“Supporting Small Businesses”

Neighborhood-based Approaches to Supporting Small Businesses

The neighborhood is a microcosm of the macroeconomic landscape

ROC Local
• Trends in entrepreneurship
• Entrepreneurial Ecosystems
• Serving Neighborhood Businesses
Why Do Entrepreneurs Matter?
Why Do Entrepreneurs Matter

Entrepreneurs are the Makers, the doors, the dreamers

There are 30.7 million small businesses in the U.S. which account for 99.9 percent of all U.S. businesses (SBA, 2019).

- Create value – start companies, bring innovation,
- Drive progress
- They are our celebrities
- Society is looking for solutions
- Entrepreneurship benefit us all
There are 30.7 million small businesses in the U.S. accounting for 99.9% of all U.S. businesses (SBA, 2019).

Created 47.5% Private workforce (SBA 2018)

Source: data.census.gov
Entrepreneurship happens every day in our communities – urban and rural. People from all different demographics, sectors, and geographies are entrepreneurs.

- Despite interest in entrepreneurship – decade long decline
- Decline exacerbated by barriers facing specific populations
- As a result, the whole economy suffers
• More than 50 percent of small enterprises fail in the very first year, and

• More than 95 percent of small startups fail within the first five years.

• 42 percent of small businesses fail because of a lack of market demand.

Source: SBA – www.sba.gov/advocacy
There are 8.7 million Workers Employed by Minority Firms in the U.S.
Entrepreneurship Trends: Race and Ethnicity

Between 1996 - 2019

<table>
<thead>
<tr>
<th>Race</th>
<th>Percentage Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latino</td>
<td>10% - 22.8%</td>
</tr>
<tr>
<td>Black</td>
<td>8.4% - 10.1%</td>
</tr>
<tr>
<td>Asian</td>
<td>3.4% - 7.0%</td>
</tr>
<tr>
<td>White</td>
<td>77.1% - 58%</td>
</tr>
</tbody>
</table>

New census 2045 projection confirm the importance of racial minorities as the primary demographic engine of the nation’s future growth, countering an aging, slow-growing and soon to be declining white population – 47.7%

Source: Kauffman Foundation Trends in Entrepreneurship Series 2020, #9
By 2019 New entrepreneurs are generally likely to be coming from all age groups compared to 1996 when more than one third were between 20 - 34

At a micro level, how has this pandemic impacted your community and will these trends hold together?

Source: Kauffman Foundation Trends in Entrepreneurship Series 2020, #9
Entrepreneurial Trends: Nativity

Immigrants – 25.4% new entrepreneurs 2019
Native born decrease 86.7% - 74.6% Same Period

Source: Kauffman Foundation Trends in Entrepreneurship Series 2020, #9
The traditional approach of attracting and retaining existing companies made sense in the past but must change now

“People are the new company”

Ecosystems are the answer

“Entrepreneurial ecosystems can provide a mechanism to improve access to economic prosperity for everyone, regardless of who they are and where they live”.

Kauffman Foundation Entrepreneurial Ecosystem Playbook 3.0
ROC Local
Entrepreneurial Ecosystem Domains

Diversity, Equity, and Inclusivity - entrepreneurial ecosystem that serves everyone, everywhere

- Policy -
- Financial Capital
- Culture – Societal norms
- Supports Systems
- Human Capital – Labor
- Markets

LEADERSHIP
- Unregulated support
- Social legitimacy
- Open door for advocates
- Entrepreneurship strategy
- Urgency, crisis and challenges

FINANCIAL CAPITAL
- Micro-loans
- Angel investors, friends, family
- Seed-stage venture capital
- Venture capital funds
- Public equity
- Public capital markets
- Debt

HUMAN CAPITAL
- Skilled, unskilled
- Social entrepreneurs
- Next generation family
- General degrees
- Specific entrepreneurship training

CULTURE
- Innovative, creativity, experimentation
- Social status of entrepreneur
- Wealth creation
- Ambition, drive, hunger

