

Why You Should Start a Company in...Austin

By: Laura Rich • February 8, 2010

It used to be, if you were serious about starting a tech company, you went to Silicon Valley. But emerging entrepreneurial hubs around the country are giving startup aspirants options. In this series, we talk to leading figures in those communities about what makes them tick. Here, part five of our series.



Seattle has Microsoft millionaires; Silicon Valley has--well, all kinds of bazillionaires. In Austin, they're called "Dellionaires," after the local computer company that made them rich. But Dell isn't the only big company to come out of Austin. The city can also boast that it is the land of [Whole Foods](#), [Tivoli](#), and [SolarWinds](#)--and a launch pad event for hot new tech companies in its annual [South by Southwest](#) conference. Twitter captured the buzz at the event in 2007; last year, [Foursquare](#) was all the rage.

But when the Web site [AustinStartup](#) declares in its tag line, "Ditch the valley, head for the hills," it's talking about more than just a smaller alternative to Silicon Valley. Located in the state capital, Austin's tech community has leverage when it comes to state initiatives that help support startup growth. And it's a good testing ground for government-related tech. It has also helped that Austin has a strong chamber of commerce, which sought to bring tech companies like IBM and to the region in the 1970s and 1980s, seeding the South with a source of tech talent.

Recently, Bryan Menell, publisher of [AustinStartup](#) and a director at The Dachis Group, spoke to [FastCompany.com](#) about what makes Austin's startup scene unique.

What makes Austin a great place for startups?

I think it's a combination of things. We have a pretty low cost of living in Austin. At the same time, there's a really high quality of life. The amount of home that you can buy here is much better than most places and we have nothing but land. But also there's the outdoors and then the sort of cool elements in the city, like [South by Southwest](#). And so it just has those combinations and there's also a great kind of entrepreneurial ecosystem that we built over the years.

We have a large leading venture capital firm in town with [Austin Ventures](#). Also Austin is a state capital and we have a huge university here with the [University of Texas in Austin](#), which keeps a steady pool of really young smart people coming into the workforce all the time. So it's a real unique mix of state government and young smart kids.

Also, there is a state fund--they call it the [Emerging Technology Fund](#), which is meant to help attract and fund technology companies.

How is it helpful to be located in the state capital?

Well, from a global city perspective, it provides a big base of jobs. The state government's going to be a big employer around Austin. And then there are just places where government meets technology. We just launched what's called the [Texas Tribune](#), which is a brand new experiment and a very transparent bipartisan reporting of state government, so it'll be interesting. I work six

blocks from the capital, so it provides interesting opportunities to sort of lobby the government around adopting technology and how to use new technologies for their benefit.

So Austin's great because of the quality of life, low cost of living, state capital, university--are we missing anything?

Just this entrepreneurial ecosystem or some people call it sort of like the entrepreneurial scene here. There are enough different things that we have going on, different tech groups and organizations that make it into a scene and it's less important that any one become big or become important, but the fact that there are just so many provides enough diversity for you to find what you're looking for if you're in the hardware and chip technology or if you're in the social software or enterprise. There's enough of that sort of scene here that people can find the things they're looking for.

Are there particular types of startups that would do better in Austin than others?

Sure, I think Austin is known for enterprise software companies, Trilogy and Tivoli and now Spiceworks and Solar Winds going public, so that's a huge base that people really know [about] Austin. Gaming has been solid, too, for a long time. Companies are bought and sold here, so there's a lot of gaming and multimedia stuff going on.

B to C [business-to-consumer] has been kind of bigger in recent years, companies like Home Away and CreditCards.com, and then we have a few of the kind of social media like CheapTweet, so we're starting to see a variety of different things going on. And then there are emerging clean tech and wireless and biotech areas, so I think those are the ones, as well.

So if you're going to create a new technology that is going to do real time reporting from the head of a drill bit in the Black Sea on oil, Houston is really your spot for that, I think--enterprise software is big, gaming is big, we're having some success in B to C and then, clean tech, wireless, biotech--we're trying to get a teaching hospital here in Austin to let biotech take off, so those are the areas and some of them are very big. There are probably six or seven major areas for Austin.

What's happening in the entrepreneurial system that makes it sustainable?

Austin's tech history is relatively young. I think that the Chamber of Commerce and the city leaders made a really concerted effort to bring technology here in the 1970s and 80s. They wanted to bring jobs to Texas and they wanted to make them tech jobs and clean jobs. It started with IBM and getting IBM to build a big plant here. I believe it was their Selectric-typewriter plant that was here and then it evolved and now, there's an IBM operating system group here and I think the AIX--Unix group I think is here and so there's a huge IBM presence now. But it took a while to attract AMD and other chip companies to come to Austin to build that.

We're past that stage, so I think now it's sustainable because there's enough of an ecosystem to sort of fuel it, but it helps to have a constant influx of smart new graduates coming from the University of Texas who love Austin. And if they're going to school here, they want to stay here. I've even met a lot of people who went to school here, graduated and maybe took a job in Chicago or New York or the Valley or whatever and stayed a couple years and then when it comes the time to sort of get married and raise a family, they go, 'Oh time to go back to Austin to go do that.'

The Chamber of Commerce initiative is interesting. Has that changed in any way?

Now the Chamber of Commerce's thinking is totally different. Before, they wanted to attract companies here, so the jobs will sort of follow. But now, they all want to make the quality of life in Austin great and bring smart people here, and they figure if the people are here, the companies will follow.

So is there a particular profile of an Austin entrepreneur that's unique from others cities' entrepreneurs?

I think they are different. I lived in the Silicon Valley for a few years and I think Valley entrepreneurs are much more progressive and I think they are sort of keeping a score financially. No matter how much money they make or how big the exit was or whatever, they recycle and go try the next thing.

And I don't think Austinites are particularly like that. I think they're a little bit more relaxed, a little bit more of sort of socially aware, too. I know some entrepreneurs who have grown their companies, they have a very intense experience, done well, had an exit and then they sort of disappear from the scene and they go focus on the quality of their life and spend time with their family and friends and maybe they will be an angel investor or be an adviser, but they're just not interested in hopping back into that really crazy 18-hour a day, six-day a week frenzy. I think in the Valley, they live off that. They totally love that stuff. So I think our profile is a little more laid back.