

Where the Action Is

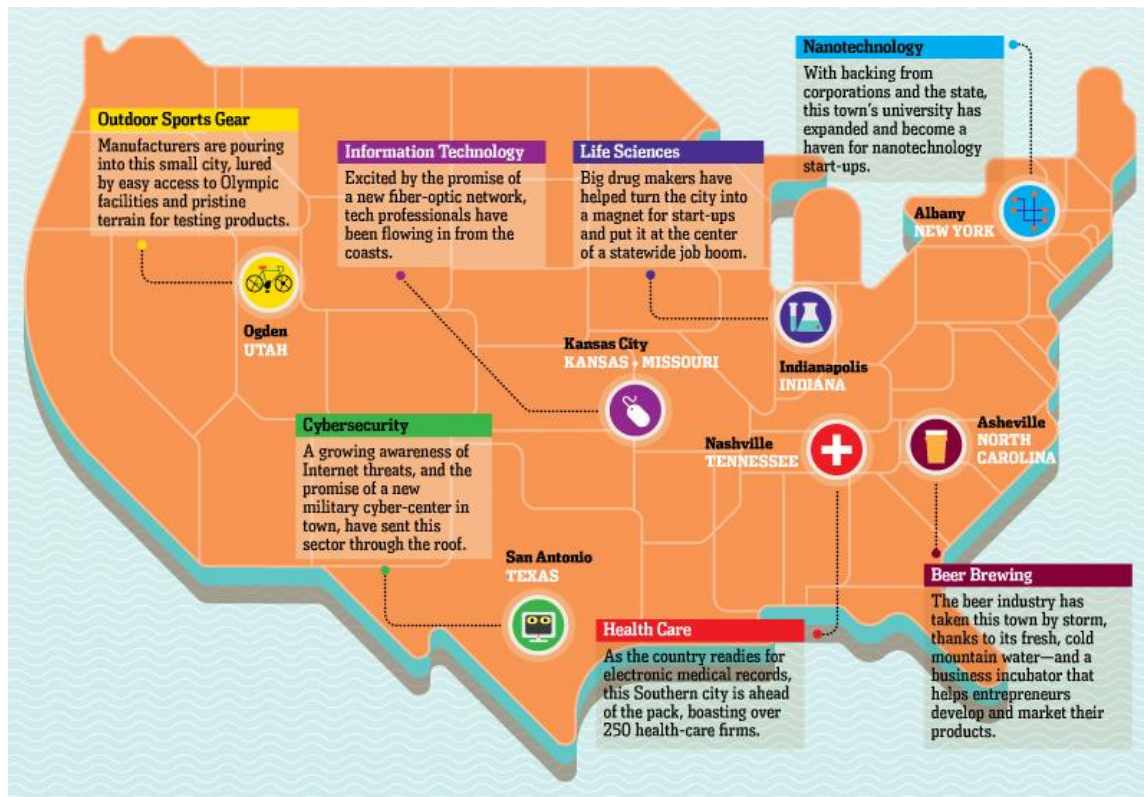
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Across the country, new industry hubs are drawing entrepreneurs and investors—and offering start-ups support and safety in a turbulent economy

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By [EMILY MALTBY](#)

Map industry hubs across the U.S.



Location matters.

It's a lesson that's all too easy to forget in a world driven by mobile devices, cloud computing and home offices. There are big benefits to setting up shop in the right spot—especially among lots of peers in the same field.

Just ask sports-gear makers in Ogden, Utah. Or health-care companies in Nashville. Or nanotechnology researchers in Albany, N.Y.

These cities, and others like them across the country, have become hubs for specific industries. Entrepreneurs are moving there and flourishing in the teeth of a bleak economy. The cities, in turn, are nurturing the entrepreneurs by giving them access to funding, mentors and facilities.