SOCIETAL NORMS
- Visible successes
- Wealth for families
- International reputation
- Tolerance of risk, mistakes, failure
- Innovation, creativity, experimentation
- Social status of entrepreneur
- Wealth creation
- Ambition, drive, hunger

INFRASTRUCTURE
- Telecommunications
- Transportation & logistics
- Energy
- Zone, incubators, co-working, clusters

NON-GOVERNMENTAL INSTITUTIONS
- Entrepreneurship promotion in non-profits
- Business incubators
- Conferences
- Entrepreneur-friendly associations

SUPPORT PROFESSIONS
- Legal
- Accounting
- Investment bankers
- Technical aspects, advisors

POLICY
- Market
- Financial capital
- Culture
- Supports systems
- Human capital
- Markets

NETWORKS
- Entrepreneurs' networks
- Diaspora networks
- Multinational corporations

EALY CUSTOMERS
- Early adopters for proof of concept
- Expertise in producing, selling
- First customers
- Distribution channels

Source: Isenberg’s ecosystem domains - Scale up Ecosystems for Growth Entrepreneurship
Elements of An Entrepreneurial Ecosystem

Entrepreneurs

People – Key Building Block

Culture of Trust & collaboration - interaction

Champions and Conveners

Enhanced Flow of Talent, Information, Resources

Knowledge & Resources

Onramps/Access Points

Serving Minority Entrepreneurs – Ecosystem Challenges

- **Capacity Building**: Training, Coaching, Mentoring, Technical Assistance,
- **Access to Capital**: Tall stages of growth
- **Access to Markets**: Regional, National, Global
- **Access to Social Networks**: Culture Rich in Social Capital

Systemic Racism costs the country as much as $300 B in lost income and as many as 9 M jobs.

*Source: Benetrends • March 11, 2019*
Collaborative Approach to Small Business Service Delivery

• Training
• Technical Assistance
• Access to capital/Lending
• Real estate/Incubation

Types of Entrepreneurs
Necessity vs Opportunity/Growth
Inclusive, diverse and Accessible (classes and workshops rotate around the city, curriculum translated (Mandarin, Russian, Spanish))

- Business planning – Example PHL Small BizStartup Accelerator
- Peer-based learning – social capital & networking
- Business development workshop series – skills development
- Industry best practices – Childcare, Restaurant, Retail etc.
- Coaching/mentoring
- Access to resources and networks – www.PHLresourceLink.org
Leveraging partner organizations to boost PowerUp technical assistance

- Partner organizations such as SBDC’s
- PHL Commerce Department funded BTAP providers
- Volunteer organizations - SCORE
- Commercialization Centers - Science Center, Temple University
- Product/technology development such as NextFab, accelerators (digital, health, etc.)
# PowerUp Access to Capital

## Capital access remains the most important factor limiting the establishment, expansion and growth of minority-owned businesses.

<table>
<thead>
<tr>
<th>PowerUp Access to Capital</th>
<th>PHL Capital Consortium – Ease Access</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Crowdfunding – Kiva/open platforms</td>
</tr>
<tr>
<td></td>
<td>• Grants Making orgs – Merchants fund</td>
</tr>
<tr>
<td></td>
<td>• Grants – PHL Commerce Department</td>
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<tr>
<td></td>
<td>• Micro lenders – CDFI</td>
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<td>• Credit Unions</td>
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<td>• Commercial/Community banks</td>
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<td>• Angel</td>
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<td>• Venture</td>
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</tbody>
</table>
Helping entrepreneurs find a place to launch and grow their businesses is key to their success

- Commercial Corridors - CDC
- Incubators/Accelerators (private, universities, nonprofits)
- Co-working spaces (private, nonprofits such as BRIC)
- Private developers – Shift Capital
- E-Commerce/Virtual services
Neighborhood Business – Measuring Impact

• Birth and death/survival rate of new businesses
• Registration of new businesses
• Jobs created by new businesses
• Exports by new businesses
• Investments secured by new businesses (loans and equity)
• Entrepreneurial activity among the population
  • Network access, strength and reach
  • Interactions in the ecosystem by service type, industry, stage, demographic and location
PowerUp – Measuring Impact

