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## The Pros of Planting Startups in Smaller Cities

Quality of life and local incentives can lend a competitive advantage to entrepreneurs when they need it most

By John Tozzi

Philip Eggers has started six medical device companies in his Dublin, Ohio, hometown. His last five followed a pattern: Eggers would develop the product in his Ohio lab, fly frequently to the Bay Area or Boston to raise money, then relocate the company to one of the coasts when ready to commercialize the product. But Eggers has a different plan in mind for his latest startup, Cardiox, founded in 2006 to develop a noninvasive way to detect heart shunts: He wants to find funding locally and keep his five-employee business in Dublin.

As the economy reels, Eggers is one of many entrepreneurs quick to tout the ease of doing business in small or midsize cities. Plenty of factors make the city of 38,000 outside Columbus attractive for starting up: Abundant, inexpensive office and lab space; a major university, Ohio State, nearby; a growing population; and good local schools to attract workers with families. "It draws the highly skilled and educated people you need to bring in, especially to a high-tech startup company," Eggers says.

In high-growth and more conventional businesses, many entrepreneurs find that bigger isn't always better when it comes to selecting a place to start a company. "People are being drawn by lower cost of living and better quality of life," says Jack Schultz, founder and CEO of industrial developer Agracel of Effingham, Ill., and author of *Boomtown USA: The 7½ Keys to Big Success in Small Towns*. He also says states and cities are beginning to recognize entrepreneurs as a "third leg" of economic development, as important as retaining existing jobs and attracting large corporations. While startup meccas like the Bay Area offer concentrations of talent and investors, new companies there face plenty of competition for those resources, and the cost of doing business is high. In smaller cities, new businesses enjoy lower costs and a higher profile to attract workers, and may be able to get government incentives to create jobs.

In fact, places like Boulder, Colo., (population 91,000) and Fairfax, Va., (23,000) are just as favorable for startups as San Francisco (733,000) and New York (8.2 million), according to research conducted for *BusinessWeek* by GIS Planning, a San Francisco-based geographic data firm that helps companies select optimal sites via its online tool [ZoomProspector](#). The analysis weighed 11 factors to gauge an area's entrepreneurial climate, including the number of small businesses and startups, the quality of the workforce, how many universities were in town, and measures of innovation such as the number of patents issued and the amount of venture capital invested.

### FIFTY CITIES

GIS Planning used this criteria to identify the best small cities (with populations between 20,000 and 200,000) for startups in each state. With that data in hand, *BusinessWeek* asked entrepreneurs in each city what people should know about starting a business there. Many said factors such as affordability, availability of talent, existence of a thriving business community, and quality of life helped them choose where to open shop. What emerged is a picture of 50 dynamic cities, each with its own draw for new businesses.

In many small or midsize cities, universities provided the resources of talent and infrastructure that helped them compete with metropolitan centers. Besides providing a steady stream of potential hires, big schools are often connected to startup incubators or programs to commercialize technology developed in academic research. Entrepreneurs said incentives from local governments eager to attract growth industries helped make their cities attractive. In Edmond, Okla., Charles Seeney has tapped half a million in economic development grants for his five-employee nanomedicine company, BioNanoMimetics. "When you start a small business, economy is key to everything you do—getting the most bang for your dollar," he says. The incentives, combined with the low cost of doing business there, made the city of 83,000 attractive.

Startups also found skilled workers—especially younger ones—drawn to the perception of a higher quality of life. “A lot of people say, in rural areas, sometimes people are concerned they can’t find employees, but my experience is that the quality of life and amenities actually draw people to the area, and they tend to be underemployed,” says Bill Moseley, president of GL Suite, a Bend, Ore., 40-employee firm that makes software for regulatory agencies. “You have a really strong talent pool that’s not nearly as expensive as in a big city.”

All these factors can add up to significant competitive advantages for entrepreneurs launching new companies in small or midsize cities that are sometimes overlooked, says Anatalio Ubalde, co-founder and co-CEO of GIS Planning. “Location in many ways is a gift, because it’s not something that a CEO has to work so hard at,” he says. “You don’t have to start from neutral. You can start from an advantage.”