

Empowering Small Businesses

A vibrant small business ecosystem drives thriving neighborhoods



What is a Neighborhood Small Business?

A small business is any business with less than 500 employees. But this can encompass a vast array of business types—flower shops, hedge funds, construction firms, software start-ups—that can have very different wages, markets, and levels of sophistication. High-growth small businesses are key in helping regions compete for clusters of economic activity. But we see a need for additional focus on neighborhood small businesses—those engaged in local trade and delivering moderate incomes to employees, e.g., restaurants, hair salons, landscaping businesses, clothing stores, dental offices.

Neighborhood small businesses are critical to cities and communities, providing a broad array of economic and social benefits. However, there are serious gaps in the small business support system. However, there are barriers that continue to hold entrepreneurs back and rob communities of the vibrancy and paths to prosperity that an increase in the presence of small businesses could bring. We see important opportunities to deliver the benefits of small business to residents and neighborhoods via tools such as improved access to capital, better financial, digital and business literacy and superior support services.

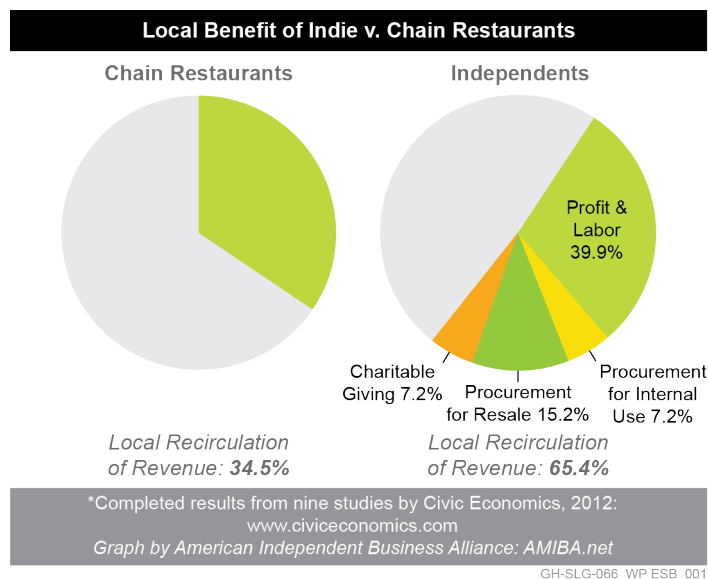
Benefits of Supporting Neighborhood Small Business

Building up small businesses provides crucial neighborhood-based economic development by boosting jobs, safety and community pride. This reduces vacant storefronts, increases neighborhood populations and provides better quality-of-life conditions for residents and visitors.

Economic Impact:

Neighborhood small businesses are often overlooked in economic development terms as being “non-tradable” industries. At the neighborhood scale, however, small businesses are precious and impactful. Restaurants, for example, spend a disproportionate amount on labor. This means more paychecks to more employees, who in turn tend to live nearby and patronize other businesses.

Independent and locally owned neighborhood small businesses are more likely to make use of local legal, tax and other services, as well. Neighborhood-based economies support long-term success by circulating funds between area residents, employees, patrons and business owners. In pure economic terms, small businesses deliver improved local multiplier effects, as they return up to three times as much money to their communities versus other types of business.



Small businesses added 1.8 million net new jobs in the most recent year studied.

– Small Business Administration

Economic Opportunity:

Small businesses are also tools for economic opportunity. After the financial crisis, the lion's share of gains has gone to those with advanced degrees. But small business can provide a path to the middle class and beyond for those with diverse levels of education. Other groups with barriers to traditional employment and wealth creation—such as women, minorities, veterans, and returning citizens—can also find pathways to prosperity via small business.

According to the U.S. Small Business Administration (SBA), small businesses added 1.8 million net new jobs in the most recent year studied.

Small businesses are effective tools to empower women of color, with women owners for almost 60% of black-/African-American-owned businesses and 44% of Latinx-owned businesses.

College Degree *Not* Required

High School/GED



Associate's Degree



Bachelor's Degree



Master's Degree



Doctorate



*Guidant Financial

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Resiliency and Community Vibrancy:

Resiliency has become a popular theme in major cities, with many releasing sweeping plans. These plans commonly call for well-distributed services and businesses, and share a focus on community revitalization and neighborhood business districts (NBDs). Cities and NBDs facing challenges may want to begin their recovery efforts by examining the revitalization/resiliency approaches taken by peer cities and neighborhoods. Resilient Chicago, for instance, recently highlighted increasing jobs and rising investment in small businesses as headline goals.

In cities both large and small, vacant storefronts are a demoralizing hallmark of struggling communities. Abandoned and vacant properties are routinely correlated with reduced real-estate values and the presence of serious crime in the surrounding area.

Neighborhood small business is a crucial tool in the battle against vacant storefronts, abandoned homes, and food and service deserts. The presence of small businesses stabilizes and regenerates communities and NBDs by creating vibrant, active streetscapes. Furthermore, small business owners are an invested and engaged constituency when it comes to maintaining vibrancy—not just vis-à-vis their own locations, but for their larger communities. Small business owners populate civic associations and local Main Street groups, sponsor youth sports teams and drive other forms of engagement.

