

FEDERAL RESERVE BANK
PHILADELPHIA



OVERVIEW OF EQUITABLE SMALL BUSINESS RECOVERY

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X INTRODUCTION TO NEXT STREET: OVERVIEW

Next Street has 15 years of experience supporting small businesses and the service providers, funders, and investors that ensure their success

*Next Street is a mission driven firm that mobilizes **capital, customers, and capabilities** to small businesses and entrepreneurs that have been systemically held back.*

*We equip our clients with strategies and tools to **advance small businesses** and deliver a more inclusive US economy.*

Our Clients

JPMORGAN
CHASE & CO.

Opportunity Fund
working capital
for working people

T THE CHICAGO
COMMUNITY TRUST
AND AFFILIATES

NYC
Small Business
Services

CRF
USA

HERON

THE CITY OF
COLUMBUS
ANDREW J. GINTHER, MAYOR

NDC50
YEARS
Grow America Fund

IC
CAPITAL IMPACT
PARTNERS

Solutions

Advisory



Research, strategy, and management consulting services for organizations and partnerships supporting small business

Programs



Design, execution, and management of educational and technical assistance programs that serve small business owners directly

Capital



Strategic and tactical fundraising support for organizations deploying capital to small businesses

Current State of Small Business

Small Business Needs and Opportunities within COVID-19 Recovery

Guiding Ecosystem Principles and Collaboration

THREE FUNDAMENTAL BELIEFS

-  *Small business infrastructure is broken.*
-  *We work within (and around) the traditional system while changing it.*
-  *We each have a role to play.*

X WHY SMALL BUSINESS?

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

Employment

66%

of net new private-sector jobs from 2010-2017

Wealth Creation

5x

Median net worth of families with a small business owner compared to those who worked for someone else

Build and Sustain Communities

68%

of every \$100 spent at a local business stays in the community vs. only 42% when spent at a non-local business

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

Access to Capital

52%

of all small businesses have a financing shortfall or unmet financing needs

Access to Customers

#1

challenge for small business owners in Boston is customer acquisition and retention, but less than 5% of local business service organizations help with this

Access to Services

17%

of small business owners believe access to and higher quality training programs is the top local policy priority

X THE PROBLEM: INSUFFICIENT AND INEQUITABLE CAPITAL ACCESS

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

<1%

Less than a percent of venture capital funding goes to Black founders

+22%

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

2x

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

-39%

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

-28%

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

X 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

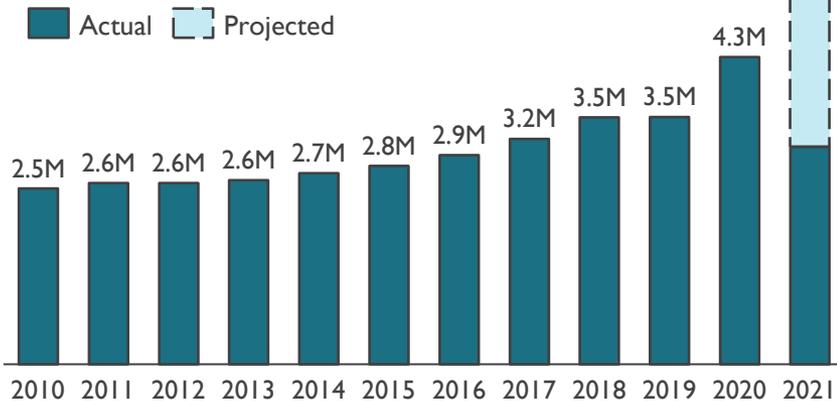
X THE OPPORTUNITY: SMALL BUSINESS GROWTH