All in all, these clusters can be ideal spots for an entrepreneur in the field. Being there means getting access to a much wider range of suppliers, customers, employees and industry experts. What's more, industry peers are often willing to support each other as they get off the ground, sharing recommendations about staffers, potential sales leads and attractive office space, or giving each other guidance and insight about the industry.

Jeffrey Logsdon can attest to that. Five years ago, he moved his cybersecurity firm from Phoenix to San Antonio—a city that's seeing a surge in business for companies in the field. Company revenue doubled within three years of the move.

"I'd attribute a lot of our success to the location," he says. "I think the availability of cybersecurity talent and the low cost of doing business here has helped us. And because there are so many different cybersecurity companies, we have improved each other's business through partnerships."

As a hub grows, it brings other benefits to small firms. For one thing, even as businesses cooperate, they challenge each other to innovate—to come up with new ideas that make them stand out from the crowd. "Specialization in a region increases patents, business formation and higher wages," says Rich Bryden, director of information products at Harvard Business School, who's working with a team mapping industry hubs in the U.S.

When businesses come together, they also catch the eye of big players with deep pockets—especially beneficial when the economy is weak and financing is limited.

"It's easier to be on the radar for investors when you're part of a critical mass," says John Fernandez, assistant secretary of commerce for economic development at the U.S. Economic Development Administration.

Hubs also catch the eye of government, says Dan Carol, senior fellow at the New Policy Institute think tank in Washington, D.C. A concentration of small firms in the same field is more likely to be recognized on the municipal level, where funding programs and policies can be created to stimulate their growth.

Here's a look at seven up-and-coming innovative centers. All have solid partnerships between the public and private sectors, a growing work force to fuel the industry and long-term strategies for development. And entrepreneurs say being there is vital to their success.

INDIANAPOLIS LIFE SCIENCES

Indianapolis used to be the quintessential Rust Belt city. Now it's at the center of a statewide boom in the life-sciences business.

The state has added 8,800 jobs in the life sciences in recent years, and today some 825 medical-device companies, drug manufacturers and research labs call Indiana home.

Indianapolis, which is home to big names in the field such as [Eli Lilly & Co.](#) and health insurer [WellPoint Inc.](#), is leading the transformation. Corporations like these have added the lion's share of the state's new life-sciences jobs. Now they're helping smaller companies get off the ground, too—by spinning off new businesses as well as by backing independent start-ups. Eli Lilly, for instance, has contributed roughly \$60 million to seed and venture funds that are supporting entrepreneurs.

That isn't the only way big companies are easing the way for small ones. With new firms arriving to supply the large drug makers, start-ups are getting access to a range of services at competitive prices.

"We have access to companies in Indiana where we can outsource functions like toxicology, analytics and clinical supply," says Ron Ellis, president and CEO of Endocyte Inc., a 65-employee firm that's testing a cancer treatment.

Many small firms, meanwhile, are helping others get off to a good start. David Broecker, president and chief executive of BioCritica Inc., an Eli Lilly spinoff, says his peers have referred employees, suggested work space and given information on tax and financial incentives.

It's just the environment he hoped for when he left the East Coast to build a company. He considered other spots but settled on Indianapolis because "it's all new and exciting here for these folks, so there is a hunger for doing this type of thing."

SAN ANTONIO *CYBERSECURITY*

Washington, D.C., has usually taken the lead in creating Internet-defense systems. But the Alamo City is poised to give the Beltway a run for its money. There are more than 80 information-technology and cyber-related businesses in San Antonio, and that figure is increasing rapidly, according to the city's Chamber of Commerce.



Andrew Watson

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Many entrepreneurs are anticipating a flood of government contracts from the new Air Force Cyber Command headquarters in town. The military chose San Antonio in part because the armed forces have always had a strong presence there—and many of the city's workers have security clearances from the Defense Department and the National Security Agency. Another big plus: a stream of skilled graduates from the University of Texas at San Antonio.

