

FOREWORD

I first met Tom Alberg in 1987 when I was trying to purchase shares in a small, struggling tech company. Tom was the managing partner of Perkins Coie, the largest law firm in Seattle. He had done work for the tech company, and when it could not pay its bills, Tom agreed to take stock instead. Over lunch in Kirkland, I got to know this curious, fiercely intelligent but gentle man, who had stewarded Boeing and several other Seattle corporations through various legal challenges. Tom told me that he liked small companies, and he thought Perkins Coie would hang on to its stock. His insights in that early stage company were prescient, and Tom went on to found the largest venture capital firm in the Pacific Northwest, demonstrating similarly keen instincts for the next three-plus decades.

In 1990, Tom left the practice of law to join McCaw Cellular, where I was the vice-chair. As Tom recounts in the book, we met to talk about his compensation package, which included stock options, again demonstrating Tom's belief in betting on the future. Since that time we have served together on several boards, both public and nonprofit. More recently my Trilogy Equity partnership has invested in nine businesses with Tom's venture capital group, Madrona, and I have personally invested in every Madrona fund. It is not too much to say that Tom, still providing leadership and guidance to enthusiastic young entrepreneurs, is at eighty, an éminence

grise within his firm, the wider Seattle business community, and indeed among tech's venture capitalists at large.

That is why I was so excited to read his take on the remarkable story of Seattle's tech explosion and to add my thoughts. A native of the city and longtime investor myself, I've had the great fortune to walk with Tom along this journey.

In 1970, shortly after Tom returned to Seattle from his early career in New York, the city was a blue-collar community anchored in manufacturing, but its largest employers—Boeing, Paccar, and Weyerhaeuser—were in sharp decline. Fifty years later, the city is home to two of the three largest companies in the world, Amazon and Microsoft. And the next three largest companies in the Puget Sound region—Starbucks, T-Mobile, and Costco—are all larger than Boeing. Those five hometown success stories were all started by entrepreneurs, three of whom grew up in the Seattle area.

Tom's book tells the story of that transformation and postulates that there is a growth “flywheel” by which momentum is created within a community to build new businesses. The presence of 140 other software companies in the Seattle area, including offices of every major global tech company, evidences that Seattle's growth flywheel has been a transformative success.

The author tells the story of this evolution in Seattle's business community and describes the development of the growth flywheel. In many ways, Tom's career parallels Seattle's journey. After returning home to the city from New York in 1967, Tom would become the principal outside counsel at Boeing and lead Perkins Coie to become Seattle's preeminent law firm. Always nimble, he transitioned to help lead the cellular revolution at McCaw Cellular, and then created the city's dominant venture capital firm, providing financing for more than two hundred startups. While Amazon employs “Day 1” as a philosophy, Tom was a Day 1 investor in the company and served on Amazon's board of directors for a quarter-century.

Seattle's economic renaissance was the consequence of both necessity and leadership. The late 1960s were marked by the near failure of Boeing, where employment declined from more than one hundred thousand in 1969 to under forty thousand just two years later. The despair and resulting migration out of Seattle were captured on a now-famous billboard, erected in April 1971, that read, “Will the last person leaving Seattle—turn out the lights.”

Despair turned to design. Community leadership came not only from political leaders but also that same bright, young lawyer, Tom Alberg.

The group known as Forward Thrust passed an ambitious set of ballot initiatives for sewers, fire protection, parks, roads, neighborhood improvements, and the first professional sports stadium (the Kingdome). But critically, people failed to pass a proposed rapid transit system, community centers, and low-cost housing programs. Educational leadership came from the University of Washington, thanks in part to the commitment of federal funds. Ultimately, the UW would become a hub for computer science and biomedical innovations that have spawned dozens of companies, thanks to funding and commitments made in the 1960s.

The book describes two flywheels: a business growth flywheel that has worked miracles; and a second system that Tom describes as a livability flywheel. This livability flywheel has taken up ever-greater importance in his vision of the future—of Seattle and all cities that experience comparably explosive growth. Despite Seattle’s astounding economic growth, Tom points out its painful failings in public education, transportation, and homelessness.

During the fifty-year transition chronicled in this book, Seattle went from an economy based largely on manufacturing jobs to STEM-based employment that draws hundreds of thousands of computer science graduates from across the country and around the world. But investment in public education has not kept up. Gridlock is a constant on our roads. And while Seattle’s population has grown by more than one-third since 2000, housing starts have not kept pace, resulting in rampant gentrification and a terrifying rise in homelessness, which now places Seattle with the third-highest homeless rate in the United States. The three-headed challenge of 2020—a global pandemic, resulting economic disruption, and exploding social justice crises—challenged Seattle anew. Tom, ever the community leader, has worked to address many of these problems, serving on countless commissions, committees, and task forces. An eternal optimist, he can find glimmers of progress in each area, and now he implores readers as he has implored business and political leaders to come together around solutions.

Tom proposes that the more challenging flywheel is the livability flywheel because, while the Seattle area has had stunning economic growth, many of its citizens have been left behind and the political culture has been paralyzed by a backlash, or “techlash,” against those companies and entrepreneurs that built the new capitalist pillars of the community. As a board member at Amazon, Tom has been on the front line, watching the e-commerce giant become a lightning rod of problems that can

accompany success. Through it all, he has continued to address progress and challenges in education, transportation, housing, and environmental stewardship. After all, Seattle is his hometown.

This vantage point, as both native son and new-economy leader who has participated in virtually every aspect of the city's development, uniquely positions Tom Alberg to comment on the growth of Seattle over the last half-century. As a lawyer, executive, board member, investor, and, crucially, as a social entrepreneur involved in everything from autonomous vehicles to organic farming and the challenges of homelessness, Tom has been one of the seams holding the quilt of the Pacific NW together.

The question persists: Why have Seattle and San Francisco dominated the tech economy, rather than cities like Chicago, LA, Detroit, or Philadelphia? Tom offers his theories. Each of the other cities had advantages of population, educational institutions, geography, and history that should have positioned them to thrive, particularly in comparison to Seattle, which was far smaller in 1970 and widely viewed as Boeing's company town. Seattle's ascent appears to prove Tom's point that "any city can create an economic flywheel tailored to its particular strengths." In chapter 7, he shows us similar flywheels beginning to gain traction in Oklahoma City, Tulsa, and Kansas City, bringing readers along to understand how those cities are striving to create flywheels that balance economic growth with livability. No doubt, Tom is trying at this very minute to bring home lessons learned from these Midwest successes.

This book is ultimately about leadership successes and failures. While Tom has succeeded as an investor, he excels at creating culture. I've seen that firsthand in our work together at McCaw Cellular and in the community. He is often asked which is more important to build a successful company, a great plan or a great leader. Though judicious in manner, Tom's innate curiosity and imagination always shine through. "Both," he says with a wry smile, perhaps because he is himself a great leader with a great eye for spotting the technological innovations that can change a city's economy and future.

John Stanton

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FLYWHEELS

