

Silicon Valley OF THE SOUTH

HOW AND WHY NASHVILLE HAS BECOME THE
"IT" CITY FOR TECH AND OTHER STARTUPS.

BY MARGARET LITTMAN, PHOTOS BY AMY CHERRY

Time was, the stereotype of a "Nashville entrepreneur" involved a guy standing in front of the Opry Shop on Lower Broad selling CDs out of his guitar case. (Maybe he raked in some decent cash while keeping his overhead low.)

But those in the know say that Nashville has become, for lack of a better term, the Silicon Valley of the South. Creative ideas are born here. Businesses are nurtured here. And, thanks to an increasing number of local and transplanted investors, their companies are getting funded here. They are staying here, hiring here, expanding here, and making Nashville one of the capitals of the new Startup Nation.

What's more, there are numbers to support the intangible entrepreneurial energy in the air. According to the Nashville Area Chamber of Commerce, an estimated 23 percent of the local workforce is self-employed, compared with 18 percent nationally. Nashville's fast-growing economy is one of the things that led *U.S. News and World Report* to recently name it one of the country's aspirational cities. And, in less than three years in existence the Nashville Entrepreneur Center (NEC) has screened 2,000 business concepts and helped launch 73 companies that now employ more than 400 people, according to Michael Burcham, president and CEO of the NEC. That's just a fraction of the small business mojo that is going on in Music City.

The money's here, too. Sid Chambliss, executive director and managing partner of Nashville Capital Network, a firm that works with early-stage companies, says that 37 businesses received their first startup funding in Nashville in 2011.

Of course, Nashville has been an entrepreneurial city since people first started trying to make a living on the shores of the Cumberland. From musicians to the founder of Hospital Corporation of America (HCA), Music City's economy has been dependent on people who were willing to go it on their own. And that history helped build the foundation of today's startup scene.

"Nashville is one of the most exciting places to start a company," said Steven Buhrman, CEO of the app Wannado, to an audience of 600 at the Jumpstart Foundry Demo Day in August. (Buhrman has some relevant perspective, having relocated here from Northern California.) Other gatherings, from the high-energy Southland Southeast conference held at Canerly Row in June sponsored by Launch Tennessee, to the upcoming KEEN Digital Summit, to be held at the new Omni Nashville hotel later this month, have helped fuel the city's startup speed. And there's more on the way: The NERVE Conference, a regional gathering for members of the Entrepreneurs' Organization, is slated to hit Nashville in 2015.

Some of what makes a city have startup street cred is imprecise, just like that "it" factor that makes one song a hit and another not make it to the charts. But experts say there are six concrete factors that explain Nashville's entrepreneurial successes:

Entrepreneurial history.

Nashville's track record with startups isn't mere good karma. Having a network of established entrepreneurs provides the bedrock on which startups can build, offering mentoring, trained talent, and even cash.

"Success begets success," says J. Tod Fetherling, chairman and founder of Stratasan, a firm that provides analytical data to healthcare companies. "The more startups we fund, the more they create that churn for the next five or six startups. That is one of the things that makes for a healthy startup."

Cost of living.

Established businesses, aspiring musicians, and startup entrepreneurs all hightail it to Nashville instead of New York for the same reason: It's cheap. According to the Nashville Convention and Visitors Bureau, the cost of living in Music City is 10.2 percent less than the national average, which means the cost of doing business here is less.

If the costs of running a business here are one-third of those in Silicon Valley, then a startup business can hire three times as many people or make the money last three times as long, explains Vic Gatto, a partner with Solidus Co. and a founder of Jumpstart Foundry, an accelerator that helps entrepreneurs develop their ideas and find funding.

Southern hospitality.

Time and again, when startup CEOs are asked what makes Nashville so hospitable to their dreams, they say it is the city's generous mentoring network. Other entrepreneurs, whether they were funded a year ago or a decade ago, are willing to help the next set of businesses get going. The city boasts both formal mentoring partnerships and networks through incubators and accelerators as well as an informal culture that encourages CEOs to pick up the phone and answer questions.

