



## CASE STUDY

### Assessing Small Business Equity Gaps in Black and Brown Communities Post Pandemic



#### AT A GLANCE

##### Challenges

- Disparate access to banking products
- Lack of community banks in zip codes with predominantly Black and Hispanic residents
- Insufficient public awareness of the disaster relief funds
- Business owners' inadequate business documents and data
- Lending discrimination

##### Outcomes

- 63 Micro Businesses Served
- \$425,000 Capital Raised
- 19 New Jobs
- 12 New Business Starts



*To provide business education and technical assistance to entrepreneurs to accelerate economic growth and increase business equity in underutilized communities.*

#### Cynthia Nevels

Integrity, LLC

#### OBJECTIVES

Integrity, LLC and Dallas College Small Business and Entrepreneur Innovation Center and Workforce Development Department partnered on a unique technical assistance program which launched during the pandemic. Blacks, Hispanics and Asians faced disproportionate hurdles when attempting to access federal disaster relief funds. Albeit, the second round of funds allocation were indirectly earmarked for marginalized entrepreneurs the statistics show business owners in underutilized communities remained left out and businesses were adversely affected.

#### SOLUTIONS

Technical assistance (TA) refers to the education and guidance provided to entrepreneurs and small business owners to help them start and grow businesses. As it builds the capacity of organizations to operate effectively, technical assistance positions entrepreneurs and small businesses to access capital.

Integrity launched a culturally competent small business accelerator that centered on customizing the technical assistance experience for targeted entrepreneurs.

#### MODEL

##### In-Person Activation

Local workshops to introduce business management concepts.

##### Subject Matter Expert MasterMind

Access to industry experts, real world practical learning, resources and materials for demonstrative practical learning.

##### Customized Business Advising

Analysis of individual business needs are used to customize business advising and technical assistance to help participants achieve milestones.

##### Pitch Competition

Grant awards funded by financial and corporate foundation partners to remove barriers to capital.

# Assessing Small Business Equity Gaps in Black and Brown Communities Post Pandemic

Cynthia Nevels | Integrality, LLC

## Abstract

Technical assistance (TA) refers to the education and guidance provided to entrepreneurs and small business owners to help them start and grow businesses. As it builds the capacity of organizations to operate effectively, technical assistance positions entrepreneurs and small businesses to access capital.

As it builds the capacity of organizations to operate effectively, technical assistance positions entrepreneurs and small businesses to access capital. TA products and services provide entrepreneurs with strategies, tools, and a network to support their success and help navigate their challenges. Yet, Blacks and Hispanics face a legacy of poverty, inequality, and bias that negatively affects their relationship with financial products and services, including a wariness to engage with banks, other financial institutions, and potential mentors and consultants.

To effectively reach and support Black and Hispanic small business owners, TA needs to be culturally competent. I.e. Service providers need to recognize how race and ethnicity shape a population's relationship to financial products and services, and build

TA programs so they are responsive to these populations.

(Milken Institute and Schulman)

Integrality, LLC and Dallas College Small Business and Entrepreneur Innovation Center and Workforce Development Department partnered on a unique technical assistance program which launched during the pandemic. Blacks, Hispanics and Asians faced disproportionate hurdles when attempting to access federal disaster relief funds. Albeit, the second round of funds allocation were indirectly earmarked for marginalized entrepreneurs the statistics show business owners in underutilized communities remained left out and businesses were adversely affected.

## Problem

2020 research data showed, small businesses in communities of color had unequal access to federal COVID-19 relief according to the Brookings Institute study.

The Brookings Metro research offered a comprehensive snapshot of how access to PPP loans varied considerably based on neighborhood demographics, with small businesses in majority-white neighborhoods receiving PPP loans more quickly than small businesses in majority-Black and majority-Latino or Hispanic neighborhoods.

The PPP also revealed capital access challenges for some small businesses due to broader shifts in the small business lending market. Over the past couple decades, large banks have been less likely to operate in the small-loan space due to low profit margins,

and small banks that traditionally served local small businesses have declined due to a wave of bank consolidations since the financial crisis.

