



Philadelphia Equitable Entrepreneurship Ecosystem Assessment and Strategy

BUILDING A MORE INCLUSIVE, RESILIENT PHILADELPHIA

May 2021

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United Way
of Greater Philadelphia
and Southern New Jersey

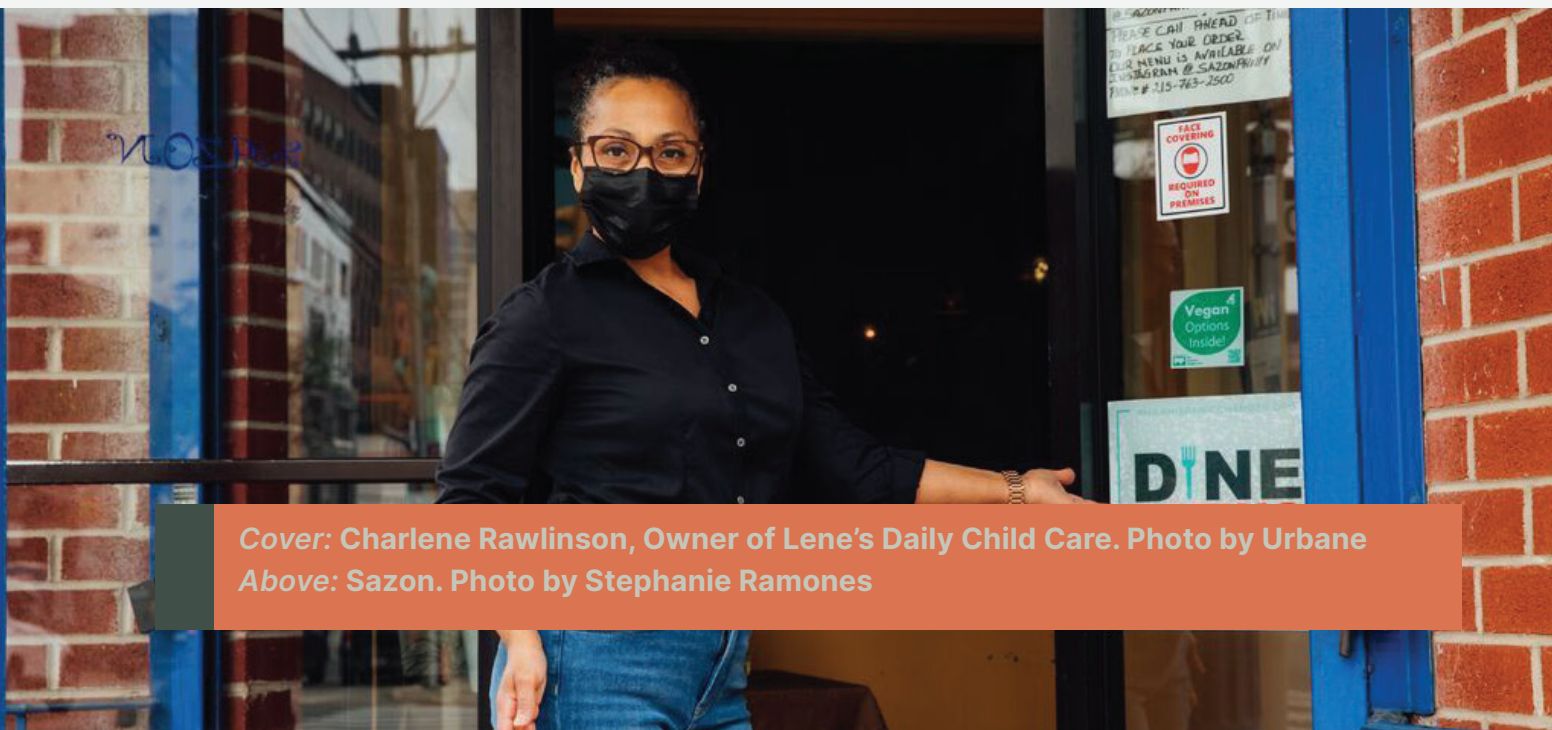


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Cover: Charlene Rawlinson, Owner of Lene's Daily Child Care. Photo by Urbane
Above: Sazon. Photo by Stephanie Ramones

Executive Summary



Philadelphia is an emblem of American culture and history. As the birthplace of the nation, the City of Brotherly Love and Sisterly Affection has become a world-renowned economic and cultural hub, fueled by the city's racial and ethnic diversity. Black Philadelphians represent the city's largest demographic group and foster the city's position as a vanguard of the nation's Black art and culture. Philadelphia is also home to the largest

Puerto Rican community outside of Puerto Rico and New York City. And, with nearly 1.6 million residents who speak over 100 different languages, the city has a thriving immigrant population that hails from every continent around the globe.^{1,2}

However, Philadelphia faces pernicious racial and social inequities that undermine the city's economic vitality. Across the city, deep socioeconomic

disparities persist, driven by Philadelphia's legacy of racial segregation and systemic discrimination. Today, an estimated 380,000 Philadelphia residents live in poverty, with the highest poverty rates among Black and Latino(a) Philadelphians.³ For many Philadelphians, deep poverty is intertwined with high exposure to crime and inequitable access to quality education and social services. During the COVID-19 pandemic, the city's communities of color have also had the highest disease incidence rates.⁴ Addressing the city's inequities requires that Philadelphia embrace an inclusive approach that builds community and individual wealth across all of the city's neighborhoods and presents equitable avenues to economic opportunity and entrepreneurship.

Small businesses are the backbone of Philadelphia's economy, culture, and communities. The city had an estimated 26,000 small employer businesses (defined in this report as businesses with 1 to 50 paid employees) and 101,000 sole proprietors in 2017, with notable growth among both segments over the prior five years. Over half of the city's employer

businesses are "micro businesses" that employ 1 to 4 employees. Small businesses are clustered within the retail, food service, hospitality, and health care industries, offering essential products and services to their fellow Philadelphians and fostering community identity across Philadelphia's neighborhoods. Philadelphia's small businesses also play a critical role for the local workforce, accounting for 33% of the city's total employment.^{5,6}

Philadelphia's communities of color, however, are underrepresented in the city's formal small business sector.

