

# If S.J.'s so hot, why is Austin winning?

BY STEVE KAUFMAN  
Mercury News Economics Writer

AUSTIN, Texas

**A** GROUP of two dozen San Jose business leaders and boosters flew into the heart of the enemy's camp last week and learned firsthand why the capital of the Lone Star State keeps grabbing jobs from Silicon Valley.

During lavish meals at the exclusive Barton Creek Country Club and atop an Austin high-rise and at visits to several technology companies, Austin power brokers laid out the red carpet and as-

sured their San Jose guests that they were friends, not enemies. To buttress the point, they happily illustrated the secret of their success — working together as one coordinated group to accomplish a specific goal.

California and Texas should become partners to wage war more effectively in a fierce global economy, the Austinites said, adding that they remained in awe of Silicon Valley's success and might.

But the cooperative message ran into reality when Sunnyvale-based Advanced Micro Devices Inc. announced during the Californians' visit that it will build a \$700 million factory in Austin

that will eventually employ 1,000, raising doubts that a workable partnership could be created. Austin seems to keep winning while Silicon Valley seems to keep losing, the San Jose contingent said, and San Jose may not be able to reverse the trend.

While Silicon Valley hopes it can somehow find a way to revitalize its shrinking economy, almost nobody on the trip underestimated the challenge.

"I really believe that manufacturing in Silicon Valley is dead," said Marianne Bacigalupi, vice chairman of economic development at the San Jose Metropolitan Chamber of Commerce.

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During formal presentations, the Austin group sought to assuage the San Jose group's fears. "When we visit companies around Silicon Valley, we feel like we're walking on hallowed ground," said Pike Powers, a prominent attorney and a man largely responsible for Austin's success in attracting the Microelectronics and Computer Technology Corp. consortium, Sematech and out-of-state technology companies, in a talk to a luncheon gathering.

"We could have done none of this without the foundation laid by Silicon Valley. And the notion that we could ever come close to becoming what the valley has become is ridiculous."

In later interviews, however, few members of the San Jose delegation embraced the notion that San Jose is the big leagues and Austin the minor leagues. In fact, they said, it's just the opposite in the crucially important arena of attracting and retaining technology companies.

"This major league/minor league comparison is nuts," said Steve Tedesco, president of the San Jose Metropolitan Chamber of Commerce. "Austin, not Santa Clara County, is in the big leagues in terms of the cooperation that is required between government, business and academia to attract business."

Tedesco and others said Powers wasn't necessarily insincere, however. They said Austin probably does view Silicon Valley as "hallowed ground" — a view that helped spark a collaborative effort to attract business from Santa Clara County. In contrast,

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— STEVE TEDESCO, San Jose Metropolitan Chamber of Commerce

they said, Silicon Valley has no such view of itself and no sense of the importance of community teamwork.

Because Silicon Valley, unlike Austin, has no appreciation of what it is and what it offers, they added, Austin, not Silicon Valley, landed the Sematech chip-making consortium. "Austin and Texas rallied around attracting Sematech, and they made it happen," Tedesco said. "That kind of community spirit doesn't exist in San Jose."

Still, there was hope that Silicon Valley can at least stem its erosion.

Tedesco suggested the creation of a high-profile marketing campaign that would underscore Silicon Valley's strengths and help offset negative perceptions about its sky-high cost of housing and other problems. Silicon Valley's biggest advantage, Tedesco and others said, is that it still boasts the nation's best high-technology infrastructure, including top engineering schools, the biggest pool of venture capitalists and thousands of small firms that supply

components and services to big technology companies.

San Jose can take a cue from Austin and work to get top high-technology executives active in showcasing the area's strengths, said William Claggett, San Jose's director of economic development. He also cited a promising 1991 survey of human resource managers at 27 Silicon Valley technology companies that illustrated their ability to attract talent with minimal hiring of people from outside the area.

"We just have to 'grow' our own technology community more aggressively than other areas of the country," Claggett said.

John Kennett, a San Jose commercial printer and chairman of the San Jose Chamber of Commerce, added that Joint Venture: Silicon Valley — San Jose's first coordinated, proactive effort to revive Silicon Valley's business climate — will eventually pay significant dividends. He said the group will soon issue tangible proposals — ranging from one-stop certification for high-technology industry vendors to the hard-wiring of all of Silicon Valley into a fiber optics network — to stabilize Santa Clara County's economic base.

But even the biggest optimists agreed that Silicon Valley almost certainly won't return to the high-technology job-creation rates of the 1980s, when 15,000 to 20,000 such jobs annually were commonly created. Austin and other up-and-coming technology centers pose too much competition.

"We're now living in a more efficient and productive economy," Tedesco said. "Companies just don't need as many bodies as they did 10 years ago."

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— Pike Powers, the power behind much of Austin's high-tech success

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