Top 25 Cities For Doing Business in America

BY JOEL KOTKIN
RANKINGS BY DAVID FRIEDMAN

Frank Sinatra never wrote a song about Newark or Green Bay, nor has Madonna ever bought a house in either city. But these are among the unexpected places where businesses are adding jobs most rapidly and many people are moving in search of new lives, creating tremendous opportunities for entrepreneurs. • The Top Cities in America for doing business are not at all where most people think, and there's good data to back that up. This year *Inc.* publishes an exclusive Top Cities list, using a brand-new methodology that we believe to be the most objective, reliable system used anywhere for ranking fertile ground for companies. • For the most part, the top cities aren't found on the fashionable coasts, nor in the biggest, most famous metro areas, but in more prosaic places, including many in the Midwest, that found a way to grow in a tough economy and now seem poised for rapid expansion as the recovery comes in. Especially notable are cities—large, medium, and small—spread throughout the still booming Southeast, including No. 1 ranked Atlanta and a score of Florida cities of various sizes.

"Atlanta is amazing," notes Ray Wallace, president of W. Ray Wallace & Associates, an Inc. 500 firm that does financial consulting from suburban Alpharetta, Ga. "The opportunities are here and small businesses are here. People from all over the South come to Atlanta like to Mecca."

If the late 1990s were all about a gold rush—quick success, stock market fireworks, sex and the city—the prevailing trends almost midway through the more somber 2000s suggest a whole other dimension to what makes the entrepreneurial economy hum in such underhyped business havens as No. 5 (small city) Sioux Falls, S.D., No. 4 (medium) Fresno, Calif., and No. 11 (small) Bismarck, N.D. (For a complete ranking of 277 large, medium, and small cities, and a separate ranking of the top cities by major industries, see Inc.com.)

Of course, there are some high-tech, high-priced holdovers relatively high on the list, including No. 15 (large) San Diego, No. 19 (large) Austin, and No. 13 (large) greater Washington, D.C., but those places have been high up on the growth curve for more than a decade. Perhaps most revealing are those denizens at the bottom of the list (see "10 Worst Metro Areas" on page 97), including No. 9 worst Boston, No. 8 worst Portland, Oreg., No. 7 worst San Francisco, and No. 6 worst New York City. Dead last (the No. 1 worst large metro area) is San Jose, home of Silicon Valley, the megawatt center of late '90s business hype. In the bygone era, these were the cities that had the sizzle. No more.

The Rankings

How did *Inc.* arrive at these conclusions? Not by subjective criteria, such as proximity to research universities or a hospitable climate. The central premise behind the Top Cities rankings is that current and historical job growth is the most objective indicator of a region's economic vitality for entrepreneurs. More than three-quarters of all new jobs are created by small business, according to the Small Business Administration, so a region showing strong job growth is in all likelihood a hotbed of entrepreneurship. The impact on business of a city's educational and training systems, housing and living costs, taxes, regulatory burdens, and quality of life—factors commonly measured by other "hot lists" to identify strong economies—are all ultimately reflected by job growth.

A strong history of creating new jobs means that regional businesses have expanded, created new demand, and pushed up areawide disposable incomes. In contrast, companies don't form or hire new workers when a region's regulatory climate, costs, or work force capabilities aren't conducive to expansion.

Regions that consistently generate jobs in a broad range of industries rank at the top of the list. Those with poor and worsening job growth and increasingly undiversified economies do less well in the rankings. As the recent technology bust and manufacturing cutbacks indicate, overreliance on a single sector risks painful, long-term setbacks. Unbalanced growth can also indicate whether even once prospering areas are developing anti-industrial land use or other slow- or no-growth regulatory policies.

One surprising trend on the list has been the rebound of the Midwest and the Great Plains states.

Inc. measured current-year employment growth in more than 250 regions (as defined by the Bureau of Labor Statistics) as well as current trends in the annual average growth over the past three years, and compared employment expansion in the first half versus the second half of the last decade. Job growth factors account for approximately two-thirds of the final score for each city and the balance among industries accounts for approximately one-third of the final score.