This has a disparate impact at the neighborhood level. According to the Institute for Local Self-Reliance, since 2006, communities of color have lost more small community banks than other communities. Online lenders have stepped up to fill the gap with internet-based technologies that allow for more efficient loan processing and lower transaction costs, albeit with higher interest rates. But those online lenders were not made eligible to issue PPP loans until April 14, two days before the first round of PPP funds was depleted. At the same time, independent contractors and self-employed individuals (business owners who do not have employees) were not eligible for PPP loans until April 10.

The PPP initially relied on traditional banks to deliver loans, which favored existing customers at large banks and disfavored microbusinesses (businesses with fewer than 10 employees), non-employer businesses, and Black- and Latino- or Hispanic-owned businesses (which all tend to be unbanked or underbanked). This disparate access has been hard to measure directly because PPP loan-level data provided by the Treasury Department does not consistently report the race and ethnicity of the loan recipient. However, the database does provide the ZIP code, loan approval date, and lender for over 5 million borrowers, creating a comprehensive picture of small business capital access at the neighborhood scale.

While we do not have data on business owners themselves, neighborhood racial composition can be a useful angle to investigate the PPP's reach, as previous research finds that the racial and ethnic composition of a neighborhood is related to small businesses' liquidity and profitability. Prior to the COVID-19 pandemic, the JPMorgan Chase Institute found that businesses in communities of color were the most cash-constrained but the least likely to have existing relationships with large banks.

(Parilla and Liu)

### Causes for Disparity

- Cash constraints
- Disparate access to banking
- Lack of community banks in zip codes with predominantly Black and Hispanic residents
- Insufficient public awareness of the disaster relief funds
- Business owners' inadequate business documents and data
- Lending discrimination

### Method

Integrity launched a culturally competent small business accelerator that centered on customizing the technical assistance experience for the new minority majority entrepreneurs.

The small business accelerator program is called Start.Pivot.Grow. The curriculum and program was designed by veteran business consultant and senior business advisor for Goldman Sachs 10,000 Small Businesses and 1 Million Black Women programs,

Cynthia Nevels. The concept consisted of a model that included in-person activations, virtual mastermind workshops, incorporation of short-term milestones, and one-on-one business advising and technical assistance services. An access to capital award program is included in the pitch competition program to provide grant awards totaling \$5,000 - \$10,000. Entrepreneurs are provided pitch deck technical assistance and pitch training to help improve their chances of success in access capital post graduation.

The customization relied on the initial digital assessment tool called a *Business Needs Assessment* that was designed to measure the current health of the business. Each entrepreneur was required to complete the digital *Business Needs Assessment* prior to admission into the accelerator program.

The data collected from the entrepreneurial assessment was stored for two years and analyzed in July 2023.

The program was sponsored by Dallas College Foundation and the Small Business and Innovation Center, Capital One, Cynthia E Nevels Foundation, and Wells Fargo Bank.

The Accelerator aligned services with the U.S. Small Business Administration Community Navigator Program for added technical services and support for BIPOC businesses in marginalized communities and eligible zip codes.

Start.Pivot.Grow. Small Business Accelerator and Pitch Competition contained a core model that was designed to be culturally responsive.

#### In-Person Installation [Workshops]

The program requires participants to commit to completing small achievable steps to gain access to valuable resources and tools.

- Step 1: applicants complete a short needs assessment
- Step 2: complete a 4-part series of in-person workshops at Dallas College and identify achievable milestones that can be easily completed within the accelerator term with ongoing technical assistance
- Step 3: attend 6 online MasterMind sessions with local volunteer business leaders serving as presenters or panel members
- Step 4: prepare a complete pitch deck to apply for a ticket to pitch for \$10,000 grant award sponsored by a financial or foundation partner

Start.Pivot.Grow. was founded to provide business assistance and access to capital-programs for BIPOC-owned businesses in underserved areas in Dallas, Tarrant, and Collin counties. The goal of this program was to support equitable economic development in underserved communities that contain high rates of active minority owned business through education and customized culturally competent technical assistance.