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

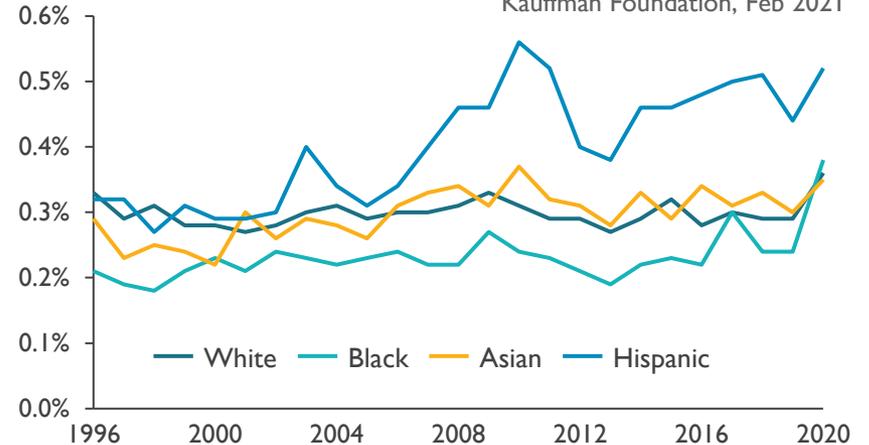


MORE NEW SMALL BUSINESS OWNERS THAN EVER ARE PEOPLE OF COLOR

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



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.**

AGENDA

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X COOK COUNTY COVID-19 RECOVERY – SMALL BUSINESS ASSISTANCE: PROGRAM COMPONENTS