SO WHAT KIND OF PLACES ARE WORKING best in George Bush's America? They are predominantly suburban and, perhaps most importantly, relatively affordable, particularly in terms of housing prices, cost of living, and business costs. These are places, notes Brookings Institution demographer William Frey, where younger families, including many well-educated people as well as upwardly mobile immigrants and even singles, are now migrating in large numbers.

Perhaps the most predictable bottom line in this current economic expansion is, well, the bottom line. Places kindest to business costs, whether in terms of office rents, taxes, or regulatory environments, seem to be doing best. "When people depend on debt to finance operations, they look at things differently than when it's equity," suggests Andrew Segal, of Boxer Property, a Houston-based real estate investment firm with holdings in several "second tier" cities. "Business now has to look for a more reasonable place. The ugly ducklings are beginning to look better."

Few people in the growth areas, of course, would consider themselves "ugly ducklings," but they certainly tend to have economies that are grayer and less specialized than the '90s hotshots. Total dependence on high tech, once considered a boon, has turned out to be a disaster.

In the mid to late '90s, suggests Leslie Parks, former economic development director for San Jose, inflated stock prices created a false economy that drove up real estate prices and the cost of managerial and technical talent while driving out more middle-class, blue-collar activities from the region. "Economic diversity is a constant challenge here," Parks adds. "A lot of people did not want basic industries. They thought high tech could solve everything."

Atlanta: Leading the Pack

The leading large city on the list, Atlanta, epitomizes the characteristics of economic diversity and affordability. Spread out over 28 counties in north-central Georgia, Atlanta's region includes over 4.5 million people, only 420,000 of whom live in the city itself. It combines the advantages seen in smaller communities with an array of assets—such as top-flight universities, major corporate headquarters, and a world-class airport—usually only found in leading global cities.

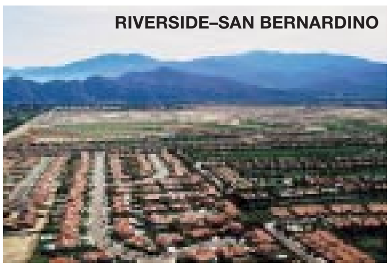
This vast archipelago of largely suburban communities also houses a relatively diverse economic structure. Atlanta is not wedded to technology like San Jose, or financial services like New York City and Boston. While the recession pummeled some of Atlanta's key industries—including information technology and construction—the area's well-rounded economy has allowed it to take full advantage of the current, broad-based recovery.

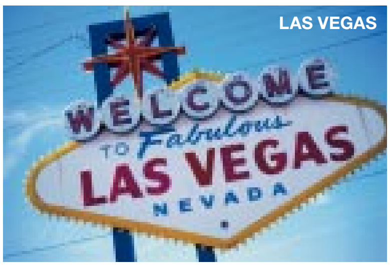
"Atlanta has one of the most diversified economies in the country," points out Mark Vitner, a senior economist who studies the Southeast for Charlotte-based Wachovia. "Whatever the new thing turns out to be, Atlanta will be in the forefront. They are very adaptable."

Large Metro Areas

Sustained growth in the Southeast left formerly hot cities such as San Francisco, New York City, and Boston behind


ATLANTA


RIVERSIDE–SAN BERNARDINO



LAS VEGAS


SAN ANTONIO

FROM TOP: ALAN SCHEIN/CORBIS; ROYALTY-FREE/CORBIS; NEIL SETCHFIELD/LONELY PLANET; RICHARD CUMMINS/LONELY PLANET

1 ATLANTA "Hotlanta" is precisely that, the hottest of the hot economies of the country. Pummeled in the early days of the 2000 recession, the sprawling Georgia metropolis has roared back, mostly on the basis of its strong service sector, pro-business culture, and a relatively affordable housing environment in comparison with other big-time cities.

2 RIVERSIDE–SAN BERNARDINO California's premier hot spot has been criticized as the epitome of urban sprawl and for creating mostly "crummy jobs." But it's also been the Golden State's economic Energizer Bunny: The low-cost haven keeps on growing in population, attracting emigrants from the coast.

