

You Might Be Right - Entrepreneurship - Transcript

Marianne Wanamaker: Welcome to a special episode of "You Might Be Right," a place for civil conversations about tough topics brought to you by the Baker School of Public Policy and Public Affairs at the University of Tennessee, with funding support from members of our Producers Circle. To learn more about you can support our work, visit youmightberight.org.

In this episode, former Tennessee Governors Phil Bredesen and Bill Haslam and their guests, Brad Smith, founder and chief executive officer of Russell Street Ventures, and Sarah Bellos, founder and CEO of Stony Creek Colors, discuss the highs and lows of starting a business, what they believe are the most important elements to ensure startup success, and if there's a role for government to play in supporting entrepreneurs and startups.

This episode was recorded live at the Wildhorse Saloon in Nashville, Tennessee, as part of Launch Tennessee's 3686 Festival in September 2023.

Bill Haslam: Welcome, I'm Bill Haslam. At one time, I had a job with the state, but lost it. But we're really here today to talk about the role of entrepreneurs, not just in our society, but how it interacts with government or doesn't. Or what the right role there is, as well as the experience of being an entrepreneur, what you learned and didn't.

We have a great panel of folks with us today. My normal podcast partner, Phil Bredesen, has actually deserted me, and has now become part of the panel. So I get to ask him questions, which I've been wanting to do for a while.

Phil Bredesen: This is actually his move to take over the podcast.

Bill Haslam: Hardly, but let me just give a quick introduction of everyone. Sarah, as Stuart said, Sarah started a business that basically has plant-based dyes for the textile industry. The fascinating thing to me about it, she grew up in Long Island and somehow ended up interested in ag policy, which I think came from her being at Cornell. She'll tell us a little bit more about that. I've known Brad literally since he was in high school, we're both from Knoxville. He's started not just CareBridge, but I think that's the third company you've started and we'll hear more about that. Then Governor Bredesen not only has been the mayor of Nashville, the governor of Tennessee, but has started six, seven companies. Am I close?

Phil Bredesen: Plus or minus. Yeah, yeah.

Bill Haslam: Somewhere in there. All right. Maybe just start, Sarah, I gave a poor thumbnail. Give us a quick thumbnail of your business and how you ended up with it.

Sarah Bellos: Yeah. Prior to starting Stony Creek Colors, I was running a textile dye house where we were offering dye services at a smaller scale. Dyeing garments, for example, that would end up in London Fashion Week. I recognized that these inbound inquiries we were getting from larger and larger companies were not going to work to hand dye something. But to really solve the needs and this demand from larger brands, meant collaborating on a

more industrial level, and it really meant starting with the extracts themselves. I left that business to start Stony Creek to really say, "How can we get a more traceable, domestic supply of plant-based color, that is consistent and repeatable enough to work in an industrial scale?"

Bill Haslam: I want to come back to how much the manufacturers cared about it being traceable and plant-based. We'll come back to that in a sec.

Brad, give us a quick update on CareBridge and then the two other companies you've started as well.

Brad Smith: Sure. We build healthcare services companies that typically serve really specific, typically pretty sick and vulnerable, patient population. Our first company was a company called Aspire Health that was a home-based, palliative care company. It served patients at the end of life. CareBridge is a company that serves the most complicated Medicaid members. They're in a government program called Home and Community-Based Services, but they basically have a caregiver in their home. Then our third company called Main Street is a rural primary care company. All around very different populations, but underserved populations, and then building models that are specific to their unique needs.

Bill Haslam: Perfect. Phil, can you give us a quick rundown? You've been in the healthcare side and now in cleaner energy businesses of various types. Tell us what you've done.

Phil Bredeesen: Yeah. Just in brief, most of my career prior to being in government was in the healthcare field. First company I started was called Health America. It was an HMO company back in the early days of that movement. Since I've been in the governor's office, two other people and I have started a solar company, which does utility-scale solar, large, square mile solar farms. That has interestingly grown very rapidly and is doing very, very well. I think really making a difference in terms of what we're trying to do with carbon in this country.