## Education Services Provided:

### Core Competencies

- Small Business Workshops and Webinars
- Business Consulting and Advising
- SBA Loan Packaging Assistance
- Minority Certification Application Assistance
- Commercial or CDFI Loan Packaging Services
- Accounting and Finance Assistance
- Business Plan and Growth Strategy Development in Partnership with LivePlan
- Consumer Goods Product Development and Retail Sales Consulting
- Business Licensing Services

### Technical Assistance and Business

#### Advising:

- Customized Business Consulting and Advising Services  
1:1 private sessions with business owners to discover, create and complete targeted milestones within a given period and help business owners find and/or access capital, if applicable, create new jobs to sustain the operation or build capacity to scale.
- Free Webinars with Industry Experts and Business Leaders

The Start.Pivot.Grow. Accelerator includes *community engagement* opportunities designed specifically for partners to provide

volunteers to support entrepreneurs in various ways. This allows more financial institutions that do not have a relevant or evident presence in the community to engage with entrepreneurs from key underserved with high rates of business ownership.

### Volunteer Community Engagement:

- Business Consulting and Advising Services (1:1 private sessions with business owners to discover, create and complete targeted milestones within a given period and help lead business owners to find and/or access capital, if applicable, hire or build capacity to start, pivot or grow their business. [1-2 volunteers per workshop [4 1-hour workshops per Cohort and there are 3 cohorts per semester]
- Free Webinars with Industry Experts [1-2 volunteers per webinar [5 webinars per cohort and there are 3 cohorts per semester]
- Pitch Competition Panel Judge [1-3 volunteer opportunities and there is one pitch completion biannually = 2 per annum]

### Needs Analysis

161 respondents completed the Business Needs Assessment and included freeform context to specify the owners' business needs. The data was analyzed, organized, and categorized to assess the priorities.

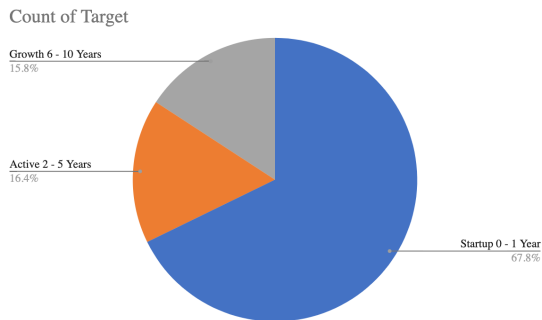
## Areas of Need

*See Appendix Chart A*

17.8% of respondents requested assistance to learn how to start a business.

17.1% of respondents recorded a need for assistance with developing a business plan.

16.1% of respondents requested assistance with raising capital to start a business, to invest in real estate or capital equipment or to improve infrastructure.



Respondents which requested assistance with business plan development not only applied the need to writing a business plan but included subjective requests such as business plan review, editing, and the addition of complicated core areas such as financial forecasting and marketing strategies. Whereas 67% of respondents were in the startup phase of zero to one year active. Entrepreneurs entered the accelerator program with zero to no business management experience and did not have a completed business plan at the time of enrollment.

16.4% of respondents requested assistance with raising capital. The need ranged from

assessing the business' capital requirements, learning how to apply for credit to applying for small business grants.

15.1% of respondents fell into the business level category of growth stage that consisted of 6 or more years in business with revenues above the \$100,000 level. The requested needs focused on business growth strategy development, operations management and infrastructure development to support growth and expansion.