3 LAS VEGAS At first hurt by the downturn in tourism after 9/11, the Nevada metropolis has gotten its groove back. Although tourism remains the linchpin, the area is creating jobs in high-end sectors and even manufacturing, in large part because of an exodus from more expensive locales on the Western Seaboard.

4 SAN ANTONIO Largely unnoticed amidst the mega-hype surrounding media favorite Austin, this more affordable Texas city has benefited from steady population growth, a diversifying economy, and a strong military presence.

5 WEST PALM BEACH This part of Florida is getting crowded, so relatively low prices could soon be a thing of the past. Right now, the perceived high quality of life and reasonable housing prices make this area an almost irresistible lure.

6	CAMDEN	New Jersey
7	FORT LAUDERDALE-HOLLYWOOD-POMPANO BEACH	Florida
8	JACKSONVILLE	Florida
9	NEWARK	New Jersey
10	SUBURBAN MARYLAND-D.C.	Maryland
11	ORLANDO	Florida
12	PHOENIX	Arizona
13	WASHINGTON MSA	District of Columbia
14	TAMPA-ST. PETERSBURG-CLEARWATER	Florida
15	SAN DIEGO	California
16	NASSAU-SUFFOLK	New York
17	RICHMOND-PETERSBURG	Virginia
18	NEW ORLEANS	Louisiana
19	AUSTIN	Texas
20	NORTHERN VIRGINIA	Virginia
21	MIDDLESEX-SOMERSET-HUNTERDON	New Jersey
22	MIAMI-HIALEAH	Florida
23	ORANGE COUNTY	California
24	OKLAHOMA CITY	Oklahoma
25	ALBANY-SCHENECTADY-TROY	New York

Medium Metro Areas

With job bases from 150,000 to 450,000, the midsize cities include a strong showing from the Inland Empire, driven by escapees from the California coast

1 GREEN BAY The Packers may provide name recognition to this Wisconsin city, but locals swear to the quality of life, a diversified economy, and a hardworking, skilled labor force. It lacks the population-driven growth of Sunbelt cities such as Las Vegas or Atlanta, but it is an excellent place to start and expand a business.

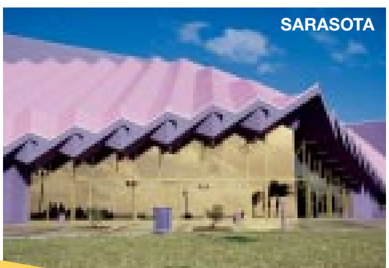
2 MADISON Cold weather didn't stop Wisconsin from packing a one-two punch among midsize cities. Madison is peculiarly well suited for the service-driven economic expansion. As state capital and locale of one of the region's top universities, its population is exceptionally well educated.

3 SARASOTA This may well be Florida's "next big thing," an affordable coastal region that attracts many skilled, middle-class emigrants from the north. A sizable tech work force has made this among the fastest-growing areas for information-based industries. And there's always the beach.

4 FRESNO California's economy is driven by real estate affordability and population growth, but here it's particularly spurred on by Latino and Asian immigration. A key issue, as in other growth centers, will be creating a bigger high-end service, manufacturing, and information sector.

5 BAKERSFIELD Like Fresno, but with perhaps stronger prospects. Sprawl has made the old Merle Haggard Okie capital a distant suburb of pricey Los Angeles, and people actually commute over the mountains. A good choice for firms seeking to expand close to southern California, without the price tag.