Bill Haslam: Let me start with this question for each of you. What made you decide to be somebody that would rather go find a need, start a company and address it, rather than plug in somewhere else in life?

Phil, I'm going to make you go first. You've been doing this a while. What's led you to be a somewhat serial entrepreneur, interrupted at times by government service?

Phil Bredeesen: It's something, I think, I'd always had an interest in and played around the edges of. Started a little business in my home doing something or other and it never went anywhere. Andrea and I, after we were married, was talking about it one more time and something. She basically said, "I'm happy if you do it. I'm happy if you don't do it, but either do it or be quiet about it." So I quit a perfectly good job and went out with myself and an idea and built a big public company out of it eventually. Somebody had to push me over the edge.

Brad Smith: I was working in state government for you at the time, actually, and I think I decided I didn't want to be a lobbyist or a politician, so went into business. But no, it was really random. My brother was training to become a palliative care doctor. I was back one Christmas and he started talking to me about the research he was doing. Then my grandmom got sick and I grew up in Knoxville, she lived in Knoxville. I was driving back to see her, and it just felt like there had to be a better way to care for folks at the end of life. I'd had the chance to meet Bill Frist when I ran an education nonprofit that he chaired the board of. Went back to him and said, "Hey, I have this crazy idea. I want to start a palliative care company." He said he was willing to support me in that, and his support was really, I think, the thing that tipped me over to say, "Okay. Hey, I can make a run at this."

Bill Haslam: Yeah, Sarah?

Sarah Bellos: Hearing Brad's story and thinking about taking that jump for Stony Creek, specifically, I think that it was much more around recognizing what the market said why it couldn't be done, then what I knew working. I was selling products at the farmer's market and working with farmers every day, hearing about the challenges they were having with profitability. Recognized what this side thinks that wants a solution but thinks farmers don't want to grow the crop and what is actually true are so disparate. It will take time and capital to bridge this, but it's possible. I think that willingness to take that leap is what led me to this place.

Bill Haslam: Again, I don't know Sarah as well as Brad and Phil, but I know Brad and Phil and my sense with Sarah, is all of you are interested in actually solving big problems. Phil and I actually did being governor very different. We always see some things the same. My sense is you looked at it as there's a few big problems that I want to try to wrestle to the ground. There's 22 state departments, I'm not going to spread my time evenly across that. I'm going to find three or four big problems and address that. Brad, same thing. You've said, "Hey, patients at the end of their life, the highest cost Medicaid patients, et cetera." Sarah, you're taking on how can we make this process more traceable, more environmental-friendly, again, big issues. What is it about addressing and trying to solve big problems that attracts you?

Phil Bredezen: I think when I had my first business, the HMO company that I talked about, one of the things I just figured out at some point was in this business, like I think most businesses, there's two or three things that if you get them right, you can make a successful business out of it. If you don't get them right, you can spend all sorts of time and do wonderful jobs with other things and other parts of the company, but it's not really going to work.

I think in any job, I've always looked at it to say, "Okay, the first thing to do is identify what are those two or three big things I need to get right?" When I came in as governor, for those of you who remember those times, TennCare was an existential threat to the state's budget and so on. That obviously became the top of the list.

Bill Haslam: Yeah, let me put that in context. At the time, TennCare, what other states call Medicaid, the increase in cost in TennCare was greater than the total increase of revenue coming into the state. It was eating up more than all of our new revenue and had to be addressed. Sorry, just wanted to—

Phil Bredezen: No, and we settled down and tackled that, I think, successfully, and you continued addressing the issues that it had. Howard Baker used to say that if you've got more than three priorities, you don't have any priorities. That's something I've always really believed. I think particularly for entrepreneurs who are starting out small companies, it's so easy to get distracted and run off in a million different directions. But just keeping in mind what are those big two or three things and making sure you focus on those to make it work.

