

Kauffman Foundation Research Series on City, Metro, and Regional Entrepreneurship

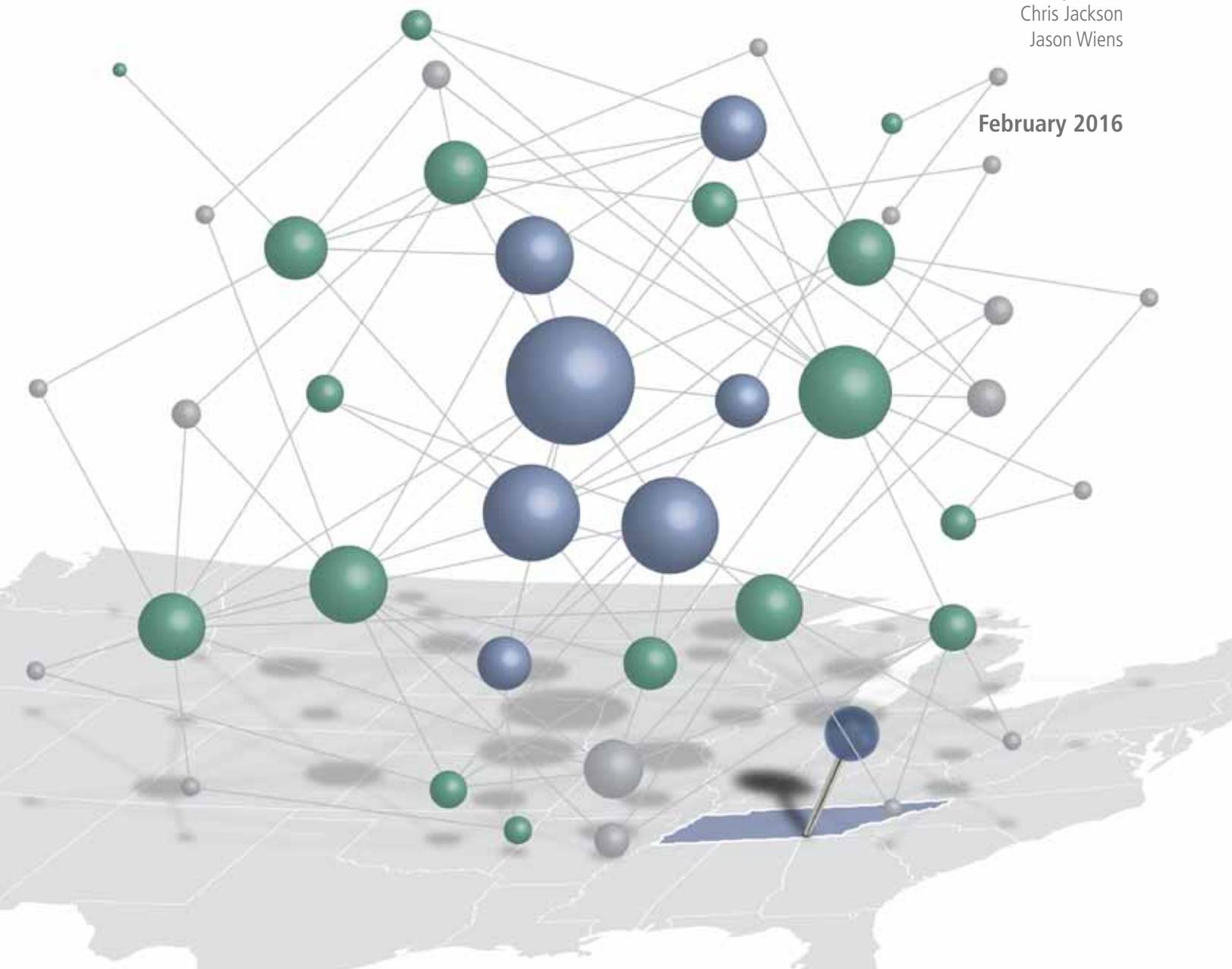
# Little Town, Layered Ecosystem:

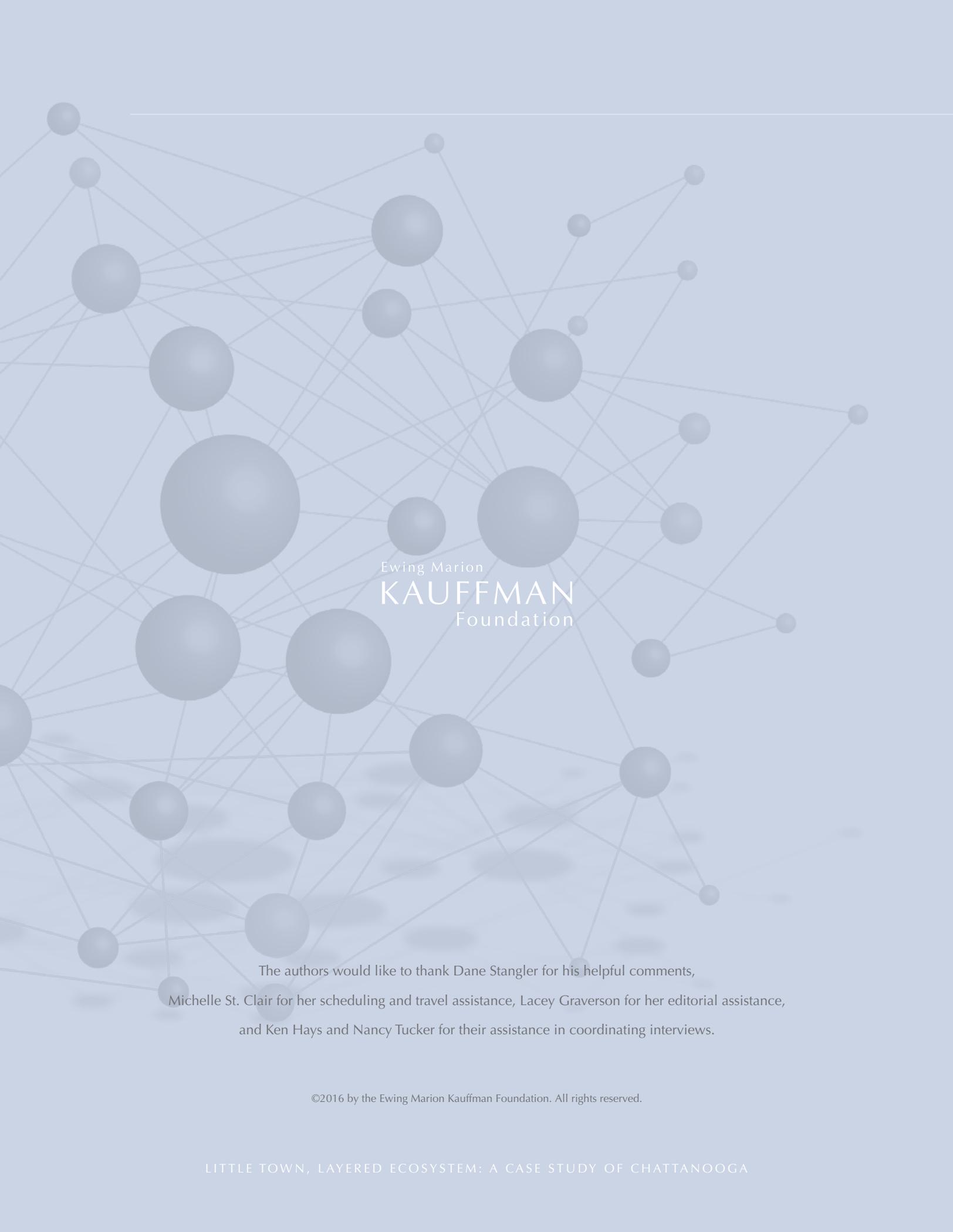
A CASE STUDY OF CHATTANOOGA



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# Little Town, Layered Ecosystem:

## A CASE STUDY OF CHATTANOOGA

### EXECUTIVE SUMMARY

In 2010, Chattanooga was the first city to launch a fiber-optic Internet network that provided residents with high-speed Internet. Chattanooga has welcomed this new addition to their infrastructure and has used it to recognize and recruit entrepreneurs to start businesses in their city. We find this development is based on Chattanooga's deep history of collaboration and public-private partnerships that have been instrumental in spearheading the entrepreneurial movement in the city and the development of an entrepreneurial ecosystem. The case of Chattanooga demonstrates entrepreneurial growth as an economic development strategy, which has piqued the interests of community leaders in Chattanooga. We explore the community leaders' work throughout the paper.

More specifically, we identified three layers of intertwined supporting organizations in Chattanooga: 1) two philanthropic foundations, 2) four direct entrepreneurship support organizations, and 3) four organizations in the public sector, including the mayor's office.

