few chip startup successes, who's to blame

Contributed by Maciej Bajkowski
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David Manners on his Electronics Weekly Blog titled Mannerisms had an interesting post the other week titled “Why Are There Fewer Chip Start-Up Successes?” Apparently, this question was raised over at the Future Horizons’ System and SOC Conference in Prague the other month. Several executives from startups, including Lattice Semiconductor and Icera Semiconductor, responded to the question although there seemed to be only modest overlap in their answers. On the one hand, it was suggested that the bar got raised on the funding, and that additionally VCs simply were no longer willing to take big risks. Another point of view was that that unlike the 80s, the 90s simply lacked radical new innovations on the semiconductor side which yielded fewer opportunities for startups to take advantage of the new advances. Or, could it be that the VCs’ focus might have simply shifted over the last couple of decades away from semiconductors to other exciting fields: First, toward internet startups in the late 90s, then toward bio-engineering, and as of late in the direction of clean-fuel technologies and web 2.0 startups. There is no reason for VCs to be different than most regular investors, when a sector is hot, more and more money tends to flow that way. Additionally, the shorter the time frame for an investment to potentially yield a lucrative return, and the lower the initial investment required, the more investment interest it is likely to receive. Let’s face it, web startups need significantly less capital and time to turn a profit for their investors than chip startups, and thus are also significantly less of a risk. There is always something to be said about long term investing and enormous payoffs, but since lately VCs seem to prefer riding trends rather than budging them, maybe they are also partaking in our culture’s ever decreasing attention spans.