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# Internet Cluster Analysis 2000

A joint study by *ATKEARNEY* and

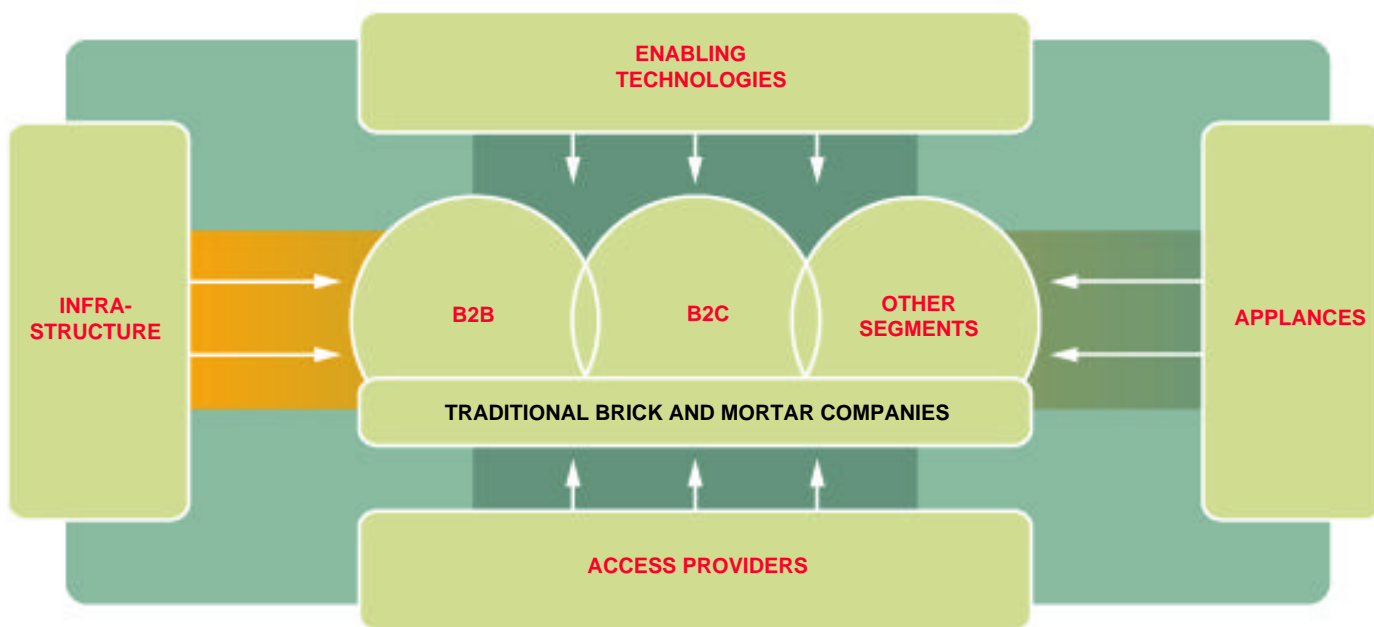


October 11, 2000

This study is also available *online* at  
[www.jointventure.org](http://www.jointventure.org) and [www.atkearney.com](http://www.atkearney.com)

