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EQUITABLE SMALL BUSINESS DEVELOPMENT

D.E.I. Best Practices Driving Economic Growth



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I got up early to talk shop....

Remind me why again?

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AFTER THIS SESSION, YOU WILL:

- *Understand the diversity of characteristics and unique challenges of small businesses of color and recognize the different approaches necessary to support their growth;*
- *Learn about trends that are emerging in business support entities and the economic development ecosystem nationwide and how you can apply these to your small business programs to better meet the needs of businesses, foster wealth creation, and empower communities;*

AFTER THIS SESSION, YOU WILL (cont):

- *Know how to build a toolbox of racial equity and small business support strategies and resources;*
- *Learn about some innovative new programs and ideas you could steal;*
- *Position your SBDC to be cutting edge and leading the charge on equitable small business development.*

OUR AGENDA

Equitable Small Business Development

01

**THE WORLD CHANGED.
WE'RE NOT GOING BACK**

Before & After COVID-19
Traditional V. Equitable Small Business Growth
TED talk
Shifting Priorities
Cutting Edge

02

**MIX OF PROGRAMS:
COMPETITORS OR PARTNERS?**

Small Business Growth
Competitive Landscape
Social Capital & Wealth Creation
TA V. Wealth Bldg.
Gov. | Powerhouse | Local Success-Baseline Criteria

03

ENTREPRENEURIAL ECOSYSTEM

Mapping
Collaborate or Compete
Innovative Programs

04

BEST PRACTICES & INNOVATIVE MODELS

MMBC
GUCI
Wyomissing Foundation
Harvard +Tishman Speyer

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Equitable Small Business Development

01

**THE WORLD CHANGED.
WE'RE NOT GOING BACK**



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WHY SMALL BUSINESS?

Small businesses are the engines of inclusive economic growth...

...but they experience persistent structural barriers to growth.

<p>66% New Jobs</p>	<p>5 X Median Net Worth</p>	<p>68% Social Media</p>	<p>52% Unmet Financing Needs</p>	<p>#1 Customer Acquisition & Retention</p>	<p>17% Training</p>
<p><i>of net new private-sector jobs from 2010-2017.</i></p>	<p><i>Median net worth of families with a small business owner compared to those who worked for someone else.</i></p>	<p><i>Most businesses already know that social media platforms</i></p>	<p><i>of all small businesses have a financing shortfall or unmet financing needs</i></p>	<p><i>challenge for small business owners in Boston is customer acquisition and retention, but less than 5% of local business service organizations help with this</i></p>	<p><i>of small business owners believe access to and higher quality training programs is the top local policy priority.</i></p>


Sources: SBA.gov; Federal Reserve Bulletin March 2006; Bridging the Divide, Aspen Institute; Michigan State Why Buy Local; Federal Reserve Bank 2019 Small Business Credit Survey; Next Street City of Boston Small Business Report; Next Street City of Chicago Small Business Report; Rhode Island Small Business Report; Thumbtack 2018 Small Business Friendliness Survey

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TO CONSIDER

COMMUNITY



CHEST

- *The Classic model of entrepreneurial programs and TA solutions that have worked for the majority community very seldom work for BIPOC entrepreneurs.*
- *How do we make them work?*


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Access to Capital is a Problem

Our capital system creates persistently inequitable outcomes in access to small business financing...


Venture Capital



<1%

of venture capital funding goes to Black founders.


Interest Rates



+22%

Business owners of color pay interest rates that are 22% higher than White business owners (7.8% vs 6.4%)


Loan Denials



2X

Loan denial rates for business owners of color are twice as high as those of White business owners


Loan Size



-39%

The average loan to a POC-owned business is 39% smaller than the average loan to a white-owned business (\$363k vs \$592k)




Funding Received



-28%

Business owners of color that do get funding receive their full amount sought 28% less often than White business owners (40% vs. 68%)

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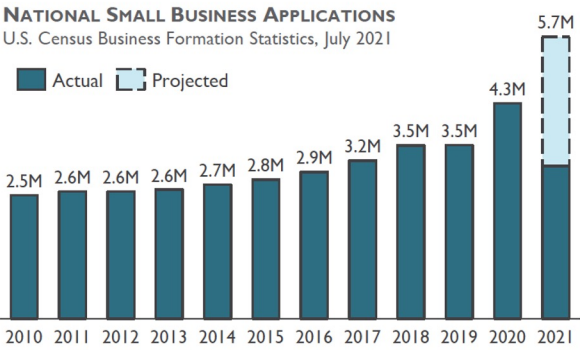
THE OPPORTUNITY: SMALL BUSINESS GROWTH

SMALL BUSINESS STARTS NATIONALLY ARE AT UNPRECEDENTED HIGHS

Since July 2020 applications for small business licenses have been up more than 50% over pre-pandemic levels.