The analysis of these major support organizations both makes a list of 'ingredients' and provides

implications for the 'recipe' in the context of the ecosystem of entrepreneurship. The web of relationships between each layer and each organization work to make a stronger entrepreneurial ecosystem. The objective of this paper is to analyze those 'recipe' roles that mayors could play in the context of promoting an entrepreneurship ecosystem.

In particular, we summarize the mayoral roles in four parts:

- Be a cheerleader by discussing the importance of entrepreneurship and recognizing successful local entrepreneurs and by informally attending entrepreneurship-related events.
- Identify major players who are involved in and supporting entrepreneurship, map them out, and cultivate relationships by periodically meeting with them.
- Establish an entrepreneurship committee or task force to set the vision of the city.
- Convene and broker entrepreneurship supporters, including nonprofit organizations, local anchor companies, and local universities.

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# 1. INTRODUCTION AND BACKGROUND

## 1.1 The Gig and the Innovation District

One physical vision of how entrepreneurship is started is by a spark of inspiration, sometimes between coworkers, sometimes in the classroom, sometimes in the shower. Once that spark is lit, the thought is it will carry individuals through all the challenges they face. Of course, not all entrepreneurs fit this fantastic archetype. But a similar story can be made for entrepreneurial ecosystems, local systems around entrepreneurs and their supporters. One spark, whether it is an unexpected shock, a specific success story, or an intentional effort, can change the attitude and trajectory of entrepreneurship in a region.

While such events are not common, it can be argued that the entrepreneurial ecosystem in Chattanooga, Tennessee, felt one of those shocks in 2010 when the city debuted the Gig, a one-gigabit fiber Internet service, to residents and businesses. The Gig's genesis was in EPB, the Electric Power Board, after city leaders wanted to know how EPB could do more for the city. Through this push, the development of the modern Chattanooga entrepreneurial ecosystem started, collecting the existing efforts from foundations and individuals and acting as the impetus for a number of entrepreneur support organizations.

The Gig, while acting as a catalyst for entrepreneurship over the past seven years, was not developed with entrepreneurship as the accompanying

growth strategy. One interviewee noted how the goal of using the Gig as a sweetener for existing firms to move to Chattanooga did not pan out and the growth through entrepreneurship happened organically.

He says:

“What the Gig did was say, ‘You’re first in something technology-related.’ Now everybody says, ‘We have to stay first, we have to do something.’ It really wasn’t the idea that we’re going to focus on entrepreneurship. The idea was we’re going to get [the Gig] and we’re going to get all these huge businesses, and then when it didn’t happen, entrepreneurship was the backup plan. I say that not to degrade entrepreneurship, but to be realistic ... that sometimes your backup plan is your best plan. You just didn’t know it yet.”<sup>1</sup>

The bookend of this time period as it relates to entrepreneurship support in Chattanooga lies in the new Innovation District, recently opened. Creating a single location or area where people can congregate and find resources, get advice, or combine skills is Chattanooga’s attempt to capitalize on the success it has seen since the arrival of the Gig. The Innovation District also aims to ensure the spirit of innovation and entrepreneurship remains a part of the fabric of Chattanooga. By purchasing and revitalizing the Edney building in downtown Chattanooga as the first physical location of the Innovation District and convening entrepreneurship support organizations to be part of the District, Chattanooga is deliberately nurturing the inputs that contribute to a growth-friendly entrepreneurial ecosystem. What Chattanooga’s future

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**The Gig, while acting as a catalyst for entrepreneurship over the past seven years, was not developed with entrepreneurship as the accompanying growth strategy.**

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1. Public Organization A.



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## The legacy of the Coca-Cola bottling company continues today through the Lyndhurst and Benwood philanthropic foundations, which were begun by the company's founders and their family members.

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holds for entrepreneurs is still to be determined, but the infrastructure is developing to facilitate entrepreneurial growth.

However, throughout this report, we perceive that this creation of the Gig, the Innovation District, and the opening of the Edney Building is a process, not an end of efforts to promote entrepreneurship. It is a process because myriad layers of organizations are involved, and the designation and purchase by the public sector, though important, only shows a partial picture of the entrepreneurship scene in Chattanooga. It is also a process because the establishment of the Innovation District is a tool to promote entrepreneurial efforts in Chattanooga.

In this report, our primary goal is to shed light on who was involved in the process and on the broad spectrum of entrepreneurship promoters and their efforts. We start with a brief historical review of Chattanooga, because the roots of the entrepreneurial players go back at least a century and are related to several historical moments. Second, we classify and explain types of entrepreneurship support groups, namely, local foundations, direct support organizations, and the public sector. The third section analyzes the role of the mayor's office and the public sector in developing an environment for entrepreneurship in Chattanooga. The fourth section explores migration patterns and the reasons the entrepreneurs and entrepreneurship supporters chose Chattanooga. The fifth and final section lays out the implications and

lessons learned from Chattanooga for others, especially for mayors and their offices.

### 1.2 History

The emerging changes to the entrepreneurial environment in Chattanooga, Tennessee, reflect its rich entrepreneurial history. Today, Chattanooga is a city of 173,366 and a metro area of 528,143. It is positioned 120 miles northwest of Atlanta and 120 miles southeast of Nashville.

#### *An Early Entrepreneurial Spirit*

When the train came to Chattanooga in 1850, Chattanooga became an important location for both corn and cotton industries.<sup>2</sup> At the turn of the twentieth century, Chattanooga was again able to capitalize on its geography to create economic opportunities. In 1899, three Chattanoogaans acquired exclusive rights to bottle<sup>3</sup> Coca-Cola. The bottling company grew to be one of the primary economic drivers in Chattanooga, strengthening the local economy. The legacy of the Coca-Cola bottling company continues today through the Lyndhurst and Benwood philanthropic foundations, which were begun by the company's founders and their family members.

But Coca-Cola was not the only business in town. Manufacturing continued to grow, including the iron-making industry. By the 1920s, "Chattanooga

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2. The Tennessee Encyclopedia of History and Culture.2010. <http://tennesseeencyclopedia.net/entry.php?rec=226>.

3. Ibid.

was second in the country in the production of steam boilers and hosiery products.”<sup>4</sup> In addition, Chattanooga had entered into the life insurance industry with Provident Life and Accident Insurance Company, which was founded in 1887.<sup>5</sup>

### *The Great Depression*

During the Great Depression, like much of the country, Chattanooga was hit hard economically. In fact, more than one-third (35 percent) of Chattanooga was unemployed, and the average per-capita income was \$170 per year.<sup>6,7</sup> However, the city did benefit from the development of the Tennessee Valley Authority (TVA), a New Deal program.<sup>8</sup> Created in 1933, one central focus of TVA was the “delivery of low-cost electricity” into areas that had long gone without.<sup>9</sup> As a result of TVA’s presence, the Electric Power Board, a nonprofit agency of the City of Chattanooga, was formed in 1935 to serve as a power distributor of TVA’s resources. Before its arrival, 90 percent of Chattanoogaans did not have electricity in their homes.<sup>10</sup> Electricity brought industry to Chattanooga, which helped create jobs and counter the economic loss suffered during the Great Depression.

### *“America’s Dirtiest City”*

In 1969, the U.S. Environmental Protection Agency announced that Chattanooga was “America’s Dirtiest City,” a result of years of pollution from its major industries, including multiple foundries and an ammunition plant. The announcement galvanized both public and private stakeholders in Chattanooga toward action. Throughout the 1970s, in conjunction with the

passage of the Clean Air Act, the major challenges facing Chattanooga’s environmental well-being were addressed. In addition to increased environmental action, many of Chattanooga’s worst business polluters closed their doors. For example, the Volunteer Army Ammunition Plant closed, halting production after the end of the Vietnam War. However, this had consequences, as the decline of manufacturing jobs resulted in a population decline throughout the 1960s.<sup>11</sup>

Population Growth		
Year	City <sup>12</sup>	MSA <sup>13</sup>
2010	167,674	529,107
2000	155,554	477,630
1990	152,466	433,718
1980	169,514	427,429
1970	119,923	372,113
1960	130,009	
1950	131,041	
1940	128,613	
1930	119,798	
1920	57,895	
1910	44,604	
1900	30,154	

### *Waterfront Renewal*

The city continued to push itself, as it did not want to only stop being the dirtiest city; it wanted

4. Ibid.

5. Unum. 2013.

6. Public Organization B.

7. Worth approximately \$2,334 in 2015.

8. The Tennessee Encyclopedia of History and Culture. 2010. <http://tennesseencyclopedia.net/entry.php?rec=226>.

9. Tennessee Valley Authority. <http://www.tva.com/abouttva/history.htm>.

10. Public Organization B.

11. Flessner, Dave. 2012.

12. “Census of Population and Housing: Decennial Censuses.” United States Census Bureau.