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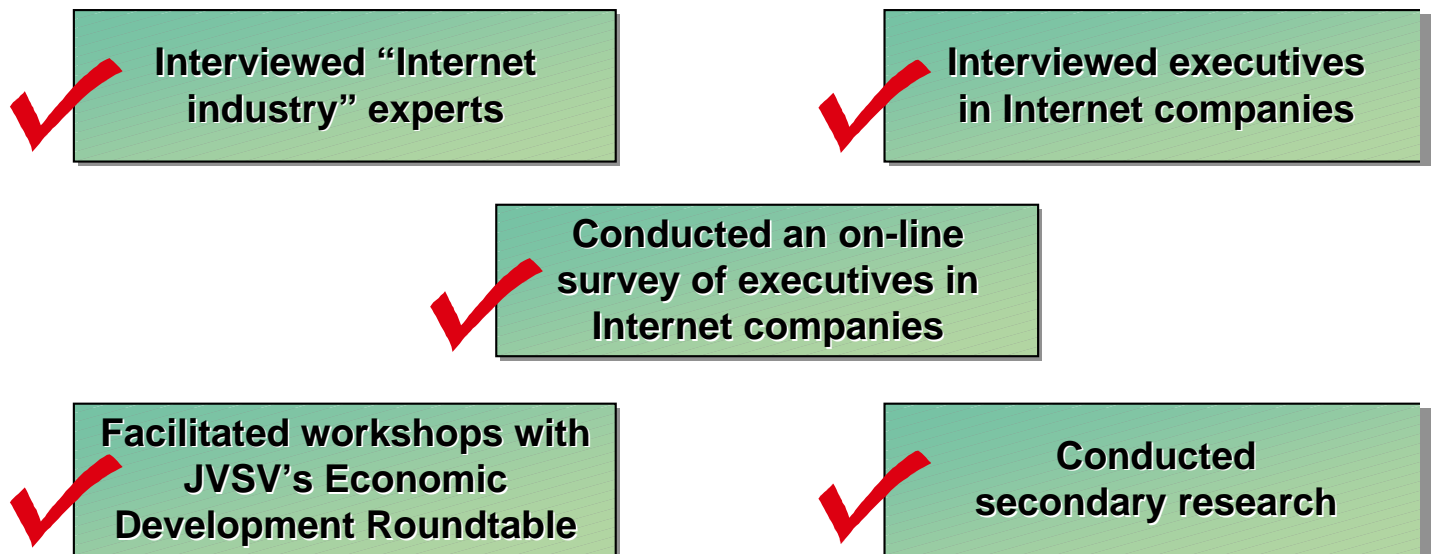
## The Internet continues to evolve, driving changes in old industries and creating new industry segments



