Preface

In 1984, I began a job with a brand new startup that became such an extraordinary experience that I could never forget it, even though I tried. The personalities and happenings of this financial adventure, which took place over a three-year period were so stressful and unsettling to me that even now, twenty-odd years later, they haunt my thoughts.

The startup held great promise and included the involvement of several of the most influential pioneers of Silicon Valley, including Michael A. McNeilly, the principal founder of Applied Materials (the largest semiconductor equipment company in the world) and Tom Perkins, the founder of arguably the most successful venture capital company in the world, Kleiner Perkins Caufied & Byers. While the startup held the promise of fun, challenge, and great financial reward, it turned out to consist primarily of one unpleasant surprise after another. And when I left after three frustrating years, I had little to show for my efforts other than disappointment, anger, disbelief, and deep frustration.

While I planned for quite a while to record these strange events to convey an idea about what can actually occur in the seemingly glamorous world of startups and venture capital, I didn't want to write it while Mike McNeilly was still alive. Had I done so, I am sure his convoluted life would have been even more difficult. In spite of the long passage of time since the events occurred, the book was easy to write, since each weird happening had been etched in my mind.

While Mike's life and actions were compromised by his sickness, Tom Perkins, the other principal player in the story, had a chance to make the startup a success. Yet he turned his back on the company by assigning to underlings his responsibilities as the only member of the board of directors other than McNeilly, putting at risk 40 million dollars and years of product development, a needed and unique product, and a backlog of orders. Companies other than venture-backed businesses would never have been managed in this manner. But since the standard in the venture capital industry is that eight or nine investments out of ten don't make it, no one ever questions why companies are abandoned and significant investments are lost. In venture capital, very often if a problem cannot be corrected by lavishing more money on it, it is seen as not worth correcting.

The United States has over 125 million businesses. They are the backbone of our economy and are managed successfully by people with vastly different backgrounds and experience. Startups funded by venture capital are different from other new or emerging companies because the venture capitalists themselves have a very significant influence over their management. In this case, money really talks. Very often a new company is founded by an inexperienced manager or two who have an idea for a product or service that is better than anything else on the market. The typical combination of inexperienced management with venture capitalists who have never run a small business is a recipe for mistakes that can cost a lot of money. But of course, a lot of money is the one thing that venture capitalists have. Although the following story about Focus Semiconductor Systems did not begin as a typical venture capital startup because of the involvement of the two giants, McNeilly and Perkins, that is exactly how it ended.