13. Bureau of Economic Analysis. 2015. Regional economic accounts [cited Dec. 15, 2015]. Available from <http://www.bea.gov/regional/>.



to be a city that celebrated its close proximity to its environmental treasures. With the mission of implementing a plan for both development of the downtown and the Tennessee River, public-private partnerships began to emerge to restore Chattanooga's waterfront. In 1982, a task force, funded by the Lyndhurst Foundation, was formed to help determine the best course of action. The task force proposed a park to be placed along the waterfront, along with the construction of an aquarium. The River City Company was created to enact these two proposals with the help of financial contributions from local foundations and financial institutions.<sup>14</sup> In 1992, the Tennessee Aquarium was built and became the country's largest fresh water aquarium. In addition, Mayor Bob Corker announced his Twenty-First Century Waterfront Plan in 2002. The plan was the most recent revitalization effort and was almost entirely completed by 2005, when Mayor Corker left office. Today, Chattanooga is known as a scenic city for lovers of the outdoors.<sup>15</sup>

### *Government Restructuring*

As a mid-size Southern city, Chattanooga is not immune to the legacy of slavery, segregation, and disenfranchisement. In the late 1980s, more than twenty years after the Voting Rights Act, *Brown v. Board of Commissioners of City of Chattanooga, Tennessee* appeared before federal court. In the case, the plaintiffs contended the at-large system for selecting Chattanooga's Board of Commissions violated

the Voting Rights Act of 1965 as well as the U.S. Constitution because it overly favored the white racial majority.<sup>16</sup> Two years later, the ruling found that the Chattanooga form of government was discriminatory,<sup>17</sup> and the judge ordered that a new government be formed.<sup>18</sup> When the city had to restructure its government, it developed a representative system based on nine districts, which led to the creation of three majority-minority districts.<sup>19</sup> According to the Brookings Institution, this change had three major effects. First, it increased minority representation in the city government. Second, it allowed "the mayor to function as a much stronger chief executive." Under the commission style of government, the mayor was only one of the commissioners, and any effort to address a major issue in the city required intense coordination among multiple commissioners. Finally, "it opened city government to new ideas, as none of the nine newly elected council members had served in city government before."<sup>20</sup>

## 2. MAJOR SUPPORTERS OF ENTREPRENEURSHIP IN CHATTANOOGA

The substantial changes that were made in countering pollution, renewing the Tennessee River waterfront, and restructuring the government were undertaken by a combination of foundations,

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**The city continued to push itself, as it did not want to only stop being the dirtiest city; it wanted to be a city that celebrated its close proximity to its environmental treasures.**

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14. River City Company.

15. Smith, Ellis. "Outside Magazine praises, slams Chattanooga in cover story." *Chattanooga Times Free Press*. September 13, 2011. <http://www.timesfreepress.com/news/news/story/2011/sep/13/a1-magazine-praises-slams-scenic-city/58721/>.

16. Bahner and Gray, 2013.

17. Center for Constitutional Rights, 2007.

18. Hightower and South, 2011.

19. City of Chattanooga.

20. Eichenthal and Windeknecht, *The Brookings Institution* 2008.

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community organizations, government officials, and everyday citizens. Because of the challenges facing the city over a long period of time, Chattanooga has a deep history of collective action, of organizations and individuals coming together to develop new solutions. The process is not always smooth and sometimes has been under duress, but this legacy of collective action influenced the city's approach to entrepreneurship. With regard to entrepreneurship specifically, we have identified four strands of groups that have created and supported the environment for entrepreneurship in Chattanooga. The first group includes the foundations and angel investment capital, which provide the money and networks to the organizations and businesses that are generating entrepreneurial progress in Chattanooga. The second strand includes the entrepreneurial support organizations that provide space, resources, and expertise to the startups. The third key part is the public role—the mayor's office, the Enterprise Center, and the Electric Power Board—that think strategically about how their governmental infrastructure can help facilitate entrepreneurial growth. And, finally, we identify the emergence of the Innovation District, a public-private enterprise to create a specific, concentrated space in the Chattanooga landscape for entrepreneurial development. Figure 1 expresses this complex web of supporting players.

## 2.1 Foundations and Funding

The first strand is the two philanthropic foundations that have played substantial roles in the general redevelopment of Chattanooga and later influenced the entrepreneurial environment. The

Lyndhurst and Benwood Foundations were established by individuals with family ties to the founders of Coca-Cola Bottling dating back to 1899.<sup>21</sup> This connection to the Atlanta company generated an influx of wealth to Chattanooga, which at one time possessed three-quarters of the philanthropic money in the state of Tennessee.<sup>22</sup>

### *Lyndhurst Foundation*

In 1938, the son of John T. Lupton, Thomas Cartter Lupton, established the Memorial Welfare Foundation, which would become the Lyndhurst Foundation. The areas of focus for the Lyndhurst Foundation have changed throughout the years, but an emphasis on the improvement of Chattanooga proved constant. Thomas Cartter Lupton died in 1977, leaving the Foundation to his son John (Jack) T. Lupton, who quickly established himself as an essential part of the Chattanooga community. He was known as a problem solver. He was a person who would call decision-makers into a room to develop a plan to counter a problem. Among those interviewed, many suggested that Jack Lupton's mindset was "you go big or you go home."<sup>23</sup> He developed a reputation for getting people to do what he told them to, which resulted in Chattanooga tackling some of its major problems with heavy involvement from key decision-makers and philanthropic money.

### *Benwood Foundation*

In 1944, George Thomas Hunter launched the Benwood Foundation in tribute to Benjamin F. Thomas, his uncle and one of the three founders of the Coca-Cola Bottling Company. Hunter

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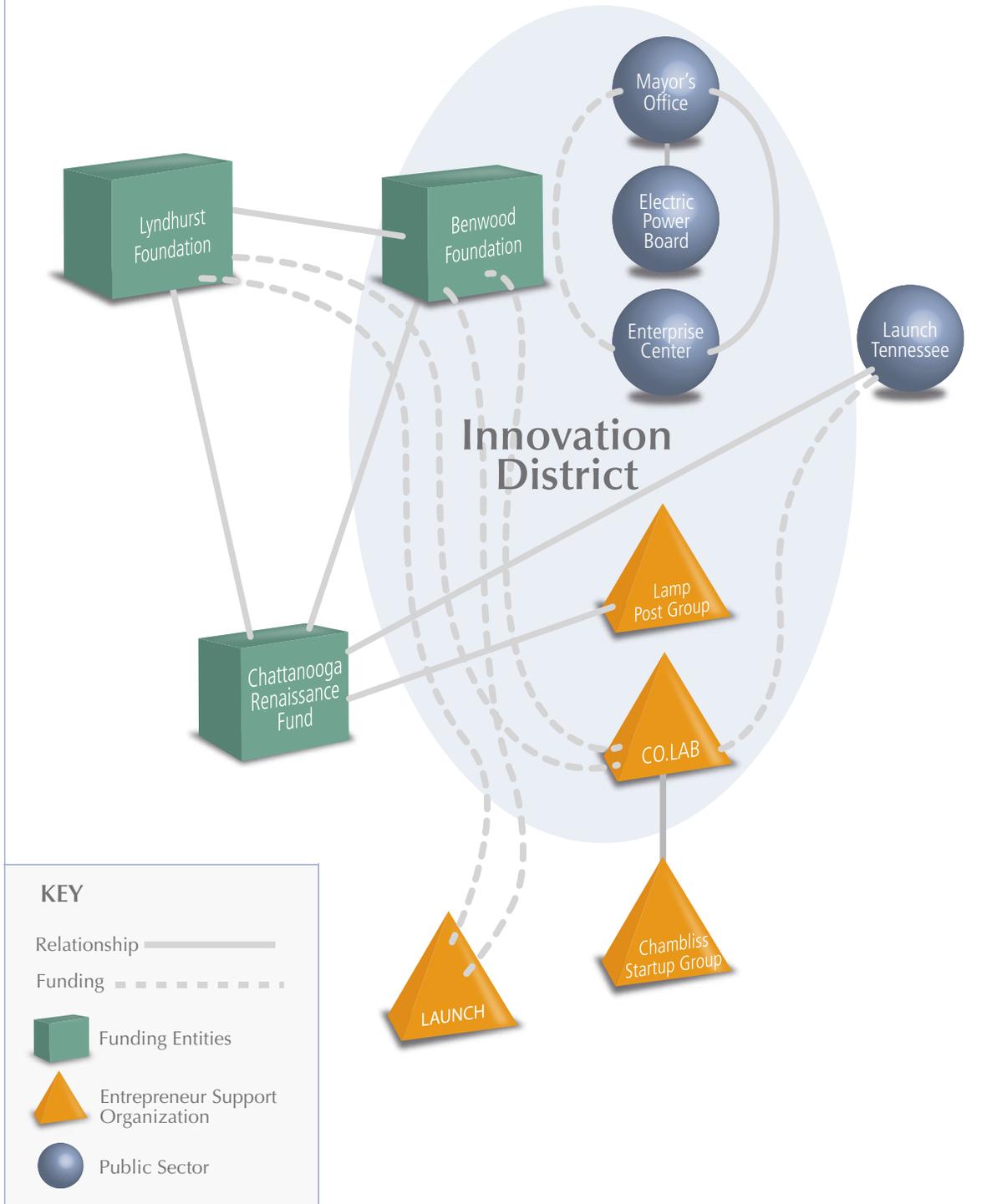
21. Coca-Cola. History. <http://www.coca-colacompany.com/our-company/history-of-bottling>.