Bill Haslam: Brad, I know it's not just in business, but as you look at philanthropy and other things, there's big problems out there. How can I uniquely help address them? What's led you there?

Brad Smith: In my case, it's just my faith, I think, and wanting to feel like you make a difference and you do the best you can. I think business has been a really interesting way to do that. In palliative care, as an example, there were a lot of nonprofit hospices all around the country delivering these palliative care programs. But they could never figure out how to make them scale because they'd have 200 patients they were serving. They'd have a grant and the grant would go away, program would go away, CFO would change, that kind of thing, but the care was really good. What was so interesting about business, was if you could figure out how to get paid the right way, you could take this thing they were doing in little, teeny pockets around the country and scale it up. We had 100,000 patients at the end. I think just that's the power of business is if you can figure out how to make it financially sustainable, you can do really good things really quickly at scale, in a way that it's harder to do if it's say a nonprofit or something like that.

Sarah Bellos: One of the lessons, and sometimes we have to keep learning the same lessons, but it is figuring out what you have to say no to and staying the long-term course. For example, we are a pretty vertically integrated business, but that means a lot of distractions in a lot of places that the business can— If we don't grow the seed the year before, our farmers don't have a seed to plant because there's no global supply of plant-based indigo. Same for improving the genetics and the yield. That wasn't something we could start out really focusing on, because we had to get the grower and agronomy correct and then the extraction correct. But being able to then invest in the genetics, will have this ripple effect through all of the additional applications beyond denim into food colorant. But we couldn't really start the business doing food colorant and textile and sourcing farmers and breeding a better crop, because not everything can be a priority in year one or even in year three.

Bill Haslam: Let's shift. One of the things I want to talk about is what should be the government's role in helping entrepreneurial companies? There's a wide range of things and rather than call it, I'd really love to turn this into a discussion rather than just down the line answers. I can make that more specific, but if you have any general thoughts about what should the government's role be here? I would love to hear that.

Phil Bredeesen: Bill, I have struggled with that, both as mayor and as governor. Toward the end of my time as governor, there was a program in which the state put some venture capital into things and I hated it. It was a disaster. It did not work well and made everybody mad and it was not all that successful. I'm really intrigued with what this organization, with what Launch Tennessee is doing, because it seems like a soundly thought-out experiment in how government might help to facilitate startup companies.

I particularly like it because it seems to me where the capital is missing these days, with the changes in the venture capital world, is in startups. You have all these big funds out there now that have to put capital to work in big chunks. Then they have to report back to some pension fund about how all their investments were successful. That's not how early stage venture capital works, so I hope it can.

I think it's a limited role. I tend to think of successful entrepreneurs and startups more as wildflowers than garden plants. They start up in places you wouldn't expect and for reasons you wouldn't expect. But to the extent to which government can help and particularly filling in some of the empty spaces, I think it's worth trying.

Brad Smith: Maybe I'll talk about two examples of ways that I was involved. One, I was up running part of CMS, that runs Medicare and Medicaid for the country, and there we were the regulator of the healthcare industry, at least the government-funded parts of it. I think it was a really important role to have the government regulating, but I think there were different approaches you could take. You could have taken an approach that was focused on aiming for certain outcomes, like total cost or total quality. You could also take an approach that was more, I don't want to call it micromanagement, but focused on the details of how every single service that a hospital got reimbursed. I think generally, the government has been more successful when they take the first approach, not the second. But in either case, they have an important role there.

The second example was I actually, thanks to Governor Haslam, had a chance to work on Launch Tennessee when we were actually converting it into Launch Tennessee like 10 years ago. I think there were two interesting parts there. One, was I think the convening role that it plays in bringing people together and creating energy, especially not just in Nashville but across the state for these kinds of efforts, is really important.

There was also at the time as part of one of the stimulus bills, a federal pot of money to make loans to early stage companies. What I found is we were setting that up. We did it because the federal government had given us money and it made sense to use it. What we found, was that it

was really hard to set it up in a way where it attracted the best entrepreneurs. Generally, what was happening was the best entrepreneurs were going to the private markets. Only the ones who couldn't get funded in the private markets, were coming to the government. I'm not saying that always happens, but at least that was our experience with that.

