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Prototype

# Location, Location: It Still Pays to Be Near

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IN a business world linked by electronic networks and cheap, nearly instantaneous communications, physical location shouldn't matter.



Tony Luh, a managing director of the DFJ DragonFund, based in China. He works in Beijing to be near his start-ups.

But it does.

Aspiring editors still move to New York, home to a huge share of the nation's trade publishers. Many musicians still pack their bags for Nashville. Would-be entrepreneurs still flock to Silicon Valley, and for those who don't make the move, leading venture capital firms often come to them, by setting up offices in tech centers around the world to be closer to new sources of talent.

Advances in technology "were supposed to make place unimportant, but in fact, the opposite has happened," said Richard Florida, author of "Who's Your City?: How the Creative Economy is Making Where to Live the Most Important Decision of Your Life."

Today, Mr. Florida said, "a relatively small number of locations still produce the lion's share of innovation." These places continue to attract the most talented people from

around the world, who then “combine and recombine in new and innovative ways that increase the odds that something great will emerge,” he said.

Of course, the technology that might render physical location unimportant is often itself a product of one of these innovative regions. Social networks like [Facebook](#), founded at Harvard but now based in Silicon Valley, make it easy to share ideas online. Sites like LinkedIn, also based in the valley, aim to reproduce real-world business networking by identifying the connections among people.

These online tools can be effective for vetting ideas and for gaining introductions. The open-source movement has also shown that people everywhere can successfully work together in virtual teams to build software, translate Web sites, write [Wikipedia](#) pages and even play together in online concerts. Yet even with [virtual networking for business](#) on the rise, places like Silicon Valley and New York have not lost their allure.

It is hard to define what physical proximity provides that virtual networks lack. But some people suggest that it boils down to opportunities to build trust.

“When you’re starting a company, everybody needs to be on the same page about what is important,” said Leonard Speiser, a serial entrepreneur who is now chief executive of the three-month-old Joonto, an online consumer product guide that he describes as “Consumer Reports meets Wikipedia.” “You have to be able to get together and talk, get to know each other. It takes great effort to do that virtually.”

Michael Dearing, a former [eBay](#) executive who teaches in the [Hasso Plattner Institute of Design at Stanford](#), made a similar point. Proximity, he said, “just creates opportunity professionally, the same way being in a friendship is made better by being together.”

The important element of cultural immersion is also hard to replicate online, said Mr. Speiser, who moved from Boston to Silicon Valley in 1998 because he wanted to create a start-up. “People here don’t talk sports at parties; they talk technology: what they are doing, what they are thinking about,” he said. “With all the new technologies and platforms being built in Silicon Valley, it’s like land opening up earlier in American history. If you’re here, you can learn first where the good land is.”

RANDALL GLEIN, managing director of the DFJ Growth fund at Draper Fisher Jurvetson, a venture capital company that backed Hotmail and [Skype](#), among other companies, called Silicon Valley “an innovation ecosystem with a critical mass of people with similar interests.” One reason for the region’s success, he said, is that “more than any other place, it is full of people who have built companies before and are willing to help foster the next generation of entrepreneurs and innovators.”

“In spite of everything technology can do, there is really no replacement for personal contact and face-to-face relationships when it comes to building companies,” he added.

Draper Fisher Jurvetson has offices in China and India, as well as partnerships with local venture capital firms in other countries. Tim Draper, a founding partner in the firm and the driving force behind its moves overseas, said that a local presence in other countries is important, both for evaluating a start-up's prospects and for supporting companies as they grow.

Since 2006, the firm has invested in 23 Chinese start-up companies through the DFJ DragonFund, based in China. Tony Luh, a managing director of the fund who works in Beijing, said he has helped start-up companies obtain licenses from the government, recruit employees and find accounting and legal assistance. Every two months, he gathers the portfolio company executives for a meeting to share ideas and problems.

"We stand at their side" to help them grow and survive, he said. "We could not do these things if we were not here."

BEYOND the technology industry, too, location matters. Even as publishing goes digital, for example, many people who want to work as agents and editors still migrate to New York.

"Publishing is a shared pursuit, driven by a lot of personal passion," said Gerald Howard, executive editor and vice president of Doubleday, a part of [Random House](#). "It somehow seems easier to convey that excitement, and to make plans to turn it into some income stream, face to face."

Shortly after saying that, Mr. Howard, with whom I was speaking by telephone, was interrupted. After a minute away, he returned to the line. "An agent who is a friend" happened to be in the building, he said. This person would stop in as soon as the call was over.

"We'll have a fine old talk," Mr.

Howard predicted, "and something of a business nature will undoubtedly emerge."

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