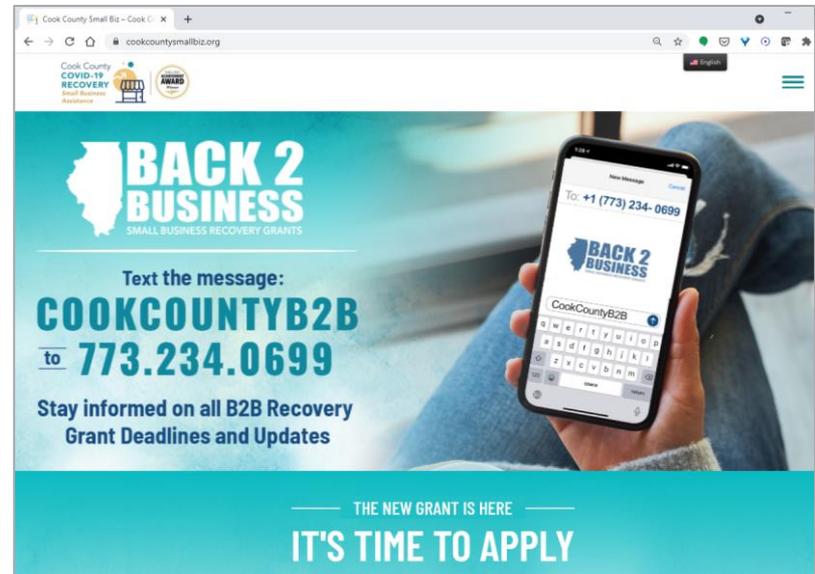
Optional Group Webinars



One-on-one Business Advising



Recovery Grants

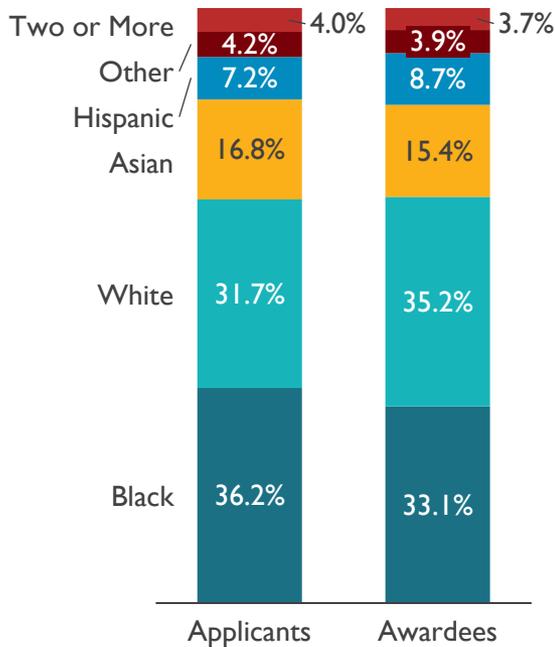


cookcountysmallbiz.org

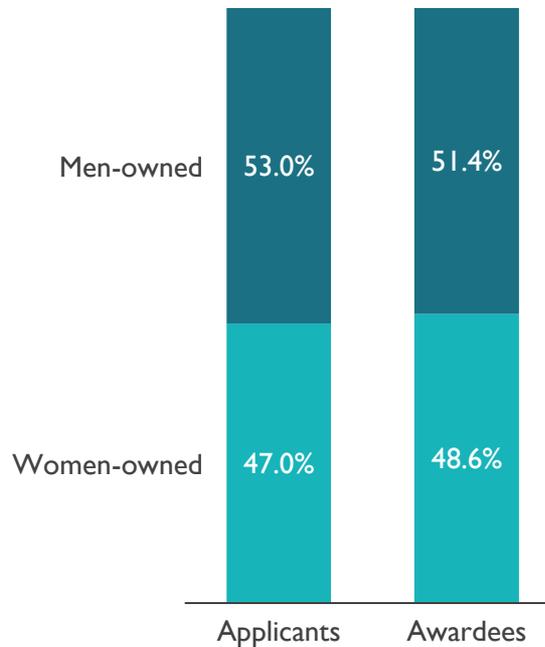
COOK COUNTY COVID-19 RECOVERY – SMALL BUSINESS ASSISTANCE PROGRAM: *IMPACT*

The Initiative helped to deploy **\$16.9M** in grants to **1,690** small businesses, as well as provide deeper business advising to those businesses and nearly **2,000** more who were seeking technical assistance

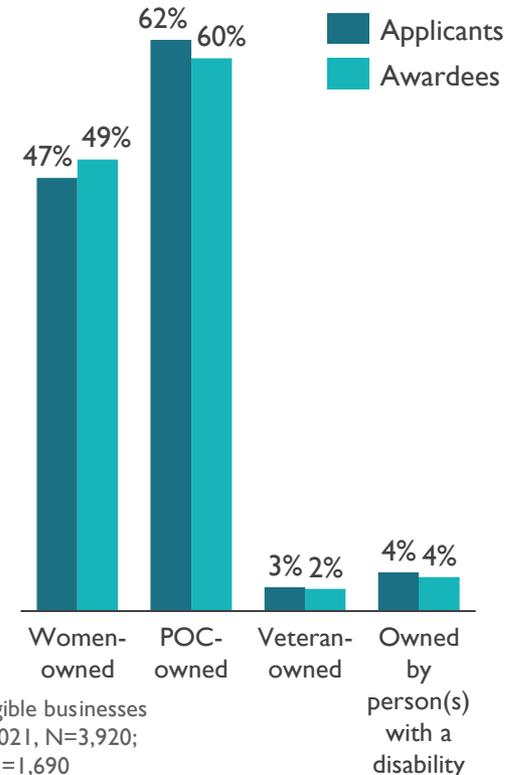
Applicants and Awardees by Race / Ethnicity



Applicants and Awardees by Gender



Applicants and Awardees by Other Owner Characteristics



Note: Data has been revised since January report to include all grant applicants including duplicate entries and ineligible businesses
 Source: Grant applicants: Cook County COVID-19 Recovery Small Business Assistance program data accessed 2/3/2021, N=3,920;
 Awardees: Cook County COVID-19 Recovery Small Business Assistance program data accessed 2/3/2021, N=1,690