Despite having the city's highest startup rates before the pandemic, the city's Black, Indigenous, and People of Color (BIPOC) entrepreneurs and small business owners encounter structural challenges in accessing affordable financing, high-quality support services, and market opportunities to grow and sustain their businesses successfully. As a result, while Black and Latino(a) Philadelphians account for 44% and 17% of the city's population, they only own 5% and 4% of all small employer businesses, respectively. Moreover, Black, Latino(a),

1. Source: U.S. Census American Community Survey, 2015-2019 5-Year Estimates

2. Source: Pew Charitable Trusts, 2018

3. Source: Pew Charitable Trusts, 2019

4. Source: City of Philadelphia Department of Public Health

5. Source: U.S. Census Quarterly Workforce Indicators, 2019; U.S. Census Nonemployer Statistics, 2018

6. Note: Figures assume sole proprietorships serve as the primary form of employment for self-employed individuals



Nalini and Sagar Venkateswaran, Owner of Peacock
Laboratories
Photo by Urbane

and Asian-owned businesses generate less revenue and employ fewer workers on average than their White-owned counterparts and concentrate in low-wage industries with lower barriers to entry.^{7,8}

The COVID-19 pandemic has ravaged small businesses across Philadelphia, particularly among the city's business owners of color. The public health measures adopted to reduce the spread of the coronavirus forced many businesses to close or reduce operations temporarily. Since the start of the pandemic, total small business revenue and the number of small businesses open decreased in Philadelphia by 33% and 31%, respectively.⁹ Historical surveys of ownership demographics in Philadelphia indicate that the city's BIPOC business owners are overrepresented in industries most negatively impacted by the pandemic, including restaurants, bars, and storefront retail. This local dynamic mirrors national trends, as businesses owned by people of color reported nearly twice the closure rates and revenue losses compared to White-owned firms during the first two months of the pandemic.^{10,11}

Amid COVID-19 and widespread calls for racial justice, local stakeholders are taking critical steps to respond to this economic crisis and address fundamental barriers among entrepreneurs of color. Since early 2020, United Way of Greater Philadelphia and Southern New Jersey, the City of Philadelphia Department of Commerce, and PIDC have engaged local business owners, community-based organizations, business support organizations (BSOs), and anchor and philanthropic institutions to assess the evolving state of small business in Philadelphia and identify opportunities to address historical inequities for the city's entrepreneurs of color, magnified during the COVID-19 pandemic. Supported by a team of professionals from Next Street, Urbane, Econsult Solutions, Inc., and SourceLink, this initiative aimed to elevate locally relevant insights and national best practices for building inclusive and holistic entrepreneurship ecosystems to level the playing field for entrepreneurs and small business owners of color.

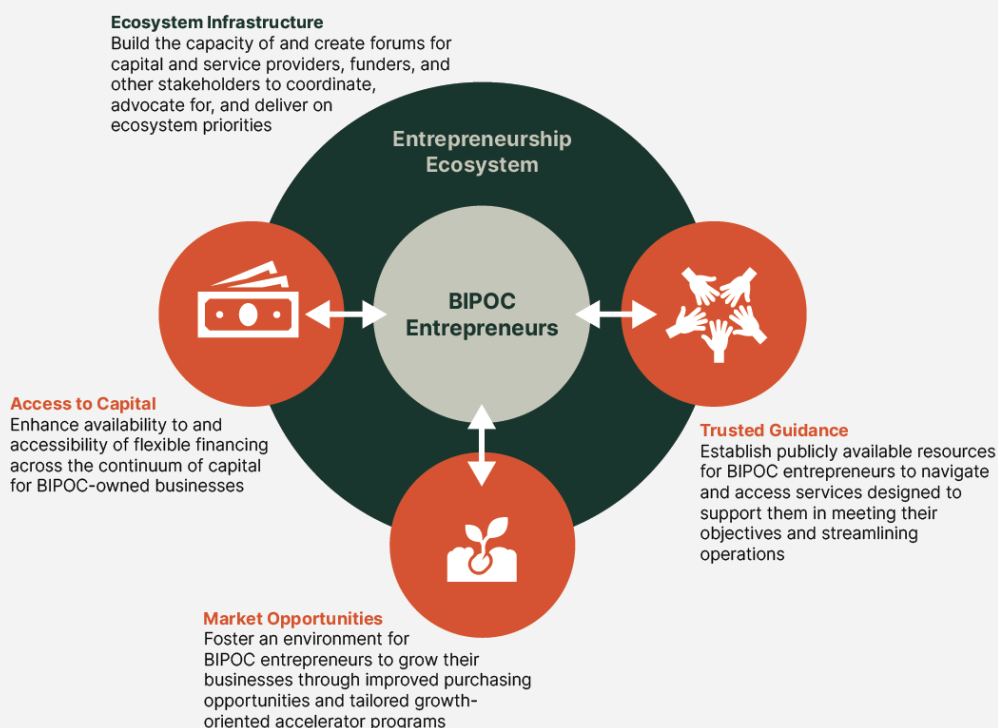
Combining in-depth data analysis, nearly 200 conversations with local small business owners and stakeholders, and

7. Source: U.S. Census American Community Survey, 2016; U.S. Census Survey of Business Owners and Self-Employed Persons, 2012
8. Source: The Pew Charitable Trusts, 2020
9. Source: Opportunity Insights, Philadelphia-based statistics from January 2020 to December 2020
10. Sources: Opportunity Insights, 2020; Small Business Administration, 2020; Yelp Local Economic Impact Report, 2020
11. Source: JPMorgan Chase Institute, 2020

input from a 31-member Advisory Council, this collaborative conducted a robust assessment of challenges in Philadelphia’s entrepreneurship ecosystem and proposes a comprehensive realignment of existing and future support services to form a more equitable environment for the city’s entrepreneurs and small business owners of color. This proposed path forward aims to address historical racial barriers limiting access to entrepreneurial capital, business education and services, and growth opportunities; respond to the ongoing economic crisis brought on by the COVID-19 pandemic; and create new avenues for all of the city’s entrepreneurs to start, sustain, and scale their businesses.