## Results

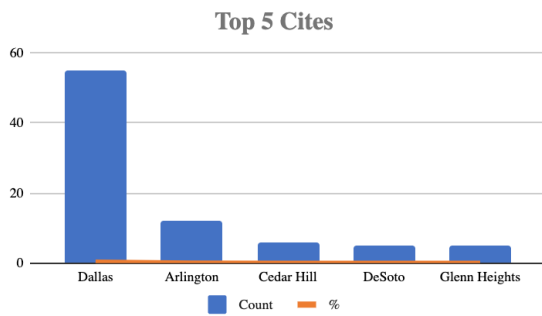
In 2020, we designed, developed, and raised capital to launch Start.Pivot.Grow. to help business owners to never miss opportunities to access capital to sustain or grow their businesses. Fortunately, through a public private partnership with a local higher education institution and Capital One Bank we have helped 63 small businesses access over \$425,000 in debt capital and grants, hire new employees, start, grow and expand their businesses post pandemic; and awarded \$40,000 grant awards to 3 deserving entrepreneurs LifePlate, Off World Coffee and Moe's Delights.

### **2021 - 2023 Accelerator Outcomes**

- 5 Cohorts
- 63 Micro Businesses Served
- \$425,000 Capital Raised
- 19 New Jobs
- 12 New Business Starts
- 1 New Real Estate Deal

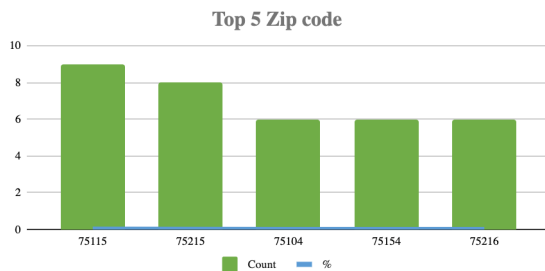
From 2021 - 2023, we collected 161 *Business Needs Assessments*. The data provided insight as to the highest geographic areas served, the legal structure of the businesses in need, the top revenue range of the businesses in need, industry, and if these businesses had made investments in professional services to help them navigate growth and prepare for the future.

37% of businesses served were located in the City of Dallas while 8% were located in Arlington and 4% from Cedar Hill.



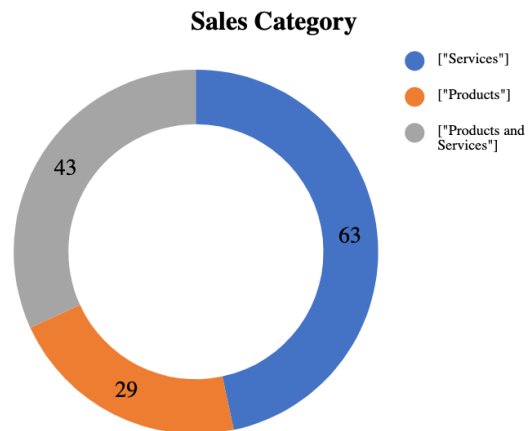
A large portion of our marketing efforts targeted key zip codes in Dallas County:

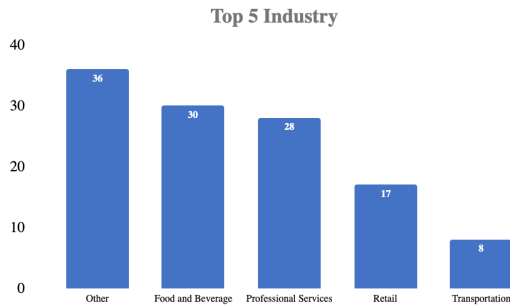
75115	6%
75215	5%
75104	4%
75154	4%
75216	4%



The legal structure presented an additional point of concern when it comes to raising capital. 22% of the respondents operate as a Limited Liability Company, whereas 79% were initially sole proprietorships. Less than 2% registered as a Limited Liability Company during the term of the Cohort after the education services and technical assistance was provided to help the entrepreneur understand the relevance, tax implications and process to register with the state. Respondents often shared their lack of knowledge and lack of capital prevented them from registering their business with the state.