X COOK COUNTY COVID-19 RECOVERY – SMALL BUSINESS ASSISTANCE PROGRAM: *KEY LEARNINGS*

Strengths

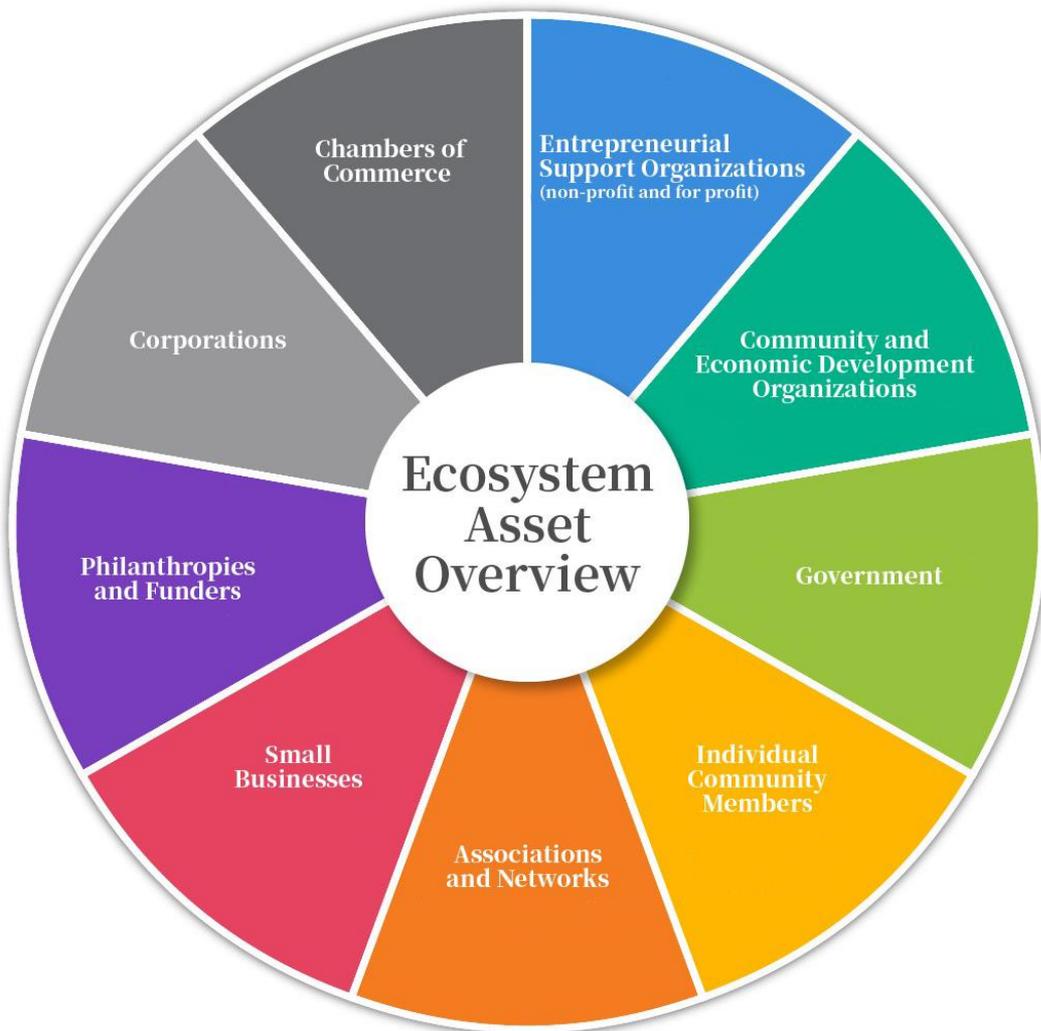
- > **Strong coordination**
- > **Strong impact**
- > **Reaching intended businesses**
- > **Shared resources serve as model for others**
- > **Attracting more partners**

Areas of opportunity for future developments

- > **Increased capacity**
- > **Streamlined grant applications and audit process**
- > **Improved matchmaking**
- > **Continue building on success of program through:**
 - > **Additional BSO peer learning**
 - > **New TA delivery formats**
 - > **Updated partner roles and expanded network**

X KAUFFMAN BRIEF: ECOSYSTEM STAKEHOLDERS

The Kauffman Brief highlighted the top ecosystem assets and the types of organizations that contributed them as part of the Cook County COVID-19 Recovery SB Assistance program



The Kauffman Brief—*Linking and Leveraging Assets in Entrepreneurial Ecosystems to Address Challenges and Crises*— from its series “Ecosystems in Action: Practices from the Field” is linked below



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X PHILADELPHIA ECOSYSTEM (1 OF 3): STATE OF SMALL BUSINESS

Philadelphia houses a robust small business ecosystem which have been historically clustered in traditional “main street” and professional services industries

Disparities in small business ownership, employment, and revenue in Philadelphia persist for businesses owned by people of color and women

Small businesses in Philadelphia have been hard hit by the public health measures adopted to reduce the spread of COVID-19, with the pandemic disproportionately impacting industries with high representations of the region’s small business owners of color

