



## A Strategic Overview of the Silicon Valley Ecosystem: Towards Effectively “Harnessing” the Ecosystem:

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### **3. Where is Silicon Valley? The Geography of the “Greater Silicon Valley Ecosystem”**

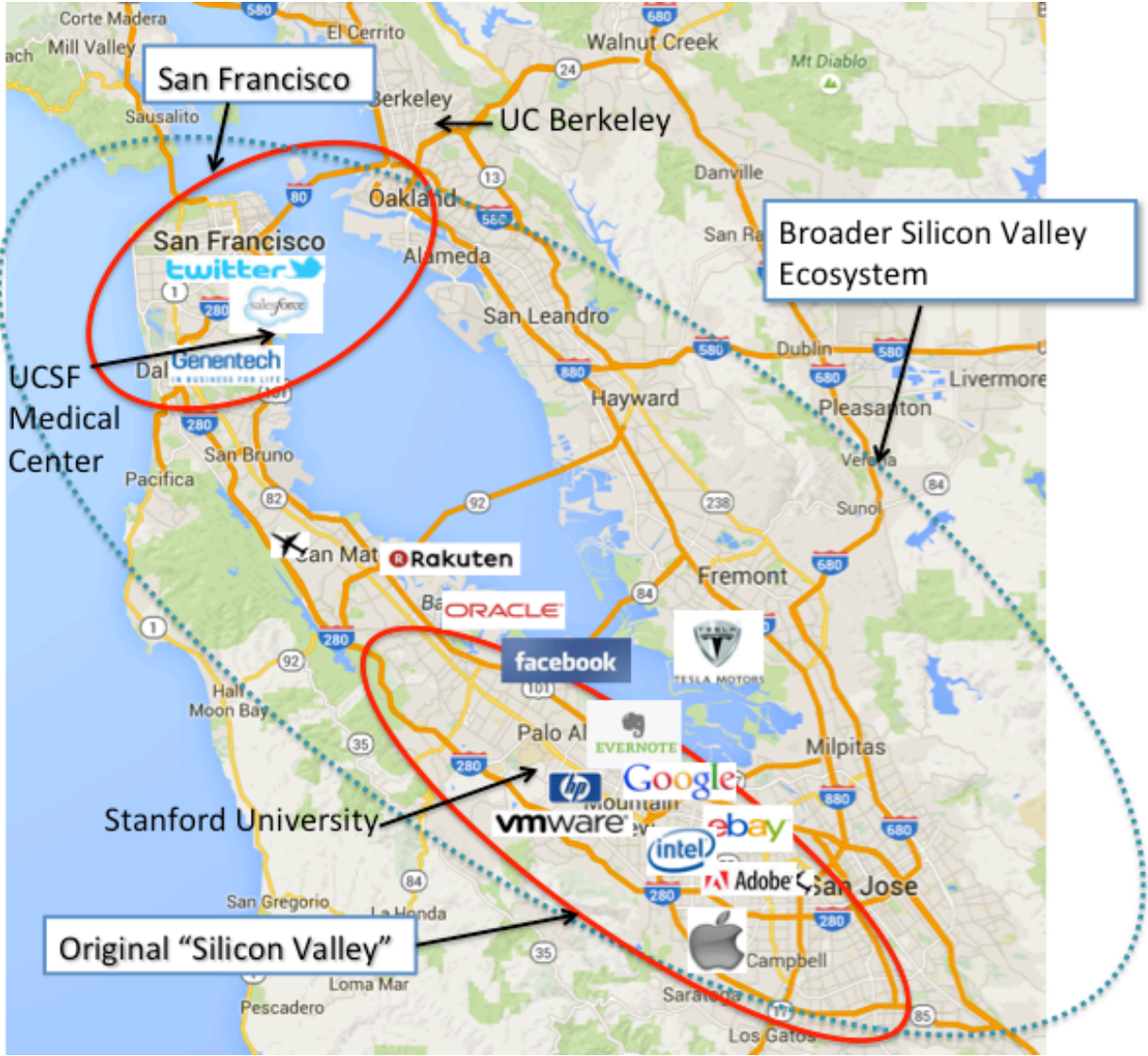
One of the first questions for Japanese firms looking to establish a presence in Silicon Valley is: where exactly is Silicon Valley, and what is the best strategic location?

Silicon Valley is one of the most important locations in the world that does not show up on a map. The question of exact which areas to include in the label “Silicon Valley” therefore matter a great deal in any data collected, and in understanding how the economic ecosystem works. It is also critical in the sense that there is no “Silicon Valley government” – the region is instead a collection of counties. It has generally referred to the Santa Clara valley area, which includes Santa Clara County, stretching from Menlo Park to San Jose.

However, as an economic region, Silicon Valley has grown to encompass a far larger portion of the San Francisco Bay Area. Firms such as Genentech and the biotech cluster it spawned are located in South San Francisco, and startups such as Salesforce.com and Twitter are located in San Francisco itself. Google and other firms run buses from San Francisco to Google headquarters in Mountain View, and the mobility of employees means that a robust startup ecosystem in San Francisco shares many of the same financial, human resource, and idea flows as what was traditionally considered Silicon Valley. Moreover, the University of California Berkeley has been a key contributor to the Silicon Valley ecosystem, but it is located East of San Francisco, across the Bay Bridge. As housing and land prices have skyrocketed in Santa Clara County and San Francisco, many of the middle-tier employees of Silicon Valley cannot afford to live comfortably in the Peninsula, and back office operations for startups that successfully expanded were no longer cost effective to retain in the Peninsula. The Silicon Valley ecosystem therefore expanded in the East Bay, to Alameda County and beyond, with large numbers of workers commuting for firms such as Apple and eBay from large and more affordable homes in the East Bay. Large back offices began expanding into office parks in Fremont and other areas, as well as some factories including that of Tesla Motors.

As an economic ecosystem, therefore, we need to consider a broader segment of the Bay Area as part of the Silicon Valley ecosystem to capture the flow of people, finance, and ideas. Challenges such as the lack of an integrated or well-funded public transportation system are challenges for this fragmented conglomeration of counties. While this hinders growth of the region, and certainly places a heavy burden on workers, it also facilitates conditions under which new startups solving local problems can scale globally; Uber, for example, solved a very real problem for people in the Bay Area for whom convenient transportation was a challenge.<sup>1</sup>

**Figure 2. Greater Silicon Valley**



<sup>1</sup> Given that Uber’s revenue from the Bay Area far exceeds that of the entire taxi industry before Uber arrived, there is strong evidence that people who would otherwise not have taken taxis are now using Uber, so it is not simply a substitution for taxis.