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Filling the Gap: Enhancing the Entrepreneurial Ecosystem for Black and Hispanic Entrepreneurs

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Filling the Gap: Enhancing the Entrepreneurial Ecosystem for Black and Hispanic Entrepreneurs

WHITE PAPER



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Executive Summary

In partnership with Capital One Insights Center, the Virginia Commonwealth University Research Institute for Social Equity (the Institute) has prepared this white paper to inform thought leaders, policymakers, practitioners, community influencers, and entrepreneurs from the greater Richmond community on how to translate research into action toward economic outcomes that benefit Black and Hispanic entrepreneurs. This paper includes primary and secondary research and insights from a full-day convening, *Create, Grow, and Scale*, hosted by Capital One in May 2023.

Entrepreneurship is a risky venture that requires commitment, determination, and clearly defined aspirations.¹ Entrepreneurs create positive change within their communities and the world by introducing new products and ideas. Risk-taking innovators are integral to a community's economic growth and development. This is especially true of Black and Hispanic entrepreneurs whose impact serves as a community's economic source and a producer of generational wealth and mobility.

Over the last decade, there has been a steady increase in the number of Black-owned businesses nationwide.² Nevertheless, the percentage of businesses in the United States that Black and Hispanic entrepreneurs own is not proportional to their population percentage. In 2020, the national percentage of Black-owned businesses was roughly 2.4 percent, while their population percentage in 2020 was 12.6 percent.³ This is reflected in the entrepreneurial ecosystem of Richmond, Virginia, as Black-owned businesses make up approximately 6 percent of Richmond businesses, failing to represent this portion of the overall population.⁴

This paper examines current research, identifies best practices within the United States, and formulates recommendations to promote equity for Black and Hispanic entrepreneurs within the entrepreneurial ecosystem by utilizing the social equity framework's four approaches:

- Equity in access- evaluates current policies and practices focusing on who receives benefits.
- Equity in the process – examines procedural rights, fair treatment, and eligibility criteria within existing programs.

¹ Ahmetoglu, Ahmetoglu, G., Chamorro-Premuzic, T., Klinger, B., Karcisky, T., & Chamorro-Premuzic, T. (2017). *The Wiley Handbook of Entrepreneurship*. John Wiley & Sons, Incorporated.

² Perry, A. M., Donoghoe, M., Stephens, H. (2023). *Who is driving Black business growth? Insights from the latest data on Black-owned businesses*. Brookings.

³ Solum, A. (2023). *Best Places for Black Entrepreneurs – 2023 Edition*. SmartAsset.

⁴ Solum, A. (2023). *Best Places for Black Entrepreneurs – 2023 Edition*. SmartAsset.

- Equity in quality- reviews the level of consistency in the quality of existing services delivered to groups and individuals.
- Equity in outcomes- assesses whether policies, programs, and practices have an equal impact on all groups and individuals served.

Recommendation I- Equity in Access

Improve access to resources for Black and Hispanic entrepreneurs by recognizing existing disparities and taking proactive steps to bridge these gaps in policies, services, and practices.

Recommendation II- Procedural Equity

Foster procedural fairness within the entrepreneurial ecosystem, ensuring that processes involving Black and Hispanic entrepreneurs are characterized by equitable treatment, transparent due process, and accessible opportunities for all.

Recommendation III- Equity in Quality of Services

Ensure ecosystem actors consistently provide high-quality services to Black and Hispanic entrepreneurs.

Recommendation IV- Equity in Outcomes

Direct the time, resources, and attention needed to address historical consequences that impact outcomes for Black and Hispanic entrepreneurs now and in the future.

Introduction

Race and American society are an association of great complexity in the United States. Indeed, there is still a significant racial divide in the country, with the current economic landscape signifying this divide. The economic disparities within the United States are greater than in any other first-world country. In 2023, the top 10 percent of households possessed 69% of total household wealth, and the bottom 50 percent of wealth holders accumulated only 2.5 percent of the total wealth.⁵ These inequality levels are extreme, and the divide has continued to widen since the 1970s, which translates into strong structural barriers to mobility and opportunity.

Such inequalities have clear racial tones, the consequence of a legacy of racial exclusion through legally prescribed mechanisms.⁶ The total racial wealth gap is an estimated \$10.14 trillion.⁷ Black Americans have about 4.2% of all household wealth (the total assets minus outstanding household debts). In contrast, Hispanic Americans have about 3.1% of all household wealth.⁸ Across the wealth distribution, Black and Hispanic individuals are disproportionately concentrated at the bottom percentiles. Their participation declines rapidly from the 50th percentile upwards. Meanwhile, non-Hispanic whites represent more than 80 percent of all individuals among the top 10 percent of wealth accumulation.⁹ These racial patterns in wealth inequality replicate those of income inequality.

One of the pervasive consequences of being concentrated at the bottom of the income and wealth distribution is that Blacks and Hispanics are significantly less likely to experience upward mobility and more likely to experience downward mobility than whites and Asians.¹⁰ Often, these groups turn to entrepreneurship as a strategy to climb the mobility ladder, creating opportunities for themselves and their communities.

⁵ Kent, A. H., & Ricketts, L. R. (2023, October 18). The State of U.S. Wealth Inequality. Federal Reserve Bank of St. Louis. <https://www.stlouisfed.org/institute-for-economic-equity/the-state-of-us-wealth-inequality>

⁶ Aliprantis, D., & Carroll, D. R. (2019). What is behind the persistence of the racial wealth gap? Economic Commentary, (2019-03).

⁷ Living Cities. (2019, November 7). *300 Years in the Making: Racial Equity, Entrepreneurship and Capital Innovation in New Orleans*. Medium. <https://medium.com/start-up-stay-up-scale-up/300-years-in-the-making-racial-equity-entrepreneurship-and-capital-innovation-in-new-orleans-787d1b7564c6>

⁸ USAFacts Team. (2023, October 5). *White people own 86% of wealth and make up 60% of the population*. USA Facts. <https://usafacts.org/articles/white-people-own-86-wealth-despite-making-60-population/#:~:text=These%20numbers%20have%20changed%20little%20over%20the%20past,households%20owning%204.2%25%20and%20Hispanic%20households%20owning%203.1%25>

⁹ Aladangady, A. & Forde, A. (2021). Wealth Inequality and the Racial Wealth Gap. FEDs Notes. <https://www.federalreserve.gov/econres/notes/feds-notes/wealth-inequality-and-the-racial-wealth-gap-20211022.html>

¹⁰ Akee, R. Jones, M. r., & Porter, S. R. (2019) Race Matters: Income Shares, Income Inequality, and Income Mobility for All U.S. Races. *Demography* 55(3): 999-1021. <https://doi.org/10.1007/s13524-019-00773-7>

Landscape of Minority Entrepreneurship

Driven by the aim of achieving positive economic and social outcomes,¹¹ entrepreneurship holds a significant role in the U.S. economy, ranking third among the 21 high-income economies.¹² Nearly 470,000 new businesses are established a month. Since the pandemic, almost 20 percent of adults have founded or are creating a business.¹³ For minority groups, mainly Black and Hispanic individuals, entrepreneurship is viewed as a promising alternative to traditional employment.¹⁴

According to the Global Entrepreneurship Monitor (GEM), 85 percent of Black and Hispanic people view entrepreneurship as a favorable career choice.¹⁵ Notably, Black and Hispanic adults have higher entrepreneurial activity rates at 35 percent and 27 percent, respectively, compared to 15 percent of White adults.¹⁶ Black and Hispanic entrepreneurs pursue entrepreneurship to generate wealth/high income and earn a living wage in a competitive job market.

Black and Hispanic entrepreneurship is marked by persistent disparities, with numerous studies highlighting challenges, such as accessing credit, lower approval rates for credit, higher interest rates, receiving smaller loans, encountering difficulties raising startup capital, and submitting fewer loan applications because of fear of denial.¹⁷ Black entrepreneurs typically lack access to traditional advisors and investor networks and are likelier to suffer from a friend and family gap.

Entrepreneurs face geographic, demographic, and wealth barriers as well.¹⁸ In 2018, San Francisco, Silicon Valley, New England, New York City, and Los Angeles/Orange County held nearly 80 percent of all venture capital. Demographically, women are less likely to start a business. Men own more than 60 percent of businesses.¹⁹ Women often face

¹¹ Keim, J., Müller, S., & Dey, P. (2024). Whatever the problem, entrepreneurship is the solution! Confronting the panacea myth of entrepreneurship with structural injustice. *Journal of Business Venturing Insights*, 21, e00440.

¹² Babson College Blank Center. (n.d.). Global Entrepreneurship Monitor. <https://www.babson.edu/media/babson/assets/global-entrepreneurship-monitor/GEM-One-pager-June-30-2021.pdf>; Bhattarai, A. (2023, September 14). *American entrepreneurship is on the rise*. The Washington Post. <https://www.washingtonpost.com/business/2023/09/14/small-business-entrepreneurship-gem-report/>

¹³ Bhattarai. (2023). *American entrepreneurship is on the rise*.

¹⁴ Bhattarai. (2023). *American entrepreneurship is on the rise*.

¹⁵ Babson College. (2023, September 8). *2022/2023 United States GEM Report/Key Insights*. Issuu. https://issuu.com/babsoncollege/docs/gem_key_insights_2022_2023

¹⁶ Bhattarai. (2023). *American entrepreneurship is on the rise*.

¹⁷ Albuquerque, D. & Ifergane, T. (2023, March 23). *The Racial Wealth Gap: The role of Entrepreneurship*. <https://www.lse.ac.uk/CFM/assets/pdf/CFM-Discussion-Papers-2023/CFMDP2023-10-Paper.pdf>; Cavalluzzo, K. S., Cavalluzzo, L. C., & Wolken, J. D. (2002). Competition, Small Business Financing, and Discrimination: Evidence from a New Survey. *The Journal of Business*, 75(4), 641–679. <https://doi.org/10.1086/341638>; Scott, M. L., Bone, S. A., Christensen, G. L., Lederer, A., Mende, M., Christensen, B. G., & Cozac, M. (2023). Revealing and Mitigating Racial Bias and Discrimination in Financial Services. *Journal of Marketing Research*, 0(0). <https://doi-org.proxy.library.vcu.edu/10.1177/00222437231176470>

¹⁸ Hwang, V., Desai, S., & Baird, R. (2019, April). *Access to Capital for Entrepreneurs: Removing Barriers*. Ewing Marion Kauffman Foundation. https://www.kauffman.org/wp-content/uploads/2019/12/CapitalReport_042519.pdf

¹⁹ Leppert, R. (2023, February 21). *A look at Black-owned businesses in the U.S.* Pew Research Institute. <https://www.pewresearch.org/short-reads/2023/02/21/a-look-at-black-owned-businesses-in-the-u-s/>

more challenges than men, starting with less capital and a significant dependence on personal and internal resources.

Minority entrepreneurs received a setback in the summer of 2023 when the US District Court for the Eastern District of Tennessee halted a significant provision of the Small Business Administration's 8(a) business development program.²⁰ The changes stopped the consideration of race, explicitly being Black, Hispanic, Asian, or Native American, as a presumption of social disadvantage. The changes to the program will now require recipients to demonstrate precisely how race has hindered their success through a social disadvantage narrative.

Entrepreneurship should be viewed as a tool to advance racial equity rather than inadvertently exacerbate it. Identified as a critical solution for addressing the racial wealth gap, entrepreneurship contributes to individuals and communities, but its value is not distributed uniformly. Entrepreneurship does not consistently deliver the anticipated benefits. Bruton et al. (2023) systematically examine race's central role in entrepreneurship and posit that marginalized racial groups experience an entrepreneurial context distinctly different from their majority counterparts.²¹ This is evident in factors such as the number of firms owned, revenue performance, entrepreneurial environment, and, most recently, the disparate impact of COVID-19 on underrepresented businesses. When factors emphasize the founder's minoritized racial identity, it negatively influences the financial support and success of their entrepreneurial endeavors. Alternatively, entrepreneurs can strategically mitigate race-related penalties by deriving agency through their racial identity. Entrepreneurial ecosystems do not exist in a vacuum; the challenges underrepresented marginalized business owners face parallel broader social disadvantages.

Black and Hispanic Entrepreneurs in the U.S.

According to the Federal Reserve's 2019 Survey of Consumer Finances, Black people had only 2.3 percent of the overall wealth in the country, even though they represented 12.1 percent of the US population.²² Hispanic or Latino people represented 19 percent of the US population but only held 4.1 percent of the overall wealth in the country. On the

²⁰ U.S. Small Business Administration. (2023, November). *Updates on the 8(a) Business Development program*. <https://www.sba.gov/federal-contracting/contracting-assistance-programs/8a-business-development-program/updates-8a-business-development-program>; Mark, J. (2023, September 7). *SBA program upended in wake of Supreme Court affirmative action ruling*. The Washington Post. <https://www.washingtonpost.com/business/2023/09/07/sba-8a-program-ruling-affirmative-action/>

²¹ Bruton, G. D., Lewis, A., Cerecedo-Lopez, J. A., & Chapman, K. (2023). A Racialized View of Entrepreneurship: A Review and Proposal for Future Research. *The Academy of Management Annals*, 17(2), 492–515. <https://doi.org/10.5465/annals.2021.0185>

²² Board of Governors of the Federal Reserve System. (2020). Changes in U.S. Family Finances from 2016 to 2019: Evidence from the Survey of Consumer Finances. *Federal Reserve Bulletin*, 106(5), 1–42. <https://www.federalreserve.gov/publications/files/scf20.pdf> and United States Census Bureau. (2021, August 12). *Racial and Ethnic Diversity in the United States: 2010 Census and 2020 Census*. Census Interactive Gallery. <https://www.census.gov/library/visualizations/interactive/racial-and-ethnic-diversity-in-the-united-states-2010-and-2020-census.html>; 2021 ACS 1-YR Estimate (B02001) from the U.S. Census for Black/AA persons in the U.S. (<https://data.census.gov/table/ACSDT1Y2021.B02001?q=Race&tid=ACSDT5Y2021.B02001>)

other hand, non-Hispanic White people represented 58 percent of the US population while holding 76 percent of the overall wealth.

The Annual Business Survey of the U.S. Census Bureau gives information about the characteristics of employer businesses based on their race, ethnicity, sex, and veteran status. According to the 2021 Annual Business Survey, which covers 2020, there were 1.2 million minority-owned businesses (accounted for 20.39 percent of employer businesses in the country).²³ Black-owned businesses accounted for 2.44 percent (140,918), and Hispanic-owned businesses made up 6.5 percent (375,256).²⁴ Non-Hispanic White-owned businesses, in contrast, made up 75.8 percent of all employer businesses.²⁵

The 2021 Annual Business Survey also shows the impact of employer businesses on the US economy. In 2020, black-owned businesses employed 1.3 million people, created \$141.1 billion in gross revenue (sales, value of shipments, or gain), and brought an additional \$42.2 billion in annual payroll to the US economy. The same year, Hispanic-owned businesses employed 2.9 million people, created \$472.3 billion in gross revenue, and brought an additional \$105.6 billion annual payroll to the US economy.

Growth of Black and Hispanic Entrepreneurs

From 2017 to 2020 (Table 1), Black-owned businesses grew by 13.64 percent, behind Hispanic-owned businesses (16.51 percent) but above all businesses (0.53 percent). The number of employees at Black-owned businesses grew by 9.38 percent between 2017 and 2020, compared to 2.34 percent for Hispanic-owned businesses and 1.27 percent for all businesses. Black-owned businesses outpaced Hispanic-owned businesses in employment growth and their annual payroll payments. On the other hand, Hispanic-owned businesses outpaced Black-owned businesses in revenue growth during the same period. Their revenues (sales, value of shipments, or revenue) grew by 11.76 percent, while it was 10.36 percent for Black-owned businesses and 6.21 percent for all businesses in the country. From 2019 to 2020, Black-owned businesses grew by 4.72 percent, less than Hispanic-owned businesses (8.19 percent) but more than white-owned businesses, a decrease of 0.9 percent (Table 1).

A study by Perry et al. (2013) finds that if Black-owned businesses grow at around 5 percent, it will take 256 years to equalize the share of Black-owned businesses with the

²³ United States Census Bureau. (2021). *ABS Tables*. Surveys and Programs. https://www.census.gov/programs-surveys/abs/data/tables/2021.List_1428666720.html#list-tab-List_1428666720

²⁴ United States Census Bureau. (2021). *ABS Tables*. Surveys and Programs.

²⁵ United States Census Bureau. (2021). *ABS Tables*. Surveys and Programs. It is important to note that this report focuses on two separate demographic variables: race (e.g., Black, White, Asian), and ethnicity (e.g., Hispanic). The fact that these are separate variables implies some overlap of concepts, for example, in the case of Black and Hispanic individuals. Because this report is concerned with the experiences of both groups, we opted not to impose mutually exclusive categories of race and ethnicity whenever possible. We are comfortable doing so, considering that the overlap is not expected to be considerable. Indeed, according to data from the 2019 American Community Survey, there were 41.2 million Black individuals in the US, of which 3.0% were Hispanic Blacks. Meanwhile, out of the 58.5 million Hispanic individuals, only 2.1% were Black. An implication of this methodological choice is that adding up race and ethnic categories does not add up to the total of entrepreneurs. Lastly, given that non-Hispanic Whites represent most of the entrepreneurs in the US and in the Richmond area, we sometimes present the results of this category as a comparative device.

percentage of Black people in the US population.²⁶ To reach that level of racial wealth equity in a shorter duration, there needs to be a higher growth rate (74.4 percent annual growth rate to reach that level in 15 years or 22.3 percent growth rate to reach that level in 50 years).

Table 1

Change in Black-Owned and Hispanic-Owned Businesses

	Black-Owned Employer Businesses			Hispanic-Owned Employer Businesses			Total Employer Businesses		
	2017	2020	% Change	2017	2020	% Change	2017	2020	% Change
Number	124,004	140,918	13.64	322,076	375,256	16.5	5,744,643	5,775,258	0.53
Total Employment	1.21	1.32	9.38	2.87	2.94	2.34	127.74	129.36	1.27
Annual Payroll	36.1	42.2	16.98	91.0	105.6	16.04	6534.3	7347.8	12.45
Sales, Value of Shipments, or Revenue	127.9	141.1	10.36	422.6	472.3	11.76	36579.6	38850.3	6.21

Note. Except for the columns about % change, the numbers in the row "total employment" are in million dollars, and the numbers in the rows "annual payroll" and "sales, value of shipments, or revenue" are in billion dollars. Adapted from *2018 Annual Business Survey* and *2021 Annual Business Survey* (<https://www.census.gov/data/developers/data-sets/abs.html>)

The Pandemic and Small Business

Minority-owned businesses experienced significant challenges during and after the COVID-19 pandemic. A 2022 survey by the U.S. Census Bureau revealed the effects of COVID-19 on employer businesses.²⁷ Fifty-nine percent of Black-owned businesses reported that their business sales in 2021 "decreased somewhat" or "decreased significantly"; this ratio was 54 percent for Hispanic-owned businesses and 49 percent for White-owned businesses. Additionally, a higher share of Black-owned businesses had outstanding business debt compared to Hispanic-owned and white-owned businesses. Eighteen percent of Black-owned businesses reported having \$250,000 outstanding debt in 2022, while this ratio was 16 percent for Hispanic-owned businesses and 15 percent for white-owned businesses.