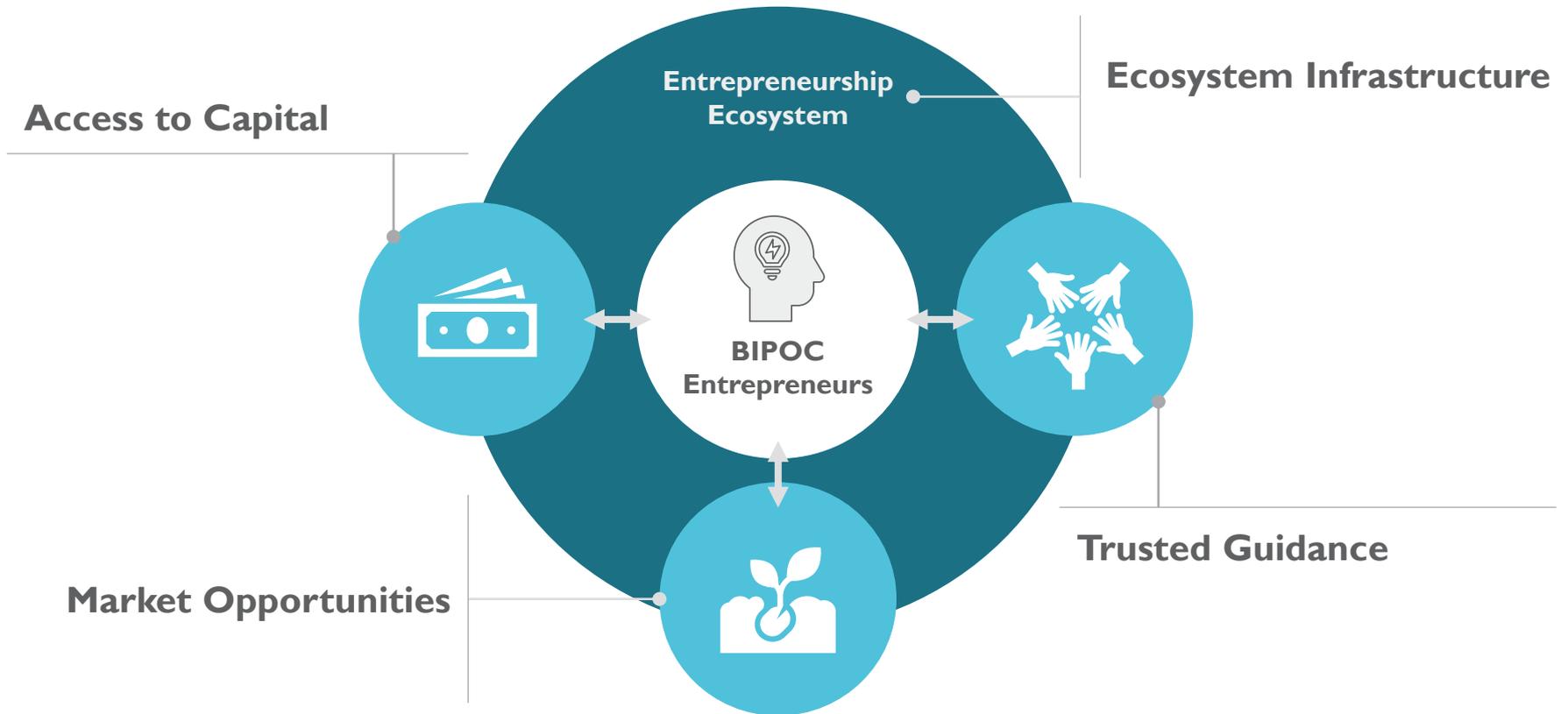
Next Street partnered with Econsult Solutions Inc., SourceLink, and Urbane to identify ways to create a more equitable ecosystem in Philadelphia, with the report linked below