NATIONAL SMALL BUSINESS APPLICATIONS
U.S. Census Business Formation Statistics, July 2021

■ Actual □ Projected

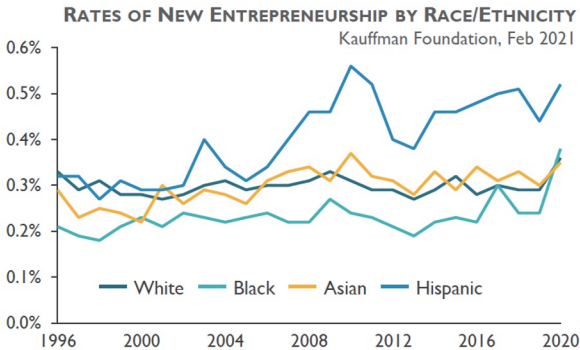


Year	Applications (Millions)
2010	2.5M
2011	2.6M
2012	2.6M
2013	2.6M
2014	2.7M
2015	2.8M
2016	2.9M
2017	3.2M
2018	3.5M
2019	3.5M
2020	4.3M
2021	5.7M (Projected)

MORE NEW SMALL BUSINESS OWNERS THAN EVER ARE PEOPLE OF COLOR

In 2020 rates of new entrepreneurship among Black, Asian, and Hispanic Americans were at or above the rate for White Americans.




RATES OF NEW ENTREPRENEURSHIP BY RACE/ETHNICITY
Kauffman Foundation, Feb 2021



Legend: White (dark blue), Black (teal), Asian (orange), Hispanic (light blue)


Intentionally supporting the millions of new businesses owned by people of color that have been formed in the past year is an opportunity to **equitably rebuild our economy.**

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SEPARATE AND UNEQUAL INFRASTRUCTURE FOR BUSINESS OWNERS OF COLOR



<10%

of government funding reaches Black or Latino(a) business owners despite them making up over 30% of all small businesses.

Systemic Bias

Black-owned small businesses are approved for financing at **1/3 the rate** of white-owned small businesses




Broken Channels

Decades of mistrust have made business owners of color **half as likely** to use mainstream financial institutions - who control **98% of funding**

Bottlenecked Help

Local providers that are utilized by Black and Latino(a) small businesses are only allocated **2% of funding** - hindering their ability to help

*Includes employer and non-employer businesses
Source: US Census, National Community Reinvestment Coalition, Federal Reserve 2020 Small Business Credit Survey, Small Business Administration

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BEFORE COVID & AFTER COVID



How has small business development changed since covid and the civil unrest of 2020?

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BEFORE COVID & AFTER COVID

- *Broader recognition of the racial disparities faced by BIPOC business owners and workers*
- *More targeted programs for black and brown-owned businesses*
- *More grants made to BIPOC businesses, not just loans*
- *More focus on supporting e-commerce, delivery, and virtual commerce*
- *More focus on equitable access and delivery of small business supports*

TRADITIONAL ECONOMIC DEVELOPMENT –VS– EQUITABLE ECONOMIC DEVELOPMENT

TRADITIONAL

- *Focused on measuring macro-economic indicators (job creation, poverty, vacancy rates, unemployment, new businesses created)*
- *Race-neutral programs provide the same help to everyone*
- *Top-down programs: minimal engagement with community to inform program design*
- *Complex application processes requiring high reading level*
- *Focused more on recruitment and outside-in*

EQUITABLE

- *Focused on disaggregating key indicators by race, ethnicity and gender to understand disparities*
- *Targets or prioritizes businesses of color and those facing the most barriers*
- *Intentional and inclusive engagement to ensure programs meet needs – supports ecosystem, including BIPOC-led and grassroots efforts*
- *Simplified application processes, offered in multiple languages; technical assistance to support application development*
- *Focused on building from within*

