

[washingtonpost.com](http://www.washingtonpost.com)

Dot-Coms Are So '90s; In Silicon Valley, Doing Good Is the New Thing

By Ariana Eunjung Cha
Washington Post Staff Writer
Tuesday, August 9, 2005; A01

MENLO PARK, Calif. -- They say the soul of Silicon Valley is reflected in the billboards scattered along the 45-mile stretch of Highway 101 that cuts through the region. During the dot-com era, the messages were mostly from start-ups like Excite.com, Homestead.com and eGain.com. The goal was to sell you something, anything.

Today the signs have changed. "End World Hunger," urges one billboard. Another promotes a campaign to aid the mentally disabled. A third features a smiling portrait of the men and women of the California Air National Guard 129th Rescue Wing, who "keep America safe, secure and free."

Ten years after the Aug. 9, 1995, initial public offering of Netscape Communications Corp. set off the Internet boom and five years after the bust, venture capitalists are leading a push to remake Silicon Valley as a center for a new form of social entrepreneurship and venture philanthropy, a place where you can make good money by doing good.

While plenty of people here still are out to make fast bucks, there also has been a surge in investments aimed at solving some of the world's most formidable problems. Venture capitalists chastened by the bursting of the bubble say they want to make a mark that lasts beyond the next quarterly filing with the Securities and Exchange Commission.

A decade ago, scientist Eric Nyberg had what he thought was a breakthrough technology. Working out of his garage, he invented a low-cost, low-energy method for purifying water. But it was all but impossible to get the attention of dot-com-crazed investors.

A few months ago, Nyberg's company, Pionetics Corp., began soliciting investments again. This time it was inundated with offers and had to turn some down. The company, which aims to help stop the spread of waterborne disease in underdeveloped countries, raised about \$6.4 million in venture funds from seven firms.

"People are looking to have more meaning in their lives," said John Doerr, a partner at uber-venture capital firm Kleiner Perkins Caufield & Byers. "It is a sign the technology community is coming of age."

Doerr became famous for funding some of the Internet's biggest success stories, as well as some of its most spectacular failures. These days he focuses mostly on health care and energy companies and has been applauded for helping get California's \$3 billion stem cell initiative passed and for promoting small loans for entrepreneurs in the developing world.

Some say the shift is as much about helping themselves as it is about helping others.

Advertisement



Colonial Williamsburg
WILLIAMSBURG, VIRGINIA

A fashionable Williamsburg woman in colonial times would know that skirts this year are:

- Fuller
- Narrower
- Both

[Click here for more quiz questions](#)

washingtonpost.com SPECIAL ADVERTISING SECTION

"Adam Smith said that self-interest is the purest form of altruism. . . . As venture capitalists we are driven to produce financial returns, but to do that we have to think carefully about whether our investments solve unmet needs," said Robin Bellas, a general partner with Morgenthaler Ventures.

Halfway down 101 is the geographic, philosophical and emotional center of Silicon Valley: Sand Hill Road, where the region's most prestigious venture capital firms are based and where countless entrepreneurs' dreams are either made reality or crushed.

It is in these offices where the transformation is most acute. Instead of waiting at desks as the business plans flow in, many venture capitalists are actively trolling university labs for the latest inventions. More than a few firms these days keep their venture capital investments a secret, allowing companies the ability to concentrate on their research without public scrutiny.

Many of the new entrepreneurs are technologists, not MBAs -- signifying a new emphasis on products over profits.

"The thinking today is, 'I don't care as much how much of a Harvard MBA or super-experienced CEO or whatever you are or how much money you've raised,' " said Philip J. Kaplan, the founder of an infamous Web site that mocked the deaths of thousands of dot-coms. He said businesses have to be "cool." He works at a start-up that sells online ads to corporations but provides them to nonprofit organizations for free.

The change can be quantified in venture capital investment. In the second quarter of this year, investments totaled \$5.8 billion in 750 companies, an increase of 19 percent over the previous quarter, according to the MoneyTree Survey by PricewaterhouseCoopers, Thomson Venture Economics and the National Venture Capital Association.

Life sciences, which includes biotechnology and medical devices, has been the dominant sector for investment for the past two years. Energy investments are also on the rise.

Many of the companies that have recently received funding probably would not have had a chance in 1999, when many of the venture capital firms' portfolios were laden with dot-coms.

Ion America Corp., for instance, is working on technology to create a clean energy source from hydrogen that would reduce pollution and dependence on foreign oil. Savi Technology Inc. is making radio identification tags for container cargo that it hopes will help border security officials keep out bombs or other weapons. Satiety Inc. is fighting obesity by designing a tubed instrument that may reduce complications from stomach surgery.

Former Homeland Security Department chief Tom Ridge said he recently joined the board of Savi because he is "very interested in any technology that can help create a safer and more secure America."

Venture capital firm RWI Group Inc. has invested in various health-related companies, such as DexCom Inc., which sells a continuous blood glucose monitor that helps people with diabetes manage their disease, and Paracor Medical Inc., which has designed a device that treats patients with heart failure.

"It's a very rewarding experience to be dealing with companies that are committed to helping people," RWI managing director Mark J. Foley said.

Phil Schaaf learned his own lessons when he worked in business development at six dot-coms before the

crash. He has commemorated the experience by writing a play -- "Goin' Dot Com" -- that has been drawing crowds of Silicon Valley veterans to the Eureka Theatre in San Francisco. A wry sendup of the era, the play involves venture capitalists enthusiastically backing a company, RentalPuppy.com, that rents pets to guys who want to meet girls. But after the initial public offering, the venture capitalists cash out and leave the company to its ruin.

The outcome is the kind of aimless destruction that many participants experienced -- "there was no moment of apology and dramatics," Schaaf said -- and that led to the drive to do something more. "Everyone just turned right back around," he said, "and began innovating again."

© 2005 The Washington Post Company

Advertising Links

What's this?

Venture Capital Financing

Venture Capital and Angel Investing are not the only ways to fund growth. Vencore provides lines of credit to emerging growth companies for equipment acquisition and leasing.

www.vencore-solutions.com

Private Equity Jobs Database

100s of jobs at top private equity and venture capital funds. Comprehensive coverage organized by category: investment, accounting and control, marketing and operations.

www.jobsearchdigest.com