I think government as a regulator, government as a convener, makes a lot of sense. Government as essentially giving out subsidies in different ways, I think, is a lot more complicated.

Phil Bredesen: Brad, can I ask you, to what extent in the field that you're in in healthcare, to what extent is government regulation, and there's quite a bit of it there, is it helpful, hurtful, neutral?

Brad Smith: I think it is definitely helpful and it's important in healthcare in the sense of the government's paying for a lot of the healthcare and the government has lots of interest in how that goes. I'll give two examples of how the government's chosen to regulate Medicare, and I'll give examples of the pros and cons of both.

Part of the Medicare market is essentially private. It's called Medicare Advantage, and the government sets rates and sets quality metrics for that. I think what works well is the private market is very good at figuring how to maximize their rate and maximize the quality. What's happened over time with that is generally the quality has gone up in Medicare Advantage because the companies have been very good at lobbying the government for a good rate. They've generally gotten a favorable rate, so there's pros and cons to that, but the government's focused on the ends.

The thing that I actually went up to run, was something called the Innovation Center, which was meant to roll out new payment models in Medicare. What had happened, it was about 10 billion, they put another 10 billion, so about 20 billion that came mostly through the Affordable Care Act. It was meant to fund innovative ways of delivering healthcare. When I got there, they were 10 years in. We went back and looked at all the models, there were 54 of them, only four saved money. But essentially, the key learning from that was it was really hard, as the government got into more and more details of exactly how to do certain things and how to incentivize certain things, the chance that it got it wrong was much higher.

It was harder to understand what had happened, whereas at least with the rates in MA, you're like, "Well, I know what happened. They got lobbied for and they should be \$99 instead of \$102 or whatever it is." It was really hard in these detailed things to figure out what exactly happened. My takeaway from all that, was the government role's really important. There are entrenched interests that fight against that, but the government's going to be more successful if it can focus on the bigger picture and less successful when it has to get into the little details.

Bill Haslam: Sarah, you obviously interact some through USDA, et cetera. Any insight that would be helpful for us?

Sarah Bellos: Yeah. I think that for us as a company that's invested a lot in intellectual property and a proprietary system, not just on the chemical engineering side, but even on genetics and plant breeding. Those are things that we've been able to fund in part through federal, competitive research grants. So like SBIR or STTR, through National Science Foundation, through USDA, that I think helped us then leverage venture capital.

Because we were able to support the real, either sometimes basic science or these applications that were novel in a way, that certainly would not have been possible if I were just an individual farmer saying, "I want to capitalize on this new market opportunity." I wouldn't be investing in these things that might have an eight or 10-year return.

In this case, the more it can be a competitive, it's not just a straight subsidy, but you are competing across the country on what's the best peer-reviewed science. We came up through the Launch Tennessee Accelerator Program that was really looking at how do we support agricultural entrepreneurship across the state? I think that's not always a high-tech initiative. It's a little bit, I think, for a state like Tennessee figuring out how do we create this ecosystem and Launch Tennessee is a great example. It's not necessarily giving dollars or directly betting on individual companies and more about how do we put those entrepreneurs in a room with funders or with others? The longest standing employee I have at the company I met at a Launch Tennessee conference like seven, eight years ago. I think that that can be a really successful role that doesn't put the government in a place where it's really not only not comfortable, but often not as successful as the private sector.

Bill Haslam: The government inevitably impacts what you do. If there's a clean energy policy and you're in the solar business, there's some benefit obviously, how the government's the largest payer on healthcare, heavily involved in the ag sector. Do you just look at it as, "Well, they're going to do what they do and we'll play off of that"? Or do you think, "Because government policy affects so much of what we do, I need to actively engage"? How do you look at that?