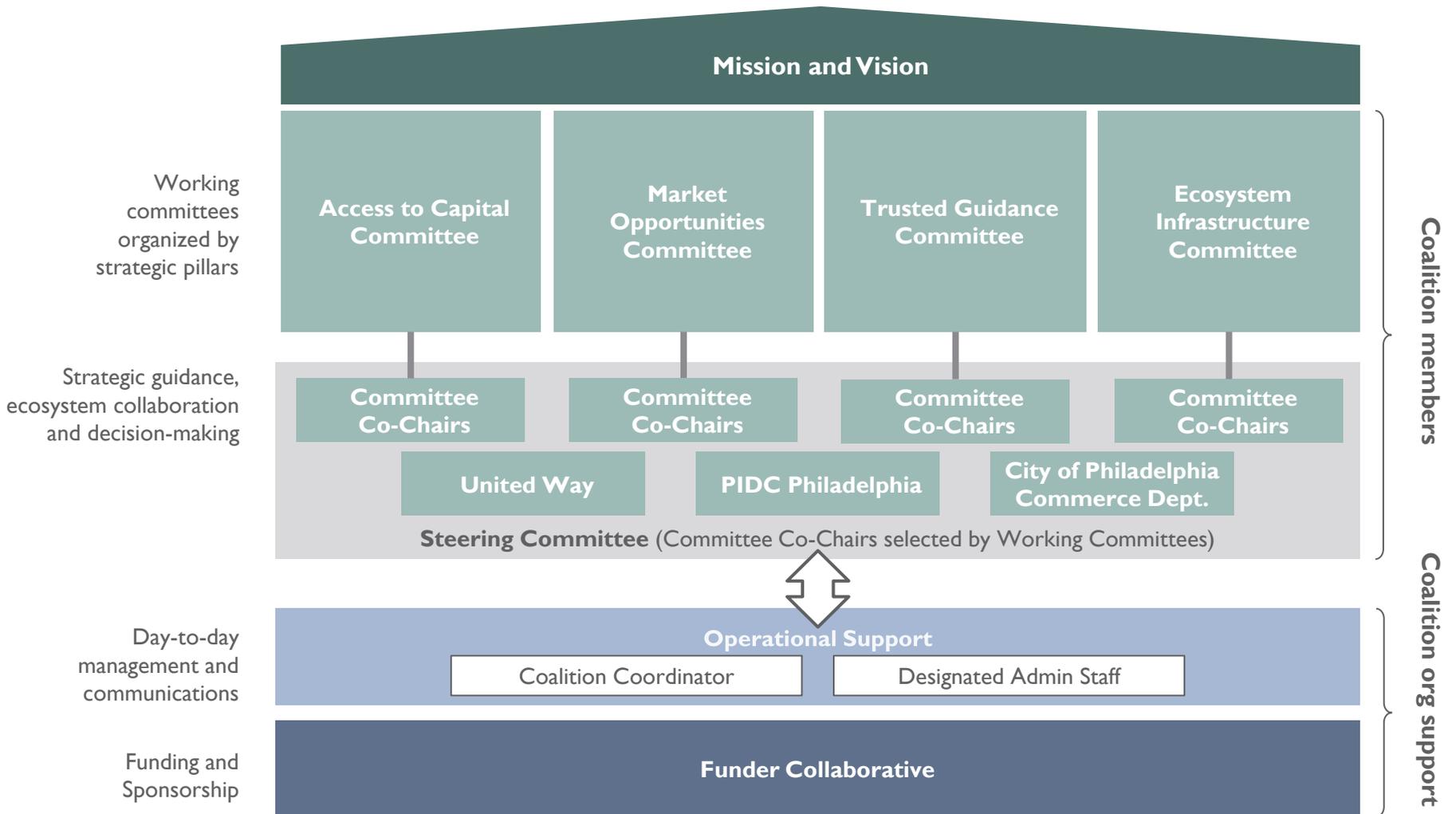
X PHILADELPHIA ECOSYSTEM (2 OF 3): STRATEGIC SOLUTIONS

During our collective process, Next Street coalesced around a proposed path forward to uplift and catalyze BIPOC entrepreneurs and create a more inclusive and resilient entrepreneurship ecosystem in Philadelphia

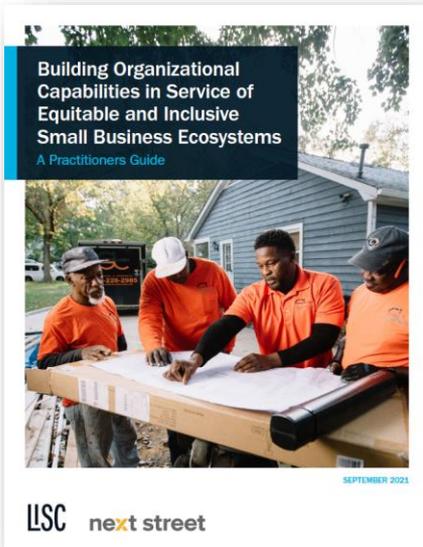
Philadelphia Equitable Entrepreneurship Ecosystem: Strategic Solution Pillars



X PHILADELPHIA ECOSYSTEM (3 OF 3): COALITION STRUCTURE



X SMALL BUSINESS ECOSYSTEMS PLAYBOOK (1 OF 3): APPROACH



LISC and Next Street partnered to publish a practitioner's guide to outline how organizations serving small businesses can work together to identify ecosystem-level and organization-specific strategies through the below approach