INTENTIONAL INVESTMENTS IN SMALL BUSINESSES IS KEY



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GOVERNMENT'S SHIFT TOWARDS EQUITY

President Biden's administration has set in motion equity across agencies:

- *On January 20, 2021, the President issued EO 13985, Advancing Racial Equity and Support for Underserved Communities Through the Federal Government*
- *U.S. Department of Commerce new mission: "to create the conditions for economic growth and opportunity for all communities."*
- *SBA Equity Plan*
- *Justice 40: President Biden's goal that 40% of the overall benefits of certain Federal investments flow to disadvantaged communities that are marginalized, underserved, and overburdened by pollution.*

HOW WILL YOUR SBDC MAKE THE SHIFT?

"The SBA's Equity Action Plan reaffirms our agency-wide commitment to breaking down long standing barriers to ensure underserved entrepreneurs can access the capital, networks, resources, and opportunity they need to realize their American dream of business ownership"

Administrator Isabella Casillas Guzman.

GOVERNMENT'S SHIFT TOWARDS EQUITY

KEY PRIORITIES OF COMMERCE DEPARTMENT

- *Closing the digital divide*
- *Ensure economic development dollars advance racial equity and support underserved communities*
- *Grow minority business enterprises*
- *Strengthen small businesses in underserved communities by helping them be successful exporters*
- *Increase access to the patent and trademark systems for inventors and entrepreneurs from historically underserved communities.*

NATIONAL TRENDS

- *Ecosystem mapping*
- *Grants for BIPOC businesses*
- *Corporate grants + access to networks and services*
- *More capital products, moving towards patient and flexible*
- *Reducing barriers in existing programs*
- *Increase in industry-specific programs, geared towards quality jobs*
- *Supplier diversity efforts across major anchors and employers*

HOW WILL YOUR SBDC MAKE THE SHIFT?

- Engage stakeholders to, listen, learn their needs and how to best meet them
- Partner with trusted community organizations
- Disaggregate data by race, ethnicity, gender, age, zipcode
- Be intentional!
- Targeted services for BIPOC businesses
- Bilingual/bicultural
- Geography: bring the services to them
- Social capital (critical to success)

Equitable Small Business Development



02

MIX OF PROGRAMS:
COMPETITORS OR
PARTNERS?



SMALL BUSINESS PROGRAMS, COMPETITORS OR PARTNERS?

Overview

<p>FEDERAL RESOURCE PARTNERS</p>  <p>U.S GOV.</p>	<p>POWERHOUSE ORGANIZATIONS</p>  <p>Found. Nonprofits</p>	<p>COMMUNITY GROWN</p>  <p>Place</p>	<p>CORPORATE BANKS</p>  <p>Place</p>
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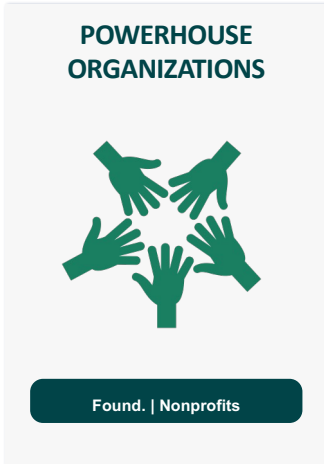
17% of Small business owners believe access to, and higher quality training programs is the top local policy priority.

TECHNICAL ASSISTANCE PROGRAM MODELS, BEST PRACTICES

National Best Practice



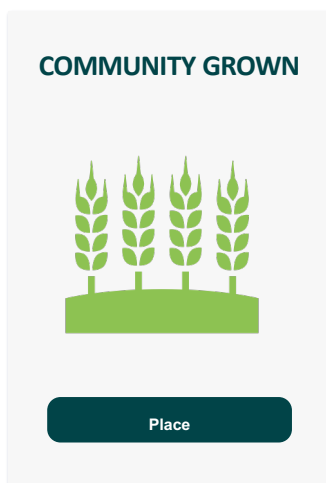
MIX OF SMALL BUSINESS PROGRAMS



Cohort-driven + Strong Curriculum

- [Kauffman FastTrac](#)
- [Interise](#)
 - Streetwise MBA | Interise Strong | SBA Emerging Leaders | Accelerate LatinX | Leadership in Equitable Anchor Procurement (LEAP) | Grow My People
- [Goldman Sachs - 10,000 small businesses program](#)