Sarah Bellos: For me, we're not actively engaged in any kind of lobbying. I think, when I look at our crop, we're a specialty chemical company. But you can look at broccoli or lettuce or things that I think we can all agree, the more vegetables people eat, the healthier they are.

Bill Haslam: Yeah, right.

Sarah Bellos: The Farm to School Program is a good example of this. We're actively subsidizing broad-acre crops like corn and soybeans, and wheat, cotton, that are making it more expensive to grow these other crops that I think, as a society, we agree are good to have better access to fruits and vegetables. If the vegetable and fruit industry couldn't solve that, that's definitely not my job then to worry about as a specialty chemical company.

We just can be in our lane, of course, where there's bio-based legislation. The government is doing things like the USDA has a labeling, a certification that's now used globally. I was at Calvin Klein, Tommy Hilfiger office in Amsterdam, and literally their certification is the USDA bio-based label. It has a ripple effect even globally, but it can't be for an entrepreneur to take that on, except in the context of maybe joining coalitions and things like that.

Phil Bredezen: Where I see it stumbling sometimes with the government is that there's nothing particularly about how you got to be a member of Congress or a bureaucrat that helps you understand how the world actually works in some of these areas. I remember with the Affordable Care Act, which I was intimately involved with, there were things in there that you say, "That is a good thing to try to accomplish, but nobody who would ever actually run a healthcare institution would do it that way." It's just not the way the dynamics are. I think a lot of times what happens is that the old adage, if the only tool you have is a hammer, you make every problem a nail. I think sometimes the Congress, the only tool they have is appropriating money to something and so they think the solution to every problem is let's put \$20 billion behind this. There's often other things that they could much more usefully do in terms of setting standards, for example, and the like, but that's harder. That takes a lot more energy.

The field that I'm in now, the solar company we discussed, they've put an enormous amount of money into economic support of creating solar farms through these tax incentives and spent a huge amount of money on that, except that that's not the problem. It's already the cheapest power there is and the constraints on putting solar fields out there are not the economics of the solar. They're things like permitting or things like getting access to the grid and the studies done in time. I guess what I'm saying is I think the biggest danger with the federal involvement is that, and it is probably true the state as well, is that you just don't always have the people who have enough understanding of the dynamics of what's going on in that industry to make the best choices.

Brad Smith: I'll give a couple different answers. One, on a personal level because I've gone in and out of government three times, may do it a couple more times. I've decided that I'm not going to do anything tied to government when I'm outside of government and I'm never going to use the programs that I'm regulating when I come back out. People do it different ways, but I just think that's a clean line and makes it a little bit easier.

From when I was sitting at CMS, what was amazing is you do, to the governor's point, have all these new topics even though it's a healthcare person, that come up that you don't know anything about. I didn't know anything about DME, I didn't know anything about pharmaceuticals. In that way, it is really helpful to have people come give you good information about it.

I think the flip side of that from the government side, is the people who come to give you information typically have a lot of self-interest tied up in the information they're giving you. The people who are very mildly affected but a lot of them are affected, almost never show up.

Figuring out how you balance that information coming at you is a little bit hard. But I do think it is important, as the governor said, to help educate people because without that, they wouldn't know how to make a pharmaceutical policy because they didn't work in pharmaceutical companies.

Bill Haslam: Let me shift a little to more of the personal side. No matter what you're doing, whether it's a role in government, business, whatever, if you're captaining a ship and you got a tailwind and the sun's out, it's fun to be the captain. But there's times when you have a headwind and its storms are blowing. When you start a company, it's not like you're working for this massive enterprise where you can say, "Well, it's the board." It's you that folks are looking to. What advice do you have for people, when they're the leader during difficult times, for how to keep the team together and focused on the right things? Like I said, when the tailwind turns into a headwind, how do you keep everybody remembering why they were out there on the sea to begin with?