This report highlights the challenges that small business owners of color and the corresponding entrepreneurship ecosystem face in Philadelphia and charts a roadmap for building the proposed set of solutions for the city’s BIPOC entrepreneurs. With this proposed path forward, the collaborative of small business and community leaders aims to significantly narrow racial gaps in business ownership, revenue, employment, and influence across Philadelphia. **Through this work, Philadelphia’s entrepreneurship ecosystem is committed long-term toward closing the city’s racial wealth gaps, promoting greater equity and access to opportunities, and driving economic growth across the city’s communities.**

Philadelphia Equitable Entrepreneurship Ecosystem: Proposed Path Forward



Introduction



Rasheed Abdellah, Owner of Indie-Life Media
Photo by Urbane

Philadelphia, the birthplace of America, is a fixture of the nation's culture and history. Since its origins as a settlement along the Delaware River, Philadelphia has been a nexus of cultural and political movements, representing America's independence and civil rights and fostering the creative and artistic talents across every discipline. Today, with its diverse and vibrant neighborhoods, large

talent pool, and renowned universities and life science industries, the City of Brotherly Love and Sisterly Affection is an economic and cultural hub with an emerging global identity.¹² Fostering Philadelphia's vitality is the city's racial and ethnic diversity, though distinct from true inclusion. As a majority-minority city, Philadelphia is home to nearly 1.6 million residents who speak over 100 different

12. Source: JLL, 2019

13. Source: American Community Survey, 2015-2019 5-Year Estimates

languages, with Black Philadelphians alone making up over 40% of the city's residents.¹³

However, for many Philadelphians, the city regarded as America's cradle of democracy has yet to fulfill the promise of its ideals. Severe socioeconomic disparities persist along racial and ethnic lines. An estimated 380,000 Philadelphia residents live in poverty; in some predominately Black and Latino(a) neighborhoods in North and West Philadelphia, the poverty rate hovers well above 40%.¹⁴ Moreover, income inequality between the city's White residents and residents of color has grown since 2010, with racial wage gaps impacting Latino(a) and Asian Philadelphians more acutely compared to peer cities across the country.¹⁵ For many Philadelphians, deep poverty and income inequality is intertwined with high exposure to crime and inequitable access to quality education, health care, workforce development, and other social service needs. Addressing these disparities requires solutions that build wealth across all of the city's communities, including solutions that present equitable avenues to entrepreneurship and small business

ownership.

Small businesses play a critical role in communities in Philadelphia and across the country. In the United States, over 30 million small businesses employ nearly half of the national workforce and have created approximately two-thirds of net new jobs between 2005 and 2019.^{16,17} In local communities, small businesses serve as a critical means to build community and individual wealth, with two-thirds of local business revenue staying within the community.¹⁸ Moreover, small businesses are important markers of local community identity and stability, offering essential products and services to their surrounding neighborhoods and creating community vibrancy that attracts visitors and new residents alike.

Despite their importance in local economies, small business owners of color face institutional and systemic barriers that stifle their businesses' sustainability and growth. Loan denial rates are twice as high for small business owners of color compared to White business owners.¹⁹ Moreover, business owners of color report struggling to access large contracts despite the

14. Source: Pew Charitable Trusts, 2019

15. Source: Economy League

16. Source: Small Business Administration, 2020; Big Ideas for Small Business, 2020

17. Note: Statistics based on the SBA's definition of small business, inclusive of businesses that employ up to 500 employees

18. Source: Civic Economics, 2004

19. Sources: U.S. Department of Commerce Minority Business Development Agency, 2010



Queen & Rook Board Game Cafe
Photo by South Street Headhouse District

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prevalence of public and private sector supplier diversity programs due to lack of access to networks and longstanding marketplace discrimination. Non-native English-speaking entrepreneurs also face barriers in finding culturally and linguistically competent business support services.²⁰

The COVID-19 pandemic has amplified the challenges facing small business owners of color across the country. An estimated 6 million small businesses closed through the first six months of the crisis—representing over 19% of small firms nationally—with approximately 60% of these firms expected to stay closed permanently.²¹ Over the same period, Black-, Latino(a)-, and Asian-owned

businesses have had higher closure rates than White-owned businesses nationwide.²² Meanwhile, firms owned by BIPOC have faced larger cash balance and revenue declines than White-owned firms, with the impact of the crisis particularly severe among Black- and Asian-owned businesses.²³

In early 2020, United Way of Greater Philadelphia and Southern New Jersey, the City of Philadelphia Department of Commerce, and PIDC launched an initiative to assess the state of small business communities in Philadelphia and develop programs and interventions that address historical inequities for BIPOC entrepreneurs. Almost immediately, the work shifted amidst the COVID-19

20. Source: National CAPACD, 2019

21. Sources: Opportunity Insights, 2020; Small Business Administration, 2020; Yelp Local Economic Impact Report, 2020

22. Source: National Bureau of Economic Research, 2020

23. Source: JPMorgan Chase Institute, 2020



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pandemic and widespread protests as the city and country reckoned with heinous and systematic acts of racial injustice, spurring civil unrest in Philadelphia's communities and small businesses.

Supported by a team of professionals from Next Street, Urbane, Econsult Solutions, Inc., and SourceLink, this assessment balanced quantitative and qualitative data analysis to elevate locally relevant insights and national best practices for entrepreneurship ecosystems. Over the course of the project, the team analyzed over 20 public and private datasets, engaged with over 200 local small business owners and stakeholders, and interviewed a dozen national experts from peer American cities. To root this initiative around community engagement, the team also convened an Advisory Council of 31 local stakeholders, including small business owners and entrepreneurs, capital and service providers, anchor and philanthropic institutions, and city government officials.

This assessment culminated in a set of community-informed recommendations and a proposed path forward that build a more inclusive entrepreneurship ecosystem for BIPOC entrepreneurs in Philadelphia to narrow racial gaps in business ownership, revenue, and employment and create a more inclusive and thriving small business economy across all of Philadelphia.



Chinatown Learning Center
Photo by Chinatown Learning Center

Key Definitions



Through the course of this assessment, several key definitions were used to characterize the type of businesses and community-based initiatives focused on this work:

Defining “Small Business”

This report defines “small businesses” as firms with 50 full-time employees or fewer, including “micro businesses” with 1 to 4 employees, mom-and-pop businesses, and sole-proprietors or non-employer businesses. For cases in which data on this definition of small business is unavailable, the category of “employer businesses” is used. Employer businesses are defined as businesses with at least one, but fewer than 50 full-time employees.

Defining Geographic Focus

Based on the availability of quantitative data, most of the content in this report defines Philadelphia at the county level (Philadelphia County). Broader geographic areas (including data at the metropolitan statistical area- and state-level) are referenced where county-level data is not available.

Demographic Breakdown

This report specifically focuses on businesses owned by Black, Indigenous, and People of Color (BIPOC), defined as populations outside of the non-Latino(a), White population – with a specific focus on Asian, Black, and Latino(a) business owners. Census definitions are used for



Amalgam Comics & Coffeehouse
Photo by J. Fusco

these demographic groups throughout the analysis performed.