22. Public Organization A; Support Organization A.

23. Local Foundation A.



**Figure 1:**  
Major entrepreneurship support organizations and layers of relationship



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## The foundations served as “catalysts that helped jumpstart [the] community, entrepreneurially and otherwise.”

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had apprenticed and worked for the bottling company and eventually became its president after his uncle's death in 1914.<sup>24</sup> Like the Lyndhurst Foundation, the Benwood Foundation has a strategic focus on the development of Chattanooga by enhancing its culture, talent, competitive advantage, and sense of place.

The roles and accomplishments made by these two foundations in the areas related to entrepreneurship can be summarized in the following four areas: promoting general redevelopment, funding CO.LAB (a leading support organization), influencing the Gig, and encouraging the establishment of the Chattanooga Renaissance Fund.

### *Emphasis on Chattanooga Redevelopment and the Waterfront*

In the 1980s, both Lyndhurst and Benwood helped lead a revitalization effort of the Chattanooga downtown, as well as its waterfront along the Tennessee River. In 1986, the River City Company was created with the help of funding from both foundations to “implement a twenty-year, twenty-two-mile blueprint for Chattanooga's riverfront and downtown development.”<sup>25</sup> Jack Lupton continued to be the facilitator of change as he played a key role in this development. He wanted “to see Chattanooga turn and he made another sizable investment in River City”<sup>26</sup> and the Waterfront Aquarium.<sup>27</sup> The people involved in the River City Company continue to influence the direction of Chattanooga. For

example, Ken Hays and Ann Coulter were key players in the waterfront development and are now the backbone of the Enterprise Center. The development of the downtown and waterfront continued into the twenty-first century with a three-year, \$120 million development project.<sup>28</sup> Currently, there are efforts to repopulate the downtown residency and to redesign Miller Park, which is located in the middle of the downtown area.

### *Entrance into Entrepreneurship*

After the redevelopment of the Chattanooga waterfront and downtown, many in the community were asking, “What's next?” Sarah Morgan, then program officer at the Lyndhurst Foundation and now president of the Benwood Foundation, led the foundations to become major leaders in the effort to redevelop the city. The foundations served as “catalysts that helped jumpstart [the] community, entrepreneurially and otherwise.”<sup>29</sup> They helped establish an organization that morphed into CO.LAB, for which the two foundations provide half of its funding. The foundations also have been supporters of the GigTank and 48Hour Launch.

### *Chattanooga Renaissance Fund*

The Chattanooga Renaissance Fund (CRF) also played a large role in the growth of entrepreneurial activity. The CRF is an angel fund founded by key members of the entrepreneurial community.

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24. Benwood Foundation. <http://www.benwood.org/about>.

25. River City Company. <http://www.rivercitycompany.com/new/about>.

26. Public Organization C.

27. Local Foundation B.

28. Public Organization C.

29. Support Organization B.



Chattanooga Renaissance Fund invests in seed and early-stage companies with a focus on “entrepreneurs that are beyond the ‘idea on the back of a napkin’ but are still searching for mentorship and positive connections.”<sup>30</sup> The Chattanooga Renaissance Fund found its funding through a variety of actors, including individual investors, as well as an investment from the Benwood Foundation.

All six of the original funders<sup>31</sup> have previous experience in this area. They include two members of Lamp Post Group,<sup>32</sup> a serial entrepreneur,<sup>33</sup> a lawyer specializing in startup clients, the Chief Financial Officer for the Lupton Family office,<sup>34</sup> and the CEO of Launch Tennessee.<sup>35</sup> They began having conversations in early 2009 about how to organize angel investment capital and eventually raised \$3 million to begin CRF in early 2011.<sup>36</sup> CRF was interested in providing capital to local startups to recognize the tradition of entrepreneurship in Chattanooga. They also were interested in re-establishing “the entrepreneurial community that will carry forward the area’s legacy of entrepreneurship [sic] which will continue the growth and development of our city.”<sup>37</sup>

## 2.2 Entrepreneurial Support Organizations

The financial and network support of those foundations became the backbone of several nonprofit organizations that directly provide services to entrepreneurs. During our discussion with support organizations and the entrepreneurs they support, we identified five support organizations that we will introduce in this section.

### *Company Lab (CO.LAB)*

The first organization that has been a key player in developing the entrepreneurial community in Chattanooga is Company Lab (CO.LAB). Starting in 2010, CO.LAB specifically targets entrepreneurs in the early stages of their ventures in conjunction with its plan to retain and nurture creative and innovative individuals to promote a more vibrant city. Now, CO.LAB acts as an entry point for many prospective entrepreneurs and as a hub of entrepreneurship development in the city.

One of the programs provided by CO.LAB is Co-Starters, which aims to serve aspiring entrepreneurs. Here, Chattanoogaans enroll in a nine-week course for those considering entrepreneurship. The course provides them with mentoring, community support, and other business resources. The students pay for the class (on a sliding scale based on their ability to pay) and the class represents a not inconsequential source of income for CO.LAB.

CO.LAB also hosts two accelerator programs. The first is an in-house accelerator designed for entrepreneurs that are ready to scale-up their companies. A 100-day program at CO.LAB headquarters, the accelerator accepts high-growth startups, connects them with mentors and potential investors, and teaches them valuable strategic skills. This program is the next step for companies that have high-reaching goals for growth and investment. The second accelerator program is GigTank. This program helps founders use the Gig—the metropolitan-wide, high-speed Internet that has become part of Chattanooga’s identity—to expand the potential of

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30. Chattanooga Renaissance Fund. <http://thirtysixeightysix.com/culture/chattanooga-renaissance-fund/>.

31. *The Chattanooga*. <http://www.chattanooga.com/2011/3/15/196730/Local-Business-Leaders-Launch.aspx>.

32. Miller Welborn and Jack Studer.

33. Stephen Culp.

34. David Belitz.

35. Charlie Brock.

36. Public Organization D.

37. *The Chattanooga*. <http://www.chattanooga.com/2011/3/15/196730/Local-Business-Leaders-Launch.aspx>.

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their businesses. GigTank, which accepts applications and startup groups from across the country, is summer long and boasts mentoring services, industry experts, and leaders in broadband and entrepreneurship as part of the services it provides. Originally developed to specifically take advantage of the powerful one-gigabit Internet, GigTank has morphed in a general high-tech accelerator program that attracts a diverse group of businesses that are taking advantage of new technology.

While many of the accelerator programs that CO.LAB and the other entrepreneurship support organizations offer service local entrepreneurs, GigTank has a more national reach, with as many as 25 percent<sup>38</sup> of the participants from outside the Chattanooga area. Finally, GigTank, while hosted by CO.LAB, is an event that is supported by other entrepreneurship support organizations in Chattanooga, including Lamp Post Group, another leading support organization in town. An interviewee familiar with CO.LAB said:

“... the board decided that, rather than staking out their respective territories ... [CO.LAB and Lamp Post Group] were going to cooperate with each other and they were going to work together to do something and that set the tone. That had its first expression in the first GigTank in 2012.”<sup>39</sup>

CO.LAB's value to the Chattanooga entrepreneurial ecosystem is not just limited to its programs. An important function of CO.LAB is to be an informal place where curious prospective entrepreneurs at various stages of business formation can come

to talk to individuals who know the landscape and can map out the next steps for inexperienced or new entrepreneurs. In this way, CO.LAB strives to be the entry point for those who want to engage in entrepreneurship, in whatever form it manifests itself. An interviewee described the importance of the process and the perception of the community by saying: “Nobody is turned away. That's ... one [of the] simple rules: take the meeting ... just take the meeting. It doesn't matter who asks.”<sup>40</sup> These meetings then lead potential entrepreneurs to the services and resources CO.LAB provides, from an informal mentoring track to a structured accelerator program.

One of the objectives of CO.LAB is to create a communal feeling for entrepreneurs and potential entrepreneurs. While it also serves as an organizer and supporter of events like 48Hour Launch and tech lunches, engaging on the community's terms allows entrepreneurs to work toward their goals with a sense of comfort.<sup>41</sup>

In that sense, through its mentors, mentees, and employees, CO.LAB embraces an ephemeral concept known as the Chattanooga Way. The Chattanooga Way is a common refrain from the community that describes the city's value on cooperation, initiative, and problem solving to improve the community at large. This dovetails with CO.LAB's desire to be an entry point for all Chattanooga entrepreneurs, because CO.LAB and the greater Chattanooga population see their individual successes as Chattanooga's success. This can be seen through CO.LAB's events, such as GigTank's Demo Day and the attendance by local Chattanoogaans. CO.LAB wants to help entrepreneurs and see them succeed because they, with the rest of Chattanooga,

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## CO.LAB strives to be the entry point for those who want to engage in entrepreneurship.

