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## For Startups, Hometown Advantage Means Higher Profits

The Huffington Post | By Nate C. Hindman  
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Aspiring entrepreneurs planning to relocate to Silicon Valley may want to think twice before leaving their hometowns.

Startups [survive longer and generate greater profits](#) when their founders launch them in their home regions, according to research published last month in Yale University's *Management Science*.

The study's authors, professors at Yale School of Management and Aalborg University, found that startups launched in locales where the founder was born or had lived for a long time had an easier time finding investors and recruiting early employees, among other hometown advantages that typically lead to higher rates of success.

The report, "[Home Sweet Home: Entrepreneurs' Location Choices And The Performance of Their Ventures](#)," drew its conclusions from data on more than 10,000 startups in Europe that showed entrepreneurs who averaged 6.4 years in a region had a 9 percent lower failure rate and earned roughly \$8,172 more per year than newcomers.

The positive effect of starting up in a founder's home town is "substantial," the authors concluded, "similar in size to the value of having prior industry experience."

The results of the study also indicated that hometown advantage has larger benefits in less populated regions than in more populated ones, a finding "consistent with the idea that smaller communities have more tightly woven social fabrics," the authors wrote.

Separate research has highlighted the importance of community in the formation of new businesses. According to the Angel Capital Education Foundation, family and friends are the [largest single source of startup capital](#), contributing \$60 billion annually to new ventures, compared to roughly \$20 billion from professional VCs and \$20 billion from professional angel investors.