Defining “Entrepreneurship Ecosystem”

This report defines an “entrepreneurship ecosystem” as a system of interdependent actors and relations directly or indirectly supporting the creation, sustenance, and growth of new and existing ventures in a city or region. Key elements of a strong ecosystem, as defined by the Kauffman Foundation and drawing from collective experiences of the consultant team from across the U.S. include expertise that can help businesses grow, knowledge and resources to help small businesses, champions and conveners, access points and stories that help understand how to interact with the ecosystem, and robust social capital. Critical elements required to make an ecosystem inclusive include

conversations about entrenched racism and inequities across a diverse network of key actors, systems that are designed to change beliefs, values, and priorities and alter power structures, and processes for decision-making that results in more equitable outcomes and access to opportunity for underserved groups.

Defining “Community Wealth Building”

This report defines community wealth building as the comprehensive approach that aims to improve the ability for communities and individuals to advance asset ownership, drive environmental objectives, establish a stable workforce by expanding ownership, and increase the provisions of public services that aid in greater local economic stability.



La Salsa Barber Shop
Photo by Taylor Farnsworth

Small Business in Philadelphia

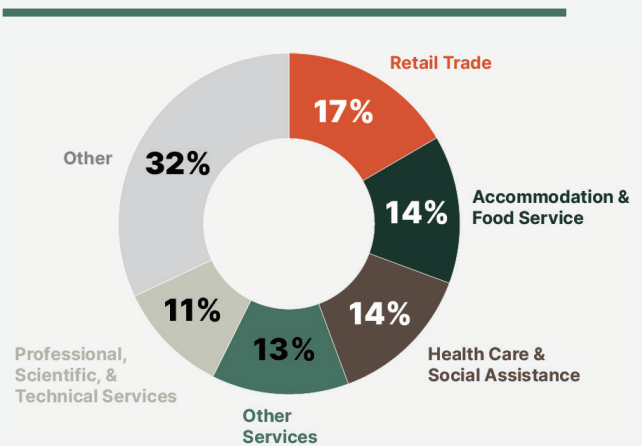


Small businesses in Philadelphia are the backbone of the city's economy, culture, and communities. Yet, BIPOC Philadelphians are underrepresented in the city's formal small business sector and face barriers in accessing business resources and opportunities to grow, sustain, and scale their businesses which was only heightened during the COVID-19 pandemic.

Philadelphia is home to a dynamic and diversified small business sector. The city had an estimated 26,000 small employer businesses (with 1 to 50 paid employees) and 101,000 sole proprietors in 2017, with

notable growth among both segments over the prior five years.

Top Industries (by # of Small Businesses* in 2017)



Note: *Includes employer businesses with less than 50 employees in 2017

Source: The U.S. Census County Business Patterns, Non-Employer Statistics, 2012 and 2017

Over half of the city’s employer businesses were “micro businesses” that employ 1 to 4 employees. Small businesses are clustered within the retail, food service, hospitality, and health care industries, offering essential products and services to their fellow Philadelphians and fostering community identity across

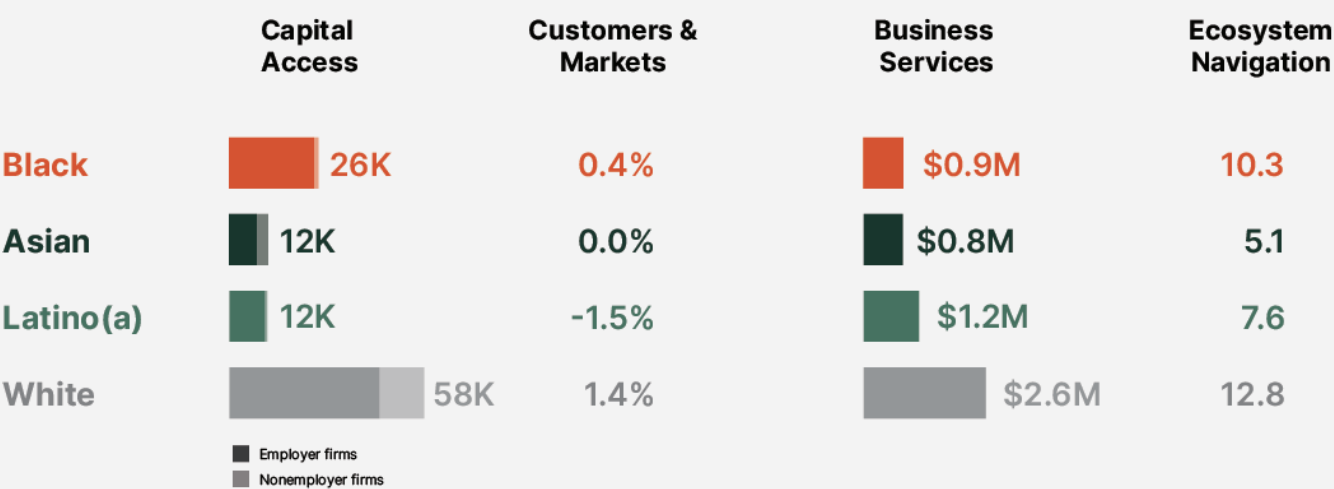
The city had an estimated 26,000 small employer businesses with 1 to 5 paid employees (in 2017).

Philadelphia’s neighborhoods and commercial corridors. Philadelphia’s small

businesses also play a critical role for the local workforce, accounting for 33% of the city’s total employment.²⁴

Despite the historical growth in the small business sector prior to the pandemic, Philadelphia has a lower business density than that of other American cities. In 2016, Philadelphia had approximately 18.2 small and medium-sized establishments (establishments with 499 or fewer employees) per 1,000 residents 16 years or older, according to research published by The Pew Charitable Trusts. This figure is nearly half of that of the highest business density cities—Denver, New York City, San Francisco, and Washington D.C.—and below the median of comparable cities across the country.²⁵

Small business ownership, revenue, and employment by race and ethnicity



Source: U.S. Census Survey of Business Owners (2012); U.S. Annual Business Survey (2017)

24. Note: Figures assume sole proprietorships serve as the primary form of employment for self-employed individuals
25. Source: The Pew Charitable Trusts, 2020; U.S. Census Bureau, Statistics of U.S. Businesses, 2016; U.S. Census American Community Survey, 2016

Moreover, while BIPOC residents represent the majority of Philadelphia's population, the city's diversity is not reflected in its rates of business ownership. While Black and Latino(a) residents make up 44% and 17% of the population, they only own 5% and 4% of all employer businesses, respectively.²⁶ These ownership disparities also have been paired with revenue and employment imbalances, with Black, Latino(a), and Asian-owned businesses historically with less revenue and fewer employees than their White-owned counterparts. BIPOC entrepreneurs are especially underrepresented among Philadelphia's emerging high-growth, high-wage industries, including the city's advanced manufacturing and medical technologies sectors.