6	RENO	Nevada
7	ALBUQUERQUE	New Mexico
8	TUCSON	Arizona
9	VALLEJO-FAIRFIELD-NAPA	California
10	MODESTO	California
11	STOCKTON	California
12	FORT MYERS–CAPE CORAL	Florida
13	CORPUS CHRISTI	Texas
14	SYRACUSE	New York
15	SPRINGFIELD	Missouri
16	MONMOUTH-OCEAN	New Jersey
17	WESTCHESTER COUNTY	New York
18	HARRISBURG-LEBANON-CARLISLE	Pennsylvania
19	BATON ROUGE	Louisiana
20	DAYTONA BEACH	Florida
21	JACKSON	Mississippi
22	LANCASTER	Pennsylvania
23	PORTLAND	Maine
24	BOISE CITY	Idaho
25	AKRON	Ohio



FROM TOP: COURTESY PACKER COUNTRY; RICHARD CUMMINS/CORBIS; RICHARD CUMMINS/SUPERSTOCK; LAKE COUNTY MUSEUM/CORBIS

Affordability, Vitner notes, has been the other pillar of the region's success. Although not cheap by southern standards, Atlanta's cost of living, particularly housing, is much lower than that in places like Boston, New York City, Seattle, or San Francisco. This has made Atlanta an excellent spot to start a business, allowing lower costs and salaries for start-ups.

Atlanta turned out to be a far better choice than San Francisco for the headquarters of the fast-growing, 250-employee Cendian Inc., which opted for the Georgia metropolis over a series of other cities, including the fabled city by the bay. "Affordability killed us with the Bay Area," says CEO Mark Kaiser. "San Francisco is a delightful place to live, but way too expensive."

Atlanta may lack some of the Bay Area's edginess and physical beauty, Kaiser adds, but in addition to reasonable housing prices, it also presents many lifestyle options, including an increasingly lively central city and diverse suburban areas, which allows the firm to compete for talent across a broad spectrum of skills, from top management to technicians. At the same time, Atlanta's airport and long history as an area of logistics expertise, best epitomized by UPS, help the firm in its primary business of providing logistical support for the chemical industry worldwide.

"Atlanta," Kaiser sums up, "gives you a lot for the buck."

Affordability

The theme of affordability was repeated often by many firms located in the cities that ranked high on the list. It helps explain the remarkable performance of places like No. 4 (large) San Antonio and No. 26 (medium) McAllen, Texas, all of central Florida, and much of inland California. "San Antonio is a very good sell for families," says Keith Frederick, founder of SecureInfo, a San Antonio computer security firm with 145 employees. "You can get a new three-bedroom starter house here with a two-car garage for $60,000. And it's actually a super environment for operational experience. This is one of the few places I can get the kind of talent I need."

Indeed, *Inc.*'s data shows many fast-growing cities, such as No. 5 (small) Sioux Falls, S.D., No. 15 (small) Fargo, N.D., and No. 8 (large) Jacksonville, Fla., also saw rapid expansion of financial and business-professional service industries, which require a work force with a high level of education. In contrast, many of the traditional hotbeds for these professional industries (e.g., Boston, New York City, San Jose) have suffered either negative or slow growth during the past few years.

These trends were particularly notable in Florida, the state that more than any other dominates our list. A remarkable six of the top 25 cities on the large list, including No. 5 West Palm Beach, No. 7 Fort Lauderdale, No. 8 Jacksonville, No. 11 Orlando, No. 14 Tampa–St. Petersburg, and No. 22 Miami, are from the Sunshine State.

Florida, suggests Donald DiFrisco, executive vice president of Palm Beach Gardens–based Cross Match Technologies, has become increasingly attractive to information workers given the rapid housing inflation in places like the Bay Area and Boston. Corporate relocations of the 1980s and 1990s—including companies such as Motorola and Nokia—also have left a repository of talent that can be used by fast-growing, smaller firms.

Sarasota, No. 3 on the medium cities list, has become rich with what Reuben Ben-Aire, CEO of MadahCom, calls "early retirees." Many people in their 50s came to Florida to retire but, for financial reasons or out of boredom, have reentered the work force. "These people have everything you want including experience," says the 60-year-old entrepreneur, who moved his firm from New York City in July 2002 and has since gone from four to 30 employees. "They like being here and they know it costs less. Every dollar they make here is simply worth more."