Brad Smith: I can go first. We've done three, and I'd say the thing that's changed the most is when we were doing the first one, I describe it as we were running around like chickens with our heads cut off. Everything was an emergency, everything was a problem, everything could make us fail. I think as we've done more of them, what we see is there's a lot of natural ups and downs to these things. There are certain things when you're doing a startup, that really can make you fail and those you have to do a plus on, but it's not everything. But I think it's also setting the expectation for the team that we're doing something really hard. Some things are going to go well, some things are not going to go well. Just having that foresight to let people know that's what they're going to experience over a couple year period, is really, really important. I think the more you can set people's expectations for that, the more comfortable they are when they're in that moment. Versus feeling like it's an existential crisis every time it happens because it's actually a common pattern.

Phil Bredesen: I think the advantage that startups have, and one of the reasons I've always loved them, is that the entrepreneur really can be, I use the word dictator, but you can be a strong leader and make things happen in a way that—

Bill Haslam: You mean there's not a legislature involved?

Phil Bredesen: Yeah. Well, there's that, but in the solar company I was talking about, a large early investor in our company after we got going was Shell Oil, which it's one of the two or three biggest companies in the world in revenues. They have a set of processes by which nobody makes an individual decision. It's this vast matrix management thing, which is appropriate for a company that size. A public company that it's more about protection than it is about entrepreneurship and that's where it is. But you've got the advantage in a small company that somebody can run it and it's their job not only to figure out how to make the business work, but to figure out how to keep the people who are working there engaged and active and productive.

It's one of the reasons I've started— I counted after you asked me, Bill, there, I've started I think eight separate companies. Three of them have become public and others have done other things. But once it gets to a certain size for me, a few 100 million dollars in revenue or something like that, it's no longer nearly as much fun anymore. It's so much focused on protection and you lose a lot of the ability to just take it where you want it to go.

Sarah Bellos: I think that's like when you think about the downside of the team or when you're facing the challenging situations, it's because there's a lot more risk. The part that makes it exciting for you, Governor Bredesen, is like it's an opportunity. When you're allowed to take, especially as an individual or a really small team versus the bureaucracy of, "I now have multiple layers of requests and collaboration," but it comes at this expense that you're going to have higher highs and lower lows.

Phil Bredesen: Yeah. Then, of course, if you become a public company, there's a whole nother dynamic going on there and a whole additional set of requirements. But starting up a company and growing it up through those early years. This room is full of people, I guess, who were interested in doing that. It's an exciting thing to do. It's a wonderful way to spend your time. Anything that as we talk about government can do to help encourage that kind of entrepreneurship, I think, it's worthwhile figuring out how to do it.

Bill Haslam: One of the things I think is true about any organization, but particularly true of any entrepreneurial organization, is whether you like it or not, it becomes created in the image of its leader/founder. It just does. Your strengths are reflected as well as your weaknesses. How have you learned to realize that, "While I want this company to take advantage of my strengths, I know there's some things that I don't do so well, so I don't want it to be totally in my image," but what have you done to work around knowing yourself?

Phil Bredesen: I'll start with that. Everybody has a different take on it. That, in many ways, has been the hardest thing for me as I've grown up in the entrepreneurial world. Remember, my training is in physics, which is a very solitary operation. That's you and a blackboard, okay? How you perform doing that is how you get ahead. Then you suddenly find yourself at the early stages of an entrepreneur, it's kind of like that, but very quickly turns into no, no, no, the way you get ahead is to have other people doing things, whether it's an entrepreneur, whether it's being governor. That's the transition I see so many companies not able to make. The entrepreneurs just cannot figure out how to do that. Well, I don't know whether it's ego or training or whatever, but transitioning from, "This is my idea and operation," into, "My job is a human capital job to get the right kind of people and motivate them, and help them and support them to broaden the effect," that's the problem of growing a business in my mind.