Compared to other eastern U.S. cities, Philadelphia also lags in business ownership representation relative to the city's diverse population. In a study published by Center City District and the Central Philadelphia Development Corporation, Philadelphia had lower business density rates across all racial and ethnic groups relative to Atlanta, Boston, New York City, and Washington D.C. Black and Latino(a) business density

in Philadelphia is particularly low, with less than five Black and Latino(a)-owned firms per 1,000 Black and Latino(a) residents in the city in 2017. Strikingly, the number of Black-owned businesses in Philadelphia would nearly triple if the metro had as many Black-owned businesses for every 1,000 Black residents as Washington D.C.²⁷

While Black and Latino (a) residents make up 44% and 17% of the population, they only own 5% and 4% of all employer businesses, respectively.

Entrepreneurial startup trends countered these business ownership disparities before the pandemic, as the city's residents of color had higher business startup rates than White Philadelphians following the ensuing financial crisis tied to the COVID-19 pandemic. More than 50% of the city's non-employer sole proprietors are owned by BIPOC Philadelphians.²⁸ Moreover, local BIPOC entrepreneurs also report operating side hustles and other informal or freelance

26. Source: U.S. Small Business Administration Office of Advocacy, 2007

27. Source: Center City District, Central Philadelphia Development Corporation, 2020; U.S. Census Annual Business Survey, 2017

28. Source: U.S. Census Survey of Business Owners and Self-Employed Persons, 2012

businesses not captured by public data sources. Together, this activity points to a deep culture of entrepreneurship in Philadelphia's communities of color and presents opportunities to expand wealth among the city's BIPOC entrepreneurs and communities when provided the appropriate supports.

However, the COVID-19 pandemic has disrupted these historical trends, as the adverse economic consequences of this crisis have disproportionately impacted small businesses in Philadelphia. The public health measures adopted to reduce the spread of the coronavirus have forced many businesses to temporarily close or reduce operations, resulting in significant revenue losses and business closures among those unable to withstand the impact that lasted more than a year. Total small business revenue and the number of small businesses open decreased in Philadelphia by 33% and 31%, respectively, from January to December 2020.²⁹

Historical surveys of owner demographics in Philadelphia indicate that BIPOC business owners are overrepresented in industries most negatively impacted by the pandemic. Nationally and in Philadelphia,

**More than 50% of the city's
non-employer sole proprietors
are owned by BIPOC
Philadelphians.**

BIPOC-owned businesses have long been clustered in industries such as restaurants, bars, and storefront retail.^{30,31} As a result, the pandemic has magnified challenges in local BIPOC communities already ravaged by the health consequences from the disease. One bright spot is that local stakeholder reports indicate that Philadelphia entrepreneurs have maintained their entrepreneurial spirit in the face of these challenges, with elevated business startup rates in response to the impact of the pandemic.

29. Source: Opportunity Insights, 2020

30. Source: U.S. Census Survey of Business Owners and Self-Employed Persons (2012)

31. Source: U.S. Census Bureau Center for Economic Studies

Needs Among Small Business Owners of Color in Philadelphia

In Philadelphia, BIPOC entrepreneurs and small business owners across stages encounter challenges in accessing financing, professional and business advisory services, and customer and market opportunities needed to achieve their business objectives. In conversations and surveys with over 200 local entrepreneurs, small business owners called for new and improved

pathways to debt and equity capital across the business life cycle and growth stages, more trusted industry-specific and relationship-based professional advice and guidance at an affordable cost, and better connections to existing resources and purchasing opportunities across the city. The table on the following page summarizes this spectrum of needs among the city's BIPOC entrepreneurs.



Casa Papel
Photo by J&J Studios

Summary of BIPOC Business Owner Needs in Philadelphia

Capital Access

Guidance on and support in accessing available capital across the continuum (incl. angel and venture capital investments, traditional debt, and COVID-19 emergency funds)

More affordable and accessible loans and credit-building resources for entrepreneurs who have graduated past startup phases

Opportunities for BIPOC venture-ready entrepreneurs to connect with and secure investments from equity investors

Customers & Markets

Support and resources in building entrepreneur's e-commerce infrastructure and digital acumen

Assistance and channels for M/W/DSBE-certified businesses to achieve and maintain certification and to secure large buyer contracts

Dedicated efforts to address systemic discrimination that limits access to networks and opportunities in the marketplace

Business Services

Industry-specific, relationship-based advisory support

Better access to high-quality, affordable professional services (incl. accounting and bookkeeping, legal, and digital marketing)

More peer networks and mentorship opportunities with fellow entrepreneurs

Ecosystem Navigation

Trusted avenues to assess and access existing capital and business support resources by business stage

More opportunities to influence City government policies

Simplification of regulatory processes with City government agencies

Capital Access

Access to capital and related financial navigator programs, in particular, echoed as critical needs among Philadelphia's BIPOC entrepreneurs. Local business owners report that they want guidance to identify and access the range of affordable and flexible capital resources presently available. This need has only magnified during the COVID-19 pandemic, as business owners have sought a myriad of local, state, and federal emergency funds to stay afloat during this crisis.

Coupled with these navigation challenges are structural barriers preventing BIPOC business owners from securing loan and investment capital from the city's financial

institutions. Early-stage businesses face disproportionate difficulties securing needed capital due to lack of availability of "friends and family" funding within their networks, insufficient credit histories and documentation, and systemic racial biases. One business owner described shopping his new business around to banks only to hear "excuse after excuse" before eventually deciding to solely use his savings and profits. Another spoke of her experience successfully building her credit through a local credit through a local community development financial institution's (CDFI) microlending program only to find herself unable to secure a larger loan that she needed to relocate her growing restaurant.

Meanwhile, BIPOC entrepreneurs with venture-oriented businesses find that debt is the only capital available to them to sustain and grow their businesses. The city's angel and venture capital investments, often in the form of equity capital, concentrate within high-growth, tech-enabled industries that have low representation among the city's BIPOC business owners. Interviewed entrepreneurs in food manufacturing and construction, for example, noted an absence of equity investments and investor networks available to them. Even BIPOC business owners in higher growth industries face challenges accessing equity investments due to a notable lack of racial equity within providers' sourcing pipelines.

Facing such obstacles, Philadelphia's business owners of color often turn to personal and informal sources of capital. In a survey of 171 local BIPOC small business owners, more than half indicated that they rely on friends and family or personal funds as their primary source of financing.³² Barriers to conventional forms of capital limit the sustainability and growth of BIPOC-owned businesses and stifle wealth building among the city's

BIPOC entrepreneurs who, on average, have lower personal and family wealth profiles than their White counterparts. Moreover, those who lack such resources in their personal networks often resort to predatory lenders offering readily accessible but high-cost funding, risking deeper financial or credit-related challenges over time.

