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New York vs. Philadelphia: The venture scene

by Peter Key Staff Writer

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Since everyone seems to be comparing Philadelphia and New York this week for some reason that escapes me, I thought I'd get in on the act.

Rather than share my views on the differences between the two cities, however, I'll share the view of a couple of people I recently talked to, one to get his view of the Philadelphia tech scene and the other for a story on funding problems for very early-stage technology that will appear in the paper Friday.

The former is Kris Smith, who was recently hired as senior editor of TechStartups.com, a Website that features advice for, and profiles of, some tech startups, as well as other tech stuff about which Kris chooses to write.

TechStartups.com is one of eight Web sites owned by Network Media Holdings Inc., which is based in Port Washington, N.Y. Being based on the East Coast, it positions itself as having a perspective that's different from the ones found on Silicon Valley-based tech sites.

Smith has held Internet-related jobs for about 10 years, first in education, then as a producer of podcasts and an employee of an online agency, and finally with a startup that developed tools for managing RSS feeds.

Although he lived in the Midwest, only moving to New York from Chicago last summer, he said his work brought him in contact with Philadelphia's tech startup community about three years ago.

He has also been working with New York's tech startup community for a while and now has had an opportunity to observe it firsthand for a few months.

One difference between it and its Philadelphia counterpart, Smith said, is size. New York has more tech startups than Philadelphia, which isn't surprising, as it also has more people than Philadelphia.

"Philadelphia's [tech scene] is more like the Boston tech scene, which is really a tight-knit group of people [who] are having regular meet-ups," he said.

"But the meet-ups that are happening [in New York], when they do happen, are on a much larger scale."

Even though New York is a major financial center, Smith said tech startups there have a harder time getting smart money than their Philadelphia counterparts. By that, he means investments from angels and venture capitalists who have the knowledge and time to really get involved in the companies they invest in.

"For my friends in Philadelphia that have gotten either seed or angel funding, it's been pretty easy for them to go through that process because they're connected at a local level," he said.

The other person I talked to about conditions for tech startups in New York and Philadelphia was David Freschman. David has founded two early-stage venture funds — the Delaware Innovation Fund and Innovation Ventures — and Early Stage East, a nonprofit that promotes early-stage companies and investment, all of which are based in Wilmington.

I spoke to David to get his views on the overall state of early-stage investing in the Philadelphia area, and one thing he said was that the region still doesn't value entrepreneurship that highly compared to other areas.

In Silicon Valley, he said, if someone starts a company and the company fails, it's no big deal. Here, that's not the case.

"Philadelphia is a much more traditional, conservative area," he said. "Failure is not rewarded. Failure is not admired, there's a disdain for failure."

New York, David said, has the Silicon Valley attitude.

"It is a hotbed of entrepreneurship in every corner," he said. "Everybody is an entrepreneur. There's no failure penalty."

One consequence of that, he said, is that it's cheaper to hire people for startup tech companies in New York than it is in Philadelphia because people there are more willing to take what could be considered a gamble with their careers.

"You can hire people for less because people are more entrepreneurial," David said. "They want to be in New York"

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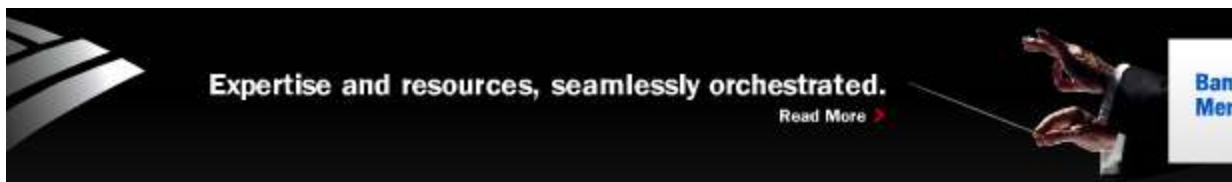
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