Brad Smith: Maybe two thoughts. When we did the first one, what was most helpful is Bill Frist helped me find two people for my board who had done it a lot and were mentors. I remember calling one of them literally every day or two with, in retrospect, maybe was a small question, but at the time, it felt like a massive question. Just having those folks who had seen it before was really helpful. What's helpful now is I've had a number of folks who've been with me for 10

or 12 years on different companies. Now they're the people who can pull you after the meeting and say, "Hey, what about this?" Or they'll push you when somebody who's new would never push you on something. I think that repetition with people is also really helpful.

Sarah Bellos: Yeah. I think there's definitely a personality aspect, of course, of where do you need to have the diversity? If you need someone to push you, because maybe you're not trusting. And not saying this is you, but having the confidence in your ideas or someone to back you up, if you are doing something more risky than you might normally choose to. I think that is having a diverse leadership team, and especially something coming from different schools of thought is critical. When we've been our strongest, it's when we are looking around the corners, but also having some people that are really solving the problems of today. I think when we've struggled, it's instead of looking down the road or ahead, I am focused on today's problems. No one wants me to be micromanaging today's problems. Unfortunately, if that's what the fire you're putting out sometimes it's just you have to. But I think that's that having enough faith and trust in the team to say, "Give me the report at the end of the week, but I've given you, I think, the skills and the guidance to solve these problems."

Bill Haslam: Let me bounce off of that. One of the things I've learned is, whether it's government, business, whatever, a church, a hospital, whatever, the team with the best players wins. Every now and then, maybe you'll get a lucky break, but usually it's the team with the best players wins. What have you learned about hiring people, particularly in companies like this, that are either startup, entrepreneurial, early stage, or maybe not, maybe it's the next stage? What have you learned about hiring the right people for this environment?

Brad Smith: I'll say a couple of things about that. I think our reputation with our companies, for good or bad, is our bar is really, really high. I think what we've tried to do is a couple of things, at least my experience has been for senior roles, it's really hard to tell who's going to hit that bar or not. We do two things. One, as we're interviewing people, we just tell people over and over again, the bar is really high. We tell them stories about people who we thought would hit the bar, who came and didn't hit the bar. The other thing we do, which not everybody can do, but we overhire. We know everybody won't hit our bar, and so we always have a couple of extra people. You have to manage all of that well, and everybody has to feel good about if it doesn't work, how it ends and it transitions. But we've just kept our bar really high, been really transparent. When people come to work, we say, "We're doing something really, really hard. We're going to work really, really hard. We're going to be as kind and nice to each other, but our bar is really high." To make that work, we've had to have extra people, so that you can learn what everybody's good at and weed through as you go.

Phil Bredezen: A couple of things that I would say, and one of the things certainly that I've learned over the years, it's the opposite of the way I started out. I started out when you had an open position, you really looked really widely for somebody to fill that position. Then the old classic thing, let's do a national search and find the best possible person. What I've found over the years is that, if you have somebody already in the organization who you think is 80% of what you need in that job, that's usually a better choice and a less risky choice than trying to go out.

I've come 180 degrees on that issue over the years.

The other thing that I think you have to watch out for, and I'm completely guilty of it, is you're too slow to get rid of people who are not working. Just you're a band of brothers and sisters and you're in this company and it's very difficult to move somebody on. I think everybody I've ever known that's started a company has somehow gotten burned by being too slow to make those moves. You need to keep that in mind.

Sarah Bellos: Yeah. I think that we have not been in this situation of having more people. I think we, unfortunately, have been in a situation of having too many people wearing too many hats, and saying, "This thing that is actually really important priority is actually not a thing you're spending 3% to 5% of your brain power on, because we're either filling the gap for someone in a different role." Part of that, I think, also was when we first funded the company, even though we raised some venture capital, we were really trying to be super lean and not staff too heavily at the top. But we struggled to find especially operations people who are chemical engineers or really plant managers that are comfortable with the details. But also comfortable with this, "Oh, we're in the middle of a funding round and we have two more months of payroll." Not everyone can be at both levels and staying OSHA-compliant, and thinking ahead to the team, how you're going to add a third shift three months from now when you don't even have the payroll to pay your people two months from now.