Similarly, 30 percent of Black-owned businesses had less than \$5,000 of outstanding debt in 2022, while this ratio was 34 percent for Hispanic-owned businesses and 43 percent for white-owned businesses. Lastly, 44 percent of Black-owned businesses

²⁶ Perry, A.M., Donoghoe, M. & Stephens, H. (2023, May 24). *Who is driving Black business growth? Insights from the latest data on Black-owned businesses*. Brookings Metro. <https://www.brookings.edu/articles/who-is-driving-black-business-growth-insights-from-the-latest-data-on-black-owned-businesses/>

²⁷ United States Census Bureau. (2022). *ABS Tables*. Surveys and Programs. <https://www.census.gov/data/tables/2022/econ/abs/2022-abs-first-look.html>

reported being “very concerned” about their financial health. This ratio was 37 percent for Hispanic-owned businesses and 49 percent for white-owned businesses.

Factors Contributing to a Positive Entrepreneurial Ecosystem

An entrepreneurial ecosystem is defined as “a set of interconnected entrepreneurial actors (both potential and existing), entrepreneurial organizations (e.g., firms, venture capitalists, business angels, banks), institutions (universities, public sector agencies, financial bodies), and entrepreneurial processes (e.g., business birth rate, numbers of high-growth firms, levels of ‘blockbuster entrepreneurship,’ number of serial entrepreneurs, degree of sellout mentality within firms and levels of entrepreneurial ambition) which formally and informally coalesce to connect, mediate and govern the performance within the local entrepreneurial environment.”²⁸ Entrepreneurial ecosystems are dynamic, adaptive, and evolving systems that provide supportive environments for the entrepreneurial activities of potential and successful entrepreneurs, new businesses, growing firms, and other large established corporations.²⁹

Black and Hispanic Entrepreneur Supports Across States

The Research Institute for Social Equity reviewed all 50 states and the District of Columbia to understand better resources for Black and Hispanic entrepreneurs on a national level. Resources were found in forty-seven states in Professional and Financial Services, Networking and Mentoring, Partnerships, and Philanthropy. Of the almost 200 resources we found, most were affiliated with state efforts (n = 113), followed by efforts by independent entities (n = 48), and federally supported (n = 45). Of the resources found, most were focused on minority business owners (n = 88), followed by Black business owners (n = 38) and Hispanic (n = 30) business owner-focused resources. It is important to note that this is not an exhaustive list, as the search only included publicly available online information.³⁰

According to our state review, the most commonly found resources were those that had to do with finances, followed by professional services and business practices, and lastly, networking and mentoring. Very few states had resources on partnerships and philanthropic endeavors in relationship to Black and Hispanic entrepreneurship.

²⁸ Brown, R. & Mason, C. (2017). Looking inside the spikey bits: a critical review and conceptualisation of entrepreneurial ecosystems. *Small Business Economics*, 49, pp. 11-30. DOI:10.1007/s11187-017-9865-7

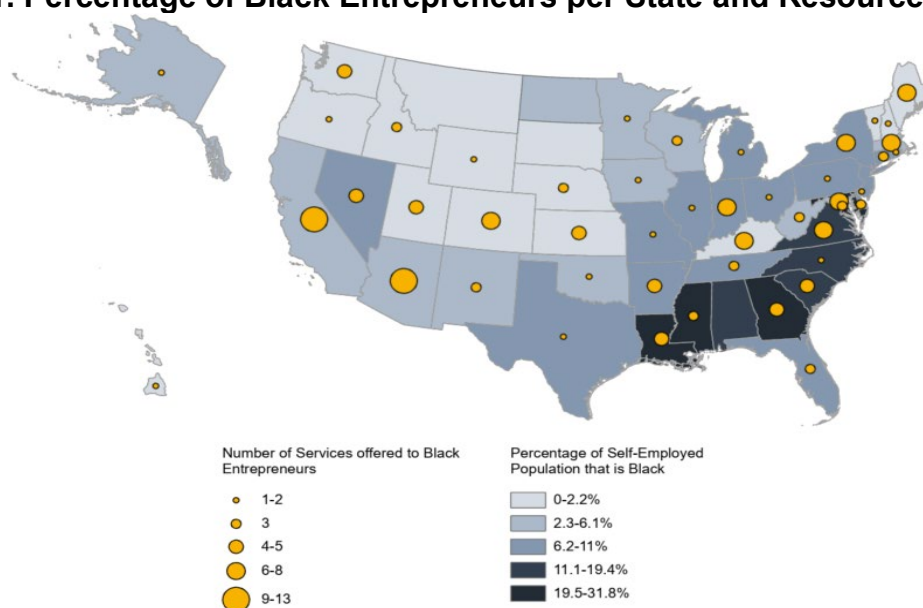
²⁹ Brown & Mason. (2017). “Looking inside the spikey bits.”; Schweitzer, F., Palmie, M. Gassmann, O., Kahlert, H. & Roeth, T. (2019). Open innovation for the institutional entrepreneurship: how incumbents induce institutional change to advance autonomous driving. *R&D Management*. <https://www.alexandria.unisg.ch/server/api/core/bitstreams/90652c9e-51b5-4884-8fbb-7203947782b3/content>

³⁰ This data was compiled through a web search of each of the 50 states and D.C. and includes readily available data. This was conducted in September and October of 2023.

The maps below depict the proportion of Black (Figure 1) and Hispanic (Figure 2) business owners in each state relative to the overall number of business owners and the corresponding resource count. State information came from aggregated data from the 2022 Current Population Survey (CPS) from the U.S. Census Bureau. Self-employment rates are calculated as percentages of all employed workers, excluding the military. Black self-employed persons include Black Hispanics, while the Hispanic category includes individuals of all races except for Black.

Figure 1 illustrates the outcomes of a web search focused on Black entrepreneurs. States in the South have higher concentrations of self-employed Blacks. On average, we located six to eight services in each state supporting minority businesses in South Atlantic states (DE, DC, FL, GA, MD, NC, SC, VA, WV). The services in these states were most often professional (DE, DC, FL, GA, MD, SC, WV) or financial services (DE, FL, GA, MD, NC, SC). Among the South Atlantic states, mentoring services were found in five states (DE, GA, MD, VA, SC), and partnership services were found in one state (MD).

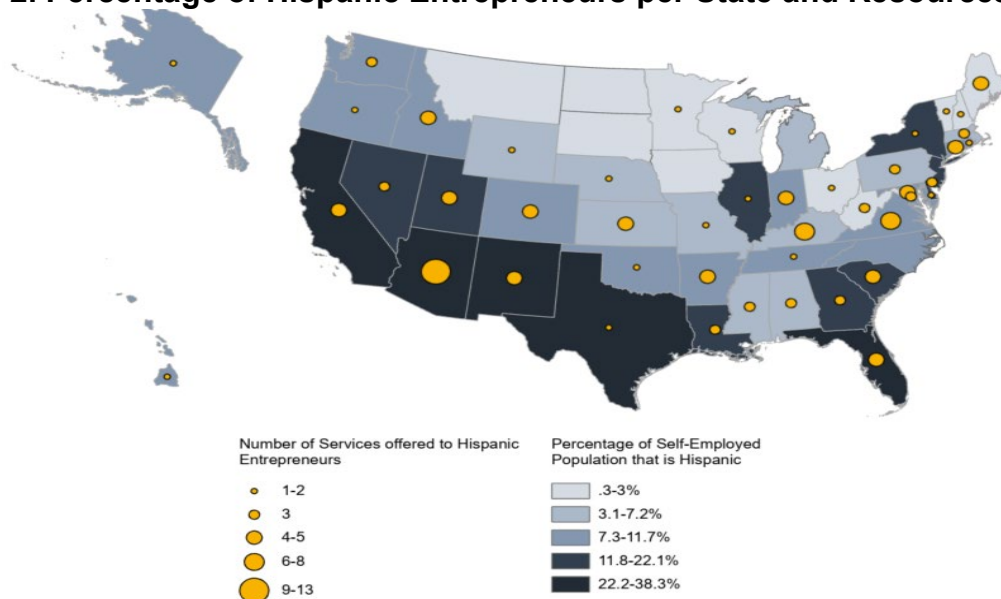
Figure 1. Percentage of Black Entrepreneurs per State and Resources



Note. Data on the percentage of Black and Hispanic Entrepreneurs in each state comes from the 2022 Current Population Survey (January to December), retrieved from IPUMS CPS: Version 11.0 (<https://doi.org/10.18128/D030.V11.0>); Sarah Flood, Miriam King, Renae Rodgers, Steven Ruggles, J. Robert Warren, Daniel Backman, Annie Chen, Grace Cooper, Stephanie Richards, Megan Schouweiler, and Michael Westberry. IPUMS CPS: Version 11.0 [dataset]. Minneapolis, MN: IPUMS, 2023. <https://doi.org/10.18128/D030.V11.0>

Figure 2 displays the results found for Hispanic entrepreneurs. Hispanic entrepreneurs were largely in sunbelt states (AZ, CA, FL, GA, LA, NM, NV, SC, TX, UT). Entrepreneurs in sun belt states were likely to have access to financial services (AZ, CA, FL, GA, LA, NM, TX, SC) and Professional resources (AZ, CA, FL, GA, LA, NM, NV, SC, TX, UT) and mentorship (AZ, CA FL, GA, NM, SC, TX, UT). Networking opportunities (AZ, CA, FL, GA, NM), partnership services (AZ, NV), and philanthropic services (AZ) were found in fewer states. Illinois, New Jersey, and New York also had a large percentage of Hispanic entrepreneurs, each offering financial, professional, philanthropic, and partnership services and opportunities for mentorship and networking.

Figure 2. Percentage of Hispanic Entrepreneurs per State and Resources



Note. Data on the percentage of Black and Hispanic Entrepreneurs in each state comes from the 2022 Current Population Survey (January to December), retrieved from IPUMS CPS: Version 11.0 (<https://doi.org/10.18128/D030.V11.0>); Sarah Flood, Miriam King, Renae Rodgers, Steven Ruggles, J. Robert Warren, Daniel Backman, Annie Chen, Grace Cooper, Stephanie Richards, Megan Schouweiler, and Michael Westberry. IPUMS CPS: Version 11.0 [dataset]. Minneapolis, MN: IPUMS, 2023. <https://doi.org/10.18128/D030.V11.0>

Supportive Policy Environment

An entrepreneurial ecosystem can only thrive sustainably with a supportive policy environment. Public policy is defined as the power of governments to establish the rules of the economies and shape the institutional setting where entrepreneurs operate and sustain their organizations.³¹ Policymakers can impact market mechanisms and ecosystems and their effectiveness by eliminating and modifying regulations that cause

³¹ Hart, D.M. (2003). The emergence of entrepreneurship policy: governance, start-ups, and growth in the US knowledge economy. New York: Cambridge University Press.; Michael, S.C., & Pearce, J.A. (2009). The need for innovation as a rationale for government involvement in entrepreneurship. *Entrepreneurship and Regional Development*, 21(3), 285–302. <https://doi.org/10.1080/08985620802279999>

market imperfections and rigid administrative procedures.³² Studies show that the excessive number of rules that entrepreneurs need to consider and the complexity of administrative procedures (e.g., The requirement of entrepreneurs to report their activities to various institutions) significantly reduces entrepreneurial activities.³³ Administrative burdens are considered one of the main barriers to entrepreneurs starting their businesses.³⁴

Other policies, such as economic policy regulations and procedures, research and development policies, technology transfer policies, and education and training, also impact the entrepreneurial ecosystem.³⁵ Policies that promote low-interest loans and loan guarantee systems, reduce capital requirements, support investment companies, and other measures to open entrepreneurs' access to credit help nurture a positive environment for new venture creation.³⁶ Other policies that stimulate an entrepreneurial culture (e.g., encouraging investments in research and development from governments and universities, increasing public investment in education and measures, and having state aid for innovation and the start-up of small businesses) help maintain a favorable entrepreneurial ecosystem.³⁷ In general, a supportive environment for entrepreneurial ecosystems often includes policies and regulations that support start-ups, nurture a favorable entrepreneurial culture, facilitate opportunities to obtain management and entrepreneurial knowledge, skills, and experiences, make resources available, reduce the risk of partners' noncompliance, and lower market barriers to entry for entrepreneurs.³⁸

Favorable Entrepreneurial Culture

Culture is the “system of values, beliefs, and assumptions that influence activities and how things are done.”³⁹ Entrepreneurial culture reflects the degree to which entrepreneurship is desirable in a society.⁴⁰ An entrepreneurial culture that incentivizes entrepreneurship and innovation is fundamental for the success of an entrepreneurial

³² Gnyawali, D. R., & Fogel, D. S. (1994). Environments for entrepreneurship development: key dimensions and research implications. *Entrepreneurship theory and practice*, 18(4), 43-62.

³³ Grilo, I., Thurik, R. Latent and Actual Entrepreneurship in Europe and the US: Some Recent Developments. *Entrepreneurship Mgt.* 1, 441–459 (2005). <https://doi.org/10.1007/s11365-005-4772-9>; Begley, T. M., Tan, L., & Schoch, H. (2005). Politico–Economic Factors Associated with Interest in Starting a Business: A Multi–Country Study. *Entrepreneurship Theory and Practice*. <https://doi.org/10.1111/j.1540-6520.2005.00068.x>

³⁴ Castaño-Martínez, M.S., Méndez-Picazo, M.T., Galindo-Martín, M.Á. (2015). Policies to promote entrepreneurial activity and economic performance. *Management decision: quarterly review of management technology*, 53(9):2073-2087. doi:10.1108/MD-06-2014-0393

³⁵ Castaño-Martínez, M.S., Méndez-Picazo, M.T., Galindo-Martín, M.Á. (2015). “Policies to promote entrepreneurial activity.”

³⁶ Castaño-Martínez, M.S., Méndez-Picazo, M.T., Galindo-Martín, M.Á. (2015). “Policies to promote entrepreneurial activity.”

³⁷ Castaño-Martínez, M.S., Méndez-Picazo, M.T., Galindo-Martín, M.Á. (2015). “Policies to promote entrepreneurial activity.”

³⁸ Jacquemin, A., & Janssen, F. (2015). Studying regulation as a source of opportunity rather than as a constraint for entrepreneurs: Conceptual map and research propositions. *Environment and Planning C: Government and Policy*. <https://doi.org/10.1068/c11180b>; Stevenson, L., & Lundström, A. (2007). Dressing the emperor: the fabric of entrepreneurship policy. *Handbook of research on entrepreneurship policy*, 2007, 94-129.

³⁹ Cuervo, A. (2005). Individual and environmental determinants of entrepreneurship. *The International Entrepreneurship and Management Journal*, 1, p.307.

⁴⁰ Hechavarria, D. M., & Reynolds, P. D. (2009). Cultural norms & business start-ups: the impact of national values on opportunity and necessity entrepreneurs. *International Entrepreneurship and Management Journal*, 5, 417-437.

ecosystem. Research finds that within a supportive culture, where entrepreneurial careers are more valued and socially recognized, individuals are more likely to show psychological traits and attitudes consistent with entrepreneurial values and become entrepreneurs.⁴¹ Also, successful entrepreneurs and their stories about generating wealth and gaining an international reputation through ventures reinforce a favorable entrepreneurial culture where people are inclined to develop new entrepreneurial initiatives, and some successful entrepreneurs can offer capital, resources, and expertise to other entrepreneurs within the region.⁴²

A favorable entrepreneurial ecosystem is often situated within a culture that embraces diversity, fosters innovations, values entrepreneurship, protects property rights, and respects business ethics and discipline. A favorable entrepreneurial culture accepts failure, risks, uncertainty, and changes and provides incentives for the exploitation of entrepreneurial opportunities, resources, and support for discovering, pursuing, and scaling up new ventures.⁴³ It is fundamental to fostering a conducive environment to stimulate entrepreneurial activities.

Developing Dynamic Entrepreneurial Markets

Markets are pivotal in the ecosystem. Mack and Mayer (2016) identified four stages for developing an entrepreneurial ecosystem: birth, growth, sustainment, and decline.⁴⁴ At the *birth* stage, few or no firms exist in the ecosystem, and there are few startups. Pioneering support organizations such as incubators, nonprofits, and entrepreneurship-oriented infrastructure are emerging. At this stage, no markets have been developed for entrepreneurs. The established firms do not serve as incubators and are not customers for regional entrepreneurial firms. At the *growth* stage, there are a growing number of firms, including new ventures, in the area. Some local agencies start offering support specialized and targeted toward new startups; financial capital becomes more available and accessible; and entrepreneurs gain recognition and trust in the region. Great market opportunities exist in the region, country, and internationally. After the growth stage, new firms decline in the area. Local support organizations start diversifying their support away from entrepreneurship; financial resources become difficult to access. The market has

⁴¹ Liñán, F., Rodríguez-Cohard, J. C., & Rueda-Cantuche, J. M. (2011). Factors affecting entrepreneurial intention levels: a role for education. *International entrepreneurship and management Journal*, 7, 195-218; Liñán, F., Romero Luna, I., & Fernández Serrano, J. (2013). Necessity and opportunity entrepreneurship: The mediating effect of culture. *Revista de Economía Mundial*, 33, 21-47.

⁴² Cuervo. (2005). "Individual and environmental determinants of entrepreneurship"; Isenberg, D. (2011). *The Entrepreneurship Ecosystem Strategy as a New Paradigm for Economic Policy: Principles for Cultivating Entrepreneurship*. Dublin: Institute of International European Affairs; Mack, E., & Mayer, H. (2016). The evolutionary dynamics of entrepreneurial ecosystems. *Urban studies*, 53(10), 2118-2133.

⁴³ Cuervo. (2005). "Individual and environmental determinants of entrepreneurship"; Gartner, W. B. (1985). A conceptual framework for describing the phenomenon of new venture creation. *Academy of Management Review*, 10(4), 696-706.; Acs, Z. J., Autio, E., & Szerb, L. (2014). National systems of entrepreneurship: Measurement issues and policy implications. *Research policy*, 43(3), 476-494; Autio, E. (2017). Digitalisation, ecosystems, entrepreneurship and policy. Perspectives into topical issues in society and ways to support political decision making. government's analysis, research and assessment activities policy brief, 20, 2017.

⁴⁴ Mack, E., & Mayer, H. (2016). The evolutionary dynamics of entrepreneurial ecosystems. *Urban studies*, 53(10), 2118-2133.

declining opportunities and networks regionally, nationally, and internationally. In the last stage, there are very few startups. More firms die than emerge. Local organizations no longer support entrepreneurial ideas and activities. Moreover, there are no market connections and networks in the ecosystem.⁴⁵

A supportive entrepreneurial ecosystem should not stay at the birth stage or develop into the last stage. Instead, it should be maintained and sustained at the growth and *sustainment* stages. This requires a growing market with new opportunities, resources, talents, experienced workers, and new and adapted products and services. Within this market, new firms grow and expand with the support of local organizations and established large firms and later reinvest in the ecosystem by attracting more talent, accumulating wealth, establishing strong networks with other actors and regions, nurturing potential entrepreneurs, and supporting new startups. The success of the new firms inspires potential and serial entrepreneurs, fostering a favorable entrepreneurial culture in the ecosystem. In turn, the favorable entrepreneurial culture and the resources and support in the market offer rich “soil” and “environment” for new entrepreneurial ideas and existing firms within the ecosystem.

Accessible Resources

Resources, tangible (e.g., professional training and education programs, experts, equipment, conferences, workshops, financial support, tools, and technologies), and intangible (e.g., knowledge and skills) are important assets in an ecosystem that help startups and existing businesses develop and thrive. It is critical to ensure that these resources are available and accessible for entrepreneurs within the ecosystem.