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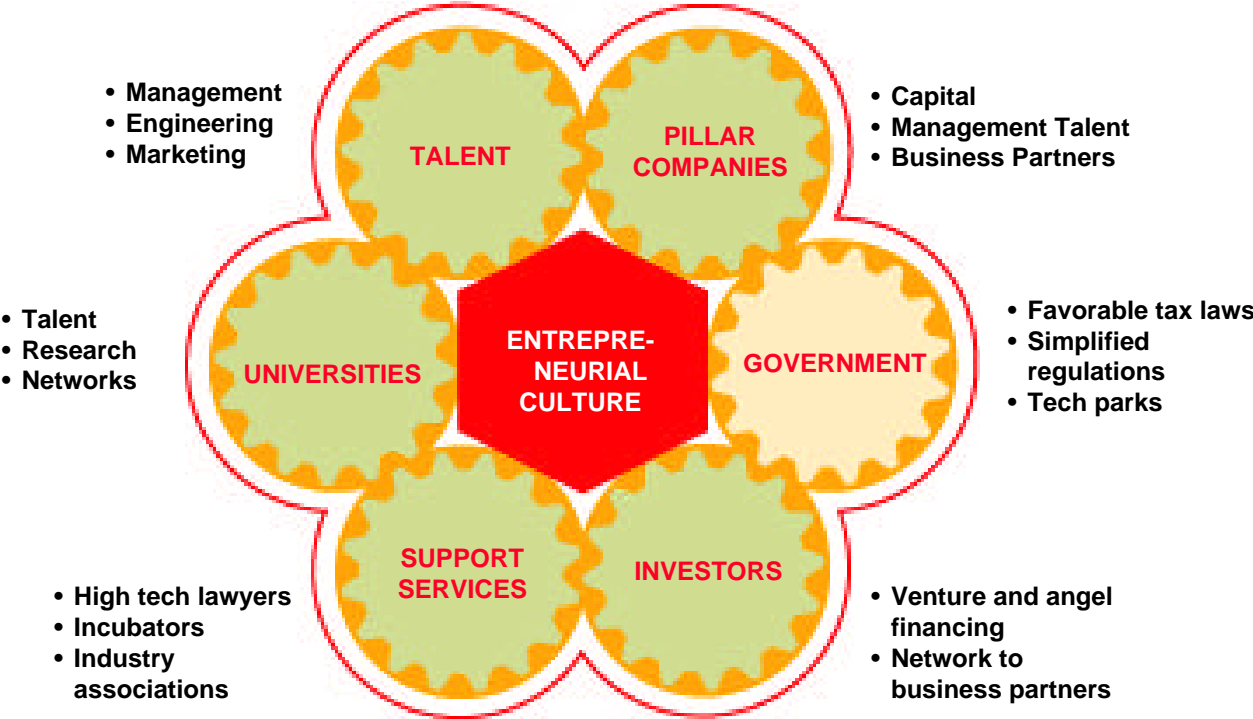
## For the second year, A.T. Kearney led a study to evaluate Silicon Valley's position in the changing environment