I think not every early stage company is also trying to run a manufacturing operation, so it's our fault or our business design, but it isn't easy. I think it depends a lot on where's your candidate of employees and you can't hire for some of those. These entrepreneurial mindset are comfortable in making some order from chaos. These more, they're not personality but they're like you only know if you have them by working in those places sometimes. It's not always easy in a job interview to tease out who's going to be able to survive or thrive in that environment.

Phil Bredesen: Yeah. The ability to interview well and the ability to do the job are two entirely different things.

Bill Haslam: The reason that Governor Bredesen and I started this podcast was we modeled it after Senator Howard Baker, former Tennessee senator, who had a famous saying that always remember the other person might be right. One of the things we do in every show is ask our guests, can you think of a time when you would say, "I didn't quite get that right"? What I'd love to hear is as you've started companies, and Phil and I have had this discussion on other issues, but this is related to your business. Can you think of an example where you thought, "You might be right. Somebody had an argument that I didn't quite buy and I wish I had because, in the end, they were right on that. I didn't quite have it right"?

Phil Bredesen: I'll start for you, Governor. When I was involved in healthcare, as you might imagine with a science background, I was very into information systems and automated medical records and all that. And really saw that as an important resource that you could mine for information about various kinds of things and pushed very hard for that. I was at a conference

one time with another person talking in a situation like this. One of the other people was a woman who was a physician, who made an impassioned plea that these medical records are about individuals, that they deserve an enormous amount of privacy and respect for the information that is in them. It really, totally changed my view in 15 seconds, I think, of how I ought to be looking at these things, much less as a resource to be used to run the company and more as a sacred trust to keep these things private and respect the individual who's represented.

Brad Smith: Mine was when we were at Aspire, we were maybe a year away from selling. Bill Hagerty was up working on one of the presidential transitions and called me about it, and I really, really, really wanted to go do it. I remember calling Bill Frist to tell him I really, really wanted to go do it, and it's probably the most adamant he's ever been about everything. He was very animated and he said, "Absolutely the wrong decision." And I remember coming home being so mad after I talked to him that he had been so adamant about it, and it was absolutely the best decision ever. He said it would change how everything— and it has changed how the last 10 or 15 years have played out. In retrospect, I'm so grateful for him being— I'm sure it was uncomfortable for him to be that adamant too, but if he wasn't, I wouldn't have listened to him. It was required, but that made such a huge difference, not just in how that played out, but in all the things that came after it and I was deeply appreciative.

Sarah Bellos: Thinking about the current state of our business and also our technology trajectory. What we had to do, and this is a longer story, but just to paraphrase, we had to change our extraction technology. For lack of a better word, but abandoning our initial model in pursuit of this longer-term model was really hard and challenging, because it meant that we wouldn't have product for our customers. We've actually been not serving orders that we've had for a year and a half, or in a back filling of customer backlog. I think three years from now, I'm going to look at that and say, "We still know how to do that other thing. If it's the right time to run that legacy business, we can." But pulling the plug on something that seems not dead yet, at the same time, when I look at the 10-year vision for the company, we have to be investing in the new technology. Sometimes that requires going all in on it and so it's something that has taken me a longer time. You need the hindsight to appreciate the decision, but now it seems like the obvious thing. In the same way HIPAA seems like the obvious thing or healthcare privacy probably does.

Bill Haslam: Well, thank you. Thank all three of you. You've all been part of building companies that are Tennessee based, that are who we want to be, and I agree with each of you. I don't think government's role should be in going out and picking winners and losers in businesses because we can't do it well. But I do think we should be encouraging in every way possible, businesses to grow. Ultimately, that marks our health and vitality more than anything else. Personally, let me thank all three of you for what you've done in building and growing businesses here. And thank you all for being a part of the conference.

Marianne Wanamaker: Thanks for listening to "You Might Be Right." Be sure to follow on Apple Podcasts, Spotify, or wherever you listen to your favorite shows. And please help spread the word by sharing, rating and reviewing the show.

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