Human capital and knowledge. Fundamental resources for innovation and positively impact entrepreneurship; areas where talents concentrate, are more likely to experience higher growth and success in new firms and a thriving economy.⁴⁶

Technologies. (e.g., digital platforms, products, infrastructures, and Internet-based service innovations) significantly impact how businesses are imagined, created, operated, and sustained.⁴⁷ The rising technology can leverage potential opportunities for collaboration, offer new channels to engage customers and stakeholders, respond to multivariate and personalized demands, and improve transaction efficiency.⁴⁸ Technology creates new avenues for the design, creation, development, and management of entrepreneurial initiatives.

⁴⁵ Mack & Mayer. (2016). The evolutionary dynamics of entrepreneurial ecosystems.

⁴⁶ Qin, N., & Kong, D. (2021). Human capital and entrepreneurship. *Journal of Human Capital*, 15(4), 513-553.; Audretsch, D. B., & Keilbach, M. (2007). The theory of knowledge spillover entrepreneurship. *Journal of Management studies*, 44(7), 1242-1254.

⁴⁷ Elia, G., Margherita, A., & Passiante, G. (2020). Digital entrepreneurship ecosystem: How digital technologies and collective intelligence are reshaping the entrepreneurial process. *Technological forecasting and social change*, 150, 119791.

⁴⁸ Elia, Margherita, & Passiante. (2020). “Digital entrepreneurship ecosystem.”

Financial support. Decides the feasibility of launching an entrepreneurial idea. There are various funding sources for entrepreneurs, such as self-funding, family, friends and colleagues, banks, accelerators, angel investors, peer-to-peer lending, and crowdfunding.⁴⁹ It is important that entrepreneurs are aware of and have access to different funding resources within the ecosystem.

Entrepreneurship education and training effectively increase enterprises' numbers and performance.⁵⁰ Studies show that high education levels are positively related to the likelihood of venture creation.⁵¹ Education and training equip individuals with the knowledge and tools required for venture creation and business management. They help them identify market opportunities, develop the skills and attitudes that favor entrepreneurship, and thus stimulate entrepreneurial activities.⁵² Entrepreneurship education and training are particularly important during challenging times such as the COVID-19 recession, where new and experienced entrepreneurs can obtain managerial and entrepreneurial skills to withstand difficulties and better address future challenges.⁵³ Other resources, such as experts, skilled workers, equipment, conferences, and workshops, are also important to maintain a positive ecosystem as they provide knowledge, skills, and other support for the key actors and opportunities for connections and interactions between these actors within the ecosystem. Thus, ensuring the availability and accessibility of these resources to entrepreneurs and other actors is essential to fostering a positive entrepreneurial ecosystem.

Positive Partnerships and Interactions Among Key Players

There are many contributors, including individuals (e.g., innovators, entrepreneurs, and consumers) and agencies (e.g., incubators, financial firms, small businesses, nonprofits, governments, and universities) within the ecosystem that play significant roles in sustaining the entrepreneurial ecosystem.⁵⁴ Entrepreneurs are the “agents who recognize opportunities, mobilize resources, and create value.”⁵⁵ They are the core actors who create products and services through new ventures and accumulate knowledge, capacity, and resources to sustain regional economic growth within the ecosystem. Despite their various roles in the ecosystem, other actors could be positively

⁴⁹ Wright, F. (2017). How do entrepreneurs obtain financing? An evaluation of available options and how they fit into the current entrepreneurial ecosystem. *Journal of Business & Finance Librarianship*, 22(3-4), 190-200.

⁵⁰ Elert, N., Andersson, F. W., & Wennberg, K. (2015). The impact of entrepreneurship education in high school on long-term entrepreneurial performance. *Journal of Economic Behavior & Organization*, 111, 209-223.

⁵¹ Lawson, B., & Samson, D. (2001). Developing innovation capability in organisations: a dynamic capabilities approach. *International journal of innovation management*, 5(03), 377-400; Davidsson, P., & Honig, B. (2003). The role of social and human capital among nascent entrepreneurs. *Journal of business venturing*, 18(3), 301-331.

⁵² Barreneche García, A. (2014). Analyzing the determinants of entrepreneurship in European cities. *Small Business Economics*, 42(1), 77-98; Gavron, R. (1998). *The entrepreneurial society*. London, UK: Institute for Public Policy Research.

⁵³ Pascucci, T., Hernández-Sánchez, B. R., & Sánchez-García, J. C. (2021). Cooperation and Environmental Responsibility as Positive Factors for Entrepreneurial Resilience. *Sustainability*, 14(1), 424. <http://dx.doi.org/10.3390/su14010424>

⁵⁴ Isenberg. (2011). “The Entrepreneurship Ecosystem Strategy.”

⁵⁵ Feldman, M. P. (2014). The character of innovative places: entrepreneurial strategy, economic development, and prosperity. *Small Business Economics*, 43, p. 9.

engaged in small businesses' formation, development, growth, and sustainability.⁵⁶ For example, governments impact venture creation and entrepreneurial behaviors through policies and regulations (e.g., tax benefits and grants); universities and colleges provide education and training for new and existing entrepreneurs, offer spaces for connections and interactions, house accelerators to foster growth, and produce skilled workers for the ecosystem; business incubators provide tools and resources, including office space, mentorship opportunities, and community connections, for new businesses to grow and innovate; financial firms offer capital and other services for new and existing businesses.⁵⁷ In addition to these organizations, individuals such as families, friends, and communities could also positively impact the ecosystem by encouraging entrepreneurial ideas, valuing being entrepreneurs, and supporting entrepreneurial behaviors.⁵⁸

The positive roles of these actors in the ecosystem demonstrate the significance of developing positive partnerships and interactions among these many actors, including personal and organizational levels. Positive interactions among individual entrepreneurs, between entrepreneurs and other key actors, are critical for the success and sustainability of small businesses as they offer emotional support, knowledge, information, capital, technical support, and/or collaboration opportunities for entrepreneurs.⁵⁹ The levels of connections and collaboration patterns between agencies within an ecosystem are closely related to organizational proximity, the shared routines and norms of organizations, and institutional proximity, the closeness of the organizations' shared values to the broader societal norms and institutions.⁶⁰ High organizational and institutional proximities contribute to high collaborations between actors within an ecosystem and thus promote a positive and sustainable entrepreneurial ecosystem.

Essential steps for fostering effective partnerships and ensuring success include:

- Being reliable and transparent,
- Establishing an outline of partnership goals,
- Communicating frequently,
- Identifying the strengths, weaknesses, and shared values of the partnership,

⁵⁶ Harper-Anderson, E. (2018). Intersections of partnership and leadership in entrepreneurial ecosystems: Comparing three US regions. *Economic Development Quarterly*, 32(2), 119-134.

⁵⁷ Minniti, M. (2008). The Role of Government Policy on Entrepreneurial Activity: Productive, Unproductive, or Destructive? *Entrepreneurship Theory and Practice*, 32(5), 779-790. <https://doi.org/10.1111/j.1540-6520.2008.00255.x>; Siegel, D., Wessner, C., Binks, M., & Lockett, A. (2003). Policies promoting innovation in small firms: Evidence from the U.S. and U.K. *Small Business Economics*, 20, 121-127.; Williams, R. C. & Klugh, E. L. (2017). Creating a University Driven "Ingepreneurial" Ecosystem in West Baltimore: A Strategy for Rust Belt Revitalization. *Metropolitan Universities*, 28(2), 103-123.; Ogutu, V. O., & Kihonge, E. (2016). Impact of business incubators on economic growth and entrepreneurship development. *International journal of science and research*, 5(5), 231-241.; Isenberg. (2011). "The Entrepreneurship Ecosystem Strategy."

⁵⁸ Cuervo. (2005). "Individual and environmental determinants of entrepreneurship."; Gnyawali & Fogel. (1994). "Environments for entrepreneurship development."

⁵⁹ Hoang, H., & Antoncic, B. (2003). Network-based research in entrepreneurship: A critical review. *Journal of business venturing*, 18(2), 165-187; Isenberg, D. (2013). *Worthless, impossible and stupid: How contrarian entrepreneurs create and capture extraordinary value*. Harvard Business Review Press.

⁶⁰ Harper-Anderson. (2018). "Intersections of partnership and leadership."

- Outlining expectations, especially financial ones,
- Creating a financial plan,
- Putting partnership planning in writing,
- Cultivating personal relationships.⁶¹

Diversity Within the Ecosystem

Diversity refers to the variation or differences in organizations (e.g., public, private, and nonprofit agencies), industries, key actors (e.g., entrepreneurs, investors, innovators), population (e.g., people from different racial/ethnic groups), and the diversity of perspectives, knowledge, skills, and resources within the ecosystem.⁶² Diversity promotes the accumulation of knowledge, stimulates innovation, and helps the ecosystem adapt to changes and evolve over time.⁶³ The different thinking, behaviors, and needs of diverse people call for new types of innovators, entrepreneurs, agencies, and even industries to discover new valuable knowledge, facilitate changes, and create new services to meet the needs of different people.⁶⁴ Moreover, the diversity of perspectives, knowledge, and capabilities, as well as a broad set of resources, help create and maintain a dynamic and growing market as well as a sustainable entrepreneurial ecosystem.⁶⁵

Numerous prior studies support the positive effects of diversity on innovation, entrepreneurship, and economic growth in the ecosystem.⁶⁶ Research finds diversity (e.g., diverse economies, different highly skilled people, a variety of meeting places, and well-developed transport infrastructure) contributes to knowledge generation, innovation, and entrepreneurship and drives long-term economic development and growth in urban regions.⁶⁷ A diverse industry mix in a local region improves opportunities for interaction, sharing ideas, learning from each other, and advancing practices and technologies across industries.⁶⁸ The diversity in entrepreneurs (e.g., Black and Hispanic entrepreneurs) and populations (e.g., people of color) also play an important role in

⁶¹ Kolk, Ans and van Tulder, Rob J.M. and Kostwinder, Esther, *Business and Partnerships for Development*. European Management Journal, Vol. 26, No. 4, pp. 262-273, 2008, Available at SSRN: <https://ssrn.com/abstract=1086066>

⁶² Karlsson, C., Rickardsson, J., & Wincent, J. (2021). Diversity, innovation and entrepreneurship: where are we and where should we go in future studies? *Small Business Economics*, 56(2), 759-772.

⁶³ Frenken, K., Van Oort, F., & Verburg, T. (2007). Related variety, unrelated variety and regional economic growth. *Regional studies*, 41(5), 685-697; Ozgen, E. (2013). The National Culture And Entrepreneurs' Self Efficacy: The Application Of The Globe Cultural Values. *Business Journal for Entrepreneurs*, 2013(1).

⁶⁴ Frenken, Van Oort, & Verburg. (2007). "Related variety, unrelated variety."

⁶⁵ Karlsson, Rickardsson, & Wincent. (2021). "Diversity, innovation and entrepreneurship."

⁶⁶ Huggins, R., & Williams, N. (2011). Entrepreneurship and regional competitiveness: the role and progression of policy. *Entrepreneurship & Regional Development*, 23(9-10), 907-932.; Karlsson, Rickardsson, & Wincent. (2021). "Diversity, innovation and entrepreneurship."

⁶⁷ Duranton, G., & Puga, D. (2000). Diversity and specialization in cities: why, where and when does it matter? *Urban Studies*, 37(3), 533-555; Huggins & Williams. (2011). "Entrepreneurship and regional competitiveness."

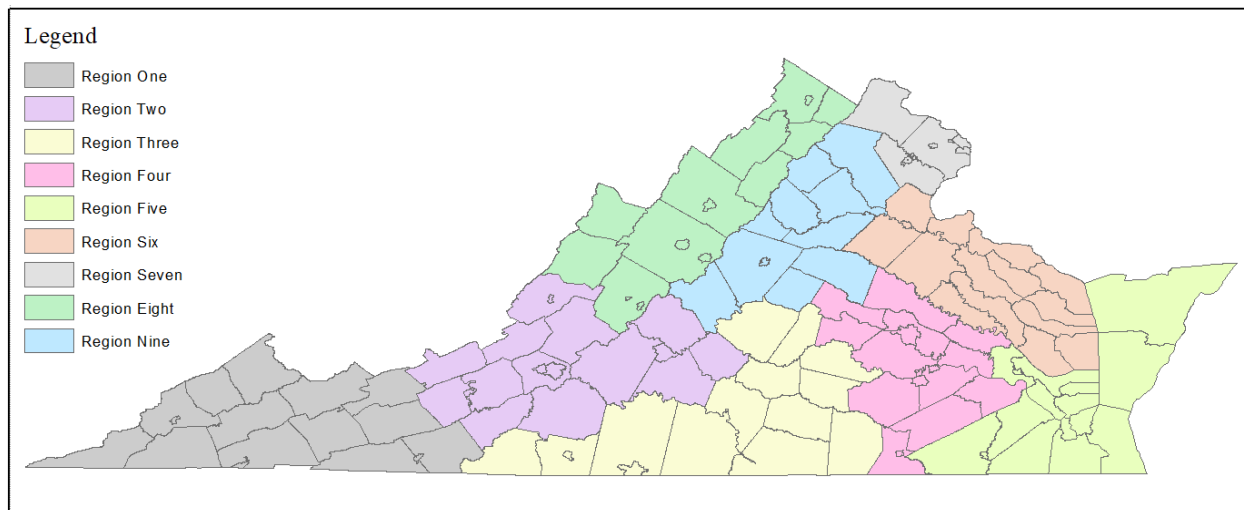
⁶⁸ Frenken, Van Oort, & Verburg. (2007). "Related variety, unrelated variety."; Roundy, P. T., Brockman, B. K., & Bradshaw, M. (2017). The resilience of entrepreneurial ecosystems. *Journal of Business Venturing Insights*, 8, 99-104. <https://doi.org/10.1016/j.jbvi.2017.08.002>

developing the local economy and entrepreneurial ecosystem.⁶⁹ Minority business enterprises create job opportunities, positive community mobility, and play an important role in the industrial revolution.⁷⁰ Research finds that the existence of marginalized and minority groups greatly contributes to the supply of entrepreneurs, as these groups see entrepreneurial activities as a way to overcome marginalization and discrimination with support from their families, groups, and networks.⁷¹ Moreover, the presence of role models in minority communities can significantly inspire people to take business as a career option, gain support and advice, and recognize the value of being entrepreneurs, forming a favorable entrepreneurial culture.⁷²

Entrepreneurship Landscape in Virginia

Within the Commonwealth of Virginia, small businesses account for 99.5 percent of the total businesses, employing 46 percent of the Commonwealth's employees.⁷³ Minority-owned businesses account for 25.8 percent of these businesses.⁷⁴ In 2016, Virginia's Department of Housing and Community Development's (DHCD) Virginia Initiative Growth and Opportunity (GO Virginia) Board established nine economic regions (Figure 3) throughout the commonwealth, each region inclusive of nine to 18 localities, to create diversity and strengthen the state's economy.⁷⁵

Fig. 3 Virginia's Economic Regions



⁶⁹ Bates, T., Farhat, J., & Casey, C. (2022). The Economic Development Potential of Minority-Owned Businesses. *Economic Development Quarterly*, 36(1), 43–56 <https://doi.org/10.1177/08912424211032273>; Parwez, S. (2017). Community-based entrepreneurship: evidences from a retail case study. *Journal of Innovation and Entrepreneurship*, 6, 1-16.

⁷⁰ Castillo, A. (2017). Inclusive Innovation: Latino Entrepreneurs Hold the Key to America's Economic Future. *Harvard Journal of Hispanic Policy*, 29, 11-19.

⁷¹ Cuervo. (2005). "Individual and environmental determinants of entrepreneurship."

⁷² Gnyawali & Fogel. (1994). "Environments for entrepreneurship development."

⁷³ U.S. Small Business Administration (SBA) Office of Advocacy. (2022). Small business profiles for the states, territories, and nation 2022. https://advocacy.sba.gov/wp-content/uploads/2022/08/State_Profiles_2022.pdf

⁷⁴ Ibid.

⁷⁵ Virginia Department of Housing and Community Development. (n.d.). *GO Virginia Board*. <https://www.dhcd.virginia.gov/gova>

Note. The map was created using the US Census Tigerline Shapefiles for Virginia counties and equivalent areas. There are some differences between the map and the East Coast actual borders of Virginia due to the lack of shore details in the available files.

One of the main economic drivers in Virginia, GO Virginia positions state government as a catalyst and economic partner to enhance private sector growth and foster regional collaboration to grow and diversify our economy, business, and education. Each of Virginia's 133 localities is grouped according to economic development status and workforce needs. Within each region, "regional councils are responsible for identifying economic opportunities, needs and challenges, and establishing priorities among those opportunities that can be addressed through regional collaboration."⁷⁶ Among the nine regions, four (Regions 3,4,6,7) have Black or Hispanic populations surpassing the state average, highlighting an opportunity for targeted investment in infrastructure that fosters minority business growth. Since GO Virginia's inception in 2016, it has funded 277 projects and awarded more than \$114 million in resources across the state to support regional economic development.⁷⁷

Table 2

Growth & Opportunity (GO) Virginia Regions, Population and Demographics

	Regions								
	One	Two	Three	Four	Five	Six	Seven	Eight	Nine
Counties (n)	13	13	13	12	6	14	4	10	10
Cities (n)	3	5	2	5	10	1	5	6	1
Population (n)	370,977	733,128	366,042	1,300,469	1,749,192	525,595	2,550,377	547,000	442,083
Black Population (%)	2.46	11.61	31.51*	28.13*	30.7*	18.02	11.5	4.72	10.37
Hispanic Population (%)	1.95	4.23	3.94	8.01	7.77	9.96	18.79*	8.97*	7.77

Note. * Indicates the regional population is at or is higher than the state average for Black (20.0%) and Hispanic (10.5%). Adapted from the U.S. Census. (2022). *ACS 1-Year Estimates*.

<https://data.census.gov/mdat/#/>

Table 3 shows the traded industry sectors with the highest rate of new business formation in each region. Health Care Services (9 regions), Information Technology and Communications Services (7 regions), and Engineering, R&D Testing, and Technical Services (6 regions) are the industries with the highest growth. In regions with an overrepresentation of Black and Hispanic populations (Regions 3,4,6,7), Health Care Services experienced the highest growth across all four regions. This aligns with national

⁷⁶ Virginia Department of Housing and Community Development. (n.d.). *GO Virginia Regional Materials*. <https://www.dhcd.virginia.gov/go-virginia-regional-materials>

⁷⁷ Governor of Virginia. (2023, September 28). Governor Glenn Youngkin Announces Over \$3.7 Million in Growth and Opportunity for Virginia Grants. <https://www.governor.virginia.gov/newsroom/news-releases/2023/september/name-1015074-en.html>

trends indicating health care and social service assistance constitute common Black-owned businesses nationally.⁷⁸

Table 3

Go Virginia Regions, Traded Industry Sectors With The Highest Growth In New Business (2020) (%)

	Regions								
	One	Two	Three	Four	Five	Six	Seven	Eight	Nine
Business Services	--	--	--	--	8.6	7.1	8.0	--	--
Life Sciences	11.6	--	--	9.1					
Healthcare Services	12.3	15.4	12.5	16.7	16.1	27.3	12.8	18.2	12.5
Agriculture & Food Services	--	--	--	--	--	7.4	--	--	--
Engineering, R&D, Testing & Technical Services	11.1	6.7	8.1	--	--	--	7.6	9.2	7.6
Information, Technology, & Communication Services	11.1	6.4	10.8	9.2	9.9	--	--	10.4	10.5

Note. The data were retrieved from Regional Council Information by GO Virginia.