SMALL BUSINESS PROGRAMS



Entrepreneurial Ecosystem in your community

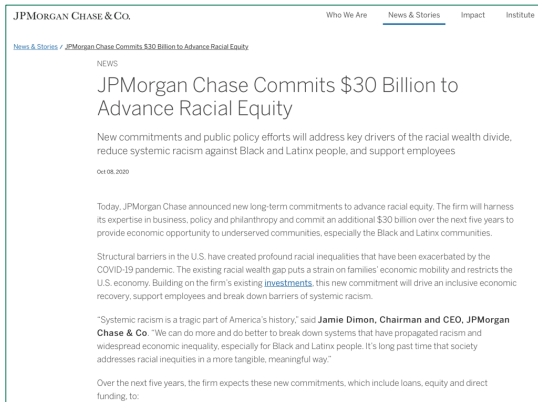
- Chambers of Commerce
- Business Associations
- CDCs
- Economic Development Organizations
- Nonprofits
- CDFIs
- Incubators
- Accelerators

SMALL BUSINESS PROGRAMS



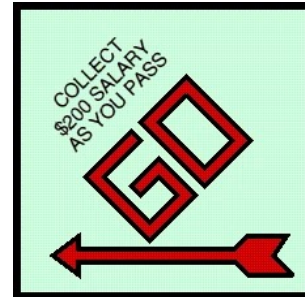
Entrepreneurial Ecosystem in your community

- JP Morgan Chase: [Advancing Racial Equity Commitment](#)
- Pursuit Lending
- Community Reinvestment Act (CRA) Revisions Proposal (May)
 - US Banking Regulators proposal would change both the process and substantive tests that the regulators use to assess the record of each bank in fulfilling its obligation to the community.



TAKE AWAY

The quality and focus of TA programs is largely tied to those people who lead it.



How are we reimagining our engagement?

- *What differentiates you?*
 - Special population focus?
 - Special Programing?



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ENTREPRENEURIAL
ECOSYSTEM



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ECOSYSTEM MAPPING AND COORDINATION

BE ENTREPRENEUR-CENTERED ALWAYS

- *Is it easy to know what organizations exist and what they provide?*
- *Where does a business find them?*
- *Are they accessible?*
- *What's missing? Not meeting the need?*
- *Is there redundancy in services?*

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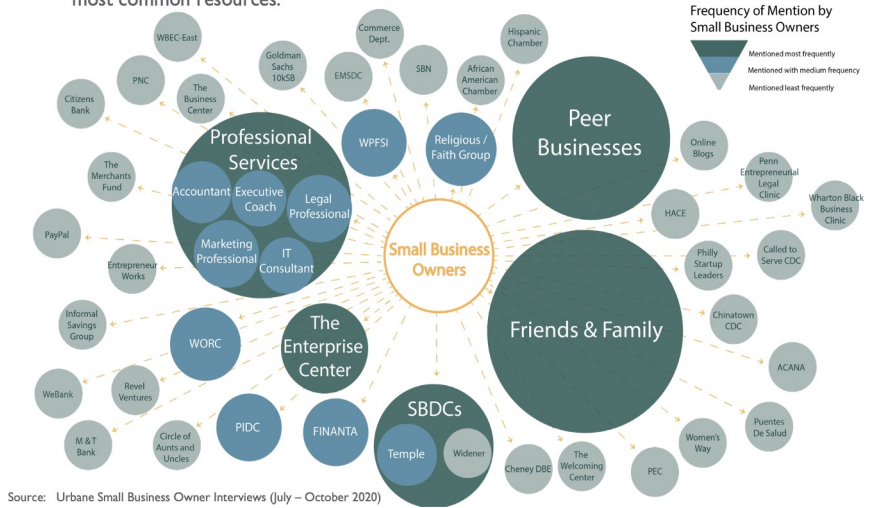
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ECOSYSTEM MAPPING EXAMPLE

ECOSYSTEM UTILIZATION: OVERVIEW

The organizations below are sized according to the number of times they were mentioned in business owner interviews and surveys. Friends/family, peers, and professional services are the most common resources.