*5 businesses had more than one owner enrolled*

**By the Numbers:**
- **120** Total Businesses
- **125** Total Participants*
- **224** Full-time Employees
- **171** Part-time Employees

**2017-2018**

- **39** ZIP Codes Represented
- **10** Council Districts Represented
- **84%** Minority-owned Businesses
- **71%** Women-owned Businesses
- **89** Temporary Workers (1999s)
- **31%** Home-based Businesses
- **53%** Lease Space
- **16%** Own Space

ROC Local
Entrepreneurship is claiming center stage in economic development strategies for many communities across the country:

• Strategies differ by community
• Entrepreneurship should be key component of an economic development toolbox
• Economic developers need training in entrepreneurship support
• Strategy should be built on clear assessment of existing assets, plans, and needs
• Collaborative partnerships are important
• EDO’s must take leadership role in fostering entrepreneurship
• Entrepreneurship support requires capacity building in the community
• New metrics to measure success at the community level

Source: IEDC - Unlocking Entrepreneurship: A handbook for Economic Developers
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Community College of Philadelphia
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Twitter @powerupPHL
Supporting Small Businesses

Strategies for providing financial and business coaching, and topical training to strengthen small businesses’ resiliency and stability
AGENDA – TECHNICAL ASSISTANCE

Small Business Insulation & Incubation (2:30PM – 2:35PM)
Business Acumen: Support Growth (2:35PM – 2:45PM)
Technical Assistance Framework (2:45PM – 2:55PM)
Critical Delivery Components (2:55PM – 3:00PM)
Wrap Up – Q&A (3:00PM – 3:30PM)

- ~20% fail in their 1st year
- ~30% fail in their 2nd year
- ~50% fail in their 5th year
- ~70% fail in their 10th year

According to analysis by *CB Insights*:

1st - No market need
2nd - Not enough cash
3rd - Not the right team
4th - Competition
5th - Pricing

According to Small Business Trend Alliance (SBTA):

~70% have Associates degree or more
Under 30 years of age

**Strategy**
Small Business Insulation

**PARTNERSHIPS**

**SMALL BUSINESS INVESTMENT:**
- Affordable Rent
- Access to Ownership
- Local Skilled/Non-Skilled Labor
- Access to Technical/Digital Parity

**INSULATE**

**ADVACACY**

**POLICY:**
- Tax
- Incentives for Ownership
- Non-Traditional Funding Sources
SUPPORTING SMALL BUSINESSES (TA)

Incubation Stages & Areas

**BUSINESS OWNERS**
- Micro Businesses
- Entrepreneurs
- Professional Management

**INSULATE**
- Subject matter/topical sessions or workshops
- Formal and/or Informal delivery
- Structured / Unstructured curriculum
- Understanding capital structure needs
- Business planning – Effective, Efficient, Compelling
- Traditional vs. Non-Traditional Sources
- Utilizing tangible and Intangible assets
Technical Assistance

**TYPES**

- Coaching
- Advising
- Consulting

**INCUBATE**

- Subject Matter Expertise: Accounting, Legal, HR, IT
- Operational: Inventory, Production, Supply Chain, Project Mgmt.
- Financial: Capital, Cash flow, Analysis, Interpretation
- Business Management: Processes, Controls, Procedures
- Planning & Strategy
- Customers: Marketing, Sales & Advertising
SUPPORTING SMALL BUSINESSES (TA)

CRITICAL DELIVERY COMPONENTS
- Individual Assessment
- Business Assessments
- Goal Setting
- Action Steps/ & Metrics
- Timelines
- Accountability & Progress

TECHNICAL ASSISTANCE

*Practitioners, at a quality level, facilitating knowledge & expertise to assist in implementation*

INCUBATE

SUSTAINABLE COMMUNITY BUSINESSES

WEALTH CREATION

ROC Local
THANK YOU

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