

Technology Journal -- Books: Venture Capitalism Done Right

By Robert Templer

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ABSTRACT (ABSTRACT)

Of all the venture-capital companies that have their offices on Sand Hill Road, Silicon Valley's answer to Wall Street, Benchmark has had the biggest impact in recent years, financing some of the most prominent names on the Web. It also has changed the way venture-capital firms operate. Most have been led by one dominant figure, but Benchmark's six backers have had an equal partnership. Benchmark also has put more emphasis on matching entrepreneurs, such as eBay founder Pierre Omidyar, with serious managers, such as Meg Whitman, who now runs the online auctioneer.

Benchmark has had slips as well -- its involvement in Toysrus.com was a failure, as was a foray into consulting with Fortune 500 companies to help them get online. Mr. [Randall E. Stross] is fair enough in assessing these cases, but most of them come across as blameless slips with little acrimony involved. With all his access to Benchmark's inner workings, it is easy to suspect that Mr. Stross may have suffered a little from Stockholm Syndrome, in other words, he may have been swayed in his objectivity by his close proximity with his subjects. Venture capitalists aren't universally worshipped, particularly not in Silicon Valley. Jim Clark, of Netscape and Healthon fame, devotes much of his book "Netscape Time" to a stream of vitriol aimed at venture-capital firms that he believes got rich off his ideas and work but did little themselves.

We don't get the full picture in Mr. Stross's telling of the Benchmark story. Surely even Benchmark has some enemies, and it would be interesting to hear from them. Unfortunately, "E-Boys" hit the bookshelves a little too early. The Benchmark story is far from over. In the past six months, the value of many companies has fallen dramatically. Benchmark has been buying up stock in luxury retailer Ashford.com and finance concern E-Loans, in order to help boost the companies' sagging stock prices. Some businesses, such as Webvan, have very uncertain futures.

FULL TEXT

E-Boys. The True Story of the Six Tall Men Who Backed eBay, Webvan and Other Billion-Dollar Start-Ups.

By Randall E. Stross

Crown Business, \$26.00

"E-Boys" is not a book for people who are troubled by their stature, so don't be confused by the book's subtitle. It turns out that the one defining characteristic of the venture capitalists who have had the greatest success during the past five years is that they are all well over six feet tall.

But "tall" is not the obvious choice of adjectives to put in the title of this book. "Risk-taking," "defiant," "brilliant," "prescient" -- there are many words that might be applicable to the six men who run Benchmark Capital, the most successful venture-capital firm of the e-bubble era.

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Benchmark is a full-service firm offering everything from cash to the handholding necessary to get reluctant spouses to move to California. Whereas many of its larger rivals have financed technology rather than e-commerce for decades, Benchmark opened its doors at the perfect time in the mid-1990s to take advantage of changes in the way business is done.

Randall Stross, who teaches business history at San Jose State University, in the middle of California's Silicon Valley, gained considerable access to companies to write this book, and it shows in the intimate details of his interviews. "E-boys" traces the development of a number of companies from huge successes such as eBay to the huge risk of online supermarket Webvan.

Of course, it isn't all visionary entrepreneurs and soaring stocks. Benchmark, like all venture-capital firms, has had its share of busts, such as encryption concern Tristrata, which never lived up to its technological claims.

Much of the book focuses on Dave Beirne, a former headhunter for technology corporations, who was one of the founding partners of Benchmark. What he brought to the company was an almost obsessive desire to find exactly the right manager for each of the companies his firm backed.

Mr. Stross tries to build Mr. Beirne up as an aggressive, driven leader known for terrifying people by bellowing profane streams of threats into telephones. But despite the author's descriptions, Mr. Beirne comes across as a perfectly reasonable, even-tempered man. They all do.

The author has self-consciously made this a character-driven book, but the main characters aren't interesting enough to sustain that tack. In fact, it is the slightly marginal figures, such as Mr. Omidyar and John Atalla of Tristrata, who are the more interesting and complex figures. The six tall men of the title all seem like nice enough corporate types who have shown an ability to assess other people's ideas, but they aren't nearly colorful enough to make for a gripping read.

Fortunately the side characters provide enough interest, as does Mr. Stross's narrative, about the process of creating these online businesses. Benchmark's own egalitarian culture of equal shares in the company and equal decision-making is unusual in the venture-capital world and it has been criticized by rivals. Benchmark's position in global capitalism also is interesting and thoroughly confounding for any Marxists still out there. Most of the capital came from big U.S. philanthropic organizations, such as the Ford Foundation. These funds were put to use financing businesses, but the returns wind up being distributed to charities.

Benchmark has been supremely adept at picking the Internet plays that really use the medium in some important way, by cutting out the middleman or creating online communities. But even success stories such as eBay weren't always obvious choices for hitting it big in the early days, when eBay had several competitors and was plagued with technical problems. It is here that the tensions in Mr. Stross's story lie, not with the six bland e-boys.

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Fortune 500 companies to help them get online. Mr. Stross is fair enough in assessing these cases, but most of them come across as blameless slips with little acrimony involved. With all his access to Benchmark's inner workings, it is easy to suspect that Mr. Stross may have suffered a little from Stockholm Syndrome, in other words, he may have been swayed in his objectivity by his close proximity with his subjects. Venture capitalists aren't universally worshipped, particularly not in Silicon Valley. Jim Clark, of Netscape and Healthon fame, devotes much of his book "Netscape Time" to a stream of vitriol aimed at venture-capital firms that he believes got rich off his ideas and work but did little themselves.

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Benchmark soared on the back of e-commerce, but mostly missed the next wave of IPO success stories, particularly in optical-transmission technology. The e-boys were better at coming up with things to sell online than they have been in assessing new technologies, the core business of its older Silicon Valley rivals. Benchmark may not have shaken things up as much as this book suggests.

DETAILS

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