<https://govirginia.org/regions/>

Entrepreneurship in Richmond

Richmond's strategic East Coast position, accessibility, and lower cost of living compared to many major cities make it an appealing place for businesses. The city fosters a business-friendly environment with diverse industries and workforce. Richmond benefits from the presence of reputable educational institutions like Virginia Commonwealth University, Virginia State University, Virginia Union University, University of Richmond, and several community colleges, contributing to a skilled workforce. Richmond's history and diverse demographics make it an especially attractive place for Black and Hispanic entrepreneurs.

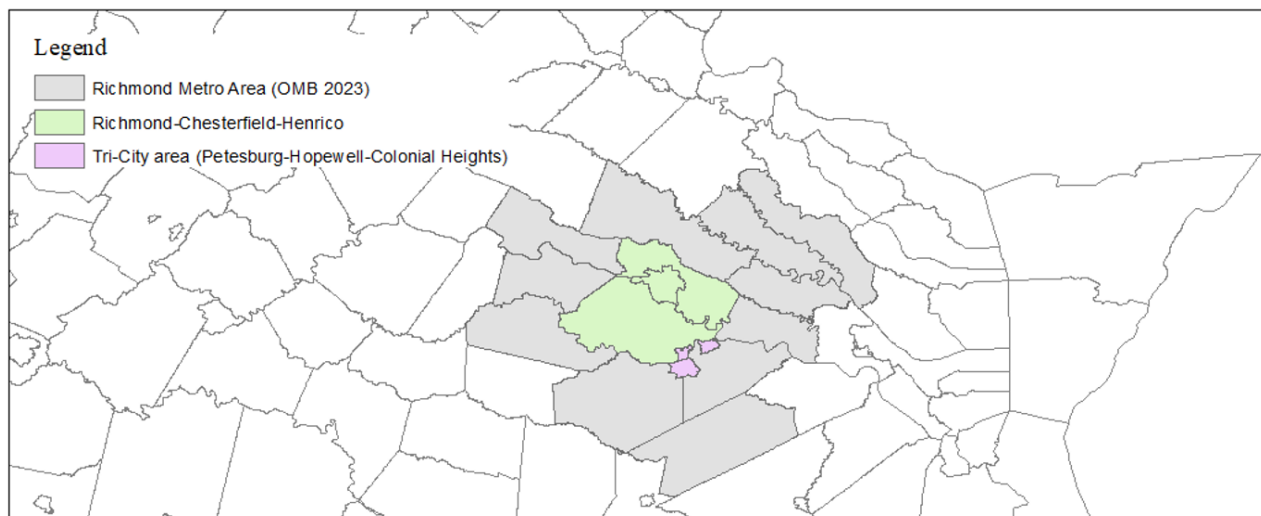
Given that data sources are available at varying geographies across databases, this section uses two definitions of the Richmond area.⁷⁹ The *first* is the Office of the Management and Budget (OMB) metropolitan area definition. The 2023 OMB Bulletin defines the Richmond Metropolitan area as comprising 17 counties with a total population

⁷⁸ Leppert (2023). *A look at Black-owned businesses in the U.S.*

⁷⁹ Whenever possible we focus on the targeted definition, created for the purposes of this report. For example, some datasets containing information about the business owners' race and ethnicity, such as the Annual Business Survey, release information at the metropolitan area level (as defined by the OMB) but not for counties. Meanwhile, other datasets provide detailed business information at the county level, but do not provide details on race and ethnicity, which are crucial for our analysis. Examples include County Business Patterns, and Nonemployer Statistics. Hence, for a better characterization of the area, we opted for leveraging various datasets, despite inconsistencies in area definition.

of 1,3 million.⁸⁰ The second definition was curated for this study and focuses on the core of the metropolitan area, including Richmond City, Henrico County, Chesterfield County, and the Tri-City area (Hopewell City, Petersburg City, and Colonial Heights City), which is home of Virginia State University – a land grant HBCU with a relevant role in the Black and minority entrepreneurial ecosystem. Together, Richmond City (18%), Henrico County (26%), Chesterfield County (27%), and the Tri-City area (6%) represent 77 percent of the population in the OMB metropolitan area, Richmond Metropolitan area. Figure 4 illustrates the 2023 OMB definition and our focused study area. This section refers to these areas as Richmond metropolitan area (OMB’s definition) or Richmond (our focused definition).

Figure 4. Richmond Area Definitions



Note: Adapted from the US Census Tigerline Shapefiles for Virginia counties and equivalent areas. See note in Figure 2 regarding Virginia’s east shore.

Business Environment

Table 4 describes characteristics of the business environment across the Richmond area, including socioeconomic and demographic composition, business creation, and tax rates. Understanding these indicators helps assess the environment where local businesses operate. Furthermore, it uncovers variations that exist within the area. Overall, 991,000 individuals live in the two counties and four cities we have defined as the Richmond area. Seventy percent of the population is in Henrico and Chesterfield counties. Richmond City is significantly denser than all the other areas, being over four times denser than the lowest-density area, Chesterfield. In total, Whites comprise over half of the population, Blacks 33 percent, and Hispanics 8 percent. However, the composition varies across localities. For example, Blacks represent over half of the population in the Tri-City area.

⁸⁰ Population counts retrieved from the American Community Survey 5-Years Estimates (2016-2019), retrieved from SocialExplorer.com.

The Richmond area is highly educated, exhibits high labor force participation rates, and low unemployment and poverty rates. However, there are remarkable spatial variations. In particular, the Tri-City area concentrates lower educational attainment levels, lower income, and higher poverty at roughly 20 percent.

Regarding business dynamism, establishments' entry and exit rates illustrate the number of establishment births and deaths in 2021 relative to the prior year. Although the base year coincides with the origin of the COVID-19 pandemic, the difference between entry and exit rates is not large, revealing certain resilience among business owners, notably in Chesterfield County, where births outnumbered deaths. Distinctly, during this period, the proportion of jobs created was much higher than that of job openings, which, given the circumstances, is not surprising. As is the case with socioeconomic and demographic variables, there are nuances in business dynamics across the areas. Lastly, Table 4 describes the variation in taxes across the areas, which may influence business location decisions. Overall, taxes are higher in Richmond City and the Tri-City area than in Chesterfield and Henrico counties.

Table 4

Richmond Business Environment

Statistics	Chesterfield County	Henrico County	Richmond City	Tri-City Area	Total
<i>Socioeconomic and Demographic Indicators</i>					
Total Population	359,798	331,924	225,676	74,376	991,774
Population Density (Per Sq. Mile)	849.6	1,420.3	3,766.0	1,832.2	1,308.9
White (%)	63.7	53.6	44.8	40.1	54.3
Black (%)	23.4	29.6	45.2	52.1	32.6
Hispanic (%)	9.5	6.0	7.3	6.6	7.6
Other Race (%)	12.9	16.8	10.0	7.8	13.1
Less than High School Education (%)	7.4	7.3	12.3	13.4	9.0
High School Graduate or Some College Education (%)	51.2	47.7	44.6	66.7	49.6
Bachelor's Degree or More (%)	41.4	45.0	43.1	19.9	41.4
Labor Force Participation Rate (%)	68.1	69.2	67.4	62.7	67.9
Unemployment Rate (%)	4.7	4.1	6.0	9.7	5.1
Median Household Income in 2021 (USD)	\$88,315	\$76,345	\$54,795	\$48,900	\$70,933
Poverty Rate (%)	6.8	8.1	19.0	19.0	10.9
<i>Business Creation in 2021</i>					
Establishments Entry Rate (%)	11.6	8.7	10.4	8.8	10.0
Establishments Exit Rate (%)	10.0	10.8	10.5	10.5	10.5
Average Firm Size	20.6	26.2	24.1	18.2	23.3
Job Creation Rate (%)	11.7	13.8	9.8	12.2	12.0
Job Detrusion Rate (%)	15.5	18.4	17.2	16.3	17.2
<i>Tax Rates FY 2022 (per \$100 of Assesed Value On)</i>					
Real Estate (%)	0.9 ^a	0.9 ^a	1.2 ^a	1.2 - 1.4	
Tangible Personal Property (%)	3.6	3.5 ^a	3.7	3.1 - 4.9	
Machinery and Tools (%)	1.0	0.3	2.3	2.0 - 3.8	
Merchants (%)	0.0	0.0	0.0	0.0	

Note: Educational attainment for the population aged 25 years old and older. Labor force participation and unemployment rates for population ages 16 and older.

^a District levels: Real estate levels in Chesterfield County vary from 0.02 to 0.03%, in Henrico County, 0.003 to 0.889%, and in Richmond City from 0.022 to 1.9%. In Henrico County, district taxes on personal properties and machinery and tools are an additional 0.001%.

Adapted from US Census American Community Survey 5-year estimates 2017-2021 (Retrieved from Social Explorer); US Census, Business Dynamics Statistics 2021; and Virginia Department of Taxation, Local Tax Rates Tax Year 2022.

Employment and Nonemployment Establishments

In 2021, around 25,000 employer establishments were operating in Richmond, employing about 436,000 employees and operating a payroll of over \$ 26 million (Table 5). Most of these businesses are small. Indeed, 53 percent of the employee establishments employ one to four employees, and another 18 percent employ somewhere between five and nine (Figure 5).

Table 5

Total Establishments in Richmond (2020)

	Employer Establishments (2021)			Nonemployer Establishments (2020)	
	Total	Employees	Payroll ^a (\$)	Total	Receipts (\$)
Richmond City	6,419	118,605	8,726,849	18,069	802,276
Henrico County	9,477	174,002	10,987,826	27,990	1,209,714
Chesterfield County	7,838	118,586	5,929,000	28,542	1,201,828
Tri-City Area	1,758	25,407	1,121,327	3,903	127,226
Area	25,492	436,000	26,765,002	78,504	3,341,044

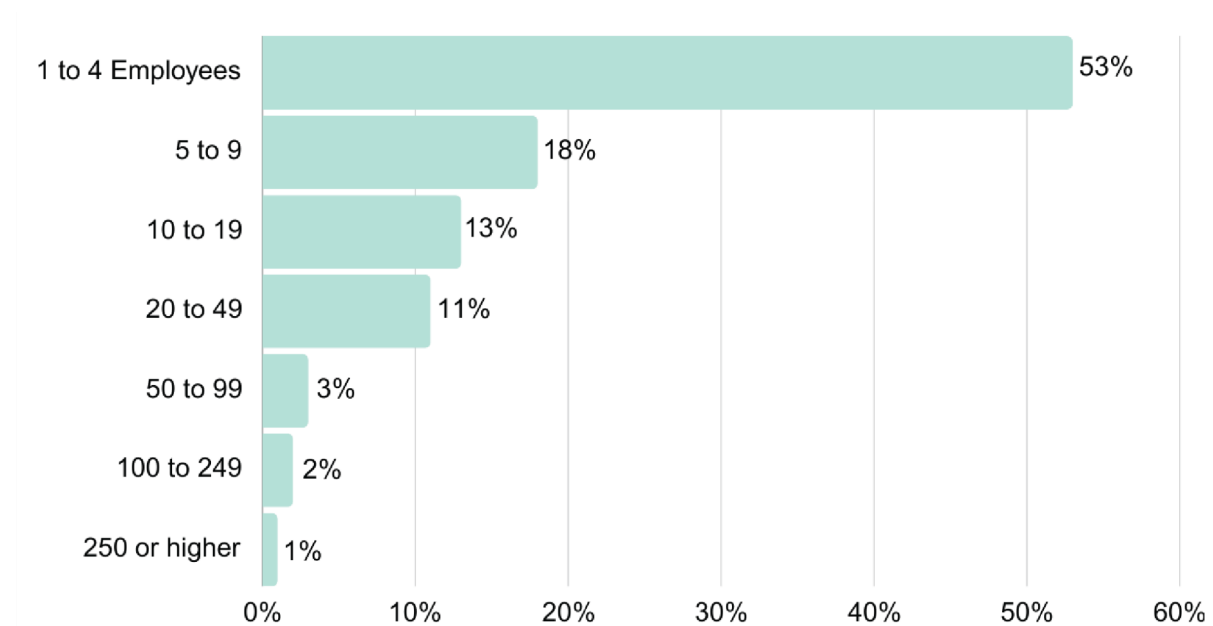
Note: Richmond Area is defined as the combination of Richmond City, Henrico County, Chesterfield County, and the Tri-city area (Colonial Heights City, Petersburg City, and Hopewell City).

^a Annual payroll in thousands. Adapted from County Business Patterns 2021 & Non-employer Statistics 2020.

Additionally, employer establishments in 2020 totaled 78 thousand businesses with receipts of about \$ 3.3. million. Non-employer establishments are businesses without paid employees, typically self-employed individuals operating unincorporated businesses, which may or may not be the owner's principal income source. Although most business establishments in the US are non-employers, as in the Richmond case, these firms average less than 5 percent of all sales and receipts nationally.⁸¹

⁸¹ US Census Bureau. (2023). About this Program: Nonemployer Statistics. Available at: <https://www.census.gov/programs-surveys/nonemployer-statistics/about.html>

Figure 5. Proportion of Employer Establishments in Richmond by Employment Size (2021)



Note. Richmond Area is defined as the combination of Richmond City, Henrico County, Chesterfield County, and the Tri-city area (Colonial Heights City, Petersburg City, and Hopewell City). Adapted from County Business Patterns 2021.

Black and Hispanic Entrepreneurs

Table 6 breaks down employer establishments by owner race and ethnicity in the Richmond Metropolitan Area. Black and Hispanic owners represented a small yet growing fraction of all employer establishments: Black-owned businesses grew from 4.6 to 5.6 percent of all employer establishments between 2017 and 2021, and Hispanic from 2.1 to 3.3 percent. These businesses also experienced a significantly larger growth throughout the period, similar to the national level trends: while total non-employer establishments grew 3.9 percent from 2017 to 2021, Black- and Hispanic-owned businesses grew 26.7 and 61.0 percent, respectively.

However, despite their sustained growth, the proportion of Black and Hispanic businesses is still much inferior to their share of the population. Indeed, in 2021, the Richmond metropolitan area was roughly 30 percent Black and 7 percent Hispanic.⁸² Hence, strategies to support Black and Hispanic businesses would certainly contribute to their expansion and continued growth.

⁸² American Community Survey 5-Years Estimates (2018-2021), retrieved from SocialExplorer.com

Table 6

Employer Establishments in the Richmond Metropolitan Area

	2017	2018	2019	2020	2021	Proportion in 2021	Growth 2017-2021
Total (any race/ethnicity)	24,237	25,059	25,617	23,757	25,185	100.0%	3.9%
Black	1,120	1,554	1,721	1,397	1,419	5.6%	26.7%
Hispanic	515	534	0	476	829	3.3%	61.0%
Non-Hispanic White	18,118	18,226	18,205	17,274	18,135	72.0%	0.1%

Note: 1. Richmond is defined using the OMB metropolitan area definitions. 2. Black and Hispanic are defined as separate variables such that Black Hispanic owners are represented among Black and Hispanic populations (see footnote 24). Non-Hispanic Whites are included for contrasting Blacks and Hispanics with the largest group. 3. Adapted from Annual Business Survey (2018-2022)

Table 7 provides a closer examination of self-employed workers in the Richmond Metropolitan area. Self-employment does not capture all the business activity but is particularly well-suited for studying non-employer establishments.⁸³ The incidence of self-employment varies across population groups and is higher among the non-Hispanic white population (9.4%), followed by Hispanic (6.3%) and Black (4.5%). Across all groups, unincorporated self-employment is the most common type. Within self-employment, most individuals are non-Hispanic whites (74%), with blacks corresponding to the second largest group with roughly 18 percent (Table 7).

Table 7

Race and Ethnicity of Self-Employed Workers in Richmond Metropolitan Area by Race and Ethnicity (2021)

	Black (%)	Hispanic (%)	Non-Hispanic White (%)
<i>Share of Racial-Ethnic Group that is Self-Employed</i>	4.5	6.3	9.4
Unincorporated	3.0	3.7	5.5
Incorporated	1.5	2.7	3.9
<i>Share of Self-employed that belongs to Racial-Ethnic Groups</i>	17.4	3.6	73.7
Unincorporated	19.8	3.5	72.6
Incorporated	14.0	3.7	75.1

Note: 1. Richmond is defined using the OMB metropolitan area definition in 2013. 2. Black and Hispanic are defined as separate variables such that black Hispanic owners are double-counted. Adapted from American Community Survey 5-year estimates 2017-2021.

⁸³ Light, A., Mung, R. (2018). Business Ownership versus Self-Employment. *Industrial Relations*. <https://doi.org/10.1111/irel.12213>

Table 8 explores variations in the demographic characteristics of self-employed workers. Again, important differences are evident. Black and Hispanic self-employed individuals are younger than their Non-Hispanic White counterparts. They are also significantly more likely to be women, representing 40 and 50 percent of Black and Hispanic self-employed, respectively. Socio-economic differences are striking across groups: about half of non-Hispanic Whites are college-educated compared to roughly 20 percent for Blacks and Hispanics. Minority groups are also significantly more likely to live in poverty and lack any sort of health coverage. These differences highlight the higher socio-economic vulnerability experienced by minority entrepreneurs in the Richmond metro area.

Table 8

Characteristics of Self-Employed Workers in Richmond Metropolitan Area by Race and Ethnicity (2021)

	Black	Hispanic	Non-Hispanic White
Median Age	51	44	53
Share of Women (%)	40.6	49.0	37.4
Share with 4+ Years of College (%)	18.9	19.3	49.0
Share Living in Poverty (%)	19.7	14.6	7.0
Share Without Health Coverage (%)	22.1	39.2	9.3

Note: 1. Richmond is defined using the OMB metropolitan area definition in 2013. 2. Black and Hispanic are defined as separate variables such that black Hispanic owners are double-counted. Adapted from American Community Survey 5-year estimates 2017-2021.

Self-employment activity is strongly concentrated in the services industry. Table 9 demonstrates the industrial concentration of self-employed workers in the Richmond Metropolitan area. Across all groups, Professional, Scientific, Management, Administration, and Waste Management services are the industries with the highest shares, peaking at 33.7 percent for Hispanics, 23.0 percent for Blacks, and 25.7 percent for Non-Hispanic Whites. For Blacks, other services (20.3 percent), Transportation, Warehousing, Utilities (14.8%), Educational Services, and Health Care and Social Assistance (14.3%) are the next largest categories. Meanwhile, Hispanics' top categories are Other Services (19.5%) and Construction (19.6%).

Table 9

Industrial Concentration of Self-Employed workers in Richmond Metropolitan Area by Race and Ethnicity (2021)

Industry	Black (%)	Hispanic (%)	Non-Hispanic White (%)
Agriculture, Forestry, Fishing, and Hunting, and Mining	1.0	0.2	2.2
Arts, Entertainment, and Recreation, and Accommodation and Food Services	3.9	4.0	7.4
Construction	8.3	19.6	15.8
Educational Services, and Health Care and Social Assistance	14.3	11.7	11.1
Finance and Insurance, and Real Estate, and Rental and Leasing	3.7	1.5	9.6
Information	1.8	1.9	1.5
Manufacturing	2.4	1.3	4.1
Other Services, Except Public Administration	20.3	19.5	9.9
Professional, Scientific, and Management, and Administrative, and Waste Management Services	23.0	33.7	25.7
Retail Trade	5.5	5.6	7.4
Transportation and Warehousing, and Utilities	14.8	1.0	3.0
Wholesale Trade	1.0	0.0	2.5

Note: 1. Richmond is defined using the OMB metropolitan area definition in 2013. 2. Black and Hispanic are defined as separate variables such that black Hispanic owners are double-counted. Adapted from American Community Survey 5-year estimates 2017-2021.

