Should Your Startup Stay Or Should It Go?

BY SHAWN GRAHAM | JULY 24, 2012

Should your startup launch close to home, or head for a Silicon Valley or Alley? Data from a recent study suggests staying put, but location is only part of the story. Here's what else you need to consider.

Entrepreneurs starting companies in a place they have lived for at least six years had a nine percent lower failure rate and earned roughly $8,000 more per year than relative newcomers, according to a study of more than 10,000 startups conducted by Professors Olav Sorenson of the Yale School of Management and Michael Dahl of Aalborg University.

Is launching closer to home more important than being in one of the traditional startup hotspots? The data from Sorenson and Dahl is interesting, but I think it only tells part of the story. If you're looking for a location where your startup can thrive, you're going to need a lot more than family and friends.

What's the first thing Mark Zuckerberg did when he wanted to take "The Facebook" to the next level? Like thousands of entrepreneurs who came before him, he decides to move his fledgling startup to the West Coast.

When you're launching a startup (especially a tech startup), it's easy to fixate on location. After all, you want to be where "the action" is, don't you? You also want to be a part of the startup scene--a chance to cut your teeth in Silicon Valley, New York, or (insert name of) major metropolitan areas around the country.

However, small towns do have their advantages. For starters, you're almost certainly looking at a lower cost of doing business. And, as Sorenson and Dahl's study suggests, you're also much more likely to have a community to rally around both you and your startup.

Money: Without it, startups can't survive--at least not for long. One of the biggest draws to areas like Silicon Valley, access to capital is obviously critically important. Sure your mom and dad might be able to float you a few thousand dollars until you get your business of the ground, but if you're going to make it big, you're going to need investors, bank loans, credit cards, and other forms of capital.

On the flip side, when you flock to any of the usual suspects of startup hotbeds, that also means you're going to have more head-to-head competition for the same pool of money, creating a potential capital catch-22.

And then there's coaching. Having an idea is one thing, having the knowledge to actually bring that idea to market is something entirely different. Unless you're a serial entrepreneur with years of first-hand experience under your belt, the process of launching a startup can be incredibly overwhelming. You need to come up with a name, a logo, hire the right team, create a website and online presence, and develop a compelling pitch that you can use to raise money to fund that idea.

As startup communities continue to sprout up in areas such as Durham, N.C. and Pittsburgh, Pa., organizations like American Underground and AlphaLab are there to help innovative technology companies launch quickly and successfully. By providing work space, mentoring, seed capital, and other resources for aspiring entrepreneurs, they make it possible to focus on launches instead of leases.

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Before your pack your bags and head to the big city, think about the location that will give you the best access to capital, coaching, coworking space, and community. If that happens to be all the way on the West Coast, great! If that happens to be a few blocks from your house, even better. Of course, being close to friends and family doesn't hurt either.

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[*Image: Flickr user Jamison Wieser*]

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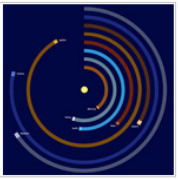

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