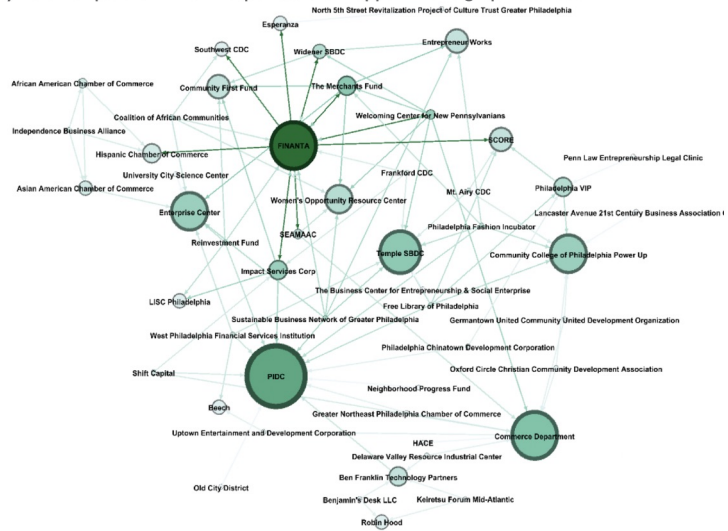


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ECOSYSTEM MAPPING EXAMPLE

ECOSYSTEM COLLABORATION: OVERVIEW

Among the 65 BSOs who responded to the survey, 35 listed the organizations to/with whom they refer or partner. Their responses are mapped in the graphic below



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BUILDING A TOOLBOX OF PROGRAMS

- *Map all entrepreneurial ecosystem stakeholders*
- *Convene stakeholders to assess assets, gaps, opportunities and risks*
- *Survey business owners to determine needs and perceptions*
- *Example: Equitable Entrepreneurship Study in Philadelphia*
- *Determine a system and methodology to convene and nurture the ecosystem*

TOOLBOX OF PROGRAMS

- **BRICK & MORTAR BUSINESS GRANTS:** *Facade improvement, interior fit-out and equipment, signage, security camera, corridor improvements to attract foot traffic*
- **MODERNIZATION & INNOVATION:** *Web presence, e-commerce/take-out, social media, point of sale, software/hardware*
- **ACCESS TO CAPITAL:** *CDFIs, micro-lending programs, seeding funding, venture capital*
- **TRUSTED GUIDANCE:** *How to start a business, specialized training (book-keeping, legal, marketing, etc.), one-on-one*
- **BUSINESS LAUNCH:** *Incubators, shared back-office, social networks*
- **GROWTH:** *Accelerators, 10KSB, certification, procurement connections, mentor-protege*

ECOSYSTEM MAPPING AND COORDINATION

ASK YOURSELVES:

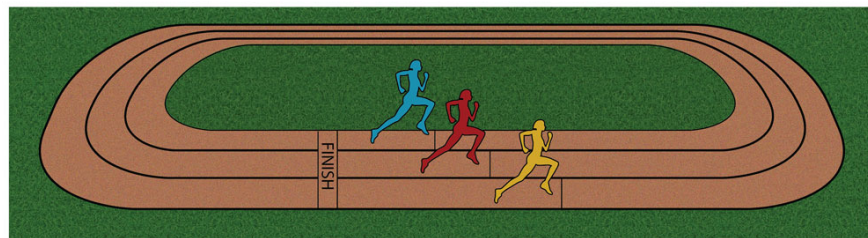
- *Do businesses think of us first when they need support?*
- *Why or why not?*
- *What are our key strengths?*
- *When was the last time we innovated our services?*
- *Have we shifted since the pandemic?*
- *Where should we focus and where should we not focus?*
- *Have we shifted since Exec. Order 13985 on Equity Plans?*