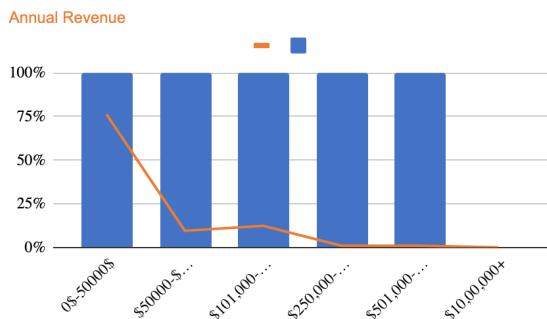
The data showed 42% of respondents operated service based businesses with 19% selecting product based businesses and 29% sold both products and services. This data allowed the program to customize the entrepreneurial education program to focus on use of service-based examples in the curriculum to ensure relatability in the core competencies.





Small businesses from the targeted communities showed a surprising range of revenue marks that allowed us to see potential in growth opportunities through technical assistance. Entrepreneurs are making a living to sustain their households but not enough to fuel economic growth through job creation and real estate acquisition.

- 76% of respondents reported annual revenues between \$0 - \$50,000
- 10% of respondents reported annual revenues between \$51,000 - \$100,000
- 12% of respondents reported annual revenues between \$101,000 - \$250,000



According to a 2020 McKinsey article, Black Americans have never had an equal

ability to reap the benefits of business ownership. While about 15 percent of white Americans hold some business equity, only 5 percent of Black Americans do. Among those with business equity, the average Black American's business equity is worth about 50 percent of the average American's and a third of the average white American's.

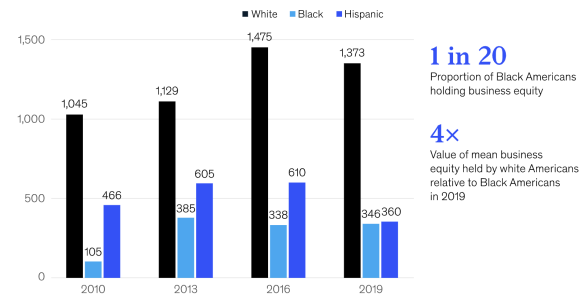
McKinsey

Exhibit 1

**Black Americans hold significantly less business equity than their white counterparts.**

Status of business equity ownership in the United States, by race

Mean business equity, thousands of 2019 dollars



(McKinsey et al.)

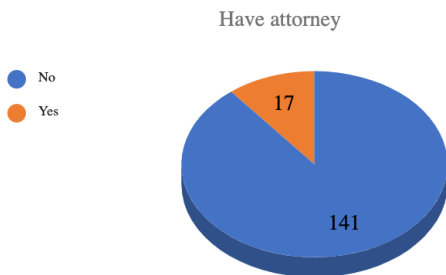
This data helped us to understand the need to focus on infrastructure, connecting entrepreneurs to capital sources that make sense for where they are, and to provide guidance on how to prepare their business documents and data to access incremental investment into key areas to increase revenue and build equity.

This finding led us to host ancillary webinars in the summer that focused on business management skill development and intense step-by-step guides on how to successfully acquire different types of capital. Those auxiliary offerings had 50 registrants to attend with a small grant incentive in the amount of \$500.

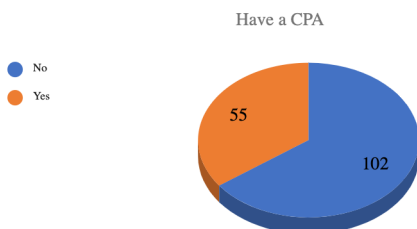


The largest gap observed from the needs assessment was the insufficient use of professional services.

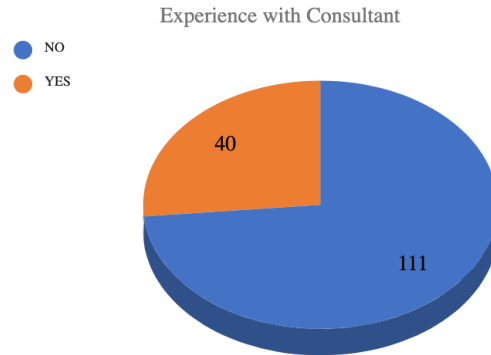
89% of respondents reported at the time of the assessment they did not have an attorney



65% of the respondents reported that they did not have a CPA, bookkeeper or accountant



