was ousted from Apple, he created Pixar, and then he eventually rejoined and energized Apple to reach unimagined heights. Pixar and Apple became two quintessential examples of Silicon Valley successes coming out of the ashes of personal failure.

Failure is a great teacher. Unfortunately, it kills many of its pupils while destroying their own net worth. And in startups, it often wipes out the investments of friends and family as collateral damage. A heavy price to almost make it. And even for all that learning, the reality of “almost” is that it haunts you in the middle of the night. And in communities less aware than Silicon Valley, it creates a permanent, indelible scar on an entrepreneur’s record. But near San Francisco – and increasingly in like-minded cities around the country – that scar means something else. It has value.

An October 2012 conference on failure called Failcon, in San Francisco, attracted more than 750 people interested in learning lessons from failure. It is a hot topic, with reason. These lessons mean something, and learning from the mistakes of others is cheaper than learning from your own mistakes.

Every story is so personal, so indelibly inked onto the souls of those who experienced it. It hurts, but it toughens the spine. In fact, the list of failures who went on to succeed goes far beyond the legend of Steve Jobs. Marc Andreessen experienced early failure, then went on to found Netscape. Max Levchin, who was CEO of Slide, the social apps maker, was too slow to compete and went out of business, only to rebound and create PayPal, which sold to eBay
for $1.5 billion. Frank Quattrone bounced back from a clash with the SEC and federal authorities while he was with Credit Suisse to found his own company, Qatalyst Group, which now advises companies such as Yahoo and Google. And the list goes on and on.

There really is something to the idea that failure is the best teacher.

Failure also makes for a great narrative, full of heroes and villains, and lots of greed. Throw in a few High Noon-style corporate showdowns, screaming emails, and flying food thrown by an angry employee, and you begin to viscerally understand what Silicon Valley is really like – the high energy, and the high anxiety.

That’s why this story is much larger than the tale of one company’s chaotic, failed attempt to build a big, important business that “changed the world.” Through the prism of 12 electrifying months inside Ardica Technologies, an entrepreneurial fact about Silicon Valley emerges: Failure is more common than wild success, and it teaches truer lessons about business, about life, and about innovation.

So what is it really like to work in a grind-it out startup when one of the best technology companies in the world shows interest in what you are doing?

Call them Big Silicon. They were the perfect partner – one of those elite Silicon Valley technology companies that many of our team would have loved to work for if they weren’t working for us. Well known in Silicon Valley and, in fact, the entire world, Big Silicon was growing rapidly. It had repeatedly launched blockbuster innovative, premium products, plus it had a ton of cash in bank which could be used for product development and acquisitions.

Imagine how the lure of fast cash can derail the hard work of building a business. Now imagine working for a company that was told its innovation didn’t meet the sky-high standards of Silicon Valley.

Big Silicon was interested, maybe even very interested, but in the end they passed.

Almost.

Imagine working for a company that had a shot at creating a worldwide brand as fast as anyone ever had, if it hadn’t gotten derailed by the mirage of overnight riches via a sale to the fabulously successful Silicon Valley company, Big Silicon. Now imagine the hard work of brand building disintegrating because of a faulty product and a dysfunctional management team.
Almost hurts.

This story of 12 crucial months in Ardica Technologies sunburst existence would be a metaphor if it were not real. With compelling lead characters straight out of America’s culture wars – the hard-nosed naval officer and the Berkeley guy – this, at first glance, is a great parable about focus. A great American brand in an emerging area of need could have been built, should have been built, and almost was built, but two competing paths led to a split that derailed what had once looked like a sure-fire dream. Focus or perish. Keep the main thing the main thing. Failure teaches these hard lessons.

This story of Ardica Technologies also provides a real-world case study answer to the perennial business question: Do you sell what you can build, or do you build what you can sell?

With a supporting cast featuring young Stanford geniuses and entrepreneurial marketers, this real life metaphor had some real life lessons to teach about building a business:

- Invention without commercialization creates a stillborn company
- When you run out of money, you make bad decisions
- Multiple cultures cannot exist in one company
- “Get rich quick” is not a strategy
- Failing to plan is planning to fail

When a group of people work so hard and come so close – when it almost happens – that’s when the agonizing truth of almost hurts the most. But that is also when you learn the most. This knowledge gained by failure is actually the secret sauce driving great innovation forward. For the Silicon Valley innovator, along with the sting of failure comes the true prize of wisdom, resilience, and an emboldened desire to get it right the next time. That’s what Silicon Valley is really like.