### Approach for Internet Cluster Analysis



**Over 100 Internet executives or "insiders" were interviewed or surveyed during the course of the study**

**Last year, we identified five key characteristics that create Internet cluster regions. This year, government has emerged as a sixth influential characteristic**



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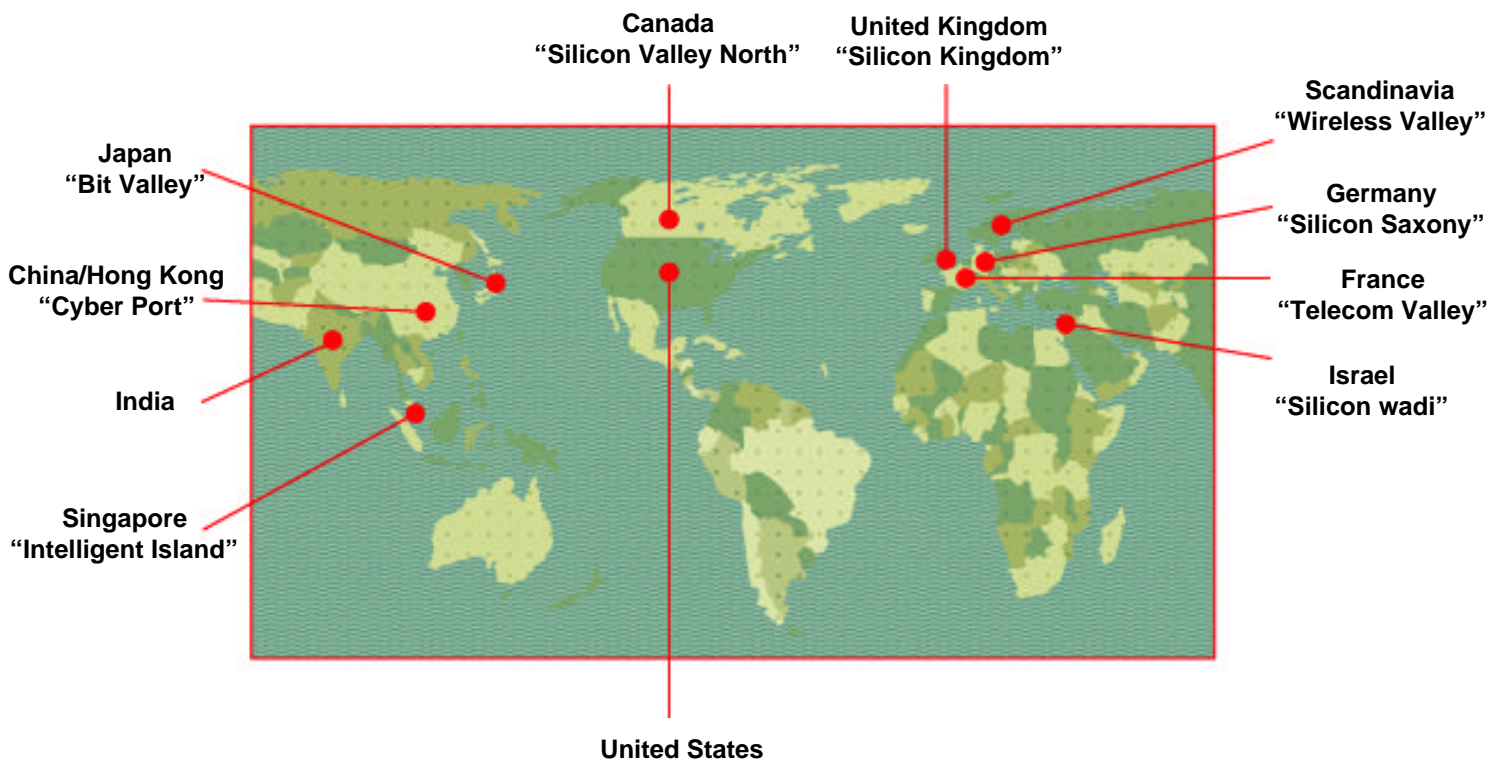
**Governments, both within the U.S. and internationally, have been aggressive in efforts to create cluster regions**