79% of the respondents reported that they have no experience working with a consultant or advisor before

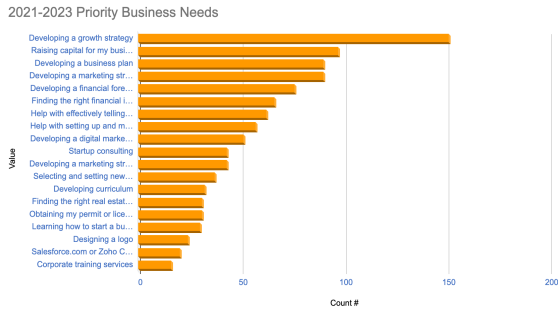


## Discussion

Black business owners have been disproportionately affected by the pandemic-linked economic downturn, partly because they were more likely to already be in a precarious position, including more likely to be located in communities with business environments that are more likely to produce poor business outcomes. Indeed, about 58 percent of Black-owned businesses were at risk of financial distress before the pandemic, compared with about 27 percent of white-owned businesses.<sup>2</sup> The pandemic contributed to tipping 41 percent of Black-owned US businesses into closure from February to April 2020.

(McKinsey et al.)

Integrity found the key to advancing small businesses that are located or operate in marginalized communities is to provide a customized training program and technical assistance that is designed to align with the needs of the entrepreneur using culturally responsive methods, tools and solutions.



The result included over 51% of participants completing the full program, accomplishing the established milestones, and access capital that otherwise may not have been accessible or acquired.

The marketing efforts to reach, connect and engage with viable business owners who met the criteria for admittance included tactics that included referral incentives, digital marketing campaigns, and email communication with a current database of small business owners.

The public private partnership investment from 2021 to 2023 totals \$124,676.95. The investment we seek to raise is \$250,000.00 to serve viable and active minority owned small businesses to improve equitable economic development and wealth creation through business equity, entrepreneurial training, customized technical assistance and innovative business solutions through culturally competent programs.

## Works Cited

- McKinsey, et al. “Building supportive ecosystems for Black-owned US businesses.” *McKinsey*, 29 October 2020, <https://www.mckinsey.com/industries/public-sector/our-insights/building-supportive-ecosystems-for-black-owned-us-businesses#/>. Accessed 3 August 2023.
- Milken Institute, and Carolyn Schulman. “Best Practices for Technical Assistance Programs Serving Black and Hispanic Entrepreneurs and Small-Business Owners.” *milkeninstitute.org*, Milken Institute, 18 September 2018, <https://milkeninstitute.org/report/best-practices-technical-assistance-programs-serving-black-and-hispanic-entrepreneurs-and?gclid=Cj0KCQjwoK2mBhDzARIsADGbjepbG>.
- Parilla, Joseph, and Sifan Liu. “New data shows small businesses in communities of color had unequal access to federal COVID-19 relief | Brookings.” *Brookings Institution*, 17 September 2020, <https://www.brookings.edu/articles/new-data-shows-small-businesses-in-communities-of-color-had-unequal-access-to-federal-covid-19-relief/>. Accessed 3 August 2023.