Practices and Programs that Work

Having historically been economically isolated and challenged with glass ceilings in corporate America, Black and Hispanic individuals in business began to create entrepreneurial opportunities for themselves.⁸⁴ Locally, these entrepreneurs create an impact by providing job opportunities to community residents, increasing their community's tax base, and helping to revitalize the community, bringing economic activity and, often, physical revitalization.

Though Black and Hispanic entrepreneurs have been successful in many ways, they are more likely than White entrepreneurs to have their business ventures fail.⁸⁵ Efforts to

⁸⁴ Fallon-O'Leary, D. (2022, February 15). How to build a stronger Black-owned business ecosystem in the U.S., U.S. Chamber of Commerce. <https://www.uschamber.com/co/good-company/growth-studio/how-to-better-support-black-owned-businesses>

⁸⁵ Fairlie, R.W. & Robb, A.M. (2004, September). *Why are Black-owned businesses less successful than White-owned businesses? The role of families, inheritances, and business human capital*. IZA Discussion Paper no.1292. Bonn: Institute for the Study of Labor. <https://docs.iza.org/dp1292.pdf>

address the disparities in business success rates often involve promoting equal access to resources through improving financial education and support and addressing systemic financial barriers hindering minority-owned businesses' growth. In 2022, the US Chamber of Commerce hosted an event titled "Enhancing the Black-Owned Business Ecosystem for Increased Entrepreneurial Success."⁸⁶ This event highlighted four essential components required to establish a stronger and more enduring business environment:

1. strong network systems to facilitate support, knowledge sharing, and collaboration opportunities,
2. educational resources to build business capabilities,
3. mentorships to help overcome sociocultural barriers, and
4. creating equitable access to financing.⁸⁷

1. Strong Network Systems to Facilitate Support, Knowledge Sharing, & Collaboration Opportunities

Critical Ecosystem Resource: Networking

Nationally, we found that most organizations creating networking opportunities were focused on creating connections between business owners. Most focused on creating connections between Black and Black or Hispanic and Hispanic business owners. However, some organizations sought to connect Black and White small or new business owners with more experienced ones. Most network organizers hosted monthly or quarterly events, though several held large yearly gatherings and educational events outside regular meeting times.

Networking often focuses on developing relationships between business owners with needed resources and creating a robust community of collaborators. Some networks are set up to leverage established relationships with public, private, and government resources to help businesses reach the right people and increase prospects locally, nationally, or internationally. In a few cases, networks are established to provide information on business licensing and statewide resources and serve as an advocacy force to develop policies and programs addressing the needs of minority small businesses.

⁸⁶ U.S. Chamber of Commerce (2022, February 10). How the Black-Owned Business Ecosystem Will Help More Entrepreneurs Thrive. <https://www.uschamber.com/on-demand/diversity-and-inclusion/how-a-black-owned-business-ecosystem-will-help-more-entrepreneurs-thrive?autoplay=1>

⁸⁷ Baboolall, D., Cook, K., Noel, N., Stewart, S., & Yancy, N. (2020, October 20). Building supportive ecosystems for Black-owned U.S. businesses. *McKinsey & Company*. <https://www.mckinsey.com/industries/public-sector/our-insights/building-supportive-ecosystems-for-black-owned-us-businesses>

Harper-Anderson's research underscores the significance of formal organizational networks in fostering collaborative, entrepreneurial ecosystems.⁸⁸ In addition, networks help Black and Hispanic communities build economic power.⁸⁹ This research emphasizes the importance of shared values and missions in cultivating a partnership culture, with solid leadership playing a crucial role in ensuring connections are actively maintained.

A key piece of creating a network is the essential need for stakeholders' awareness of one another and a clear understanding of each other's mission and values. The absence of a shared understanding and direction can impede collaboration, leading to isolated silos. Values and culture influence the structure of formal networks, further highlighting the importance of cultivating awareness and interconnectedness within the ecosystem. For Black and Hispanic networks, it is important to include a community-based approach, given the strong connections these entrepreneurs have with their communities.⁹⁰ Through unity and collaboration, entrepreneurial networks can provide a foundation that fosters community success.⁹¹

Another factor highlighted by Harper-Anderson's work is the need for a cohesive, organization-level, inclusive leadership that promotes collaboration towards increasing opportunities for innovation and growth amongst entrepreneurs.⁹² Fostering innovation and knowledge sharing is enhanced through partnerships aligned with regional and personal goals and values.⁹³ Increasing awareness about each other's activities among entrepreneurial communities is essential for highlighting the value of collaboration. Leadership is significant in shaping and guiding entrepreneurial ecosystems. Identifying a lead and understanding their leadership style is vital in determining the best operational mode and the evolution of a specific ecosystem.⁹⁴

Effective networking, especially within the Black and Hispanic communities, involves a strategic approach to relationship building and the identification of common network needs and efforts. Following Fraser's insights, the emphasis should be on creating quality relationships that contribute to personal and professional growth.⁹⁵ Reciprocity plays a central role in networks, where relationships mutually benefit all members, aligning with Fraser's principle of giving and receiving within networks.⁹⁶

⁸⁸ Harper-Anderson. (2018) "Intersections of partnership and leadership."

⁸⁹ Fraser, G. C. (2009). *Success Runs in Our Race: The Complete Guide to Effective Networking*. Harper Collins. ISBN: 9780061927027

⁹⁰ Carpenter, C. W., & Loveridge, S. (2018). Differences Between Latino-Owned Businesses and White-, Black-, or Asian-Owned Businesses: Evidence From Census Microdata. *Economic Development Quarterly*, 32(3), 225-241. <https://doi.org/10.1177/0891242418785466>

⁹¹ Harper-Anderson. (2018) "Intersections of partnership and leadership."

⁹² Harper-Anderson. (2018) "Intersections of partnership and leadership."

⁹³ Harper-Anderson. (2018) "Intersections of partnership and leadership."

⁹⁴ Liu, H., Liu, H., & Konak, A. (2021). Key Elements and Their Roles in Entrepreneurship Education Ecosystem: Comparative Review and Suggestions for Sustainability. *Sustainability*, 13(19), 10648. <https://doi.org/10.3390/su131910648>

⁹⁵ Harper-Anderson. (2018). "Intersections of partnership and leadership."

⁹⁶ Harper-Anderson. (2018) "Intersections of partnership and leadership."

Recognizing the need for consistent communication, a communication plan, and being strategic on modes used to reach all community members is essential. However, it is crucial to balance consistency with the recognition that over-communication can dilute important messages and lead to information burnout among network members. This approach aligns with Fraser's focus on the value of meaningful and purposeful engagement within the community.⁹⁷

2. Educational Resources to Build Business Capabilities

Critical Ecosystem Resource: Colleges & Universities

Virginia boasts more than 172 colleges, universities, and trade schools. Virginia's K-12 system, colleges, and universities, including HBCUs and community colleges, set it apart from other states. This is evidenced in its recent ranking as the number 2 state for business and the top state for education in a recent CNBC report.⁹⁸ Universities' unique position in a region's pro-business climate uniquely positions them as active contributors to its ecosystem.⁹⁹ Universities in entrepreneurial ecosystems serve many roles by providing professional services, education, training, market access, networking opportunities, funding, and general support or advising.¹⁰⁰ There is a recognized need to invest in sustainable systems and continuously innovate programs to enhance these ecosystems.¹⁰¹

Historically, universities have played a crucial role in feeding regional entrepreneurial ecosystems by producing graduates who become entrepreneurs or work for startups (Field, 2012). As universities evolve, the opportunity exists for students to acquire entrepreneurial competencies and apply learning in a real learning environment.¹⁰² In more recent times, universities have taken on a new role, adding economic development as a third mission.¹⁰³ Economic development efforts tend to focus inward rather than meaningfully contributing to the ecosystem for entrepreneurs. Universities have an opportunity to capitalize on their position as key contributors to a region. Addressing their

⁹⁷ Harper-Anderson. (2018). "Intersections of partnership and leadership."

⁹⁸ CNBC. (2023, July 11). America's Top States for Business. <https://www.cnbc.com/2023/07/11/top-states-for-business-virginia.html>

⁹⁹ Wadee, A. A., & Padayachee, A. (2017). Higher Education: Catalysts for the Development of an Entrepreneurial Ecosystem, or ... Are We the Weakest Link? *Science, Technology and Society*, 22(2), 284–309. <https://doi.org/10.1177/0971721817702290>

¹⁰⁰ Allahar, H., & Sookram, R. (2019). Emergence of university-centered entrepreneurial ecosystems in the Caribbean. *Industry and Higher Education*, 33(4), 246–259. <https://doi.org/10.1177/0950422219838220>

¹⁰¹ Carpenter & Loveridge. (2018). "Differences Between Latino-Owned Businesses and White-, Black-, or Asian-Owned Businesses."

¹⁰² Qian, Haifeng and Yao, Xin, The Role of Research Universities in U.S. College-Town Entrepreneurial Ecosystems (March 20, 2017). Available at SSRN: <https://ssrn.com/abstract=2938194> or <http://dx.doi.org/10.2139/ssrn.2938194>

¹⁰³ Feola, R., Parente, R. & Cucino, V. (2021, December). The Entrepreneurial University: How to Develop the Entrepreneurial Orientation of Academia. *Journal of the Knowledge Economy*, 12, 1787–1808. <https://doi.org/10.1007/s13132-020-00675-9>

third mission—economic development— can also help universities respond to criticisms and challenges about their relevance and value in a resource-constrained society.

Universities and colleges can play a vital role in regional entrepreneurial ecosystems, serving as both providers of educational opportunities and entrepreneurial services within their localities. Positioned as key players in the entrepreneurial ecosystem, universities and colleges act as agents of economic development and social change.¹⁰⁴ Beyond formal educational instruction, these institutions actively engage with their communities to establish mutually beneficial relationships and invest in the local entrepreneurial ecosystem.

Nationally, many universities participate in a host of minority business development agency (MBDA) programs (Box 1). When located in areas with high minority populations and minority businesses, these programs provide new and established firms opportunities to grow in size and scale into new markets. MBDA programs facilitate greater access to contracts, markets, and capital in the federal government.

¹⁰⁴ Wadde & Padayachee. (2017). "Higher Education: Catalysts for the Development of an Entrepreneurial Ecosystem."

Box 1. U.S. Department of Commerce, Minority Business Development Agency Programs

Access to Capital: Innovative Finance Projects - address, mitigate, and remove systemic barriers of traditional financing by leveraging funding methods and non-traditional sources of lending.

Advance Manufacturing Centers - targeted assistance to minority manufacturers that aim to employ new technologies to increase the number of “Made in America” products that can be sold domestically and globally.

American Indian Alaska Native / Native Hawaiian Projects - support Tribal and native business growth by addressing one of three strategic initiatives: a) innovation and entrepreneurship, b) strategic planning, and/or c) transformative projects.

Business Centers - support minority-owned firms seeking to expand into new domestic and global markets and grow in size and scale.

Entrepreneurship Education for Formerly Incarcerated Persons - fund innovative projects to support and equip formerly incarcerated individuals with the skills, resources, and network to start their own businesses.

Enterprising Women of Color Business Centers - help minority women-owned businesses secure contracts and capital, create jobs, and grow competitive businesses.

Export Centers - provides technical assistance and business development services to generate increased financing, contract opportunities, and greater access to new and global markets.

Minority Colleges and Universities Programs - support entrepreneurship for undergraduate students at eligible institutions of higher education through curricula, training, seminars, and other tools.

Adapted from U.S. Department of Commerce. (n.d.). *MBDA Programs*. Minority Business Development Agency. <https://www.mbda.gov/mbda-programs>

The Institute identified 17 universities spanning 11 states and Puerto Rico participating in MBDA programs (Table 10). The majority of these universities (10 out of 17) are actively engaged in the Minority Colleges and Universities program, with a primary focus on fostering entrepreneurship within their student populations. These universities engage a variety of approaches, encompassing both traditional academic components and experiential elements. Traditional academic outputs include course content, curricula supporting graduate minors, majors, and certificate options. Additionally, non-credit options such as mentorship, lecture series, seminars, workshops, and online media are supplementary tools for enhancing the learning experience. These programs emphasize developing business acumen, covering various aspects such as ideation, business modeling, venture financing, business plan development, business literacy, and skills enhancement. Technical support and training are components of these initiatives. Two other universities, Morgan State University (MD), an HBCU, and Regents of New Mexico State University, a Hispanic and minority-serving institution, focus on providing specialized training and support for specific historically marginalized groups.

Table 10

Minority Business Development Agency (MBDA) Programs- University Contributors

MBDA Program Type	Contributing University (STATE)	Program Description
Access to Capital	Georgia Tech Research Corporation (GA)	Georgia Tech Research Corporation will provide access to collaborative workspaces for minority business owners to convene and connect both to incubators, accelerators, and co-working spaces. This is in addition to university-focused technology, artificial intelligence, technology, research, mergers, and acquisitions.
	William Marsh Rice University (TX)	William Marsh Rice University will develop the Aerospace Innovation Hub (ASCI-Hub) designed to engage, support, develop, and scale regional minority business enterprises that address the aerospace industry's needs, problems, and challenges.
Advanced Manufacturing Centers	University of Connecticut (CT)	Connecticut MBDA Advanced Manufacturing Center
	Kentucky Manufacturing Extension Partnership (KY)	The University of Louisville's Advanced Manufacturing Extension Partnership, supported by the Kentucky Minority Business Development Agency (MBDA), helps minority-owned businesses leverage additive manufacturing technology to transform their products and operations. Our driving goal is to create an inclusive innovation ecosystem full-to-bursting with economic opportunity. The Advanced Manufacturing Center leverages the top-notch experts, facilities and equipment of UofL to provide: Technical assistance from our team; Business development support; and Manufacturing services, via UofL's cutting-edge facilities. The primary drivers of the Kentucky Manufacturing Extension Partnership are inclusive innovation, capacity building, and job creation for Kentucky's minority-owned manufacturing businesses.
	The University of Texas at San Antonio (TX)	The San Antonio MBDA Advanced Manufacturing Center, operated by the Institute for Economic Development at The University of Texas at San Antonio, provides targeted assistance to minority manufacturers to increase the number of "Made in America" products that can be sold domestically and globally. The center is also designed to help identify, screen, promote, and refer minority business enterprises (MBEs) to specialized advanced manufacturing programs, and provide technical and business development services.
Entrepreneurship Education for Formerly Incarcerated Persons	Morgan State University ^a (MD)	Morgan State University will implement a three-phase program to provide options for participants to focus on entrepreneurial training (launch), working with business advisors to address challenges (sustain), or working with seasoned entrepreneurs on future work plans (growth).

MBDA Program Type	Contributing University (STATE)	Program Description
Minority Colleges and Universities Programs	Bowie State University ^a (MD)	Bowie State will teach and deliver an entrepreneurial curriculum tailored to support undergraduate student entrepreneurs.
	Chaminade University of Honolulu ^b (HI)	Chaminade pilots a Sustainability Entrepreneurship course (expanding to a public certificate program) and develops a “Pathways to Entrepreneurship” series of workshops and seminars.
	Institute of American Indian Arts (IAIA) ^b (NM)	IAIA is enhancing its Business and Entrepreneurship Certificate Program Development Project, which provides a solid foundation of business literacy and applied business skills.
	Salish Kootenai College ^b (MT)	N/A
	Savannah State University ^a (GA)	The pilot project titled, “Immersive Delivery and Experiential Entrepreneurship Alternative (IDEEA), aims to revamp the entrepreneurship minor offered in the College of Business Administration to build the capabilities of undergraduates to open their own businesses. The programming will include seminars, labs, and lectures related to ideation and business modeling, understanding venture financing and developing successful business plans. The program will serve the defined business needs of developing minority business enterprises and the growing Savannah region.
	Shaw University ^a (NC)	Shaw is developing six classes and expanding its entrepreneurship curricula, creating a seminar series, distinguished entrepreneur series, experiential activities (micro internships), and a business incubator.
	Southern University and A&M College ^a (LA)	Southern University operates an entrepreneurship institute for developing an entrepreneurship curriculum focused on innovation, technology and leadership education through academic courses, workshops, conferences, and electronic media.
	St. Augustine College ^b (IL)	St. Augustine is enhancing its existing small business program and creating an entrepreneurship/business leadership concentration in the undergraduate business program.
	Universidad del Sagrado Corazon ^b (PR)	Sagrado is creating five mentorship hubs composed of a specialized industry module as well as expanding the technical support services and training for entrepreneurship.
	University of Hawaii ^b (HI)	N/A

^a Historically Black College & University

^b Hispanic Serving Institution

Adapted from U.S. Department of Commerce. (n.d.). MBDA Programs. Minority Business Development Agency. <https://www.mbda.gov/mbda-programs>; U.S. Department of Commerce. (n.d.). Research & Data. Minority Business Development Agency. <https://www.mbda.gov/about-us/research-data>

Underutilization: HBCUs in Minority Ecosystems

Entrepreneurial ecosystems provide a unique opportunity for HBCUs to engage in community development in ways they are often left out. The Small Business Administration (a federally-funded program) has been passive in its engagement with these institutions to foster a more successful entrepreneurial environment.¹⁰⁵ HBCUs play a pivotal role in providing formal entrepreneurial education to students and serve as hubs for networking, connecting community stakeholders, alums, and students to contribute to Black and Hispanic entrepreneurial ecosystems.¹⁰⁶ Several HBCUs have established and operated small business development centers, further solidifying their impact in fostering entrepreneurship.

Many HBCUs have academic programs that contribute to business development.¹⁰⁷ Ninety-three percent of HBCUs have an undergraduate major in business. Thirty-eight percent offer a Master's of Business Administration. Adebayo et al. (2001) advance a reciprocal model to involve HBCUs in entrepreneurial development centers, where HBCU faculty serve as instructional resources.¹⁰⁸ Entrepreneurs benefit from hands-on experience and insights through business and professional development, and students have the opportunity to gain first-hand exposure and experiences in business practices as observers and potential future employees.

The provision of professional degrees in science, technology, engineering, or mathematics by HBCUs is a critical resource. It allows Black business ownership to expand beyond its historical reach. With HBCUs graduating 25 percent of STEM graduates and serving as the origin institution of 30 percent of all STEM doctorates, HBCUs are uniquely positioned to harness the momentum in STEM fields, offering Black graduates a pathway to significantly contribute to and receive benefits from STEM-related entrepreneurship.¹⁰⁹ Diversification of the venture capital industry utilizing HBCUs in recruitment, education, and business centers would enable minority populations to take advantage of opportunities presented through entrepreneurship (Jenkins, 2020).¹¹⁰

¹⁰⁵ Ortiz, A. (2019, March 7). Small Business Administration: Key Entrepreneurship Programs and Activities Do Not Specifically Target Historically Black Colleges and Universities, but Collaboration Exists with Some Schools. GAO-19-328R. ERIC; Institute of Education Services. <https://eric.ed.gov/?id=ED594873>

¹⁰⁶ Shoulders, M., & Cravins, D. (2022, February 28). *How HBCUs Help Shape the Entrepreneurial Ecosystem*. Third Way. <https://www.thirdway.org/report/how-hbcus-help-shape-the-entrepreneurial-ecosystem>

¹⁰⁷ Ibid.

¹⁰⁸ Adebayo, A. O., Adekoya, A. A., & Ayadi, O. F. (2001). Historically black colleges and universities (HBCUs) as agents of change for the development of minority businesses. *Journal of Black Studies*, 32(2), 166-183.