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38. Public Organization D.

39. Support Organization C.

40. Support Organization C.

41. Support Organization C.



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**The Chattanooga Way is a common refrain from the community that describes the city's value on cooperation, initiative, and problem solving to improve the community at large.**

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see that success as a way for Chattanooga to grow through the growing businesses. An interviewee explained the importance of the CO.LAB as a sort of front door for entrepreneurs:

"I think having [CO.LAB] there as an organizer, as a front door, as a place where, 'Hey, if this is a city you want to try something, you show up and we'll help you navigate,' I think that's been great. I think they've learned a lot, grown, expanded, contracted. I think they're figuring it out. They're continuing, thankfully, to try and figure out what exactly they need to be doing for the community, which is a perpetual thing you need to be doing or else it becomes static."<sup>42</sup>

### *Chambliss Startup Group*

The second major entrepreneurship support organization is the law firm Chambliss, Bahner, and Stophel, P.C. (known hereon as the law firm), particularly through Chambliss Startup Group. Chambliss Startup Group is a project undertaken by the law firm to provide low-cost legal services to startups and young firms in Chattanooga so they can design and build their companies to succeed. The group started in 2011 and offers free monthly legal clinic hours at CO.LAB, legal services for startups that advance through certain entrepreneurship events such as 48Hour Launch and Will This Float?, and hosts social events for startups to engage with legal professionals. The law firm acts as legal counsel for the Electric Power

Board, which is the operator and service provider of the one-gigabit Internet throughout Chattanooga.

Chambliss Startup Group was founded from the connection between Rick Hitchcock, shareholder at the law firm, and Sheldon Grizzle, co-founder of CO.LAB. Hitchcock already had experience in the startup world, having taken a three-year sabbatical from the law firm to work with a partner on a hybrid electric vehicle startup. Hitchcock and others at the law firm had been attending some of the events at CO.LAB and other places and wanted to give back to the community in this way. An interviewee described the desire of the firm to be a part of the startup community:

"I think at the core of the law firm, there's a community service piece of it. It's something that the firm emphasizes, to be involved in some sort of service to the community ... it became obvious that, to make the startup community work, there needed to be an engagement with the professional services that the startups needed in a different way than they had before."<sup>43</sup>

From that mindset, Chambliss Startup Group has been an active presence in the entrepreneurship support arena. In CO.LAB's Co-Starters class for aspiring entrepreneurs, the startup group wrote the legal chapter of the class. The free legal clinic hours that Chambliss provides happen at CO.LAB. And Chambliss Startup Group hosts startup social events for entrepreneurs and legal staff to break down the disconnect that exists between the two communities.

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42. Support Organization A.

43. Support Organization D.

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## Lamp Post Group aims to provide support for high-growth potential startups who may look for resources outside Chattanooga.

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There are two main drivers for the formation of Chambliss Startup Group. One is the already-mentioned community spirit aspect of the law firm. But the other driver is business development. Chambliss Startup Group sees the work they do with startups and entrepreneurs in Chattanooga as not just a way to engage with the startup community in Chattanooga, but to start relationships with potential future clients. An interviewee explained how some of the law firm's oldest and largest clients were Chattanooga entrepreneurs long ago. He says:

[The law firm] wants "to be involved in building relationships with the next wave of entrepreneurs. It's a big wave ... [they] want to help make it bigger."<sup>44</sup>

This is based on their strategy that the mix of older and younger companies is important to a healthy entrepreneurial ecosystem, and institutions in Chattanooga work to see those young companies thrive.

### *Lamp Post Group*

The third organization that acts as an integral piece of the Chattanooga entrepreneurial ecosystem through funding and resource provision is Lamp Post Group. Lamp Post Group works as a for-profit incubator and startup investor in Chattanooga, providing different levels of support based upon how advanced the company is. Lamp Post Group was started in 2010 by a group of six Chattanoogaans with startup experience in the area. Now, Lamp Post Group is a primary service provider for companies with high-growth intentions.

Lamp Post Group works as a sort of venture incubator in Chattanooga. It provides investment to companies looking for the type of venture capital that is less common in smaller cities, mentoring to founders looking to grow their companies, and working spaces for collaborative efforts. Their model involves a number of levels of support, including passive investments, a fund for Y-Combinator (a major national accelerator) Demo Day, and other investment options. This strategy of different types of support for entrepreneurs at different stages and levels of success is not necessarily a novel way to design a venture capital group or incubator. But, in Chattanooga, this kind of support organization didn't exist before Lamp Post Group and others. Lamp Post Group has since developed a level of trust with Chattanoogaans and fills a role in the ecosystem.<sup>45</sup> Without the collection of resources Lamp Post Group provides, high-growth potential startups would find themselves at a disadvantage and look outside Chattanooga to find the support they need.

Another benefit Lamp Post Group provides to the Chattanooga entrepreneurial ecosystem is a sort of conduit to the professional investment community. Many of the entrepreneur support organizations in Chattanooga, public or private, have a specific focus on city-building and local economic development through entrepreneurship. Lamp Post Group espouses some of the same goals, but aims to bring entrepreneurs to the next level based on their experience running, selling, and investing in startups. Three of the founders established and run Access America Transport, a Chattanooga logistics company for trucking services, while another worked on Wall Street for Credit

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44. Support Organization D.

45. Support Organization A.



Suisse and founded, ran, and sold a document security company. With their desire to invest and see Chattanooga companies grow and be successful, they also understand how Chattanooga entrepreneurship needs to reach investors and customers beyond the city, state, and region. They believe that successful entrepreneurship by Chattanoogaans can be a way for Chattanooga to grow and develop, but it can't be just through local investors. An interviewee describes this idea:

"...there are a handful of companies that either have or are in the process of raising money from West Coast funding. That's really where the economy gets hyper-charged is when you take money from outside and put it in [to Chattanooga]. Because if it's just Chattanooga money investing, that's kind of circular. But when you get outside capital, that really enhances things."<sup>46</sup>

While Lamp Post Group does provide the links to outside capital, investors, and resources to companies looking to fulfill their potential, Lamp Post Group is also motivated by the desire to make Chattanooga a place where people believe that they can succeed. This attitude drives Lamp Post Group's philosophy that success breeds more success. Lamp Post Group sees investing in startups not just as a revenue source, but also as an opportunity to invest in more young, growing companies. An interviewee familiar with Lamp Post Group describes the thinking:

"...you don't see Ferraris in the parking lot. There're plenty of ... [investors at Lamp Post Group] who could drive a million dollar car if they wanted to. But they don't want to because you know what a million dollar car is? A million dollar car is four more startups. It just is. ...The energy level at places like Lamp Post where people are trying to make

their dreams happen, and in teams, and up all night, it's intoxicating."<sup>47</sup>

These are the opportunities that Lamp Post Group wants to make possible. Through its investment and its mentoring and working spaces, Lamp Post Group wants to create an environment of possibility in Chattanooga that doesn't discourage potential entrepreneurs from taking their chances because they think that isn't done in Chattanooga. Lamp Post Group wants to create an environment where entrepreneurship is not just the domain of a specific geographic region. An interviewee explains:

"Five years ago, if I'd wanted to start a company, I'd go to San Francisco, raise the money, and play the game. But I didn't think it was fair that because I have the access I have the advantage. I don't think having access should be the demarcation between getting to start a company and not."<sup>48</sup>

## LAUNCH

The arrival of the Gig Internet service in 2009 has sparked entrepreneurial energy in Chattanooga. The startup community has emerged and the combined efforts of the city government, the entrepreneurs, and entrepreneurship support groups have developed strong ties. However, the outlook for entrepreneurship in Chattanooga is not universally sunny. There remain challenges and groups of people who fail to fully engage with the entrepreneurial engine in Chattanooga.

One group that is trying to address some of these challenges is LAUNCH. LAUNCH was founded in 2011 by Scott Soltau and Hal Bowling, who previously had been at CO.LAB. In founding LAUNCH (no connection to Launch Tennessee), Hal and the team at LAUNCH saw the opportunity to reach out to parts of

46. Support Organization A.

47. Support Organization A.

48. Support Organization A.

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Chattanooga that hadn't been as closely linked to the entrepreneurial ecosystem. LAUNCH:

"...started in 2011 with the idea of ... adding more inclusiveness ... [in] a city... [trying] to encourage entrepreneurship. [LAUNCH's] work is focused exclusively on marketing to under-resourced, low-wealth entrepreneurs who might not typically have access to the same resources that others might."<sup>49</sup>

Engaging with different populations than stereotypical entrepreneurs, ranging from immigrants to individuals who previously had been incarcerated, LAUNCH wants to provide the opportunity inherent in entrepreneurship to those who may need that opportunity most desperately. It is an intentional effort to reach a segment of the population that may not have considered entrepreneurship or felt that they were welcome. LAUNCH's effort has been described by asking:

"How are we actually making a better Chattanooga ... if we don't have an inclusive ecosystem that allows every segment of Chattanooga culture to begin to connect with the entrepreneurship drive and conversation? ... It's about bridging the gap so that they see themselves as part of what's happening in Chattanooga and not 'that's what's happening over there.'"<sup>50</sup>

LAUNCH's aim is to bring Chattanoogaans ownership of the entrepreneurial movement, not only to the city as a whole, but also to those for whom entrepreneurship can be the beginning of the pursuit of a dream.