The Inland Empire

An even more surprising group of top-flight cities can be found in California, whose coastal economy, particularly in the Bay Area, has been struggling since the end of the dot-com craze. Here the biggest entry is No. 2 Riverside–San Bernardino, a region with more than 3 million people east of Los Angeles. In many ways, the region, known as the Inland Empire, is the polar opposite of places like San Jose—its economic drivers are mundane industries such as housing construction, warehousing, and diversified manufacturing.

Yet even here the key high-end growth industries, such as technology, financial and business services, are expanding at strong rates. This, suggests local economist John Husing, is being driven in part by sky-rocketing housing costs on the coast of California. Skilled workers with families are responding by moving. Since 1990, Husing notes, more than 660,000 people have moved into the inland. The bulk of this

10 Worst Metro Areas

These large cities suffer from unaffordable housing, overreliance on single industries, and often, poor quality of life for the middle class upon whom entrepreneurs rely

1 SAN JOSE Silicon Valley's **decline is a tale of hubris, bad timing, high costs, and overconcentration in high tech. San Jose still has massive talent and a great infrastructure for high-tech entrepreneurs, but a view toward diversifying the economy seems long overdue.**

GRAND RAPIDS(2), **GREENVILLE-SPARTANBURG**(3), **DAYTON**(4), **ROCHESTER, N.Y.**(5), **MILWAUKEE**(12) Pick your poison: metal furniture, auto parts, textiles, fiber optics. These cities all were huge losers in the manufacturing decline of the past five years, a reversal that seems very slow in ending. All these areas are victims of the rise of offshore manufacturing in China and Mexico.

NEW YORK CITY(6), **SAN FRANCISCO**(7), **BOSTON**(9) Call these the lost "bubble children" of the 1990s. Pumped up on dot-com steroids, these areas neglected to keep costs down and thought the high-tech/financial service nexus would sustain their growth. It didn't, as jobs in these industries dropped precipitously, particularly after 2000. The Big Apple, with its immigrant base and strong cultural industries, is far from dead but the new growth seems to be heading to the ex-urbs.

PORTLAND(8), **RALEIGH-DURHAM**(13) These towns have been "cities of the future" for years. Too bad the future is more complicated than envisioned. High costs and the antibusiness mood in Portland has hurt it. Raleigh-Durham's overconcentration on tech is a problem, but the basic cost structure is still not impossible. Bet on a better showing from the Carolina region within a year or two.

PHILADELPHIA(10), **HARTFORD**(11) Two long-term losers in terms of jobs and population remain down on the list. Glittery recovery of Philadelphia's downtown has not made up for high costs, political problems, and continued decay in outlying neighborhoods. Hartford's city is still shrinking, and Connecticut remains a fairly expensive place to do business, but the area's bucolic archipelago of small towns and fancy suburbs could recover quickly from the recession.

MICHAEL MELFORD/GETTY

Small Metro Areas

Small cities (job bases up to 150,000) have suffered from years of dwindling population. Their affordability is reversing the trend

1 MONTPELIER With classic Yankee humility, George Malek, executive vice president of the Central Vermont Chamber, could not bring himself to boast about his region's top ranking. He cited instead his city's burgeoning insurance industry and the advantages of being a state capital and home to several small colleges.

2 MISSOULA Montana's nice scenery and the local university go a long way in a small place. Missoula's population has almost doubled in the past 30 years, and many newcomers have started businesses. Financial and professional business services, as well as information, have all made solid gains.

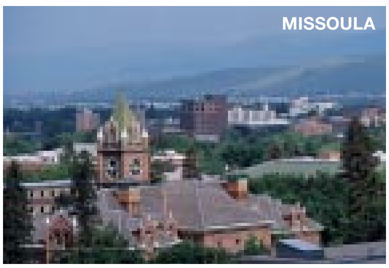
3 CASPER With 66,000 people in this Wyoming region, Casper is small even by small-town standards. But its business services industries—in particular, financial services—made strong showings. Another sign that professional service sectors are declustering from traditional urban centers.

4 ROCKLAND COUNTY Although not cheap by midwestern or southern standards, its housing prices are bargain basement compared with areas closer to New York City. Population growth has been three times the New York average since 2000, while information and business services have shown solid growth.