"In another city it would take months to get on someone's schedule," says Mario Avila, founder and CEO of Contigo Financial, which recently merged with Emerge Financial Wellness. "But here you can call and ask and walk over the same day and get to talk."

Fetherling attributes this collaborative culture back to the music industry. The co-write is king in Nashville. Songwriters are used to working together. So, too, are startups.

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Changes in the local economy.

The downturn in the economy from 2008 to 2010 left folks (particularly those working in music and healthcare businesses), with time on their hands. If an entrepreneurial person was laid off from a traditional job, that involuntary downtime was as good a time as any to start working on that idea they had always wanted to do, Chambless says.

"Here are our two largest industries, health care and music, and both of those industries are undergoing cataclysmic change," Chambless adds. That makes those industries ripe for entrepreneurial innovation.

The time is right.

Nashville's current "it" factor is another quality that Greg Harvey, program director at the Accelerator: Vanderbilt Summer Business Institute, sees as playing a role in Nashville's startup fever.

"Students come here and they see that it is a growing city full of young people," he says. "They do not get lost in the shuffle like they do in New York or Chicago."

We're risk-takers.

Nashville was built by people with a guitar case and a dream. People come here knowing that the odds are not in their favor, but they are willing to try. Without a stigma associated with failure, people are willing to try something new.

Adds Dave Gilbert, CEO of Evermind: "The coffee shop culture in this city is amazing. People have creative skill sets here. And now those creative people are starting companies instead of starting bands."

5 Entrepreneurs to Watch

IT IS IMPOSSIBLE TO KNOW WHO WILL START THE NEXT HCA, BUT HERE ARE FIVE GO-GETTERS WE THINK ARE WORTH KEEPING AN EYE ON.



Kyle McCollom

Co-Founder & CEO, Everly

At 25, McCollom is already on his second startup. With co-founder Chris Cole, McCollom launched their all-natural powdered drink mix company in 2011.

Nashville is no Cincinnati—it isn't known for having strength in consumer products—but McCollom says that hasn't hindered Everly's growth. In April 2013 they launched a Kickstarter crowdfunding campaign with a goal to raise \$18,000. They brought in nearly three times that amount. The product is available online and will soon be rolled out in select Whole Foods stores.

"We benefited from that [mentor] infrastructure in Nashville," McCollom says. Everly is a graduate of the Jumpstart Foundry and had its headquarters at the Nashville Entrepreneur Center until it moved into a Belle Meade office. Moreover, McCollom says his team profited from "peer mentoring," or teaming with other local startup food companies who could share hits and misses with one another.

"Nashville is all about relationships. There is no reason not to be here. We may not have as much infrastructure around food and beverage," he says, "but there is momentum to change that."



Chris Hefley

CEO, LeanKit

Franklin-based LeanKit, founded in 2009, makes what it calls a "white board in the cloud." The software company's products make it easier to share information without using clunky online interfaces. LeanKit lets teams think visually rather than in spreadsheets.

The products have more than 170,000 users at a who's who of businesses, from GlaxoSmithKline to Spotify. CEO Chris Hefley is an HCA alum who sees nothing but potential for his tech company based in the heart of Tennessee.

"There is a very intentional feeling to what is happening here. People want to make [Nashville] into a hub for entrepreneurship, and there is a general sense that we are all working together," Hefley says. "That draws people from other places. People like to visit here, so getting regional investors is easy."



Phillip Shmerling

CEO, InCrowd Capital, LLC

Phillip Shmerling isn't just an entrepreneur. He's an entrepreneur who has created a business to help other entrepreneurs. Shmerling worked in mergers and acquisitions in Memphis and then locally for Choice Food Group before hanging out his own shingle for InCrowd Capital in 2012.

This month, InCrowd Capital will launch a new group of angel investors, geared