¹⁰⁹ Saunders, K.M. & Nagle, B.T. (2018). HBCUs Punching Above Their Weight: A State-Level Analysis of Historically Black College and University Enrollment Graduation. Washington, DC: UNCF Frederick D. Patterson Research Institute. <https://uncfcb.org/resource/hbcus-punching-above-their-weight-a-state-level-analysis-of-historically-black-college-and-university-enrollment-and-graduation/#:~:text=So%2C%20when%20UNCF%20says%20that,greater%20than%20one%20would%20expect.>

¹¹⁰ Jenkins, C. (2020). The Potential Impact on Black Entrepreneurship of Diversifying the Venture Capital Industry. In *Proceedings of a Multidisciplinary Colloquium on Impact* (pp. 17–27). The Institute for Responsible Citizenship.

Richmond Region Colleges and Universities

Within the Richmond region, six institutions, including two public four-year institutions, two private four-year institutions, two community colleges, and two Historically Black Colleges and Universities, have the potential to be significant contributors to the region's entrepreneurial ecosystem (Box 2).

Box 2. Colleges & Universities in the Richmond Metro Region (data reported for the 2021-2022 academic year)

Brightpoint Community College (BCC) is a public community college in Chester, Virginia and enrolls 11,400 undergraduate students.

Reynolds Community College (RCC) is a public community college in Richmond, Virginia. Reynolds enrolled more than 11,000 students in 2021-2022 and 5,500 workforce learners through their workforce development program.

University of Richmond (UR) is a private liberal arts college in Richmond, Virginia, and enrolls 3,164 students from 62 countries and 47 states from the US, Puerto Rico, and Washington DC.

Virginia Commonwealth University (VCU) is a public minority-serving research university in the Commonwealth of Virginia. VCU enrolls 20,958 students in their primary and medical campuses.

Virginia State University (VSU) is a public historically Black land-grant university located south of the Commonwealth in Petersburg, Virginia. VSU had a total of 8,600 students in 2021.

Virginia Union University (VUU) is a historically Black private Baptist university in Richmond, Virginia, currently enrolling 1,688 students.

The Richmond region has several colleges and universities well-positioned to support minority business enterprises. As expected, each university possesses assets that can contribute to the local entrepreneurial ecosystem (Table 11). Notably, most universities offer inwardly focused entrepreneurial efforts and activities (i.e., courses and resources for university-enrolled students). All of the colleges and universities within the region offer an undergraduate major and certificates in business or entrepreneurship. Most of the colleges and universities within the region provide some level of technical support for non-matriculating students.

Additionally, four-year institutions emphasize engagement opportunities beyond the institution. Research and development are a large driver of economic engagement for universities and their surrounding communities. All four-year institutions have structural assets that can be leveraged to support a thriving ecosystem. The regional colleges and universities collectively contribute to the Richmond region by supplying a talent pool, offering research expertise and technical support, and serving as innovation hubs to bolster the local ecosystem.

Table 11

University Resources to Support the Richmond Ecosystem

		BCC	RCC	UR	VCU	VSU	VJU
Academic Resources	Business School			✓	✓	✓	✓
	MBA Program			✓	✓		✓
	Certificate Program		✓		✓		
	Undergraduate Major in Business or Entrepreneurship	✓	✓	✓	✓	✓	✓
Technical Support	Continuing Education Courses/ certificate (credentialing, micro-credentialing, noncredit)			✓	✓	✓	
	Entrepreneurship technical assistance		✓	✓	✓	✓	✓
	Directly provides seed funding for startups				✓		
	Program that helps entrepreneurs find external funding				✓	✓	✓
Outreach and Engagement	Opportunities for students/ alumni to network on entrepreneurship/ business issues (e.g., entrepreneurship clubs, seminars, forums)?	✓			✓	✓	✓
	Are there opportunities for the surrounding community (i.e., nonstudents) to network on entrepreneurship/ business issues?			✓	✓	✓	✓
Institutional Characteristics	Research Park				✓		
	Incubator			✓	✓	✓	✓
	Small Business Development Centers			✓	✓	✓	
	Land Grant University					✓	
	STEM R&D				✓		
	Non-Life-Sciences STEM R&D	✓	✓	✓	✓	✓	✓
	Institution Size (Number of paid employees (1.0 Full Time Employee)	386	340	1,992	11,600	714	427
Available Human Capital	Share of population 25+ with a bachelor's degree	378,408	239,339	239,339	239,339	33,394	239,339

Note: Adapted from Shoulders, M., & Cravins Jr., D. (2022, February 28). How HBCUs Help Shape the Entrepreneurial Ecosystem. Third Way. <https://www.thirdway.org/report/how-hbcus-help-shape-the-entrepreneurial-ecosystem> and Qian, Haifeng and Yao, Xin, The Role of Research Universities in U.S. College-Town Entrepreneurial Ecosystems (March 20, 2017). Available at SSRN: <https://ssrn.com/abstract=2938194> or <http://dx.doi.org/10.2139/ssrn.2938194>

Minority Small Business Launch Center

Virginia State University (VSU)

In 2021, the VSU Center for Entrepreneurship in the Reginald F. Lewis College of Business and the Division of Research and Economic Development at Virginia State University were awarded a \$453,000 grant by GO Virginia to spur minority entrepreneurship via the creation of the Minority Small Business Launch Center.

Goal

To increase the self-employment rate of minorities and the performance of early-stage minority-led firms in the cities and counties within the Richmond Metropolitan Statistical Area.

Offerings

- Provide business planning training and certificates
- Facilitate access to co-working space, maker space, business networking opportunities and free legal business counsel
- Host intellectual property and patent workshops
- Create youth innovation and entrepreneurship fellowships
- Host investor-ready financial planning sessions and pitch competitions so minority entrepreneurs can access capital to fund their businesses

Contributors

Metropolitan Business League • Lighthouse Labs • Hispanic Chamber of Commerce • Virginia Hispanic Foundation • Africa Network Initiative • Girls for a Change • Center for Innovative Technology (CIT) • Sanders Entrepreneurship Fund • Small Business Administration (SBA) • Virginia Department of Small Business and Supplier Diversity (SBSD) • Crater Planning District Commission • Metrostar • Jordan IP Law • Edmonds Law • Success Companies • Spider Management

Municipalities

Chesterfield County • Henrico County • Colonial Heights • Petersburg • Richmond

Accomplishments



256

Certifications



1,087

Entrepreneurs Trained



13,238.4

Training Contact Hours



154

Businesses Founded*
(0-3 Months Old At Time of Enrollment)



513

Businesses Expanded

3. Mentorships to Help Overcome Sociocultural Barriers

Critical Ecosystem Resource: Mentoring

Mentor opportunities primarily existed as part of an education program or as a member of a Black or Hispanic business alliance/chamber of commerce. Resources in mentoring were often described as being business experts providing guidance and similar business owners sharing their experience and providing guidance. Additionally, mentoring was mentioned as occurring in internships and apprenticeships for younger individuals thinking about becoming entrepreneurs.

A review of the mentoring offerings culminated in identifying several key aspects representing common and best practices in mentoring. These practices encompass:

- *Communication*: Establishing effective communication between mentors and mentees is essential for a successful mentoring relationship.
- *Goal Setting*: Early on, mentors and mentees should collaboratively establish goals, plans, and expected outcomes to guide the mentoring process.
- *Strengths and Weaknesses Identification*: Mentors and mentees should actively identify and understand each other's strengths and weaknesses to tailor the mentoring experience.
- *Cultivating Personal Relationships*: Building a personal relationship between mentor and mentee is crucial for a supportive and constructive mentoring dynamic.
- *Emphasis on Character and Ethics*: Beyond business practices, mentoring should emphasize good character and moral ethics to foster holistic development.

Research findings contribute additional insights to enhance mentoring practices:

- *Maieutic Approach*: Combining a maieutic approach with mentor involvement produces optimal results, as St-Jean et al. (2013) suggested. This approach involves mentors guiding mentees to find answers independently, asking thought-provoking questions, and avoiding directive instructions.¹¹¹
- *Questioning Techniques*: Panzavolta (2020) suggests maieutic questions in three stages: listening and understanding questions, restructuring applications, and sustainability questions. Questions should avoid being controlling, judgmental, or manipulative.¹¹²

¹¹¹ St-Jean, E. & Audet, J. (2013, May 16). The Effect of Mentor Intervention Style in Novice Entrepreneur Mentoring Relationships, *Mentoring & Tutoring: Partnership in Learning*, 21(1), p.96-119. <https://www.tandfonline.com/doi/abs/10.1080/13611267.2013.784061>

¹¹² Panzavolta, A. (2020, September). Designing a High Impact World Cafe Using the Maieutic Approach. Internal Association of Facilitators. <https://www.iaf-world.org/site/global-flipchart/19/Designing-a-High-Impact-World-Cafe>

- *Ongoing Support:* Govan et al. (2013) emphasize that mentoring should be viewed as ongoing support for new business owners, focusing on sustainability and growth. Effective mentoring requires a sustaining commitment to long-term relationships.¹¹³
- *Enhancing Educational Programs:* Frameworks have been proposed to enhance entrepreneurship programs. This includes having professors with entrepreneurial experience, incorporating activities for skill development, and providing immersive components like practicums or internships.

4. Creating Equitable Access to Financing

Several key players play pivotal roles in pursuing equitable access to finance. Financial institutions are critical in advancing equitable access by implementing fiscal strategies designed to mitigate Black and Hispanic Entrepreneurs' unique challenges. Government policies and programs, particularly local government, incentivize business ideas to operate in an environment. Professional services offer services designed to provide mentorship, training, and technical and educational support for Black and Hispanic entrepreneurs. Large firms foster equity by actively seeking contractual partnerships with black and Hispanic entrepreneurs, increasing their access to financial opportunities and larger markets.

Financial Services

The Create, Grow, and Scale (May 2023) convening highlighted the pressing need for long-term support for Black and Hispanic business owners to establish sustainable business models. Addressing this requires exploring access to capital among established Black firms, leveraging competition among banks to improve credit access for minority-owned businesses, and understanding the impact of different asset types on reducing performance gaps between white- and black-owned ventures.

Our analysis of professional service practices emphasized the necessity of customizing economic development programs for specific groups rather than embracing universal strategies. Initiatives like rural incubators and Spanish-language business development services, especially for the Line of Business (LOB), can significantly stimulate growth. Often, non-traditional sources of capital, such as community development financial institutions, grants, and lower lending requirements, emerge as powerful assets for

¹¹³ Govan, D.L. (2013). Effectiveness of mentoring programs for African-American business owners. *Business Journal for Entrepreneurs*, 2013 (1), p.102-161. <https://web.p.ebscohost.com/ehost/pdfviewer/pdfviewer?vid=1&sid=443cd25b-e185-455c-9a68-e12206c80031%40redis>

growing Black and Hispanic businesses when traditional funding avenues are unavailable.¹¹⁴

It is crucial to educate entrepreneurs on the types of loans suitable for their specific business establishment levels.¹¹⁵ Moreover, there is an imperative to enhance the awareness of opportunities among Black and Hispanic entrepreneurs.¹¹⁶ Through our examination, we observed numerous lists of financial resources dispersed across various websites but needing a centralized repository. Therefore, a recommended practice would be establishing a central repository of financial information curated and maintained by a single organization while encouraging contributions from diverse networks.

Financial Firms

Financial firms are one of the primary financial resources in the ecosystem.¹¹⁷ Available financial resources (e.g., seed capital funds, business accelerators, loans) are critical elements of an entrepreneurial ecosystem for existing large companies and new ventures. Financial firms provide short-term working capital for new ventures to maintain daily operations and long-term credit to secure fixed assets from large properties, such as lands, buildings, and operating equipment. In addition to direct financial support, financial firms also offer indirect assistance through refinance, bill rediscounting, affordable payment plans, consulting services, entrepreneurial education, and help connect with stakeholders within and outside the ecosystem.¹¹⁸

Financial institutions are gradually departing from traditional lending standards to ensure responsive and affordable financing options are available to Black and Hispanic entrepreneurs by embracing innovation through community partnerships. The practice of collaborative partnerships between banks and community organizations is one way to address the historical legacy of racism and discrimination within financial institutions, which have significantly contributed to current disparities and a pervasive sense of mistrust in financial services.¹¹⁹

Financial firms, particularly cooperative banks and community-based financial institutions, foster strong connections with local community entrepreneurs. They are an important

¹¹⁴ Boland, S.D. (2023, February 9). *Bank of America: 'Black-owned businesses are growing-but they need our continued support to thrive'*. Fortune. <https://fortune.com/2023/02/09/bank-of-america-black-owned-businesses-growing-access-to-capital-banks-d-steve-boland/>

¹¹⁵ Research Institute for Social Equity. (2023, August). *Create, Grow, Scale: Black & Hispanic Entrepreneurship Convening Summary Report, 2023*. <https://scholarscompass.vcu.edu/rise/2>

¹¹⁶ Research Institute for Social Equity. (2023, August). *Black & Hispanic Entrepreneurship Convening Summary Report*

¹¹⁷ Minetti, R., & Zhu, S. C. (2011). Credit constraints and firm export: Microeconomic evidence from Italy. *Journal of International Economics*, 83(2), 109-125.

¹¹⁸ Nayak, P. (2004). Role of financial institutions in promoting entrepreneurship in small scale sector in Assam. In Workshop on Entrepreneurship Development in Assam: Challenges and Opportunities. Paper presented at Assam University, Silchar.

¹¹⁹ Zinn, A., Neal, M., & Perry, V. (2023, June 15). *Building Trust in the Financial System Is Key to Closing the Racial Wealth Gap*. Urban Wire; Urban Institute. <https://www.urban.org/urban-wire/building-trust-financial-system-key-closing-racial-wealth-gap>

source of knowledge and expertise to help entrepreneurs start, grow, and sustain their businesses.¹²⁰ Table 12 illustrates examples of support to advance Black and Brown entrepreneurship by the top 10 US Banks.

¹²⁰ Minetti & Zhu. (2011). "Credit constraints and firm export."

Table 12

Ten Leading Banks- Highlights of Initiatives for Promoting Black and Brown Entrepreneurship

JPMorgan Chase

- Provides educational programs and on-demand resources through its Advancing Black Entrepreneurs program.
- Invest \$100 million in Minority Depository Institutions (MDIs) and CDFIs led by Black and Hispanic business owners across 19 states and DC.
- Extends credit through its Special Purpose Credit Program to small businesses that might not otherwise be approved
- Increased spending with Black and Hispanic Suppliers
- Provide \$2 billion in philanthropy

Tags: capital, coaching, data insights, policy reform, supplier diversity, technical assistance

Bank of America

- Invested over \$2 billion into 250 CDFIs across all 50 states and D.C.
- Committed \$44 million to 23 MDIs and CDFIs
- Supported the “Center for Black Entrepreneurship” with \$10 million in grant support on the Morehouse and Spelman College campuses
- Provided financial assistance to the Black Business Investment Fund of Florida (BBIF) to bolster the Black entrepreneurial ecosystem

Tags: capital, financial assistance, HBCUs

Wells Fargo

- Founded the “Banking Inclusion Initiative” to create greater economic and financial opportunities for Black, Hispanic, and Native American/Alaska Native persons during a 10-year period
- Invested in “Greenwood,” a digital financing tool designed for Black and Hispanic entrepreneurs
- Created the National Unbanked Task Force with representatives from Hope Enterprise Corporation, NAACP, NAFOA, NBA, NCRC, NCAI, National Urban League, and Unidos US to address concerns of underserved populations

Tags: financial assistance, HBCUs, resources, community stakeholders

Citi Foundation

- Contributed \$15 million commitment to 30 community development financial institutions (CDFI).
- Granted \$50 million to 12 nonprofits to assist in the development of CDFIs and MDIs through the “Community Finance Innovation Fund”
- Provides pro-bono technical assistance and resources to MDIs in conjunction with private firms

Tags: technical assistance, grants

US Bank

- Provided \$250 million in support of CDFIs and awarded \$300,000 to five different Black-led CDFIs
- Trained over 200 Black leaders through the McKinsey Black Leadership Academy in 2022
- Invested \$1 million in the National Museum of the American Latino
- Assisted First Independent Bank, a black-owned bank, in expanding its model to additional localities
- Provided \$25 million for education and networking opportunities for women of color through the U.S. Bank Access Fund in collaboration with Grameen American, African American Alliance of CDFI CEOs, and Local Initiatives Support Corporation (LISC)
- Created a mentorship program and education series for HBCUs and other community organizations via the U.S. Bank Access Wealth program
- Hired business Access Advisors to support minority-owned/led small businesses directly
- Spent with diverse suppliers; forged new relationships with 16 Black suppliers

Tags: training & education, mentorship, networking, HBCUs, minority depository institutions, supplier diversity

PNC Bank

- Founded the PNC National Center for Entrepreneurship in conjunction with Howard University to be the epicenter of resources for Black entrepreneurs
- Aims to originate \$26.5 billion in loans to small minority-owned businesses from 2022-2025
- Created an internal program called the Community Development Banking group to improve the economy of low and moderate-income neighborhoods

Tags: resources, HBCUs, capital

Goldman Sachs

- Provided 49% of 500 million in capital and grants to majority-minority areas by utilizing CDFIs
- Pledged \$10 billion in direct investment capital and \$100 million in philanthropy to Black women within the U.S. by 2030 via the One Million Black Women initiative
- Developed a \$10 million fund in support of racial equity

Tags: capital, grants

Truist Financial Corporation, Truist Foundation, and Truist Charitable Fund

- Established a \$120 commitment to strengthen Black and Hispanic women-owned small businesses.
- Partners with Grameen American to provide flexible funding to support access to capital for women entrepreneurs who live below the federal poverty line.
- Donates \$775 to the Henry Louis Aaron Fund for every home run by the Braves until 2025 to fund scholarships for HBCUs
- Launched the “Where It Starts: Build Better Careers,” a six-year initiative aimed at providing career and financial services to underrepresented persons in Miami, Memphis, and Charlotte
- Committed \$100 million in investment capital to the Sterling Capital Diverse Multi-Manager Active Exchange Traded Funds (ETF)

Tags: financial assistance, career services, HBCUs

Capital One

- For the fourth year in a row, sponsored the Black Magic Reimagined Summit, aimed to educate, empower, and equip Black women and allies to take control of their finances and careers
- In 2023, distributed \$100,000 in grants through the Black Magic Reimagined Pitch Competition and \$90,000 in grants through the Amigas in Business Pitch Competition
- Through a multiyear partnership with #WeAllGrow, launched the Amigas in Business Bootcamp, focused on providing meaningful networking opportunities for Latina entrepreneurs and helping them gain insider tips on how to grow their businesses
- Ran an established Supplier Diversity Program to help diverse-owned small businesses thrive by including qualified diverse businesses in every sourcing opportunity
- Generated learning and networking opportunities for diverse entrepreneurs through the “Diverse Supplier Business Development” programs

Tags: financial assistance, training, education, networking, grants, supplier diversity,

TD Bank and TD Charitable Foundation

- Recruits future employees from HBCUs
- Created a “Supplier Diversity Program,” with eligibility granted by a diversity certification council, to ensure supplier diversity
- Provides the “Black Entrepreneur Credit Access Program” to address the specific needs of Black business owners
- Supported the “Latino Economic Development Center” via grants since 2010

Tags: HBCUs, supplier diversity, financial assistance, grants

Finally, it is critical to acknowledge that financial providers play a crucial role in fostering an equitable financial environment by actively engaging in efforts to support policy and practice changes. These providers should use their connections and influence to support and propose policies to address gaps in access to capital for Black and Hispanic entrepreneurs. Their active engagement in policy change and creation can be a formidable force in establishing a more inclusive and supportive financial landscape. By advocating for policies that address systemic inequalities, promote diversity, and foster equitable access to resources, financial providers play a pivotal role in advancing positive transformations within the financial sector. This proactive involvement creates an environment where Black and Hispanic businesses can thrive.