From this idea of infusing a sense of inclusiveness into the entrepreneurial ecosystem comes a sense of identity. LAUNCH is working to help low-income

and traditionally disadvantaged populations succeed through entrepreneurship. But, more broadly, LAUNCH wants to strengthen the city's identity by providing an avenue for all residents to engage in entrepreneurship. And, because the identity of a city is not just tied up in the successes of one company here or there, but when the greater population can feel its power, LAUNCH wants to continue to help Chattanoogaans realize their entrepreneurial potential. Their vision is a unified Chattanooga where there are not:

"...two separate Chattanoogaes ... one really successful one and one that's left behind. [LAUNCH wants] ... to make sure that everybody is moving forward and the rising tide is lifting all boats ... Maybe the only question is that everybody approaches it differently."<sup>51</sup>

### *Launch Tennessee*

A fifth organization dedicated to providing resources for entrepreneurs, in Chattanooga and beyond, is Launch Tennessee. Although Launch Tennessee is a statewide organization, it has strong Chattanooga roots and is particularly connected with CO.LAB. Launch Tennessee is a "public-private partnership focused on supporting the development of high-growth companies in Tennessee."<sup>52</sup> The Economic Development Council of Tennessee came to the realization that the work of the organization would benefit from a public-private partnership, rather than an entirely government-sponsored program.

It began in 2013 when the governor of Tennessee asked Charlie Brock, then CEO of CO.LAB, to run the network. Launch Tennessee is a compilation of nine regional accelerators and seven tech transfer offices. In Chattanooga, CO.LAB acts as the regional accelerator affiliated with Launch Tennessee. Launch Tennessee acts as a sponsor for all the regional accelerators and helps startups by connecting entrepreneurs to external

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49. Support Organization E.

50. Support Organization E.

51. Support Organization E.

52. Launch Tennessee. <http://launchtn.org/about/>.




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## The Electric Power Board is a unique feature of the Chattanooga landscape. It is a city-owned utility company, as well as a non-profit entity.

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capital through angel investors and venture capital, and by providing mentorship.<sup>53</sup>

Launch Tennessee is closely connected to Chattanooga, both because CO.LAB is one of their nine accelerator sites and because it is the hometown of CEO and President Charlie Brock. He was intricately tied to the entrepreneurial community in Chattanooga before he left to join Launch Tennessee. He is a founding member of the Chattanooga Renaissance Fund, and left behind a legacy of leadership at CO.LAB. Launch Tennessee operates “[with their nine accelerators,] [they] get them to match dollars based on support locally and then ... provide some programmatic support and sharing best practice.”<sup>54</sup>

### 2.3 Public Role

Along with the foundations, investment funds, and both local and statewide entrepreneurial support organizations, the public initiative in supporting entrepreneurship also has played a large role in shaping the entrepreneurial infrastructure in Chattanooga.

#### *Electric Power Board*

The emergence of the Gig was the impetus for the renewal of entrepreneurial energy in Chattanooga. Yet, the launch would not have been possible without the Electric Power Board. EPB is a unique feature of the Chattanooga landscape, as it is a utility company that is

a nonprofit entity, owned by the City of Chattanooga.<sup>55</sup> The public nature of EPB provides a “community grounding that EPB has as a customer-focused, locally owned electric system, but it also grows out of [the president’s] desire to find ways to do things better and different.”<sup>56</sup>

During his term, Mayor Jon Kinsey (1997–2001) pressed Harold DePriest, CEO of EPB, about how EPB was contributing to Chattanooga. Senator Bob Corker, during his term as mayor of Chattanooga (2001–2005), asked EPB if they could “provide businesses with downtown telephone services cheaper than what we were getting from the traditional carriers as one more incentive to bring businesses back downtown.”<sup>57</sup> In 2010, DePriest told a group of leaders that EPB believed it was going to have one of the smartest smart grids in the country because of the fiber. The structure of EPB as a public entity allowed it to experiment with new technology, as its primary motivation is a quality product rather than profit. With support from government leaders and the community, EPB was encouraged and pushed to engage in a large-scale project like the development of the Gig.<sup>58</sup>

Since the launch of the Gig, the EPB estimates that ninety-one companies have been founded in Chattanooga, with approximately \$50 million in venture capital provided from six firms.<sup>59</sup> In addition, firms from Charlotte, North Carolina, Atlanta, Georgia, and Nashville, Tennessee, are “beginning to come to

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53. Public Organization D.

54. Ibid.

55. Public Organization B.

56. Support Organization D.

57. Public Organization B.

58. Public Organization B.

59. Public Organization B.

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Chattanooga looking for investment opportunities.”<sup>60</sup> While these companies are not solely attributable to the presence of the Gig, EPB believes the Gig did provide an incentive to these companies to begin their business in Chattanooga.<sup>61</sup>

When the Gig was developed, according to one interviewee, it was believed its influence was going to attract big business to Chattanooga. However, that plan did not come to fruition and entrepreneurship emerged as a way to take advantage of the Gig and promote economic activity in Chattanooga. It was through a failed attempt at appealing to big business that the city discovered that local people and local business and startups could benefit from the emergence of the Gig.

### *Enterprise Center*

The Enterprise Center is a semi-public entity designated by the mayor to coordinate and lead the Innovation District and entrepreneurship. The Innovation District is an intentional development of an entrepreneurial space in Chattanooga’s downtown established to help create density within the entrepreneurial ecosystem.

This Enterprise Center emerged from the Chattanooga Forward Task Force created by newly elected Mayor Andy Berke (2013–present), which focused on “gig, technology, and entrepreneurship,”<sup>62</sup> with the goal of determining how to “maximize the ‘Gig’ opportunity.”<sup>63</sup> The task force was comprised of influential players who had been meeting previously to discuss this topic, but now was able to connect with the mayor to formalize the meetings.

Currently, the Enterprise Center is run by

Ken Hays, who is closely connected to previous Chattanooga mayors. He ran his former business partner, Mayor Jon Kinsey’s, campaign and then served as his chief of staff. In addition, he worked with Senator Bob Corker to help revitalize the downtown area, taking advantage of public-private partnerships.<sup>64</sup>

The building that is the central feature of the Innovation District is the Edney building. It is a 10-story, 90,000-square-foot building previously owned by the Tennessee Valley Authority (TVA). Mayor Berke and Harold DePriest helped the Enterprise Center make a deal to purchase the building for “favorable terms,” with a price tag of \$1.3 million.<sup>65</sup> DePriest had leverage because of EPB’s historical partnership with TVA.

While the Enterprise Center plays the primary role to coordinate, plan, and implement the Innovation District, the city has played a role in developing the space. For example, the Mayor’s office absorbed the cost of getting the building inspected before purchase. In addition, the Enterprise Center is partially funded by the city and was an organization put together by the mayor, so “for practical purposes, it’s the city.”<sup>66</sup>

## **2.4 The Innovation District**

One of the ways Chattanooga is trying to harness its newly found entrepreneurial energy is through the development of the Innovation District. Innovation districts are an emerging trend for practitioners and policymakers hoping to encourage entrepreneurship and economic development in their communities. They are comprised of dense, mixed-use spaces that often house startup companies and provide business needs like shared work space and offices. In addition, they are often combined with amenities like retail

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60. Public Organization B.

61. Public Organization A.

62. Public Organization C.

63. The Enterprise Center. <http://www.theenterprisectr.org/>.

64. Public Organization C.

65. Public Organization C.

66. Public Organization A.



and housing. They have been established in areas known for entrepreneurship, like Boston and San Francisco, as well as smaller cities like St. Louis and, now, Chattanooga. Innovation districts reflect the growing preference among young people to live close to work and to have their work and personal lives more integrated. Although innovation districts have increased in number and popularity as an approach to economic development, not enough research has been done to determine whether or not they are effective in sparking entrepreneurship or overall economic development.

The Innovation District spans a 140-acre area of downtown Chattanooga that aims to promote innovative activity and house startups, accelerators, and other business support organizations, such as the Chattanooga public library, EPB, and Society of Work, which started the first public workspace in Chattanooga.