In a survey of 171 local BIPOC small business owners, more than half indicated that they rely on friends and family for personal funds as their primary source of financing.

Customers and Markets

In addition to accessing capital, Philadelphia's business owners of color also need resources and channels to expand their reach to customers. An online presence and digital sales channels have become increasingly critical for businesses to sell their products and services to potential shoppers, a trend accelerated during the pandemic. But

 32. Survey designed by Urbane and administered by The Merchants Fund in July 2020 as part of the Restore and Reopen Grant Application.



Matthew Law, DJ and Producer
Photo by Urbane

too many small business owners lack the digital capabilities and resources to build e-commerce infrastructure. Retailers and restaurant owners, in particular, are looking for assistance as they learn to operate and market their businesses online.

Moreover, BIPOC business owners seeking to integrate within local supply chains need additional guidance and sponsorship, targeted resources to scale their products and services, and access to decision-makers to enter and grow within procurement pipelines among the

have secured their first contracts also report difficulties in expanding their book of business with other local buyers of their goods and services. When reflecting on these challenges, local business owners highlight market forces that work against BIPOC suppliers, noting longstanding buying patterns among buyers who rely on existing relationships with majority suppliers. In addition, bidding processes that require selecting the lowest responsive, responsible bidder further contribute to disparities, as smaller businesses frequently cannot underbid larger players in the market.

“If it doesn’t say ‘for women of color’, I don’t even apply because I won’t get approved.”
- Interviewed business owner

city’s public and private institutions. While there are numerous avenues for business owners of color to become certified as Minority, Women, and Disabled-Owned Business Enterprises (M/W/DSBE), certified business owners express a need to streamline and simplify the certification process and for more procurement-readiness assistance to win their first contracts. BIPOC business owners who

Business Services

To serve their customers more effectively, BIPOC entrepreneurs seek targeted, industry-tailored guidance and one-on-one mentorship to help their businesses grow. Sector-specific strategic planning support is especially in demand in industries like legacy and advanced manufacturing, food production, fashion, and real estate. As part of this support, business owners are looking for trusted industry experts to advise on their businesses’ specific circumstances, rather than, or in addition to, current class-based models that offer more generic curricula.



Alma Del Mar
Photo by N. Santos

Small employer businesses also seek programs to attract or incubate skilled talent within their industries, integrating hiring, training, and retention services that better address the realities of poverty and trauma that impact Philadelphia's BIPOC workforce.

Along with these growth-oriented programs, BIPOC entrepreneurs also express a need for accessible and affordable professional services for back-office operations, including accounting and bookkeeping, financial and management consulting, digital marketing, and legal assistance. Many local business owners seek to hire third-party accountants, consultants, and marketing professionals to focus on other aspects of their businesses but have trouble finding high-quality, affordable service providers in the market. Entrepreneurs' legal issues vary from trademark theft or vendor contract breach protection to commercial lease negotiations, which has posed a more severe threat to business owners during the COVID-19 pandemic. However, some entrepreneurs of color face financial challenges in securing legal counsel, leaving them vulnerable without legal protections.

Ecosystem Navigation

Compounding these needs is the lack of trusted avenues connecting BIPOC entrepreneurs with Philadelphia's financial and business education support resources. Local entrepreneurs of color report not having heard of existing

"We don't lack ideas... We need support translating what's on paper to the action steps and resources needed to execute."
- Interviewed business owner

organizations and programs that offer the support they might need and primarily seek advice and guidance from friends and family. BIPOC business owners also indicate that they are less likely to engage with organizations or systems to which they have no trusted connection. Moreover, a negative experience with one organization within the ecosystem can discourage business owners of color from engaging with any other part of the small business ecosystem, rooted in a history of institutional racism that has bred distrust among the city's BIPOC communities. Accessibility challenges related to language, geography, and limited availability further hinder trust among BIPOC entrepreneurs. Meanwhile, local business owners of color indicate

SMALL BUSINESS IN PHILADELPHIA
NEEDS AMONG SMALL BUSINESS OWNERS OF COLOR IN PHILADELPHIA

that they more readily engage with programs that foster relationships with fellow BIPOC entrepreneurs, finding value in connections to peers who have first-hand experiences within their industries and in managing the personal burdens of entrepreneurship.

Beyond the capital and business support ecosystem, many BIPOC business owners feel that they lack organized political representation and have no way to reach or influence City policymakers. Local entrepreneurs of color engaged in past City government outreach efforts report never receiving follow-up and have yet to see meaningful policy or program changes that positively impact their

“I only found out about the grant because I happened to get coffee down the street, and the owner of that shop received an email from his realtor.” - Interviewed business owner

businesses. Local business owners also call for streamlining City government business registration processes and regulations. Local restaurant owners, for example, highlighted their challenges navigating the many applications, forms, and documents requiring negotiation with the City’s Department of Public Health, Department of Licenses and Inspections, and Department of Revenue.



S.E. Armstead Real Estate
Copyright City of Philadelphia

Philadelphia's Entrepreneurship Ecosystem



Philadelphia has a long legacy of community and small business development. The city was the original headquarters of the Opportunity Finance Network and is home to unique public-private partnerships like PIDC and Ben Franklin Technology Partners. Philadelphia today houses an array of long-standing and emerging public and private organizations and initiatives

working to build community wealth and promote neighborhood revitalization and entrepreneurship in communities across the city. Philadelphia's anchor institutions—including the city's renowned universities, hospitals, and Fortune 500 companies—also play an integral role in boosting the city's quality of life and investing in the local economy.



Luis Hincapie, Co-Owner of Fortaleza Rehabilitation and Fitness
Photo by Urbane

However, despite this deep history, Philadelphia's entrepreneurial environment has not fostered equitable opportunities for entrepreneurs of color to achieve their business goals and build wealth within their communities. Representative of a fragmented network of public, private, and community-based organizations, the city's entrepreneurship ecosystem has gaps in access, capacity, and coordination, casting a disjointed experience for BIPOC entrepreneurs seeking capital, resources, and networks to sustain and grow their businesses.