Critical Ecosystem Resource: Governments and Public Organizations

Entrepreneurship is typically observed within three regional governance models: partnership, state-institution coordination, and fragmentation. Marked by consensual, cooperative, and networked attributes, the partnership model of governance represents an alliance between groups with access to resources essential for effective decision-making and implementation.¹²¹ The model facilitates collective decision-making regarding

¹²¹ Bertoni F, Colombo MG, Quas A (2019) The role of governmental venture capital in the venture capital ecosystem: An organizational ecology perspective. *Entrepreneurship Theory and Practice* 43(3): 611–628.

the development of future technologies, industries, and competencies. There is mutual reciprocity in developing skills and interests because the benefits will be shared.

State-institution coordination models are characterized by a central state organization serving as the lead over the coordination of the economic system, thus setting the direction for economic development. The state assumes the risk of developing and diffusing new technologies and production processes. The risks associated with the uncertainty of uncoordinated economic behavior are reduced because the state utilizes the policy linkages between bureaucracy and industry to direct the industry's investment decisions. A fragmented governance model is characterized by the competitive interaction of multiple and competing interests and lacks coordination. Decision-making tends to be disjointed. Competition and price signals drive economic behavior. Parker (2008) emphasizes the role of universities, local and decentralized authorities, and small firm networks in influencing economic development.¹²²

Local governments are the best actors in supporting entrepreneurial ecosystems because of their proximity to essential local support.¹²³ They provide tangible services and connections to support local organizations and champions. Koppl (2008) asserts that policymakers cannot predict entrepreneurial outcomes but can ensure an orderly process with favorable results.¹²⁴ In this context, decentralized governance models are more conducive to fostering entrepreneurship as they align with the role of local government in supporting these ecosystems.¹²⁵

Common Types of Entrepreneurial Policy

Policies ensuring institutional transparency, predictable taxation, and secure property rights create a reliable set of rules for entrepreneurs. Entrepreneurial policy is based on four common types: financing, taxation, regulations of trade, and encouragement of innovation.¹²⁶ Policies that enhance financing tools (e.g., mutual credit guarantees, microfinance schemes, credit assistance programs, and new venture capital) have been shown to have mixed results. Taxes, though significant in influence, are not a singularly effective tool for appreciable change in entrepreneurial levels. Internationalization is another area of policy interest. Globalization has created opportunities for expansion beyond local contexts. Internationalization presents an opportunity for direct entry into new markets with low levels of entry regulation. Encouraging innovation by creating

¹²² Parker, R. (2008). Governance and the Entrepreneurial Economy: A Comparative Analysis of Three Regions. *Entrepreneurship Theory and Practice*, 32(5), 833–854. <https://doi.org/10.1111/j.1540-6520.2008.00258.x>

¹²³ Motoyama, Y. (2020). Beyond formal policies: Informal functions of mayor's offices to promote entrepreneurship. *Local Economy*, 35(2), 155-164. <https://doi-org.proxy.library.vcu.edu/10.1177/0269094220913864>

¹²⁴ Koppl, R. (2008). Computable Entrepreneurship. *Entrepreneurship Theory and Practice*, 32(5), 919-926. <https://doi-org.proxy.library.vcu.edu/10.1111/j.1540-6520.2008.00262.x>

¹²⁵ Parker. (2008). "Governance and the Entrepreneurial Economy."

¹²⁶ Minniti. (2008). "The Role of Government Policy on Entrepreneurial Activity."

formal and informal federal, state, and local support mechanisms optimizes policy outputs and entrepreneurial outcomes.

Government Influence on Entrepreneurial Activity

Government policy can influence entrepreneurial activity and behavior by encouraging some activities and discouraging other activities. By setting the appropriate government institutional influences in place, the allocation of entrepreneurship is more effective. Minniti (2008) argues that the rules of the institutional environment play a vital role in understanding entrepreneurship, governing the ultimate impact of entrepreneurship on the economy by determining how entrepreneurial resources are allocated.¹²⁷ Government institutions matter in entrepreneurship because they establish the rules of the game and dictate the effect of entrepreneurship on the economy through the allocation of entrepreneurial resources. The institutional environment sets the agenda, directs human action, and mitigates uncertainty.

In Virginia, the Virginia Community Capital (VCC Bank), established as a CDFI in 2006,¹²⁸ was created to leverage initial investment for an economic return to underserved areas. VCC Bank provides both financing and advisory services to underserved markets and low-to-moderate-income populations. It supports community development ventures, creates jobs for local communities, and leverages the resources of national, state, and local social investors to revitalize communities.¹²⁹

Local Government

Local governments are also critical in economic development for entrepreneurship-based development.¹³⁰ Motoyama (2020) identifies four informal ways local governments influence entrepreneurship: setting priorities, offering a clearing house, connecting and coordinating people, and appointing key personnel.¹³¹ Harper-Anderson et al. (2023) go further, illustrating how local governments practice four functions in the entrepreneurial ecosystem (Box 3).¹³² The author's examination of six US cities (Charlotte, Chicago, Detroit, Long Beach, Pittsburg, and Seattle) outlines a prescription for the role of local governments in the entrepreneurial ecosystem.

¹²⁷ Minniti. (2008). "The Role of Government Policy on Entrepreneurial Activity."; Boettke P. & Coyne C. (2007). Entrepreneurial behavior and institutions. In Minniti M. (Ed.), *Entrepreneurship: The engine of growth*, Vol. 1 perspective series (pp. 119–134). Westport, CT: Praeger Press—Greenwood Publishing Group.

¹²⁸ Virginia Community Capital. (2012, May). VCC Bank. <https://www.bcorporation.net/en-us/find-a-b-corp/company/virginia-community-capital/#:~:text=Virginia%20Community%20Capital%20has%20a,%2D%20to%20moderate%2Dincome%20people.%20%2Dincome%20people>.

¹²⁹ Virginia Community Capital. (2012). VCC Bank.

¹³⁰ Harper-Anderson, E., O'Hollaren, K., & Gates, S. M. (2023). Roles for City Governments in Entrepreneurial Ecosystems: An Initial Exploration. RAND Corporation, 1–16. <https://doi.org/10.7249/rra1141-1>; Motoyama. (2020). "Beyond formal policies."

¹³¹ Motoyama. (2020). "Beyond formal policies."

¹³² Harper-Anderson, E., O'Hollaren, K., & Gates, S. M. (2023). "Roles for City Governments."

Box 3. Four Roles of Local Governments in Entrepreneurial Ecosystems

1. **Convener and Agenda Setter** - bring together stakeholders to gain input, cultivate political support, identify barriers to success, provide feedback, promote business interests, and facilitate information sharing.
2. **Policymaker** - craft supportive policies, design programs, invest in infrastructure, harness city spending power, and mobilize consumer base to support a business-friendly environment
3. **Regulation Navigator** - simplify the processes for accessing resources and information convenient for entrepreneurial access and enhancement
4. **Conduit** - channel intergovernmental transfers related to entrepreneurship and economic development.

Adapted from Harper-Anderson, E., O'Hollaren, K., & Gates, S. M. (2023) *Roles for City Governments in Entrepreneurial Ecosystems: An Initial Exploration*. Santa Monica, CA: RAND Corporation, https://www.rand.org/pubs/research_reports/RR1141-1.html.

In its 2020 economic development plan, Richmond, Virginia, prioritized its role as a national leader in minority business development as part of a multi-pronged approach to address equity concerns in the city.¹³³ The report identified six priorities:

1. Improve the City's Minority Business Development Programs
2. Evaluate the effectiveness of City Agencies in building capacity
3. Leverage available capital and nonfinancial support resources for minority business development
4. Create new business ownership opportunities
5. Launch new financial resources
6. Establish data mining, intelligence, and driven approaches.

These six priorities emphasize procurement, communication, education, and engagement improvements. The plan places significant emphasis on increased participation of minority businesses, encouraging the utilization of a suite of resources, technical assistance, funding, and programs for entrepreneurs. Additionally, it seeks to identify occupations historically associated with low-income wage earners that can transition to employee-owned companies.

Critical Ecosystem Resources: Professional Services

A broad spectrum of professional services is geared toward Black and Hispanic entrepreneurs. Some service providers offer operational assistance in management, capital/finance, and strategic consulting. At the same time, others provide assistance that is more focused on development, such as comprehensive guides outlining day-to-day

¹³³ Strategic Plan for Equitable Economic Development. (2022). <https://www.rva.gov/sites/default/files/2022-05/Richmond%20SPEED%20-%20051822%20-%20Clean%20Final%20For%20Introduction.pdf>

vital functions for businesses and offering education on essential business practices. Other services around development found were marketing development (social media), assistance in applying for government procurement opportunities, business development, financial literacy, and government policy education and government procurement assistance. The sites mentioning these services indicated they were focused on improving local MBEs' readiness to be influential economic developers and sustainable entities able to scale to their desired size.

Many of the service providers examined were for-profit businesses. However, we found Small Business Development Centers that provided no-cost business development services, guides for vital business functions, education on practices like marketing and financial literacy, certifications, workshops, and networking events. This multifaceted approach empowers underrepresented business owners and fosters regional economic growth.

Professional Services

Examining professional service practices highlights the necessity of tailoring services to specific groups, steering away from universal approaches. Furthermore, the professional services sector faces a mounting challenge with the increasing remoteness of client interactions, leading to heightened competition, process inefficiencies, and collaboration issues.¹³⁴ These challenges give rise to a new set of common practices that service professionals must adopt.

Service providers' strategic vision should be explicit, outlining their envisioned service growth, target customers, and beliefs regarding quality assurance.¹³⁵ Not only should these be visible on their primary website, but they should also be echoed in their social media presence. When targeting Black and Hispanic entrepreneurs, website messages must clearly communicate the value attributed to these individuals. Demonstrating appreciation for entrepreneurs involves articulating the unique strengths and contributions they bring to the table. Documents and messaging should be provided in different languages and written in a plain-speaking manner that allows individuals to quickly understand what a partnership with the organization might look like.

Professional service providers must grasp the challenges confronting Black and Hispanic entrepreneurs and establish internal processes to overcome these hurdles. Beyond merely serving as a resource, advocacy is key—an active commitment to going the extra mile to foster equity within the services offered and the regulatory environment in which they operate (i.e., state and federal guidelines).

¹³⁴ Boland. (2023). “*Bank of America*”

¹³⁵ Carpenter & Loveridge. (2018). “Differences Between Latino-Owned Businesses and White-, Black-, or Asian-Owned Businesses.”

Critical Ecosystem Resource: Philanthropy

Entrepreneurial philanthropy, as defined, embodies the pursuit by entrepreneurs of significant social objectives on a not-for-profit basis, actively investing their economic, cultural, social, and symbolic resources.¹³⁶ The power of philanthropy can drive structural transformation to enhance the well-being of others, predominantly through generous monetary contributions to noble causes.¹³⁷ Philanthropic initiatives serve as a bridge to fill gaps unfilled by financial firms.

Practices of philanthropic endeavors often follow a comprehensive approach. Businesses align their philanthropy strategically with core missions, maintain transparency, and adopt a long-term perspective. These endeavors often encourage employee engagement to boost morale, foster a positive company culture, and enhance brand reputation. Philanthropic efforts should be treated as venture capital, supporting initial stages and scaling. Targeting large markets and prioritizing scalability, coupled with robust team building, contributes to maximizing the impact of philanthropic initiatives.

Simultaneously, Shrestha et al. (2007) propose a research-backed framework rooted in historical Black philanthropy practices and guides decision-making.¹³⁸ This framework centers on "cause identification" and "institutional trust," aiming for socioeconomic empowerment and self-sufficiency within the Black community. Decisions around philanthropic activities are informed by a comprehensive understanding of social issues, assessing impact time horizons, and tracking progress effectively. The framework (Box 4) focuses on leveraging philanthropy as a strategic and aligned initiative with your core business or mission; it is essential to emphasize transparency and implement the following practices:

W.K. Kellogg Foundation reveals that nearly two-thirds of Black households contribute \$11 billion annually to organizations and causes.¹³²

This philanthropic spirit is evident in the Black and Hispanic community's support for crucial community causes.

- Black households are the most charitable with their discretionary income, donating up to 25% more than whites.
- 63% of Hispanic Households make charitable contributions annually.

¹³⁶ Maclean, M., Harvey, C., Gordon, J., & Shaw, E. (2013). 'World-making' and major philanthropy. CORE. <https://core.ac.uk/download/12824723.pdf>

¹³⁷ Brunssen, K. (2019). Where Are We Going? Mentoring! International Initiatives! Advocacy! NSA Categories! Philanthropy! *Journal of Singing*, 76(2), 117-120.

¹³⁸ Shrestha, N., McKinley-Floyd, L., & Gillespie, M. (2008). Promoting Philanthropy in the Black Community: a Macroscopic Exploration. *Journal of Macromarketing*, 28(1), 91-102.

Box 4. Transparent Philanthropy Framework

- **Long-Term Focus**: Adopt a long-term perspective in philanthropic endeavors, ensuring sustained impact over time.
- **Coordination with Parent Company Resources**: Align philanthropic efforts with the parent company's resources, fostering a cohesive and synergistic approach.
- **Employee Engagement**: Actively engage employees to cultivate morale, build a positive company culture, and enhance the overall impact of philanthropic initiatives.
- **Brand and Reputation Support**: Leverage philanthropy to support and strengthen your brand and company reputation within the community.
- **Resource Alignment**: Ensure philanthropic resources align with the company's and the community's overarching goals and objectives.
- **Venture Capital Approach**: Treat philanthropic funds as venture capital, recognizing their role in bootstrapping and scaling initiatives.
- **Target Large Markets and Prioritize Scalability**: Focus on philanthropic initiatives that target large markets and prioritize scalability to maximize their reach and impact.
- **Build Strong Teams**: Foster the creation of robust teams that can effectively execute philanthropic strategies and contribute to their success.
- **Study Social Issues**: Conduct comprehensive research on social issues to better understand the challenges and opportunities for meaningful intervention.
- **Decide on Resource Deployment and Track Progress**: Make informed decisions regarding the deployment of resources and establish robust tracking mechanisms to monitor and assess the progress of philanthropic efforts.

This comprehensive set of practices ensures that philanthropy is not only aligned with the core values and mission of the business but also structured for long-term success and positive community impact.

Philanthropy- Foundations

The role of foundations in the ecosystem has been steadily increasing, with foundations playing a significant role in recognizing the contributions of entrepreneurs in building communities.¹³⁹ Philanthropists and charitable organizations have found economic development organizations suitable for channeling their resources into comprehensive initiatives that address the root causes of social challenges for lasting results.¹⁴⁰

Foundations are well-positioned to mobilize financial, human, and political capital, making them well-positioned to drive economic growth. Several types of foundations play a

¹³⁹ Macan, D. (2020, October 9). *Which Private Foundations Are Funding Entrepreneurship?* Source Link. <https://www.joinsourcelink.com/2020/10/09/which-private-foundations-are-funding-entrepreneurship/>

¹⁴⁰ Parkins, M. & Kerr, W. (2016, September). *Building the Foundation: EDOs and Philanthropies as Partners*. International Economic Development Council. https://www.iedconline.org/clientuploads/Downloads/edrp/IEDC_AECF.pdf

significant role in the entrepreneurial ecosystem. *Community foundations* support programs through donor-advised funds. *Operating foundations* run their own suite of programs. *Grant-making foundations* make grants under a strategy to fund charitable activities.

Community foundations have grown in significance as a valuable resource for philanthropic contributors in major cities nationwide. A 2016 report noted that 51 percent of survey respondents received funding from community foundations even though community foundations account for 1 percent of all US foundation types.¹⁴¹

Community foundations can be instrumental in providing technical assistance, access to influential networks, and education and training for young entrepreneurs.¹⁴²

Richmond, Virginia's economic development goals align with two comparable cities: Nashville, TN, and Raleigh, NC, which are examined below.

Philanthropic Endeavors- Nashville, TN

Holding a 2019 ranking as one of the best cities to start a business and a 2016 ranking as the nation's best for women-owned business, Nashville, Tennessee, is home to several networks, entrepreneurial meetups, events, and startup competitions, co-working & makerspaces, incubators & accelerators, colleges/universities, and angel groups. The strength of Nashville is seen in its entrepreneurial spirit.

The [Community Foundation of Middle Tennessee](#) (CFMT) has several opportunities that support the development and growth of entrepreneurs. The Bridge Resource Fund is a way to support the development of new resources and increase the connectivity of "main street entrepreneurs" with special emphasis on Black entrepreneurs to provide grant funding. Another

Spotlight on Richmond Region Foundations Supporting Black and Hispanic Entrepreneurs

[Community Foundation for Greater Richmond, Virginia](#)

The Community Foundation is a leading partner and advocate for philanthropy and service in the Richmond region. Founded in 1968, they have built a legacy of helping people and institutions give back passionately and purposefully.

Aims to stimulate, create, and facilitate economic mobility for all our residents by enhancing the chance of success for small businesses and entrepreneurs

Established the Fund for Entrepreneurial Growth to provide grants to nonprofits working in three areas: Entrepreneurial Programming for Youth, Support for Small Businesses, and Strengthening and Diversifying the Entrepreneurial Ecosystem

[The Jackson Ward Foundation](#)

The JWC Foundation is dedicated to supporting current and aspiring Black business owners in the Richmond, Virginia, region. The JWC operationalizes its mission through three outlets:

Community Business Academy, A 12-week, cohort-based business basics program teaching the fundamentals of running a business, with a focus on business operations.

Jackson Ward Collective- a group of current and aspiring Black business owners that receive individualized business coaching, access to resources and the support of a community of like-minded individuals

BLCK Street Conference- annual gathering of Black business owners from around the country

¹⁴¹ Macan. (2020). Which Private Foundations Are Funding Entrepreneurship?

¹⁴² Mission Investors Exchange. (2019, March). *Investing In and With Entrepreneurs and Leaders of Color*. Tools & Resources. <https://missioninvestors.org/resources/investing-entrepreneurs-and-leaders-color>

program, *Give Black, Give Back*, serves as a resource to amplify the Black-led funds at CFMT, build partnerships, and provide educational outreach and access.

The [Nashville Entrepreneur Center](#) (EC) began offering “preflight scholarships to entrepreneurs for underrepresented groups and founders of color in 2016. Since then, EC has awarded 92 scholarships, which have gone on to create new jobs in Nashville. EC aims to ensure that entrepreneurship is accessible to everyone to fuel economic inclusion. EC has helped over 14,000 entrepreneurs in the last ten years, including 1,000 alums who have raised over \$325M in capital, generated \$484M in revenue, and experienced over \$100+M in exits.

[Philanthropic Endeavors- Raleigh, NC](#)

Raleigh, North Carolina, is home to more than 500 start-up companies in a wide range of sectors, including software, life sciences, consumer products, and design media.¹⁴³ Like Richmond, Raleigh has an abundance of universities that contribute to the ecosystem, each with its own entrepreneurial program.

[NC Innovative Development Economic Advancement \(NC IDEA\)](#), an independent private foundation established in 2005, supports entrepreneurs in launching and expanding high-potential companies through grants and programs, fostering the entrepreneurial ecosystem. Located in the downtown Research Triangle, it offers seed grants, mentorship, and education, with a goal of training over 100,000 North Carolinians, with an ecosystem that awarded \$1.3 million to eleven partners in 2016 and reached a total of \$10 million in grants by 2020.