Equitable Small Business Development



04


Best Practices &
Innovative Models





Reinventing Our Communities (ROC) Cohort Program

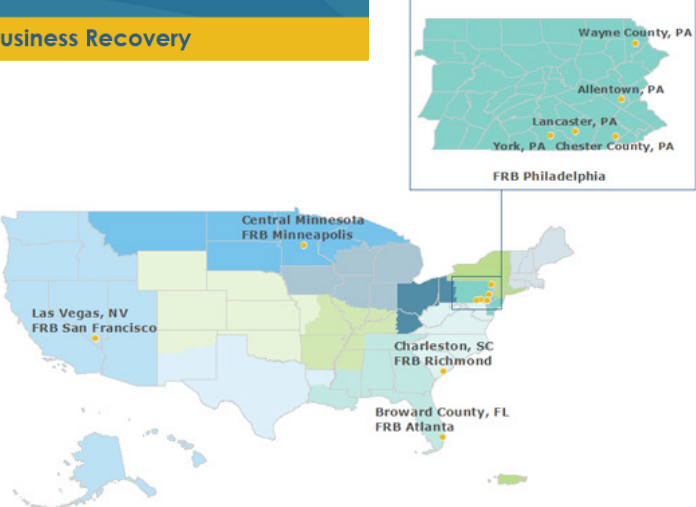
Building Community Capacity on Racial Equity for Structural Change






2021 PROGRAM: Equitable Small Business Recovery

An in-depth racial equity training program for cross-sector community groups across the U.S. to apply local solutions to increase opportunity and strengthen local economies.

- How can communities help BIPOC entrepreneurs
- Grow a business and create wealth



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Do Small Business Technical Assistance Programs help entrepreneurs Build Wealth?

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SMALL BUSINESS PROGRAMS & TECHNICAL ASSISTANCE AIM TO REDUCE BUSINESS RISK NOT BUILD WEALTH

Small Business Programs & TA

Cost | Risk | Time | Money | Regs | New Markets



Coach | Consultant | Instructor | Mentor

Wealth Building

Make \$ | Save \$ | Invest \$ | Real Estate | Private notes | Stocks



Financial Planner | Wealth Management Advisor

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def.

household and community wealth building

/hous,(h)ōld (ə)n kə'myoōnədə welTH 'bildiNG /

*** Comprehensive approach that aims to improve the ability for individuals and communities to advance asset ownership.**

includes driving environmental objectives; establishing a stable workforce; and increasing the provisions of public services that aid in greater local economic stability.

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Building Wealth Essentials

- 1 Disciplined in financial management**
Filing taxes, maintain fin records, statements, credit Worthiness
- 2 Ability to buy a home / real estate**
Great-grandmother invests in Philly real estate to build generational wealth
- 3 Retirement Plan "SIMPLE IRA"**
Employees & employers contribute to traditional IRAs set up for employees
- 4 Healthcare insurance**
Join a chamber or other membership orgs. to get access to a plan.
- 5 Collaborative Opportunities**
Social Capital | Professional Business Associations | Investment Participation

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CAN YOU FIGURE OUT ...