Understand the Local Small Business Ecosystem

Decide Where to Focus

Operationalize a Plan and Manage for Success

Ongoing Community Engagement

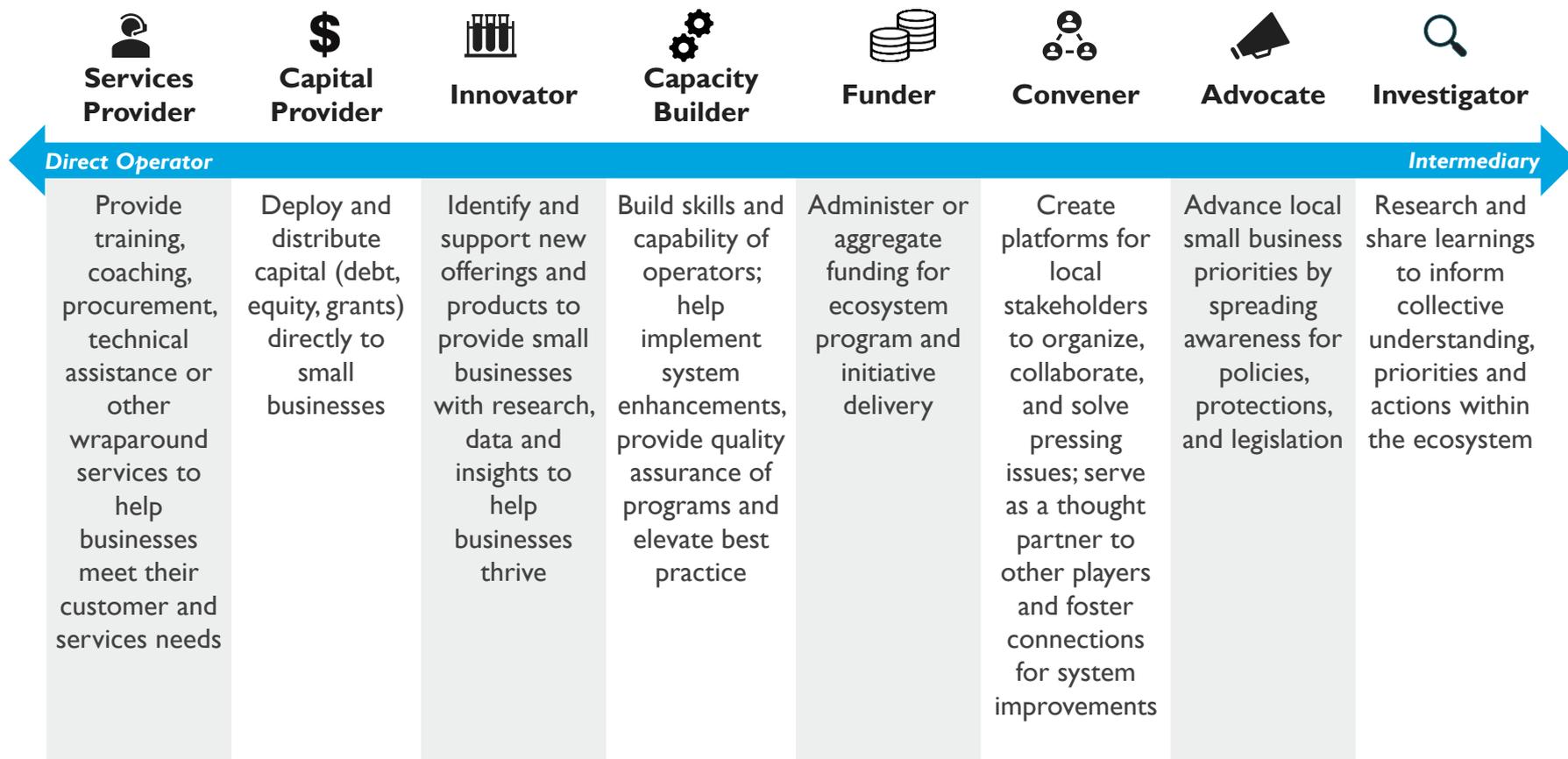
X **SMALL BUSINESS ECOSYSTEMS PLAYBOOK (2 OF 3):** *GUIDING PRINCIPLES*

Strategies for small business ecosystems should follow community development best practices through the following guiding principles