The [North Carolina Black Entrepreneurship Council \(NC BEC\)](#) is a prominent grant-making entity dedicated to addressing Black entrepreneurs' challenges. Collaborating closely with NC IDEA, it identifies, recommends, and supports partners, grant recipients, and programs aimed at North Carolina's Black community's entrepreneurial aspirations and economic potential. Since its establishment, NC BEC has allocated more than \$2 million in grants to organizations supporting Black individuals in their ambition to start and scale growth-oriented companies.

Nashville, Raleigh, and Richmond are nurturing these entrepreneurial ecosystems by providing needed infrastructure to support a conducive business environment.

¹⁴³ Raleigh Rises as an Entrepreneurial Hub. (n.d.). Wake County Economic Development. <https://raleigh-wake.org/blog/raleigh-rises-as-an-entrepreneurial-hub>

Critical Ecosystem Resources: Large Firms

Large established firms, especially those locally headquartered, play important roles in developing the entrepreneurial ecosystem.¹⁴⁴ These firms attract skilled workers and other talents from other regions to the ecosystem; cultivate skilled workers who become valuable resources for local startups or later start their own businesses; provide commercial opportunities for local businesses; offer space and resources for new firms; and create programs to encourage startups and support the development of companies (Feldman et al., 2005; Mason & Brown, 2014).¹⁴⁵ Moreover, these large firms create significant wealth for their founders, investors, and employees. These people reinvest their experience, expertise, knowledge, and wealth in the ecosystem as role models, mentors, advisors, angel investors, board members, and entrepreneurs (Mason & Brown, 2014). As stated by Isenberg (2013), an entrepreneurship ecosystem can only flourish with the cultivation of large companies, whether the cultivation has been done intentionally or otherwise.¹⁴⁶

¹⁴⁴ There is not an official/fixed definition for large firms. According to the Organization for Economic Co-operation and Development (OECD), an intergovernmental organization, "Enterprises can be classified in different categories according to their size; for this purpose, different criteria may be used, but the most common is number of people employed. In small and medium-sized enterprises (SMEs) employ fewer than 250 people. SMEs are further subdivided into micro enterprises (fewer than 10 employees), small enterprises (10 to 49 employees), medium-sized enterprises (50 to 249 employees). Large enterprises employ 250 or more people" (OECD, 2023, para. 1).

¹⁴⁵ Feldman, M. P. (2014). The character of innovative places: Entrepreneurial strategy, economic development, and prosperity. *Small Business Economics*, 43, 9-20.; Mason, C., & Brown, R. (2014). Entrepreneurial ecosystems and growth-oriented entrepreneurship. Final report to OECD, Paris, 30(1), 77-102.

¹⁴⁶ Isenberg, D. J. (2011). The entrepreneurship ecosystem strategy as a new paradigm for economic policy: Principles for cultivating entrepreneurship. Paper presented at the Institute of International European Affairs, Dublin, Ireland.

Recommendations

Black and Hispanic individuals face additional challenges in their entrepreneurial activities (e.g., access to capital) for reasons associated with a legacy of systemic barriers, lack of knowledge, technical difficulties, distrust of financial institutions, and others.¹⁴⁷ Effective and inclusive policies, programs, and practices that support these groups must include embedded mechanisms designed to overcome these barriers.

Strengthening Black and Hispanic entrepreneurship involves implementing strategies that address systemic barriers and individual needs. Solutions must include successful initiatives in economic development and financial inclusion promoted by private and public sectors with input from the minority business community. Various frameworks and business models exist for building the resources essential to a thriving entrepreneurial ecosystem. However, there is a noticeable gap in addressing the needs of Black and Hispanic communities.

This approach is informed by the definition established by the National Academy of Public Administration (2006) and advanced by the research of Gooden (2014) and Johnson & Svara (2011) to improve the inclusion and equity of Black and Hispanic entrepreneurs within the ecosystem.¹⁴⁸

Recommendation I- Equity in Access

Improve access to resources for Black and Hispanic entrepreneurs by recognizing existing disparities and taking proactive steps to bridge these gaps in policies, services, and practices.

Facilitate Access to Financing. Access to financing is a key determinant for the success of Black and Hispanic-owned firms, and the lack of financing options works as a structural barrier. For example, Black communities are significantly underserved by mainstream banks and the financial services sector in general. Not only has the number of black-owned banks declined, but there has also been a decrease in the number of banks in majority-black neighborhoods.¹⁴⁹ These structural barriers reduce access to banking services and loans, among others. Intentional effort is required to ensure a more equitable distribution of resources. Bringing more minority-serving institutions to the

¹⁴⁷ Baboolall, et al. (2020). Building supportive ecosystems for Black-owned US businesses.; Broady, K., MacComas, M., & Ouazad, A. (2021). An analysis of financial institutions in Black-majority communities: Black borrowers and depositors face considerable challenges in accessing banking services. *Brooking Institute*.

¹⁴⁸ National Academy of Public Administration. (2006). Standing panel on social equity in governance. https://web.archive.org/web/20090506083627/http://napawash.org/aa_social_equity/index.html; Gooden, S. T. (2014). Race and social equity: A nervous area of government. Armonk, NY: M. E. Sharpe; Johnson, N. J., & Svara, J. H. (2011). Social equity in American society and public administration. In N. J. Johnson & J. H. Svara (Eds.), *Justice for all: Promoting social equity in public administration* (pp. 20-22). Armonk, NY: M. E. Sharpe.

¹⁴⁹ Broady, MacComas, & Ouazad. (2021). "An analysis of financial institutions in Black-majority communities."

lending ecosystem may significantly increase access to capital. Additionally, allowing space for non-bank lenders to move the nation into a more equitable space is needed. During the pandemic, fintechs are examples of non-bank lenders who played instrumental roles in implementing government programs.¹⁵⁰

Centralize Resource Dissemination Hubs. Establishing an information hub and an outreach program are critical initiatives. The centralization of resources serves the dual purpose of enhancing accessibility and alleviating frustrations tied to the current decentralization. In creating this hub, input and feedback from the Black and Hispanic entrepreneurial community must be prioritized to ensure that the information hub reflects their needs and addresses their unique challenges and aspirations while acknowledging their experience as entrepreneurs. Platforms that help businesses navigate policies and facilitate connections with technical assistance providers can significantly reduce the difficulties in navigating the regulatory environment.

To help businesses navigate policies and facilitate their connections with technical assistance providers, some cities have created specific portals, such as the Long Beach (CA) BizPort and the Detroit Means Business platform.¹⁵¹ BizPort is a portal that helps navigate the regulatory environment organized into three sections (plan, launch, and grow). Each section contains resources, information, and checklists for entrepreneurs and contacts of the appropriate government representatives in each phase of the business operation. Likewise, Detroit Means Business focuses on helping entrepreneurs navigate city processes, connect with specific services, and share relevant resources, such as upcoming events. Means Business also works as a discussion forum that brings together policymakers and a diverse coalition of small business owners.

Harness access and influence of HBCUs and HSIs. HBCUs possess significant influence and goodwill within their communities, with an expansive reach. Their missions inherently emphasize community engagement, making them ideal for community-oriented initiatives. Partnering with these colleges and universities substantially benefits partnering entities and entrepreneurs and bolsters the standing of HBCUs and Hispanic Serving Institutions (HSIs), enhancing their role in the ecosystem. Partners gain legitimacy as trusted stakeholders within the ecosystem. Entrepreneurs benefit from access to new networks and resources with trusted entities. Moreover, HBCUs and HSIs increase their positionality within the entrepreneurial ecosystem. Partnering would elevate their level of inclusion to a critical one. Furthermore, rectifying the historical overshadowing by predominantly white institutions and larger establishments with greater access to resources and capital.

¹⁵⁰ Atkins, R., Cook, L., & Seamans, R. (2022). Discrimination in lending? Evidence from the Paycheck Protection Program. *Small Business Economics*, 58, 843–865.

¹⁵¹ Harper-Anderson, E., O'Hollaren, K., & Gates, S. M., (2023) Roles for City Governments in Entrepreneurial Ecosystems: An Initial Exploration: RAND Corporation. https://www.rand.org/pubs/research_reports/RRA1141-1.html.

Recommendation II- Procedural Equity

Foster procedural fairness within the entrepreneurial ecosystem, ensuring that processes involving Black and Hispanic entrepreneurs are characterized by equitable treatment, transparent due process, and accessible opportunities for all.

Enhancing Knowledge Generation. Social science research concerning Black and Hispanic entrepreneurs remains notably limited, particularly in exploring the factors contributing to their success. Existing research often consolidates these groups under the umbrella of "minority" or "BIPOC" categories, further limiting the ability to discern the nuanced dynamics and multifaceted challenges that Black and Hispanic entrepreneurs face in their respective entrepreneurial journeys. It is important to recognize that Black and Hispanic entrepreneurs are diverse and distinct, necessitating separate research efforts to highlight and understand the unique experiences within each identity group.

Expand research with Black Entrepreneurs. The prevailing discourse on Black entrepreneurship adopts a deficit-based perspective -- primarily highlighting shortcomings. Contemporary research that highlights affirming narratives of Black entrepreneurship is emerging. Investigating and sharing more narratives about what is working well can help Black entrepreneurs have ownership over their narratives and create investment in the solutions proposed. It continues self-agency and provides a framework for solutions consistent with models already established by the community. Moreover, ensure that the solutions developed have their realistic needs in mind.

Expand research with Hispanic Entrepreneurs. The research found on Hispanic entrepreneurs was far fewer. Research in this area has primarily been a subset of students that address the Black-white binary. Characteristics of Hispanic populations, the foreign or US-born, and varying migration patterns influence the entrepreneurial narrative.

Extending inclusive participation. Supporting Black and Hispanic small businesses requires offering seats at the decision-making table. Conventional approaches to entrepreneurship and economic development have emphasized the importance of high-growth, high-tech industries, and large corporations; the enhanced vulnerability of minority business owners during the COVID-19 pandemic reflects this historical disinvestment. Achieving a more equitable entrepreneurial ecosystem will require engaging with the needs and aspirations of minority business owners and their communities.

Promote program utilization. Promote the equitable participation of Black and Hispanic entrepreneurs in the State Small Business Credit Initiative (SSBCI 2.0), emphasizing access to funds at a rate commensurate with their representation. Encourage and support the utilization of SSBCI 2.0, originally launched in 2010 and designed to provide loans to small businesses, emphasizing increasing access to capital for underrepresented groups. Following a four-year hiatus, SSBCI (SSBCI 2.0) was reauthorized and funded, providing \$10 billion to states and Tribal governments to empower small businesses to access capital needed to invest in job-creating opportunities.¹⁵²

Improving supportive infrastructure. Improving the network and other supportive infrastructure has a high potential impact on Black and Hispanic entrepreneurs. Policies and initiatives that promote access to expertise, information, and specialized services have the potential to enhance the entrepreneurial ecosystems directly. Access to expertise and business services is another barrier to minority entrepreneurship. For example, the 2016 annual survey of entrepreneurs found that only 56 percent of Black owners sought professional services, as opposed to 70 percent of White owners.¹⁵³

Recommendation III- Equity in Quality of Services

Ensure ecosystem actors provide high-quality services consistently to Black and Hispanic entrepreneurs.

Quality data. One of the most pressing issues is accurate data on Black and Hispanic businesses. While most Black-owned businesses have no employees, most data are only collected on businesses with five or more employees.

Improve accessibility of procurement policies. Access to product markets is key to ensuring the continuity of small business activities. Preferential procurement programs, created by the public and private sectors to enhance minority entrepreneurs' access to government and commercial markets, are examples of policies that support minority entrepreneurs in this regard. Preferential procurement programs can enhance market access by improving the information available to entrepreneurs and altering resource providers' incentives toward equity considerations.¹⁵⁴

¹⁵² The State Small Business Credit Initiative and Rebuilding the U.S. Manufacturing Base. (May 2023). <https://www.whitehouse.gov/wp-content/uploads/2023/05/SSBCI-Manufacturing-Report-5.4.2023.pdf>

¹⁵³ Baboolall, et al. (2020). "Building supportive ecosystems for Black-owned US businesses."

¹⁵⁴ Sonfield, M. C. (2014). Ethnic minority businesses and targeted assistance programs in the US and the UK. *Journal of Small Business and Enterprise Development*, 21(2), 199–211. <https://doi.org/10.1108/JSBED-10-2013-0142>; Shelton, L. M., & Minniti, M. (2018). Enhancing product market access: Minority entrepreneurship, status leveraging, and preferential procurement programs. *Small Business Economics*, 50, 481–498.

Procurement policies establish the trading of goods and services, particularly for federal, state, and local governments. Most procurement policies do not allow a deposit to vendors before services are rendered. With these kinds of policies, Black and Hispanic entrepreneurs are most often not in a position to provide services without pay in advance. Furthermore, the payment requirement within 30 days after service completion also presents obstacles for small businesses as it requires additional time for which they go uncompensated for services rendered.

Increase opportunities for supplier diversity. Large firms are in a position to contract out services. Long-term contracts provide entrepreneurs with a greater sense of stability. In turn, firms benefit from added market exposure and introduction into new market segments. Ensuring that preferential procurement policies achieve their goals and promote equity requires careful policy design and monitoring. For example, the Woman-Owned Small Business Federal Contract Program (WOSB) requires specific certifications for eligibility. However, there is little to no evidence that going through the certification processes has increased women's bids success or supplier gender diversity.¹⁵⁵ More recently, the Infrastructure Investment and Jobs Act (IIJA), signed into law by President Biden in November 2021, explicitly lacks an equity lens. IIJA is expected to increase the contracts between state and local leaders and small to medium-sized firms, but it lacks a mechanism to reach minority communities specifically.¹⁵⁶

Recommendation IV- Equity in Outcomes

Direct the time, resources, and attention needed to address historical consequences that impact outcomes for Black and Hispanic entrepreneurs now and in the future.

Address systemic change. To effectively address the existing disparities in the entrepreneurial ecosystem infrastructure, large firms and institutions must acknowledge their pivotal role in shaping this imbalance. Historical policies and practices, both legal and de facto, have perpetuated discrimination against Black and Hispanic entrepreneurs, leading to disparities across key policy areas such as education, housing, and employment, all of which significantly impact the racial wealth gap. To address these issues, substantial remediation efforts are required. It is essential to shift the narrative away from placing an undue burden on the shoulders of Black and Brown entrepreneurs to solve the wealth gap problem. Instead, the focus should be on effectively identifying strategies to address the root causes of wealth inequality.

¹⁵⁵ Office of Government Accountability (GAO). (2014). Request to Congressional Requesters, Women-owned Small Business Program, Certifier Oversight and Additional Eligibility Controls are Needed. <https://www.gao.gov/assets/670/666431.pdf>; Orser, B., Riding, A., & Weeks, J. (2019). The efficacy of gender-based federal procurement policies in the United States. *Small Business Economics*, 53, 491–515.

¹⁵⁶ Perry, A. M., Seo, R., Barr, A., Romer, C., & Broady, K. (2022). Black-owned businesses in U.S. cities: The challenges, solutions, and opportunities for prosperity.

Expand the Minority Business Development Agency (MBDA). Consideration should be given to expanding the Minority Business Development Agency (MBDA), the only federal agency created to foster the establishment and growth of minority-owned businesses. Despite the inability to fund small businesses directly, MBDA does foster a large supportive network that feeds into entrepreneurial ecosystems, connecting minority-owned businesses with capital, contracts, and markets. Expanding the MBDA would significantly allow the agency to support minority-owned businesses more meaningfully.

Promote agency workforce diversity. A more diverse organizational composition enhances an agency's capacity to effectively address the unique challenges and needs of Black and Hispanic entrepreneurs. Organizations are better equipped to discern and enact policies that cater to multifaceted needs. They are able to identify and implement policies that adequately address the needs of diverse communities. Increasing diversity can increase opportunities for the talent pool. Diversity in the employee body of lending agencies is essential to move towards a more equitable distribution of resources. This is supported by analyzing two research and development policies: the US Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (STTR). Underrepresented small business owners are more likely to transition to a second phase in research and development (R&D) policies if the grantor agency employs a more diverse workforce.¹⁵⁷ Minority-owned businesses also have much higher loan approval success rates in minority-owned financial institutions.¹⁵⁸

Intentional policy design. New policies should learn from past lessons and use a financial equity lens for implementation. The Community Reinvestment Act (CRA) agreements and the Paycheck Protection Program (PPP) exemplify how intentional policy design may help achieve broader equity goals. At the federal level, both policies exemplify efforts to increase entrepreneurs' access to financial resources. In both cases, the original design of these policies led to unequal distribution of resources, requiring a later reformulation to make equity an in-built goal.

Created in the late 1970s, CRA agreements were implemented to improve access to credit in specific communities. CRAs had a limited impact in their original design on the accessibility of banking services to minorities for decades. After being redesigned, CRAs became practical tools in higher concentrated minority populations in urban areas to improve minorities' access to credit, contributing to the racial composition shift of small-

¹⁵⁷ Joshi, A. M., Inouye, T. M., & Robinson, J. A. (2018). How does agency workforce diversity influence Federal R&D funding of minority and women technology entrepreneurs? An analysis of the SBIR and STTR programs, 2001–2011. *Small Business Economics*, 50, 499–519.

¹⁵⁸ Bates, T., & Robb, A. (2013) Loan availability among small businesses operating in urban minority communities. Federal Reserve System Community Development Research Conference. <https://www.atlantafed.org/-/media/documents/news/conferences/2013/resilience-rebuilding/13resiliencerebuildingpaperBates.pdf>

businesses bank-lending from White entrepreneurs to minority entrepreneurs and accessing mortgage options.¹⁵⁹ Similarly, the PPP, a program that supported small businesses with loans during the pandemic, underwent modifications once evidence of racial disparities in the program's distribution and loan amounts were observed.¹⁶⁰ Responsively, the program adjusted its criteria to explicitly prioritize small firms and minority-owned businesses to ensure more equity.¹⁶¹

A new federal tax rule went into effect in 2022, making mandatory that apps such as PayPal, Square, Venmo, and Zelle report business transactions amounting to \$600 or more, a significant increase from the prior threshold of \$20,000. Perry and colleagues (2022) argue that this new tax code creates an equity issue as it will mostly impact the lower end of the business revenue spectrum, where non-employee firms (mostly minority-owned) concentrate.¹⁶²

Conclusion

This white paper has underscored the significance of supporting a comprehensive strategy for a more equitable and thriving entrepreneurial environment. Examining the historical context and contemporary entrepreneurship policies and practices at the national and local levels provides insight into the recommendations to improve the outcomes for Black and Hispanic entrepreneurs. The collective implementation of these recommendations by ecosystem stakeholders can create a more inclusive and supportive financial landscape, ultimately fostering an entrepreneurial ecosystem instrumental in reducing the racial wealth gap.

¹⁵⁹ Bates, Farhat, & Casey. (2022). The Economic Development Potential of Minority-Owned Businesses; Bostic, R. W., & Lee, H. (2017). Small Business Lending Under the Community Reinvestment Act. *Cityscape*, 19(2).; Casey, C., Bates, T., & Farhat, J. (2022). Linkages between regional characteristics and small businesses viability. *Small Business Economics*. <https://link.springer.com/article/10.1007/s11187-022-00703-9>

¹⁶⁰ Fairlie, R., & Fossen, F. M. (2022). Did the Paycheck Protection Program and Economic Injury Disaster Loan Program get disbursed to minority communities in the early stages of COVID-19? *Small Business Economics*, 58(2), 829–842. <https://doi.org/10.1007/s11187-021-00501-9>

¹⁶¹ Howell, S. T., Kuchler, T., Snitkof, D., Stroebel, J., & Wong, J. (2021). Lender Automation and Racial Disparities in Credit Access (29364).

¹⁶² Perry, et al. (2022). "Black-owned businesses in U.S. cities."



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