In Philadelphia, access to small business capital is concentrated among the city's commercial banks, contributing more than \$800 million in small business lending annually.³³ Of the capital available, funding distribution has been inequitable across the city, with fewer bank branches and disproportionately low rates of bank lending in Black and Latino(a) neighborhoods in North, West, and Southwest Philadelphia. While local CDFIs have a track record of lending in these neighborhoods, gaps remain due to limited CDFI capitalization and

capacity, presenting challenges for BIPOC entrepreneurs to access capital when operating outside of the city's central districts.³⁴ Debt capital has also historically been concentrated in microloans (under \$50,000) and large loans (above \$250,000), creating a "missing middle" for BIPOC entrepreneurs seeking capital to finance long-term sustainability and growth.³⁵ In 2014, the city's economic development corporation PIDC launched a CDFI subsidiary, in part, to address this lending gap, creating a zero-interest loan during COVID-19 between \$25,000 and \$250,000 with at least 50% of the funds committed to BIPOC-owned businesses. Meanwhile, Philadelphia-based companies have historically received between \$300 million and \$450 million in equity investments annually, comparably low volumes to peer American cities for a form of capital often deemed inaccessible by BIPOC entrepreneurs across stages.³⁶

Complementing the city's capital landscape are BSOs and small business development programs that serve businesses with a wide array of services

33. Sources: Aggregate statistics of Federal Financial Institutions Examination Council bank lending data, U.S. Small Business Administration 504 and 7(a) lending data, and U.S. Department of the Treasury CDFI Fund data, as assessed through the Freedom of Information Act (FOIA)

34. Source: Community Reinvestment Act and CDFI Fund data for Philadelphia, accessed through PolicyMap

35. Sources: Aggregate statistics of Federal Financial Institutions Examination Council bank lending data, U.S. Small Business Administration 504 and 7(a) lending data, and U.S. Department of the Treasury CDFI Fund data, as assessed through the Freedom of Information Act (FOIA)

36. Source: PwC / CB Insights MoneyTree Report

across business stages. However, access and awareness of these services depend on trusted relationships and specialization by industry, presenting a challenge for capacity-constrained service providers unable to provide deep relational or industry-specific support.

From a survey of 65 BSOs conducted for this initiative, over half of local service providers report offering business advising and assistance programs addressing entrepreneurs' fundamental needs like business planning and financial management. Conversely, few provide professional services like tax and legal services or procurement-readiness support for BIPOC business owners seeking to connect with local buyers and compete for large contracts. BSOs also report lacking the capacity to provide relational or industry-specific services at

the depth or scale needed to garner trust among the city's BIPOC business owners.

Within the city's entrepreneurial ecosystem, few formal collaboratives exist to support BIPOC entrepreneurs across their continuum of needs. Local capital providers and BSOs leverage partnerships to fill gaps related to technical expertise, outreach, and quality of service. However, there is often a gap in knowledge of what other BSOs offer, leading to unintentional misdirection and misinformation that deteriorates trust among business owners and reveals cracks in the ecosystem. In addition, collaboration has not been consistent throughout the ecosystem, with historically limited representation among large corporations and government agencies outside of the city's Department of Commerce.



Jenea Robinson, Owner of Marsh & Mane
Photo by J. Fusco

In the face of these multifaceted challenges, Philadelphia's entrepreneurship ecosystem has incubated promising local innovations designed to create a more supportive environment for the city's BIPOC entrepreneurs. Through initiatives like the Philadelphia Anchors for Growth and Equity (PAGE) and Kensington Lending Partnership, local organizations have launched collaborative solutions that promote racial equity and greater access to opportunities among BIPOC entrepreneurs. Since 2018, the City of Philadelphia Department of Commerce has also regularly convened over 40 local BSOs to disseminate information, share ideas, and explore solutions to address historic service barriers for BIPOC entrepreneurs. Moreover, informal collaborations have emerged among BSOs, organized in specific neighborhoods, like in West Philadelphia, and among certain affinity groups, like those that serve Latino(a) business owners. Meanwhile, local BIPOC business owners and entrepreneurs have launched collaborations—including BLAActivate! and The Collective—that build collective action and networking opportunities among a network of fellow entrepreneurs.

COVID-19 has formalized many of these local collaborative efforts, as showcased by local CDFIs coming together as the Pennsylvania CDFI Network to structure and administer small business grants through the state's COVID-19 Relief Statewide Small Business Assistance program. Local CDFIs have also secured a \$100 million commitment through an emerging bank-led Greater Philadelphia Financial Services Leadership Coalition to further support Philadelphia's Black and Latino(a)-owned businesses.

These collaboratives present a promising model to create systematic supports for the city's small businesses and showcase the potential for future collaborations across the entrepreneurship ecosystem. As we contend with the continued impact of this pandemic, there is an opportunity to build off these local initiatives and create solutions that meet BIPOC entrepreneurs where they are, providing supports that have a transformational impact on their businesses and create wealth and vibrancy within local communities.



Sherrill Mosee, Owner of Minkee Blue
Photo by Urbane

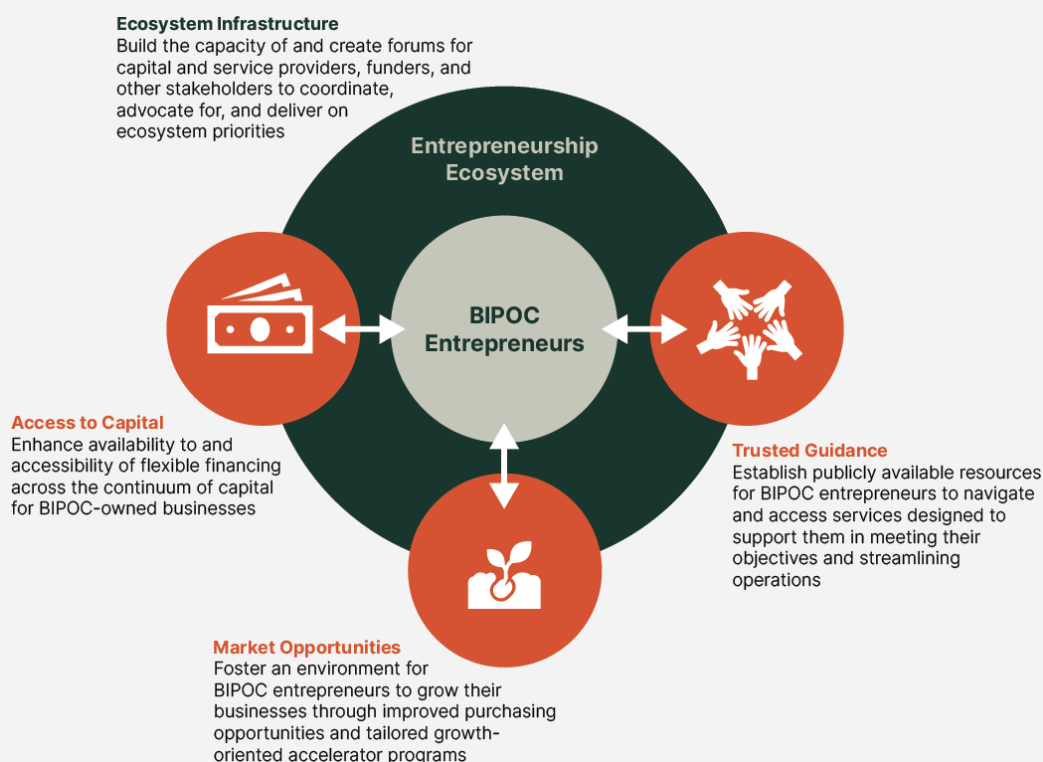
Building a More Equitable and Inclusive Ecosystem