**Examples of Government Initiatives**

- **Changing financial regulations**
  - India formed SEBI to create new VC rules
- **Implementing workforce development initiatives**
  - Atlanta’s Industries of the Mind initiative is aimed at bringing talent to high tech
- **Building incubators and technology parks**
  - Hong Kong’s Cyber-Port will accommodate ~80 companies once complete
- **Providing start-up capital and other financial support**
  - Germany’s government matches VC investments

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## More available characteristics and an increasingly global Internet are creating important cluster regions globally



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## **As cluster characteristics become increasingly available, other factors are emerging to influence location choices**

### **Emerging Location Influencers**

- **Proximity to Partners**
  - No. 1 reason for relocation

- **Mergers & Acquisitions**
  - 84% involve companies in different clusters

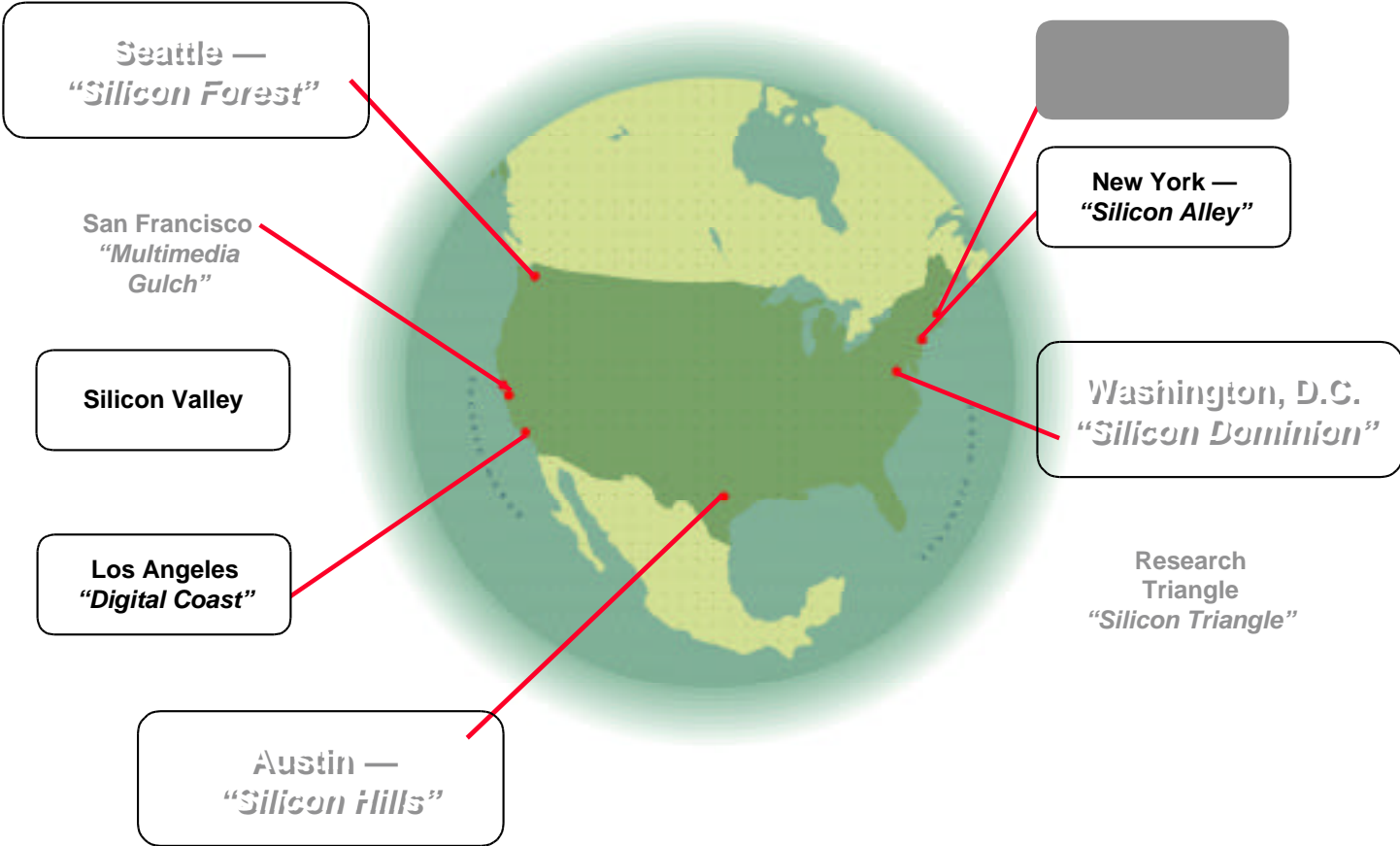
- **Local Presence**
  - 62% have local operations outside the U.S.

- **Cost of Doing Business**
  - Companies moving to lower cost cluster regions

- **Quality of Life**
  - 47% non-Silicon Valley respondents cite as top location driver, 18% in the Valley