5 SIOUX FALLS This South Dakota small city is picking up population, a far cry from the out-migration of years past. There's a skilled work force for financial and professional services and an emerging information and biological sciences sector. Both are attracting investment dollars.

6	WACO	Texas
7	BURLINGTON	Vermont
8	DUTCHESS COUNTY	New York
9	ANCHORAGE	Alaska
10	MANCHESTER	New Hampshire
11	BISMARCK	North Dakota
12	BRYAN–COLLEGE STATION	Texas
13	DANBURY	Connecticut
14	ALTOONA	Pennsylvania
15	FARGO-MOORHEAD	North Dakota
16	LAS CRUCES	New Mexico
17	LA CROSSE	Wisconsin
18	NEWBURGH	New York
19	ALBANY	Georgia
20	MEDFORD	Oregon
21	UTICA-ROME	New York
22	LAKE CHARLES	Louisiana
23	BRISTOL	Virginia
24	FORT SMITH	Arkansas
25	ENID	Oklahoma


BARRE-MONTPELIER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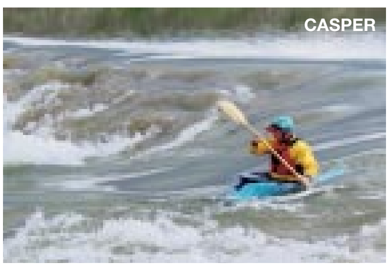
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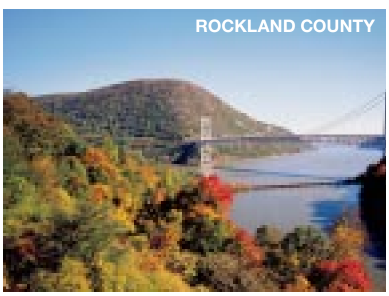
ROCKLAND COUNTY

FROM TOP: PETER FINGER/CORBIS; PATRICK CLARK/MONTANASTOCK; COURTESY CASPER AREA CONVENTION & VISITORS BUREAU; ALAN SCHEIN/CORBIS growth comes from ethnic minorities, predominantly Latinos, whose numbers swelled by 500,000, and Asians. Both groups see the inland as the one place in southern California where their hard work can be rewarded with a middle-class lifestyle. They keep coming. Between 2000 and 2020 the inland is expected to add another 1.5 million people, more than the growth forecast for all but five states. Such growth provides business opportunities to entrepreneurs.

"What we have here are families, and families create growth," says Ramon Alvarez, the father of three and owner of the nation's only Latino-owned Jaguar dealership, in Riverside, Calif. "You see a lot of upward mobility around here. I see a run of growth that could last for 10 or 15 years."

"It's Econ 101," observes Bart Hill, CEO of San Joaquin Bank, a fast-growing financial institution based in Bakersfield, Calif. "It's just much cheaper to do business here than on the coast." Hill has seen a rapid growth in manufacturing, health, and financial service firms in his area. But there are even signs that some of California's vaunted technology industry may be moving inland. Sacramento, Santa Rosa, Stockton, and other smaller inland communities have been picking up high-end jobs for years. Even such perennial hard cases as Fresno have become attractive to knowledge workers, according to Lance Donny, CEO of Brightcode, a small software service firm located in the longtime agricultural center.

"I recruit people who find a five-minute commute, and the ability to get a great house, pretty attractive," Donny explains. "After 2000, we found we had plenty of resumés. You can pay people a little less because they also pay less for rent, which leaves us with a nice profit."

But California is not the only place where this shift to the periphery is increasingly obvious. Brookings demographer Frey calls this process, appropriately enough, "Jerseyfication" and ties it to the growth of areas surrounding the expensive major cities of the Northeast, including such high-fliers as northern New Jersey, the upper Hudson Valley in New York, Long Island, and the southern New Jersey areas near Philadelphia, as well as the Maryland-Virginia regions around the nation's capital.

"These are areas near old high-fliers and major cities that have become too expensive for families to move into," Frey says. "They have the advantage of being reasonably affordable but still close enough to tap into the big-city economies."