But not all the firms in town are counting on government contracts. The city has a growing group of businesses that cater primarily to the private sector, like MainNerve Inc., the company Mr. Logsdon moved to San Antonio. The firm helps health-care companies secure digital records and servers. "The quantity of people here allowed us to show more discernment in our hiring," says Mr. Logsdon. "It was the best place for us to find qualified and certified cybersecurity professionals—and it doesn't hurt that they have military experience."

ALBANY, N.Y.
NANOTECHNOLOGY

The capital of New York state is becoming a big player in a field that deals with small things—nanotechnology. The city now boasts more than 4,000 people in the industry, centered on the College of Nanoscale Science and Engineering at the University at Albany.

The school has doubled in size during the recession to its current 800,000-square-foot complex. Dozens of nanotechnology companies have established a presence there to take advantage of research facilities and business incubators; since 2008, nearly 50 new start-ups have launched within its walls.

The build-out was part of a state plan, formulated years earlier, to revive the economy in upstate New York. Financing came partly from the state and partly from corporations like [International Business Machines](#) Corp., which now have offices there alongside entrepreneurs. That means companies can share the cost of equipment and labor—and start-ups get to associate themselves with big names.

"The prestige of being here and the credibility is amazing, which helps when you are talking with VCs and investors and large companies," says Primal Fernando, CEO and chief technology officer of Resource Management Technology Systems Inc., which moved to Albany from La Junta, Colo., last year. "And the equipment available here is not available elsewhere."

Many companies are launching off-campus, as well, in laboratories that are opening in once-vacant buildings. And financiers and other vital players have been moving in to be a part of the action.

"Venture capital has been growing to feed the innovation," says Alain Kaloyeros, a physics professor and senior vice president of the college. "Suppliers and law firms are moving to the region to support this ecosystem, so it will be quite an exciting venture to watch."

KANSAS CITY
INFORMATION TECHNOLOGY

Welcome to "Silicon Prairie."

Kansas City, straddling the Kansas and Missouri state line, is home to tech giants like [Sprint Nextel](#) Corp. and [Cerner](#) Corp., but its industry ranks have been swelling with smaller firms. In 2009, the number of tech companies rose by 5% to 2,900, trumping the growth rates of well-known hubs like Silicon Valley, Boston and Austin, Texas, according to a 2010 study published by the TechAmerica Foundation.

Part of the lure for entrepreneurs: a high-speed fiber network from [Google](#) Inc., which chose Kansas City over 1,100 other cities to set up the service. Expected to roll out next year, the network will run 100 times faster than current broadband, which will likely bolster cloud-based technologies and pave the way for high-definition streaming services that will be hard to find elsewhere.

The Google initiative will be "an excellent platform for innovation," says Bryan Richard, founder of iCode Inc., a Web start-up that posts profiles of software developers. "Everyone in the technology business is talking about it here in town, and everyone wants to do something with it and maximize it."

Entrepreneurs who have relocated from the coasts also tout the friendly business environment. It's far less expensive to build a firm and develop technology, they say, and there are fewer state and city regulations to worry about. And, as in other hubs, many entrepreneurs are helping each other. "Numerous times people have asked me for things I have expertise in and there are times where I call competitors...for specific problems," says Donald Rossberg, president of Dataworks Inc., a technology-support and consulting start-up. "In the end, we all benefit."

ASHEVILLE, N.C.
BEER BREWING

Craft beer is a small industry, but it has a devoted customer base. One Southern town is going after those fans with vigor.

Asheville, a Blue Ridge Mountain town of 75,000, has 10 breweries, with two on the way. That can't compare with the 40 in Portland, Ore., but it stacks up to other beer havens like Milwaukee and Boulder, Colo., which both have fewer than a dozen. "Asheville is definitely on the map and well recognized in the craft-brewing industry," says Paul Gatza, director of the Brewers Association in Boulder.