- > **Realize Equity:** Break down structural barriers to capital access and racial and economic wealth equality
- > **Build on Strengths:** Work at the intersection of locational advantages, existing partnerships, and growing industries and occupations
- > **Develop Community-Based Solutions:** Recognize that each solution works best when all solutions are pursued together, informed by one another, connected to and influenced by broader strategies
- > **Pursue Solutions Comprehensively:** Invest in on-the-ground collaboration by coordinating and integrating resources and actors across sectors to develop and implement a shared action agenda that drives inclusive growth
- > **Make a Commitment to Place:** Focus on specific communities to address concentrated opportunity gaps in a more strategic and impactful way
- > **Create New Partners, Leverage Existing Ones:** Invest in building authentic partnerships with stakeholders at all levels and sizes, identify shared goals, and leverage resources for maximum impact

X SMALL BUSINESS ECOSYSTEMS PLAYBOOK (3 OF 3): ECOSYSTEM ROLES

Organizations serving small businesses can play different roles, ranging from systems-level actors that support the ecosystem to ground-level operators that serve small businesses directly



X UNDERSTANDING US SMALL BUSINESS ECOSYSTEMS

From 2019 – 2020, Next Street partnered with Common Future to produce a set of small business support and capital ecosystem analyses in select cities across the country

In this report (*linked below*), we share details of our approach to the analyses, highlight lessons learned and future considerations, and provide insights for communities looking to engage and build their local small business ecosystems



Recommendations on implementing a **community driven, research-based ecosystem analysis**. The recommendations reflect the key ingredients for centering community and local economies in ecosystem advancement.



Highlights of similar challenges faced by multiple cities and respective needs within their small business ecosystem. Understanding the **shared complexities** can lend itself to future brainstorming of cross-city global solutions.



Most commonly recommended strategies from ecosystem analyses in New York, Los Angeles, San Antonio, Indianapolis, St. Louis, Richmond and Minneapolis/St. Paul. Learnings can be used to validate within a city or compare conditions between cities and to identify opportunities to invest in cross-city work.

X THREE FUNDAMENTAL BELIEFS: *RECAP*

1 *Small business infrastructure is broken.*

2 *We are work within (and around) the traditional system while changing it.*

3 *We each have a role to play.*

X RESOURCES: NAVNET

NavNet is a social network that allows small business heroes to connect with all the networks, initiatives, and causes that matter to them, all on one platform

NavNet Allows Business Support Professionals to:

- Connect with 500+ members from across the country to share best practices and resources.
- Create private and public groups to communicate within their navigator network, organization, or partner network.
- Build their organization's capacity through best-in-class content, courses, and webinars from thought leaders within the space.



To sign up, visit www.nextstreet.com/navnet or scan the QR Code



X RESOURCES: VERIZON SMALL BUSINESS DIGITAL READY

citizenverizon^v

By 2030, Verizon will provide 1M small businesses with resources to help them thrive in the digital economy

<https://www.verizon.com/smallbusinessdigitalready>



Power up your small business.

Verizon Small Business Digital Ready provides personalized content, coaching, community and more to help move your business forward.

Running a small business has never been more complex. Verizon Small Business Digital Ready can help. It's a free program designed to give small businesses like yours more tools to succeed in today's digital world.

Verizon Small Business Digital Ready was developed in partnership with small business owners like you, who understand what it takes to succeed in the digital economy. The program is simple to use, with all the information available online in one place. After getting to know your business, we'll provide resources, networking and coaching tailored to your specific needs. The program can help your business move forward in four ways:

- Peer networking**
Connect with other small businesses and build your network! Share industry information or connect on future business opportunities—it's up to you.
- Incentives**
By participating in the program, you'll benefit from a marketplace of tools, solutions, products and services that can help move your business forward. You'll also be eligible to apply for grant funding exclusive to users of Verizon Small Business Digital Ready.*
- Personalized learning**
Start with the topics that are most important to your business right now. Content is presented by small business owners like you, and the brief, information-packed lessons will give you strategies you can use right away. As you complete the learning modules, you'll unlock new benefits, like coaching sessions on related topics.
- Expert coaching**
Get guidance from business experts across legal, marketing, business planning and more. They will help you to apply what you know and what you're learning to execute your plan of action.



Our communities need diverse and thriving businesses. That's why Verizon is committed to providing support for 1 million small businesses over the next decade—including yours. Because at Verizon, we believe no small business should be left behind. This is Citizen Verizon, our plan to move the world forward for all.

Get more details and sign up at [verizon.com/smallbusinessdigitalready](https://www.verizon.com/smallbusinessdigitalready)

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