TAKE THE RISK

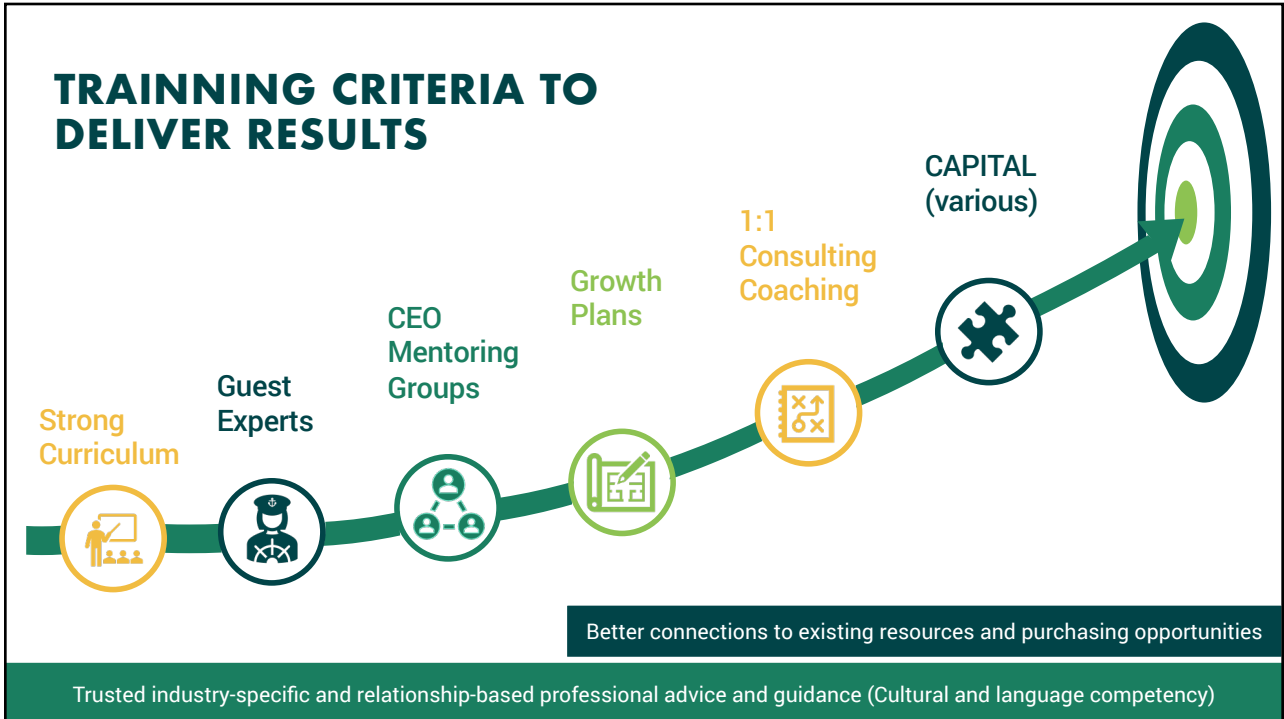
OR LOSE THE CHANCE

1. *How easy is it to buy a home if you are a businessperson?*
 - Which lenders in your communities provide HOME loans?
2. *How many BIPOC business owners work with your center?*
3. *Do you have BIPOC initiatives for small business owners?*
 - What type of BIPOC initiatives does your community have?
4. *Where do you get Investment advice once you accumulate some money?*
 - How do you even meet someone to do that?

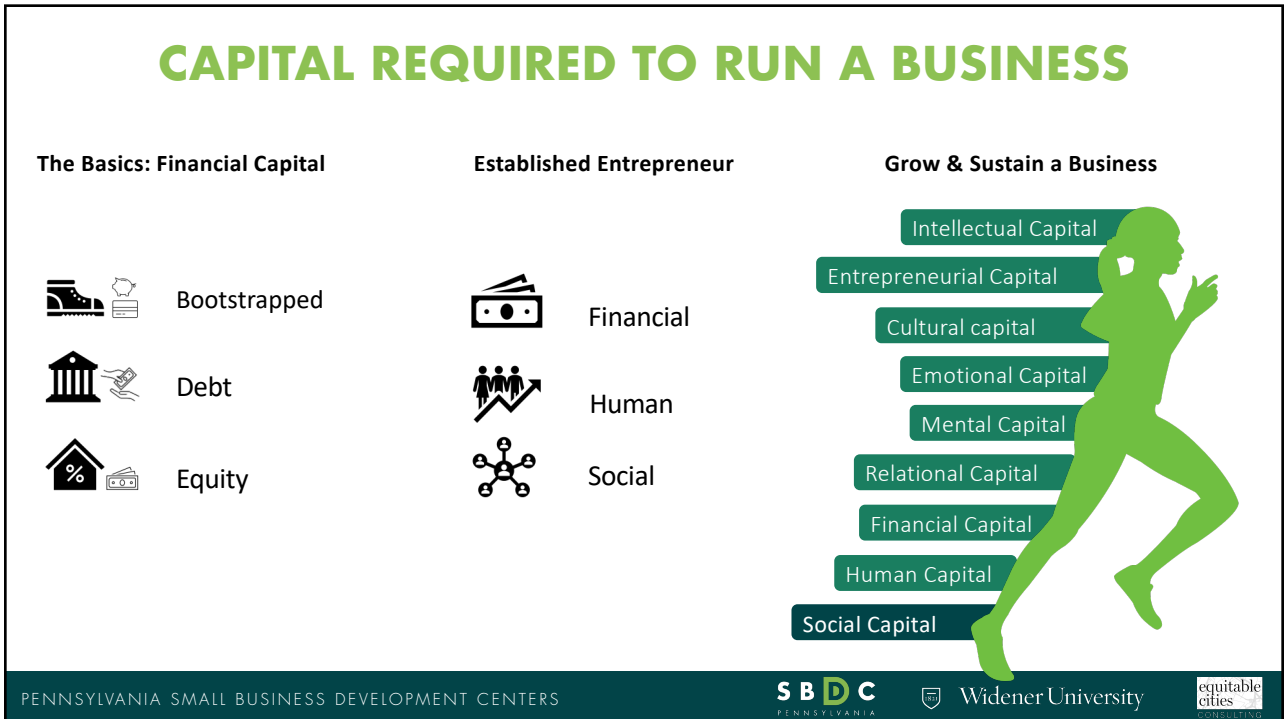
(not as seen on Monopoly)

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CAPITAL REQUIRED TO RUN A BUSINESS

CAPITAL needs to
Grow & Sustain
a Business

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def.