The Innovation District, which plans to encompass an urban, walkable part of the city, was the brainchild of Mayor Berke's Chattanooga Forward Task Force, specifically the Technology, Gig, and Entrepreneurship Group. In the group's report, one of its recommendations was for the city to engage in a public-private partnership to fund and develop the Innovation District buildings and attract companies to inhabit them. This public-private partnership structure has a long history in Chattanooga. Instead of only engaging with government officials and government funding, this arrangement allowed the mayor's office and individuals like Ken Hays of the Enterprise Center to work with developers to buy the building that will serve as the Innovation District centerpiece. Not only did this public-private partnership ease funding costs, but the Mayor's office also took advantage of some of the existing entrepreneurship support organizations in Chattanooga to populate the Innovation District. Instead of spending resources on a new, state-funded accelerator, the city is designating CO.LAB as the Innovation District accelerator.

From a city perspective, the Innovation District is an approach to concentrate the types of groups that catalyze innovation. This sort of centralization gives Chattanoogaans a singular place to rally around and point to as the place where new ideas are born. One interviewee believes this intentional effort, along with the ability of the organizations to work together toward common goals, can be how the Innovation District achieves the most good. He says:

"...what we really need in the Innovation District ... [is] a community project. That's what will tie together the people in the Innovation District. What I mean by that is it could be no carbon, it could be talent development, it could be whatever, but we need a common project that we're all working toward that gives us a reason for—not the people on the board of the Enterprise Center, they are organized—but it gives us an organizing tool for business owners and managers and the Innovation District to work together on something that's beyond their business that again builds those relationships, provides those collision opportunities, and gives people a reason to say, 'Oh that's why ... I'm in the Innovation District.'"<sup>67</sup>

For entrepreneurship in Chattanooga, the Innovation District can help develop a level of density and connectivity that strengthens a growing ecosystem. The city considers density an important attribute of an innovation district. When entrepreneurs and their support organizations convene in the same space, rather than spread out across the city, they create more collision opportunities for peer learning. A dense, compact space of entrepreneurs also can develop mentoring relationships, expertise sharing, and physical space to work for entrepreneurs at different stages of their business. Chattanooga's Innovation District is a deliberate attempt to foster this kind of ecosystem that perpetuates entrepreneurship and innovation into the future.

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67. Public Organization A.

## The Innovation District in Chattanooga



1 Benwood Foundation

4 Edney Building | CO. LAB | The Enterprise Center

2 Lamp Post Group

5 City Council

3 EPB




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## Chattanooga's Innovation District is a deliberate experiment to bring in players and resources in a compact area.

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### 3. MAYOR BERKE'S CONTRIBUTIONS

Within the public sector, we identify heavy involvement by the mayor of Chattanooga with various entrepreneurship efforts. In this section, we organize his authority and involvement in two approaches.

#### 3.1 Official Powers

First, the mayor exercised his support through his official powers. Mayor Berke did not come into office with an entrepreneurial background, but worked in law before entering politics. Nevertheless, he initiated a Technology, Gig, and Entrepreneurship subgroup of the Chattanooga Forward Task Force. While this was one of the six task forces,<sup>68</sup> he clearly elevated entrepreneurship as an issue that was one of the city's highest priorities. In this process, he convened influential players on this topic at one table, and set the vision of the city government.

As described above, the task force developed into the permanent Enterprise Center operation, designated by the mayor, and the Center plays an important coordinating role in entrepreneurship. The mayor initiated establishment of the Edney Building, and the original plan was that the city government would design and own the building. However, the mayor quickly realized the private sector could fill that role. Then, he changed the process so the Enterprise

Center sets the criteria for the design and operation of the building, but only coordinates bits from the private sector.<sup>69</sup> Entrepreneurship community leaders welcomed this shift to a public-private partnership coordinated by the nonprofit entity, the Enterprise Center, as it would remove the bureaucratic process.<sup>70</sup>

#### 3.2 Soft Support

Second, the mayor's influence included his soft supports. Mayor Berke has assumed the role of entrepreneurial cheerleader, which entrepreneurial leaders in Chattanooga appear to deeply appreciate. Berke's interest in and promotion of success by entrepreneurs is viewed as an asset. One leader believes that the "biggest thing that politicians can do, and [Mayor Berke] does, [is] ... showing up and supporting the entrepreneurial community."<sup>71</sup> This also creates a feeling of legitimacy for entrepreneurship:

"Lending his credibility and the credibility of the office of the mayor to say that and do that, that's really helpful, because credibility is a big deal as a startup, because no one knows who you are."<sup>72</sup>

In addition to the convening role described above, the mayor brings in important players when needed. For instance, the planning of the Innovation District required coordination with University of Tennessee, Chattanooga, since the university owned properties next to the District. Initially, the university showed little

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68. The other five task forces are: Sports and Outdoors, Entertainment and Attractions, Housing, Downtown, and Arts.

69. Public Organization A.

70. Support Organization C.

71. Support Organization A.

72. Support Organization A.

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interest in this planning. Then, the mayor called the president of the university and arranged a meeting between university officials and the Enterprise Center.<sup>73</sup> Being an elected official, the mayor can exercise such influential coordinating and connecting roles.

These cheerleading and coordinating roles are not given by the elected authority, but evolve with the continuing efforts to communicate with local leaders. For instance, Mayor Berke periodically participates in a meeting related to “Tech Goes Home,” a program funded by the city and the Benwood Foundation that provides computers and Internet access to low-income schoolchildren. Moreover, he participates in other monthly meetings with the local foundations to help coordinate the funding.

## 4. PLACE ATTRACTIVENESS

The efforts, both public and private, to support entrepreneurship are important to the growth of entrepreneurship in the community. Also important to the growth is the development of Chattanooga as an attractive and affordable place to live. Throughout our interviews, we observed a variety of migration patterns and causes for them among Chattanoogaans. These observations lead to strikingly different findings about the place attractiveness and migration patterns from the currently popular practice proposed by Richard Florida. In his influential work, *The Rise of the Creative Class*,<sup>74</sup> Florida concluded that the ‘creative’ people are attracted to places with tolerance and diversity, measured by openness to gays and Bohemians, and those ‘talented’ people create innovations, contributing to economic development of the region. San Francisco, Washington DC, Austin, and Boston, the usual high-tech hubs, rank highly in his creative index. While Chattanooga ranked 237 out of 276 metropolitan

areas, we find many people coming to the region, enjoying the region, and being proud of it. This is particularly puzzling because, as explained above, Chattanooga was the dirtiest city in the country in the 1960s and 1970s. How can we explain the attraction to the city?

### 4.1 Factors for Migration

We are fully aware that interviewing people currently residing in Chattanooga is inherently biased because we are omitting people who moved out of the area. However, we can still identify patterns of people migrating to the region and their reasons for locating in Chattanooga. The majority of the people we interviewed in the context of entrepreneurship are not from the area, but from nearby areas, such as Asheville (North Carolina), Atlanta, Memphis, and Knoxville, or even from more distant locations, such as London, Costa Rica, Florida, and New Jersey. Of those from Chattanooga, several people attended prestigious private schools on the coasts, such as Stanford, Princeton, and Harvard, but came back for family and other personal reasons. Others had bright careers elsewhere, but decided to come back when they successfully sold their businesses and wanted to start their next projects closer to home. Another migrating pattern we observed is that people attended local colleges (University of Tennessee at Chattanooga and the small, private Covenant College) and stayed in the area. The last pattern we encountered is the relocation based on employment, including a job of a spouse.

In sum, we find various reasons that people come and return to Chattanooga. It does not seem that people rationally calculate the economic and local environmental factors based on diversity and tolerance, but the migration patterns are mixed with employment, social, family, and other personal reasons. Chattanooga has been successful in attracting high-

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73. Public Organization A

74. Florida, Richard. 2002. *The Rise of the Creative Class: And how it's transforming work, leisure, community and everyday life*: Basic Books.



quality, entrepreneurial people with these factors, who continue to enhance the attractiveness of the area.

## 4.2 Comparative Population Growth

We supplement this migration analysis with American Community Survey 2007–2011 five-year data. At the macro level, Chattanooga’s metropolitan area population grew from 476,523 in 2000 to 528,143 in 2010 (9.8 percent). This rate of growth ranks 116th out of the top 238 metro areas. Around 2011, Chattanooga gained people from nearby metros, such as Atlanta (1,580), Nashville (936), Knoxville (573), and Memphis (486), but also from major coastal areas, such as Tampa (315), Orlando (300), Washington DC (236), Los Angeles (205), Raleigh-Durham (182), Riverside (151), and Boston (100) (see two tables in Appendix). These gains exceeded far more than out-migration in each of those areas. Chattanooga did lose some population to unexpected places, such as Macon-Warner Robins, Georgia (a net loss of 178), Lakeland-Winterhaven, Florida (168), and Jacksonville, North Carolina (44), but these numbers are small compared to the net migration listed above. Clearly, Chattanooga is not losing its talent to the major diversity and tolerance areas proposed by Florida, but different migration factors are present, and Chattanooga is gaining.