# Appendix

Chart A 2020 - 2023 Priority Business Needs for BIPOC Owned Businesses

## 2021-2023 Priority Business Needs

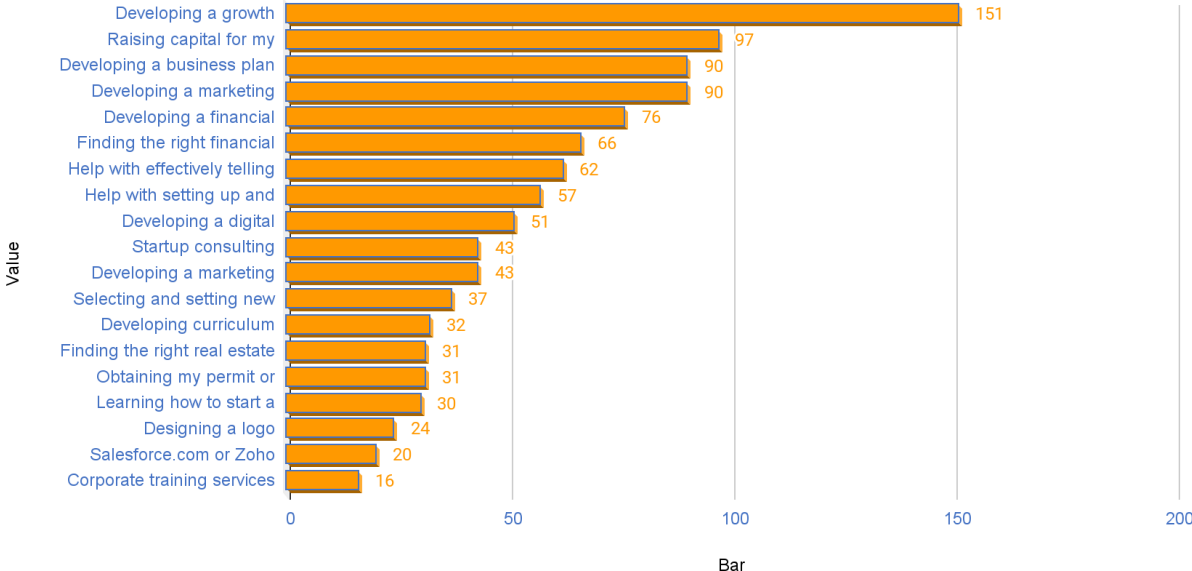


Chart B Business Terms Segment

### Market Segments Chart

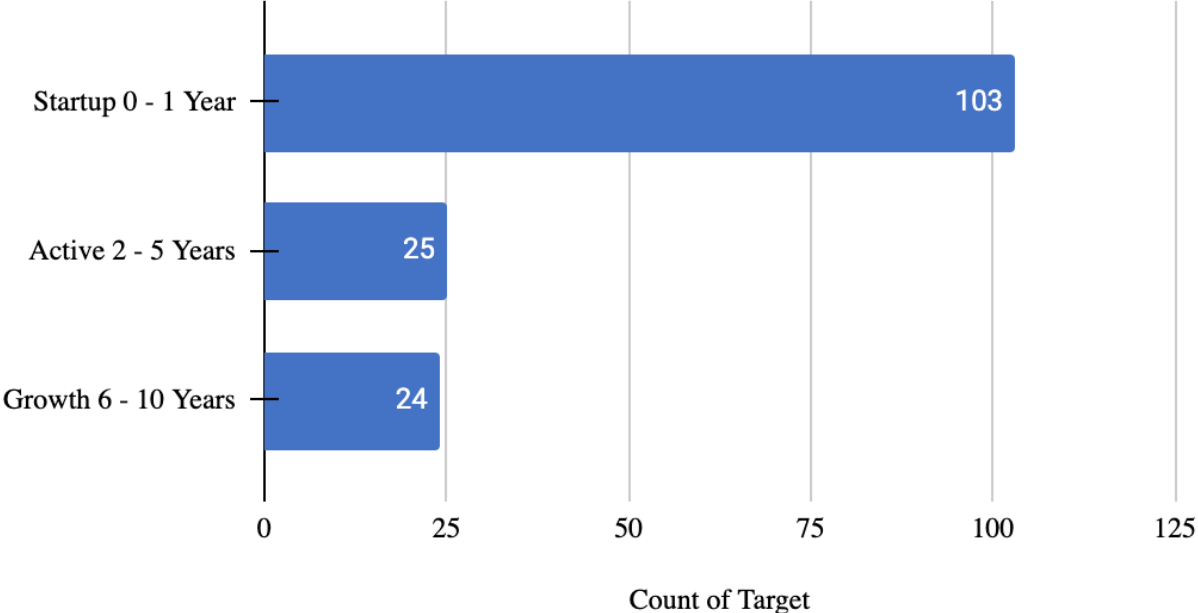


Chart C Annual Revenue Chart