Social Capital

/'sōSHəl 'kapədəl /

noun

** Resources gained through interpersonal relationships and larger social networks.*

It's the positive outcome of human interaction, including information, resources, innovation and opportunities. This type of capital contributes to collective efforts to achieve shared goals, purposes or overall success.

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SOCIAL CAPITAL



Lenin

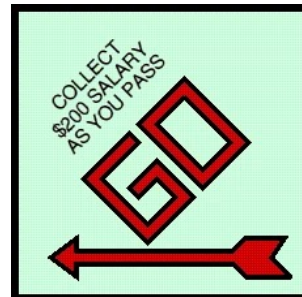


Peter

TAKE AWAY

Simply put, TA and small business programs that best position participants for success focus heavily in adding value via social capital.

*Connections | Advocacy | Networks | Contracts
Inclusive Investment Participation*







OUR AGENDA

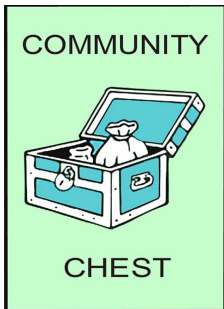
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PROGRAMS WITH DEI PRACTICES DRIVING ECONOMIC GROWTH

<p>MMBC</p>  <p>Private Partners</p>	<p>GUCI</p> <p>CLEVELAND'S GREATER UNIVERSITY CIRCLE INITIATIVE</p> <p>A Partnership Between Philanthropy, Anchor Institutions and the Public Sector</p>  <p>Multi - Anchor</p>	<p>WYOMISSING FOUNDATION</p>  <p>Philanthropy</p>	<p>TISHMAN SPEYER & HARVARD</p>  <p>TISHMAN SPEYER</p> <p>Equity Participation</p>
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TO CONSIDER



- *Who are the players in your community who would consider the bending of institutional and individual wealth to be open to business participation from BIPOC community?*

CAN YOU FIGURE OUT ...



- *Think about the 3 major employers in your community. When they make investments do they pursue DEI principles?*
- *For which institutions in your community is building social capital amongst BIPOC entrepreneurs a central issue?*
- *Who are the DOERS with Institutional stick-to-itiveness in your community? (Anyone saying this is important, we have to do it?)*

INNOVATIVE PROGRAMS SUPPORTING BIPOC BUSINESSES

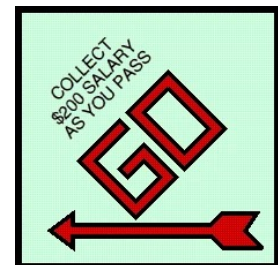


EXAMPLES OF INNOVATIVE PROGRAMS SERVING BIPOC BUSINESSES

- **MOST DIVERSE TECH HUB PHIL**: program to support Black and brown business startups as well as support Black and brown internship wages in startups
- **BIZ ON WHEELS**: A group of chambers and organizations serving BIPOC businesses transformed a van into a business services hub: There's a small conference table, a screen for viewing presentations, and a printer, scanner and copier station.
- **BOOST YOUR BUSINESS FUND**: Boost Your Business will provide funding to help diverse entrepreneurs in Philadelphia scale their businesses. 10 selected businesses will receive a \$50,000 forgivable loan. The loan will be forgiven when the business meets its stated growth goals: new contracts, revenue, and employee growth.

TAKEAWAYS

- 1 Find the DOERS who are willing to stick to it.
- 2 Support / Design programs & TA to enhance the Social and Financial CAPITAL of participants.
- 3 Mentoring is important; sponsoring is more important
- 4 Pursue DEI principles for investment opportunity
- 5 Institutionalize the approach



SCAN ME!
ACCESS PRESENTATION MATERIALS







QR Code **SCAN ME!**
ACCESS PRESENTATION MATERIALS



WWW.WIDENERSBDC.ORG/PRESENTATION

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LET'S KEEP IN TOUCH



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