## 5. IMPLICATIONS

Altogether, Chattanooga has seen entrepreneurial growth. For example, the top sixteen startup firms that have received external funding have received more than \$48 million since 2010. There are dynamic and responsive groups of support organizations that work with different kinds of entrepreneurs and a greater density and concentration of entrepreneurs within Chattanooga. While Chattanooga’s entrepreneurship focus was the result of an unrelated advance in Internet technology through the Gig, Chattanooga

entrepreneurship support organizations, public figures, philanthropic foundations, and private groups worked to sustain the momentum that had been created. In discovering how entrepreneurship can be a viable growth strategy for the city, these groups paved the way for cooperation and continue to provide space and resources that facilitate entrepreneurial growth. This approach continues the legacy of public-private partnerships within the city of Chattanooga.

Organizations come in a variety of shapes and sizes, and serve the needs of different entrepreneurs and their companies. The teams at CO.LAB and Chambliss Startup Group aim at helping entrepreneurs in the early stages of firm formation. They act as welcoming places where those who are just starting out can find advice and mentorship that help put their startups on the right track. Lamp Post Group provides not just incubation space and advice, but also acts as a venture capital source for local, high-growth companies. LAUNCH works with the parts of the Chattanooga population for whom entrepreneurship has not been the easiest path to economic independence. There are also public organizations such as the Enterprise Center and Launch Tennessee, which are involved in the entrepreneurial process, organizing city and state efforts to share best practices and match local support dollars. And there are the foundations, Benwood and Lyndhurst, which have supported Chattanooga development for a number of years and have directed their recent philanthropic energy toward entrepreneurship.

But Chattanooga has embraced entrepreneurship beyond just the official organizations that perform that function. In a way, Chattanooga has woven entrepreneurship into its civic pride. The culture of entrepreneurship in Chattanooga has developed to the point where events like GigTank and 48Hour Launch attract general Chattanoogaans to attend the events as spectators.<sup>75</sup> Residents are intrigued about these events and the companies that participate.

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75. Support Organization A.

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## Creating an environment where entrepreneurs are not just nurtured and encouraged, but celebrated, helps current entrepreneurs and primes the ecosystem to better support future entrepreneurs.

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The work of the EPB provided the infrastructure of the Gig, which presented the impetus for the spark of entrepreneurial energy that runs through Chattanooga. Even the commercial redevelopment of the Chattanooga downtown has created urban space where collision opportunities can blossom.

Beyond the dedicated organizations, the mayor and his office can be an influential force for entrepreneurship, both formally and informally, and inwardly and outwardly. In Chattanooga, the Chattanooga Forward Task Force brought to light, among other causes, the ways the city could embrace entrepreneurship to take advantage of the city's existing resources. It brought together members of each of Chattanooga's historically important institutions, including the foundations, city and real estate developers, and business leaders who valued entrepreneurship. Recently, the formation of the Innovation District and organizing the physical space that allows for entrepreneurship support organizations to better collaborate is another step to capitalize on the momentum of the entrepreneurial energy in Chattanooga.

There is value in the more informal capacities that a mayor possesses. Chattanooga entrepreneurs and the support organizations have noted how impactful it was when Mayor Berke attended entrepreneur competitions or events and took an interest in their success. By lending the gravity of his office to these events, the events gained a sense of legitimacy that has attracted more entrepreneurs who sense that exciting things are happening in Chattanooga. Similarly, the network of relationships that mayors develop can

be invaluable in facilitating connections between rising entrepreneurs and business leaders, academic institutions, and government agencies. Catalyzing these kinds of interactions can create partnerships to seize opportunities that otherwise may fall by the wayside. Beyond Chattanooga, Mayor Berke also makes a point to be a cheerleader for Chattanooga's entrepreneurs. Creating an environment where entrepreneurs are not just nurtured and encouraged, but celebrated, helps current entrepreneurs and primes the ecosystem to better support future entrepreneurs.

We would like to summarize the roles of the mayor to promote entrepreneurship.

- Identify major players who are involved in entrepreneurship. Those people may be not only in nonprofit entrepreneurship support service organizations or philanthropic foundations, but also in the private sector, such as real estate and redevelopment organizations.
- Be a cheerleader for entrepreneurship. A mayor could do so by officially designating an entrepreneurship task force or instituting entrepreneurship buildings. Alternatively, a mayor could promote entrepreneurship implicitly by attending entrepreneurship-related events and talking about emerging and successful entrepreneurs to legitimize them.
- Convene and broker entrepreneurship supporters. A mayor can connect entrepreneurs or support organizations to universities or large companies in the area.



- Establish a task force or committee centered on the theme of entrepreneurship, which can show the vision and importance of entrepreneurship to the community. Use the task force to convene and coordinate with key players. Implement the vision and plan of the task force in conjunction with the local economic development agency.

We believe the story of Chattanooga has wide implications. It is true some organizations and the history of Chattanooga are unique, and other cities do not enjoy assets like multiple, large-scale endowed foundations or the public utility company under municipal control. At the same time, that is precisely our rationale for studying Chattanooga as a case study. Each city is unique and has assets specific to the region. Contributing foundations may not need to focus on entrepreneurship or technological infrastructure, but those foundations with various and broader economic development missions can engage and provide financial and network resources that will be the backbone of the environment related to entrepreneurship. The core people involved in the past redevelopment efforts will carry the valuable networks as well as economic development expertise to mobilize, coordinate, strategically develop, and implement a new initiative oriented to entrepreneurship. GigTank was definitely a product of the fiber network, but it is only a programmatic tool to train and connect entrepreneurs, and the more important element is people, resources, and organizations to initiate and operate such training programs. In other words, there are untapped and perhaps unexpected sources of entrepreneurship in every place. None of these can take place easily or be formed overnight, but many other cities have those fundamental assets. The way Chattanooga organized all those assets can be applied to other places for the betterment of a city ecosystem.

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## 1: Top Thirty-Two In-Migration to Chattanooga (100 or more people)

Metropolitan area of residence one year ago	Frequency
Atlanta, GA	1,580
Nashville, TN	936
Knoxville, TN	573
Memphis, TN/AR/MS	486
Tampa-St. Petersburg-Clearwater, FL	315
Orlando, FL	300
Clarksville-Hopkinsville, TN/KY	254
Washington, DC/MD/VA	236
Detroit, MI	222
Fort Lauderdale-Hollywood-Pompano Beach, FL	213
Los Angeles-Long Beach, CA	205
Huntsville, AL	192
Charlotte-Gastonia-Rock Hill, SC	188
Raleigh-Durham, NC	182
Augusta-Aiken, GA-SC	159
Johnson City-Kingsport-Bristol, TN/VA	157
Riverside-San Bernadino, CA	151
Asheville, NC	136
Fayetteville, NC	135
Punta Gorda, FL	128
Daytona Beach, FL	127
Montgomery, AL	124
Naples, FL	117
Dallas-Fort Worth, TX	114
Stamford, CT	112
Jacksonville, FL	110
Lexington-Fayette, KY	109
Indianapolis, IN	107
Springfield-Holyoke-Chicopee, MA	104
Cincinnati OH/KY/IN	102
Mobile, AL	101
Boston, MA	100



2: Top Five Out-Migration Areas from Chattanooga (100 or more people)

Metropolitan Area	Frequency
Atlanta, GA	250
Macon-Warner Robins, GA	237
Lakeland-Winterhaven, FL	216
Charlottesville, VA	159
Detroit, MI	134



### List of Interviewees

**David Belitz**

The Lupton Company  
April 15, 2015

**Mayor Andy Berke**

City of Chattanooga  
January 22, 2015  
April 15, 2015

**Hal Bowling**

LAUNCH  
April 14, 2015

**Mike Bradshaw**

CO.LAB  
April 14, 2015

**Charlie Brock**

Launch Tennessee  
April 14, 2015

**Ann Coulter**

The Enterprise Center  
April 14, 2015

**Stephen Culp**

Pricewaiter  
May 4, 2015

**Enoch Ewell**

CO.LAB, The Treehouse Project  
April 14, 2015

**Ken Hays**

The Enterprise Center  
April 14, 2015

**Chris Hennen**

Chambliss Startup Group  
April 15, 2015

**Rick Hitchcock**

Chambliss Startup Group  
April 15, 2015

**Jim Ingraham**

Electric Power Board  
April 15, 2015

**Willa Kalaidjian**

Chambliss Startup Group  
April 15, 2015

**Sarah Morgan**

Benwood Foundation  
April 15, 2015

**Marco Perez**

LAUNCH  
April 14, 2015

**Jack Studer**

Lamp Post Group, Torch  
April 15, 2015



Ewing Marion  
**KAUFFMAN**  
Foundation

Fostering  
economic independence  
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education and entrepreneurship

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