Reputational Benefits for Actors:

Small businesses are beloved in America—and being part of an ecosystem that rebuilds them can create goodwill for individuals and institutions. Governments that are seen as good partners to small business can create powerful networks and gain passionate advocates in neighborhoods they might otherwise struggle to reach. Private sector partners stand to reap financial and reputational gains from banking successfully in community, reestablishing themselves as important and trusted local actors, and meeting NBD needs and requirements.

Effective Small Business Support

With a variety of public- and private-sector partners, Cleveland's Municipal Small Business Initiative provides grants, incentives and various other supports to help small businesses grow and thrive. The organization has focused on bringing business into the once-depressed city center, with impressive results. One key element? Leaning on people who truly know the area to ignite growth that's lasting and geared toward local needs.

Now bursting with compelling reasons to live, work, buy and play downtown, this formerly run-down area has gradually become, again, a vital hub for the city. It's also a source of stable income and a beacon of hope for many area residents.

Access to capital

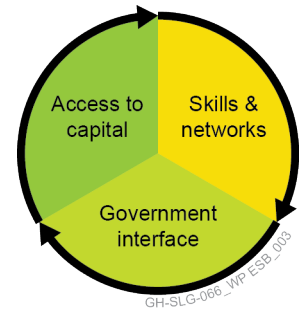


one of the biggest barriers mom-and-pop businesses face when starting a new venture.”

Chicago's Chief Resilience officer identifying access to capital

Challenges for Small Businesses

Current and would-be entrepreneurs want to build, expand and/or improve businesses, but may lack knowledge around key sources of financial, enterprise and community growth and support, such as business networks, private lenders and federal programs. In these spheres, small businesses face diverse challenges related to understanding processes (permitting, policies, legal considerations, digitization, etc.), obtaining funding (grants, loans, etc.), and establishing and/or using relationships (adjacent businesses, potential partners, vendors, suppliers, etc.). Many institutions want to help, but opportunities clearly exist for service improvement.



Access to Capital:

Neighborhood businesses need capital start, fine-tuning of their practices and growth. Many neighborhood small businesses do not have the personal or family wealth to start businesses out of pocket—or persevere through challenging phases. A number of institutions in the government, philanthropic, and private sectors want to help such small businesses access capital, but the paths to capital are complex.

Funding sources are not well understood or publicized; entrepreneurs do not have the tools to adequately apply for grants; and the lending environment is confusing at best. The dizzying array of options available—including traditional business banking, the federal government's SBA loans, community development corporations (CDCs) and community development financial institutions (CDFIs), state and city grants and entrepreneurial competitions—may be overwhelming or daunting.

There are few comprehensive resources to help entrepreneurs navigate this intricate arena. Financial services institutions, despite their efforts, are often not deeply connected to communities. And entrepreneurs frequently lack the financial literacy, institutional sophistication and time needed to successfully apply for the available programs. All of this hurts communities by perpetuating a dysfunctional economic environment.

Questions that Grow Small Business:

- Where and how can small businesses acquire capital?
- How might private sector partners play a bigger role?



Skills and Networks:

In addition to capital, businesses need both networks and skills in order to accomplish the necessary daily and long-term tasks of starting and running a successful enterprise. Essential connections and know-how enable entrepreneurs and business owners to write business plans, manage finances, solve challenges efficiently, find talent and develop new markets. While some efforts have been made to deliver the skills that entrepreneurs need—Detroit’s New Economy Initiative is a leader in this space—opportunities remain to help close skills gaps.

Given the benefits of digitizing business documents and other materials, data sharing and online branding and marketing, access to technology and technological fluency are cornerstones of growing any enterprise today. Many small businesses would greatly profit from access to, and training in, these vital tools.

Some solutions for building skills and networks have included boot camps, co-working incubators, workforce and mentoring programs, procurement platforms and hosted networking events.

Questions that Grow Small Business:

- What skills would be most valuable to your neighborhood entrepreneurs and would-be entrepreneurs?
- How can you deliver them effectively to this busy and geographically distributed population?

Interface with Government:

Starting a business can require a dozen or more interactions with government entities—often in person and at distinct locations. Registration, permitting, licensing, health and safety, labor and taxes are just a few of the government requirements with which hopeful business owners must comply. Existing entities, too, must contend with a barrage of ongoing government-related obligations, while also keeping current with changes in rules and policies.

Moreover, government systems and processes to manage these interactions are often outdated or ineffective, relying on old technology or requiring active follow-ups from applicants. Entrepreneurs often do not know where or how to get these services from governments. Each of these barriers makes potential business owners less likely to start their intended business and, in general, discourages small businesses in myriad ways. Furthermore, this fragmentation makes it more challenging for the various government offices to holistically support these desirable entrepreneurs.