The Midwest

Another surprising trend on the list has been the general rebound of the Midwest and Great Plains. Frey says his studies indicate there was a flight from dense cities in the immediate post 9/11 year. This trend has helped some long-suffering large midwestern cities—such as No. 32 St. Louis, No. 28 Louisville, No. 29 Kansas City, and No. 30 Cincinnati. The longtime outmigration of people, particularly skilled workers, from the Midwest, Frey suggests, has significantly slowed. Indeed, recent Census data reveals that the Midwest has done relatively well attracting new knowledge workers. "People are saying maybe it makes sense to move to Omaha or Kansas City," suggests Ernie Goss, a regional economist based at Creighton University in Omaha. Places such as Fargo, N.D., or Sioux Falls, S.D., have among the best-educated young people in the country, he says. This appeal is critical with entrepreneurs trying to get skill sets that are hard to find in small communities.

Lyndon Hurley, whose Sioux Falls-based Hurco Technologies makes equipment for sewer and water systems, finds that even if his company is short on welders, workers are willing to relocate. "We get e-mails from people all over the country who want to come here," he reports. But it's not just traditional manufacturing that is doing well in these places. Sioux Falls and Fargo, in North Dakota, have also developed substantial technology industries. In the past such areas exported their young talent; now they are keeping more and bringing some back.

The Internet is part of the reason, suggests Michael Chambers, CEO of Aldevron, a Fargo-based biotech firm. Digital technology has overcome these areas' traditional sense of isolation from "the centers of action." Even the smallest town is wired now, says Chambers, whose firm has grown from 12 to 30 employees since its founding in 1998. "Its now not about being remote, but choosing to live in a place that makes sense from a personal point of view." Indeed, so strong is the business revival in Fargo, Sioux Falls, and some other Great Plains communities that their populations and employment rates are growing faster than the national average—something that has rarely been seen over the last half century. These places may not be the next Atlanta, but with good cost structures and devoted entrepreneurs they are becoming, in very real ways, prominent centers in the rapidly shifting geography of America's business. ●

Joel Kotkin, the author of ***The New Geography: How the Digital Revolution is Reshaping the American Landscape,*** is a Senior Fellow at the Davenport Institute for Public Policy at Pepperdine University. He is writing a book on the future of cities for Modern Library.

HOW THE 2004 TOP CITIES WERE SELECTED

The rankings are derived from three-month rolling averages of U.S. Bureau of Labor Statistics "state and area" unadjusted employment data reported from January 1993 to September 2003. The data reflect the new North American Industry Classification System categories, including total nonfarm employment, manufacturing, financial services, business and professional services, educational and health services, information, retail and wholesale trade, transportation and utilities, leisure and hospitality, and government. • All areas for which full data sets and uniform area definitions were available from the BLS for the past 10 years—277 regions in total—were included in the analysis. This approach excluded construction sector data, which was not reported for many of the regions in the BLS database, and the Denver and Boulder areas, which were redefined in January 2003. • "Large" areas include those with a current nonfarm employment base of at least 450,000 jobs. "Medium" areas range from 150,000 to 450,000 jobs. "Small" areas have as many as 150,000 jobs. The growth index is calculated from a normalized, weighted summary of: 1) the current year's employment growth rate (weighted by two points); 2) the sum of 1998–2003 and 1993–1998 employment growth rates multiplied by the ratio of the 1993–1998 growth rate over the 1998–2003 growth rate (two points); and 3) the difference between the current year's growth rate and the average 2000–2003 growth rate (half a point). • The balance index is calculated from a normalized, weighted summary of: 1) the standard deviation of each area's current percentage mix of major employment sectors (one point); 2) the standard deviation of each area's percentage of total 1998–2003 growth generated by each sector (one point); and 3) the standard deviation of each sector's recession period (2000–2003) growth rate (half a point). • To compute the final rankings, the growth index was weighted by 4.5 of a total of seven points, and the balance index by 2.5 of seven points. Full growth and balance index data for all 277 regions can be found on Inc.com.

David Friedman