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Location Strategy Analysis: Moving Your Firm Forward

There is something about Pittsburgh that has always been a little rough around the edges—something old fashioned and not very slick. The Pittsburgh Pirates were a rough and tumble team, with great hitters and not a lot of finesse. In football, Terry Bradshaw and the “Steel Curtain” embodied a tough, play by their own rules kind of team. Pittsburgh was a steel town at its core, and like several other rust belt towns, it was headed for a steep decline.

While Denver wasn’t considered part of the rust belt, it was known for being a relatively large city – the most populous in a 500-mile radius – set in the foothills of the Rockies. While its claim to fame was being a “mile high,” Denver largely existed in a part of the country that was focused almost exclusively on agriculture.

Visitors of Montreal in the 1990s were likely to be struck by the flourishing cultural scene—embodied by its music, art, and theatre. The vibrancy of the International Jazz Festival makes it easy to see why Montreal largely shuts down to celebrate this annual event, and is just one example of the rich, independent culture of the city. One could hardly blame “Les Habitants” for ceding much of the business development over the last century to neighbors like Toronto.

You may be wondering—what do all of these unlikely places now have in common? Although deeply tied to traditions of their past, each of the above cities used their resources and the strong presence of universities to adapt, innovate, and become major emerging tech hubs in North America. These three locations are now prospective spots for financial services firms (and other industries) to staff not just technology talent, but support talent in general. Let’s take a closer look at the city that tops the list—Pittsburgh.

After reviewing 50 of the largest cities in the United States across multiple factors – including the availability of talent, affordable pay rates, cost of real estate, cost of living, and educational attainment – Pittsburgh appears to be the best place to harvest cost savings and find quality talent available across multiple support areas. Interestingly, a few other rust belt cities, including Buffalo, Cincinnati, and Cleveland, also placed among the top 10.

The factors to consider in selecting a city vary considerably based on approach. If your intent is to ask a significant portion of existing staff to move, factors like the cost of living, state income tax, quality of life, and even traffic can be powerful drivers behind their willingness to relocate. Whereas, if you are planning to hire new staff from scratch, available talent becomes a large and obvious concern, while other considerations include the presence of talent with advanced degrees, as well as potential savings from a compensation discount.

When taking into account all of these factors, what makes Pittsburgh – the same city that worshiped Roberto Clemente, Willie Stargell, Mean Joe Greene, and Mario Lemieux – the best location for opening a technology center? To start, pay rates were almost 30% lower than New York City and the size of the talent pool was surprisingly large. With an abundance of schools that offer impressive tech programs – led by Carnegie Mellon, University of Pittsburgh, and Duquesne University – Pittsburgh has reinvented itself from an aging steel town to a modern center for talent.

Other top cities for cost savings across support areas included several warm locations, like Tampa, Birmingham, Jacksonville, and Phoenix. The sunny climates may make it a little easier to persuade existing staff to re-settle, though in general, firms looking to harvest real savings usually aren't focused on sending existing high-paid staff to live in lower paying locations. Interestingly, none of the Pacific Coast cities made it into the top 20 list. Despite considerable talent pools in many of these locations, the potential cost savings were less pronounced.

Focusing back on technology talent, other cities we identified as burgeoning tech hubs include Raleigh, Nashville, and Indianapolis. Indianapolis placed in the top 20, with a very attractive compensation differential and low commercial real estate cost, however, its relatively small pool of available talent kept it out of the top 10.

It's interesting to note that most of the top 10 optimal locations (other than Tampa and Dallas) had a relatively junior mix of talent available. This would suggest that firms considering these locations may need to import additional technology leadership, but could gain a lot of bandwidth with the surplus of available junior staff.

A handful of locations paid New York City rates for technology roles, including San Francisco and Los Angeles. Surprisingly, San Jose and Fairfield County, CT, paid at a premium to NYC on average.

Based on our multi-dimensional analysis, each support area – technology, operations, finance, risk, HR, etc. – featured different ideal destination cities. As firms seek cost savings without losing material quality of work and service, there are several factors to consider, particularly the organization's current footprint and growth strategy. Firms often look for locations in the same time zone as their headquarters, or places that are within or adjacent to a city where they are already operating or have plans to expand. The data certainly tells an interesting story, and depending on a firm's specific objectives, some surprising locations can emerge as ideal targets.

To learn more about location strategy and what factors to consider when relocating your firm, please contact our team.

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