Entrepreneurs new to the area seek mentoring from the established brewmasters and the Asheville Brewers Alliance, formed to exchange ideas and promote the industry. They also tap Blue Ridge Food Ventures, an incubator for developing and commercializing products.

Competition among the breweries is a key driver of growth. "Every time a new brewery opens, it has to create its own creative edge, and then the other breweries have to be creative to become relevant again," explains Bill Drew, owner and brewmaster at Craggie Brewing Co. "So it's good when the new guys come in; it keeps the old guys on their toes."

In fact, the beer culture has permeated the town, with a host of businesses cooking up beer-flavored edibles and artists making tap handles and bottle labels. The environment gives brewers a place to source ingredients and fuel creativity. "By local companies teaming together, it's pretty much a win-win," Mr. Drew says.

NASHVILLE, TENN.
HEALTH CARE

Early last year, the federal government passed legislation calling for a host of health-care reforms. And Nashville is poised to benefit from the overhaul.

There are more than 250 health-care companies in the city, and their numbers are rising. Employment in nursing, hospital and ambulatory services jumped 16% between 2004 and 2008, for instance. That, in turn, provides fertile ground for companies that create medical devices and patient-care systems.

The entrepreneurial spirit "is infectious," says Leon Dowling, founder and chief executive of IMI Health Inc., which collects and organizes health records to give insight into the best patient-care practices. "Within 10 miles of my office, I can have more potential clients than any other city in America."

Last August, the city launched an entrepreneur center to spur innovation; two-thirds of the firms that have sought mentoring and financing are related to health care. State programs have also helped propel the industry. Recently, some \$180 million in public funds has been made available to burgeoning firms.

It's an attractive spot for entrepreneurs like Stephen Hau, president and chief executive of Shareable Ink Corp. The company, whose digital pen records doctors' notes and transfers them to an electronic format,

launched nearly three years ago in Boston and established a presence in Nashville last year. Today, 60% of the company is in Nashville.

"The community here is so well versed in health care that it keeps us plugged in to the key issues and how to resolve them," says Mr. Hau. "And in terms of the investment community today, people are careful about where they place their bets. Being here, [investors] see we are aligned with thought leaders."

OGDEN, UTAH OUTDOOR SPORTS

Ogden, a small city some 40 miles north of the capital, packs a concentrated punch in the outdoor and recreation industry.

Ogden made headlines in 2002, when it hosted events for the Salt Lake City Olympic Games. Those Olympic facilities, along with acres of pristine mountains, canyons and rivers, are the main reason outdoor-apparel and equipment companies have been moving to town: The site offers a perfect spot for testing new products, and it's easily accessible from a nearby airport that supports direct flights to Europe. What's more, business owners say, the growing base of competing companies in the area push each other to design the best equipment.

Utah has a relatively modest share of the industry; the state estimates it's home to about 5% of the outdoor-products firms in the U.S. Still, companies that expanded in or relocated to Utah have created at least 2,550 jobs in the past six years, according to the Economic Development Corporation of Utah.

Industry goliaths get partial credit for the surge in Ogden. Amer Sports Corp., the company behind Wilson, Atomic and other brands, consolidated its U.S. operations in 2007 and moved them to the town. Quality Bicycle Products Inc., a distributor based in Bloomington, Minn., set up its second location in Ogden in 2010.

Quality's founder, Steve Flagg, liked the growing retailer base, easy access to the West Coast and strong labor pool. But, he says, "the game changer was the transformation that the city was going through," as other companies moved in, and the local government actively recruited more.

Local leaders are also helping start-ups like Kahuna Creations Inc., a longboard, surfboard and landpaddle company, launch and grow. Kahuna founder Steve McBride says the mayor's office helped him land funding and find a low-rent facility in 2008. The company has grown 30% to 50% annually.

"You get a network of people who really want to help," Mr. McBride says. "We've been flourishing here."

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Courtesy of JB Goodwin