Questions that Grow Small Business:

- Is it easy to start a business in your location?
 - How can you streamline the process and increase online access?
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Leading Approaches

Successful communities stem the tide of rising inequality with proactive approaches that take the true needs of people and neighborhoods into account. People stay in their communities when they can find or create jobs and feel hopeful about the future—and small businesses give residents a chance at both. With the tools to achieve progress, small business gains resonate exponentially, empowering people and neighborhoods in many important ways.

In order to promote sustainable, impactful change, many cities are attempting to address the core challenges of NBDs and individual neighborhood small businesses. City and local leaders want to smooth the on-ramp to capital, skills/networking and government services/requirements by offering loan funds, business boot camps, mentorship programs and “Shark Tank”-style entrepreneurship competitions.

What sets real leaders apart is execution. Successful leaders avoid the pitfalls of disconnection and fragmentation by adopting perspectives that encompass both macro (institutional and NBD) and micro (individual and specific small business) elements. They develop—and then, over the ensuing months and years, continue to utilize and refine—tools and processes that ensure accountability and promote sustained engagement on the part of all parties concerned.

Productive leaders coordinate effectively, thereby connecting people with the services they need and making those services reliable and easy to use so that they build up brand and word of mouth.

Leaders stay consistent on all of these fronts and ensure the programs they command will work as well. Mentorship programs aren’t one-off photo ops, but genuine long-term support from those with the right skills. Loan funds are transparent, easy to apply for and fairly distributed. And all programs have goals and metrics to keep them on mission, measure impact and adjust course when needed. This is the hard work of execution, particularly in resource-constrained environments.

The New Economy Initiative (NEI) in Detroit—a philanthropic entity dedicated to small business and entrepreneurship—has delivered impressive success through their ecosystem approach. They surround neighborhood entrepreneurs (referred to as Grassroots Entrepreneurs) with a suite of services and entry points. Their NEI Ideas competition enables local entrepreneurs to give simple pitches to boards of professionals. The winners receive both money and ongoing mentoring to launch their businesses.

The NEI has also used real-estate activation as a tool of empowerment—purchasing properties and converting them for functional use. In addition, they support affordable co-working spaces to allow small businesses to incubate and grow. They provide one-on-one support for grassroots businesses, including help identifying and navigating regulatory needs, as well as applying for start-up capital. And perhaps most importantly, they are both connected to the community as a trusted service provider and known to private and philanthropic funders as a trusted conduit for services. Over the last decade, the NEI has helped to launch hundreds of small businesses. Guidehouse recently calculated the total economic impact on greater Detroit at more than one billion dollars (USD).

How to Get Started

1

GET A CLEAR PICTURE

- Engage local stakeholders to understand their experiences
- Build the profile of this issue with all involved, from small business owners to prospective entrepreneurs to community lenders
- Map the steps to starting a business from the entrepreneur's perspective
- Ascertain and indicate aspects of the process that may be useful for existing businesses
- Assemble an inventory of available government and philanthropic services
- Evaluate local real-estate hurdles, both residential and commercial
- Examine peer-city models of economic growth for best practices
- Identify private-sector partners and their current programs, motivations, ambitions and roadblocks
- Inventory the private, public and nonprofit funding sources accessible to small businesses, including grants, incentives and financial services organizations
- Synthesize current strengths, challenges and potential solutions

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BUILD A BLUEPRINT FOR SUCCESS

- Focus on what is most important for your situation, which may include particular geographies, transportation and infrastructure issues, technological, funding and other gaps, process bottlenecks, or language barriers
- Develop clear, actionable solutions, which may include opportunities for digitization, data and tech sharing options, improved outreach, skills training and new public-private partnerships
- Identify funding approaches (which may include federal, private and philanthropic dollars) to deliver these solutions
- Include measures to advance digital fluency and inclusion, as well as access to systems upgrades
- Convene and continue to engage relevant stakeholders to foster support and grow in-community networks

3

GET SPECIFIC AND GET GOING

- Identify key initiatives, stakeholders and champions, and build an improvement approach
- Create program-based systems to measure value and outcomes and enhance accountability
- Ensure all stakeholders remain connected from the outset via comprehensive, coordinated guidance
- Empower small business owners with the knowledge and tools that will allow them to amplify and pass on their own gains within their communities
- Launch and deliver change



About Guidehouse

Guidehouse is a leading global provider of consulting services to the public and commercial markets with broad capabilities in management, technology, and risk consulting. We help clients address their toughest challenges with a focus on markets and clients facing transformational change, technology-driven innovation and significant regulatory pressure. Across a range of advisory, consulting, outsourcing, and technology/analytics services, we help clients create scalable, innovative solutions that prepare them for future growth and success. Headquartered in Washington DC, the company has more than 7,000 professionals in more than 50 locations. Guidehouse is a Veritas Capital portfolio company, led by seasoned professionals with proven and diverse expertise in traditional and emerging technologies, markets and agenda-setting issues driving national and global economies. For more information, please visit: **www.guidehouse.com**.