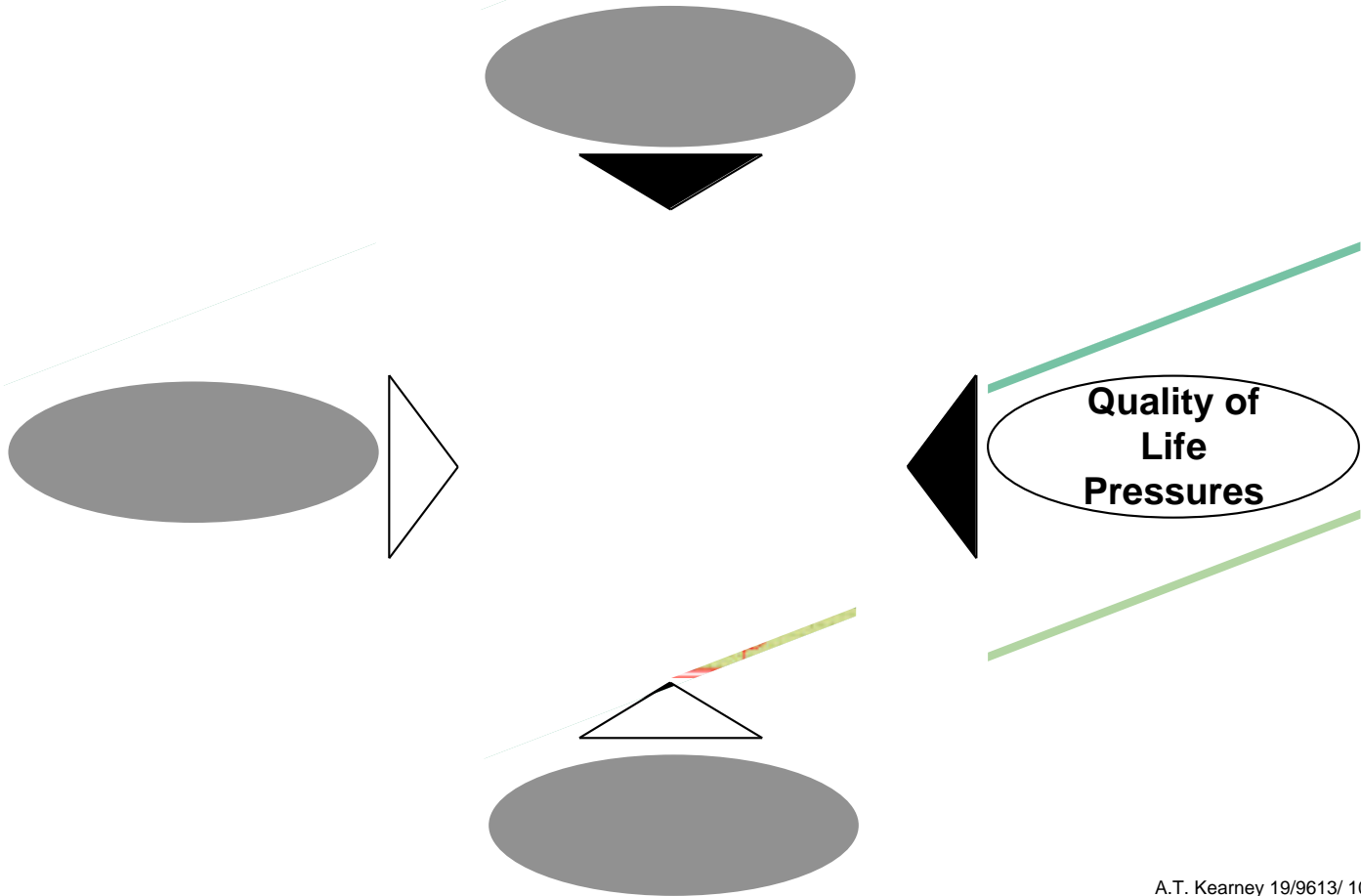
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**30% of respondents said they would consider relocating — top choices include Seattle, Austin and Washington D.C.**



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**While it currently holds a leadership position, Silicon Valley's internal challenges are reaching a critical point**



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## **Silicon Valley's leaders must address key issues to maintain its leadership in the Internet economy**

**How can Silicon Valley maintain its leadership without further straining quality of life?**

**If Silicon Valley plays the role of a giant incubator — how will that affect the Valley's long-term economic health? Its social fabric? Its culture?**

**How can Silicon Valley take a leadership role in resolving issues such as the Digital Divide?**

**What initiatives can local governments in Silicon Valley take?**

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## Internet Cluster Analysis 2000 — Panelists

**Erik Straser**  
General Partner,  
Mohr, Davidow Ventures

**Daphne Carmeli**  
Co-Founder, President and  
CEO,  
Metreo, Inc.

**John Ciacchella**  
Vice President  
A.T. Kearney

**Rosemary Stasek**  
Mayor,  
City of Mountain View

**Jim McDermott**  
Founder and CEO,  
Archive Inc.

**Debra L. Dunn**  
Vice President, Strategy  
and Corporate Operations,  
Hewlett-Packard Company

**Joe Raguso**  
Deputy Secretary for  
Strategic Technology,  
California Trade and  
Commerce Agency

**Dan K. Eilers**  
General Partner,  
Vanguard Venture  
Partners

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## **Appendix**

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# U.S. cluster regions