Philadelphia is poised to build upon growing momentum to better support the city's small business communities of color.

Across the city, local stakeholders are taking critical steps with far-reaching implications for BIPOC Philadelphians with entrepreneurial pursuits to start, own, and operate a thriving small business.

Together with the Advisory Council and the supporting consultant team, United Way of Greater Philadelphia and Southern New Jersey, the City of Philadelphia Department of Commerce, and PIDC have started to chart a path forward for Philadelphia's entrepreneurship ecosystem that will anchor small business development efforts over the next several

Philadelphia Equitable Entrepreneurship Ecosystem: Proposed Path Forward



years. After a year of collaboration, community engagement, and analysis, this collective effort aims to position Philadelphia as an emerging national leader in equitable entrepreneurship ecosystems, as Philadelphians of color use small business ownership to build wealth, invest in their communities, retain and create jobs, and drive economic growth across the city.

To do this, Philadelphia will work to bring together a comprehensive set of solutions to catalyze and uplift the city's BIPOC entrepreneurs and small business owners. Organized into strategic pillars, these proposed solutions aim to address

historical racial barriers limiting access to small business capital, services, and growth opportunities; respond to the ongoing economic crisis brought on by the COVID-19 pandemic; and create new avenues for BIPOC entrepreneurs to start, sustain, and scale their businesses.

To realize the vision to build a more inclusive and equitable entrepreneurship ecosystem, local stakeholders can build upon the following blueprints that detail the City's unique local context, the proposed solutions, and comparable national models, all collected to inform Philadelphia's path forward.



Yowie

Photo by Aaron Ricketts

Access to Capital

Local Context

In Philadelphia, small business owners of color historically have struggled to access affordable, flexible capital to grow and sustain their businesses. With the city's entrepreneurial capital historically concentrated among commercial bank lenders, local BIPOC entrepreneurs, especially those with startup and early-stage businesses, have had few readily available alternatives to access affordable loans, equity investments, and other forms of patient growth capital. Local CDFIs serving Philadelphia's small businesses have longstanding histories supporting the city's BIPOC communities but have balance sheet and operational capacity constraints that hinder their overall lending volumes. Meanwhile, Philadelphia's equity investors have not historically had investment teams representative of the city's diversity and have struggled to reach BIPOC entrepreneurs that fit within their investment criteria.

Before the COVID-19 pandemic, local community lenders and equity investors introduced numerous initiatives supporting the city's BIPOC entrepreneurs that were ultimately discontinued due to a lack of sustainable funding and connectivity within the broader entrepreneurship ecosystem. Initiatives

like the Minority Angel Investor Network and Village Capital Pathways, for example, were designed to expand access to the city's angel and venture capital networks but could not build the necessary deal pipeline of BIPOC-owned ventures that fit investors' thesis parameters and were unable to secure long-term sponsorship.

Since 2020, the enhanced focus on business owners and entrepreneurs of color spurred new activity and funding opportunities for Philadelphia's capital providers. At the advent of the pandemic, the Department of Commerce and PIDC partnered to deliver three small business relief funding programs totaling \$42 million, focusing on BIPOC entrepreneurs and businesses located in communities experiencing high levels of poverty. Moreover, the city's CDFIs, central to the State of Pennsylvania's \$225 million COVID-19 Relief Statewide Small Business Assistance program, had built upon their collaborative efforts to secure \$37 million in public funding commitments from Philadelphia's City Council and Mayor's Office to offer additional small business grants through the end of 2020. In early 2021, the Greater Philadelphia Financial Services Leadership Coalition, an emerging collaborative of Philadelphia-based banks, committed \$100 million through a combination of grants, loans, and equity

Introduced by the city's consortium of community financial institutions, the line of credit product will also require relationship-based underwriting and loan servicing, making the product more accessible to BIPOC entrepreneurs.

investments to the Philadelphia-based members of the Pennsylvania CDFI Network. Meanwhile, local equity and impact investors - including: Ben Franklin Technology Partners, Comcast Ventures, The Enterprise Center, ImpactPHL, and 17 Asset Management in partnership with The Collective - launched new forums and funds promoting racial equity within their investment portfolios. With this flurry of activity, there is an opportunity to build upon this momentum as local capital providers continue to seek new avenues to expand their lending and investments in the city's communities of color.

National Models

Across the country, there has been an increased focus on expanding access to capital for business owners of color. California-based CDFIs like Accion Opportunity Fund and Lendistry have received private- and government-

sponsored funds to deploy grants directly to small businesses in their home state during this crisis. With the protracted impact of the pandemic, local CDFIs can look to these national examples as models to continue to fundraise and deploy small business grants in the city. Lendistry, in particular, offers a unique perspective given its partnership with the city's CDFIs in the state's COVID-19 Relief Statewide Small Business Assistance program.

As Philadelphia moves toward longer-term economic recovery, local CDFIs and equity investors also should look to other fund structuring models as the availability of small business grant capital is expected to diminish. For example, the Wisdom Fund is a fixed income vehicle designed to increase capital access and lending for women-owned businesses by boosting capital pools among national community lenders, including CDC Small Business Finance, LiftFund, and Pacific Community Ventures. New capital aggregation "fund of funds" models have also emerged as examples for Philadelphia. Community Investment Management (CIM) is a Bay-Area based institutional impact investment manager that provides strategic debt capital to demonstrate and scale responsible innovation in lending and investments for underserved communities. To date, CIM has lent out over \$400 million to more than 5,000 businesses, all

through capital intermediaries including CDFIs and online lenders.³⁷

Equity investors in Philadelphia can similarly review national models as they establish investor forums and increase their investment activity supporting the city's entrepreneurs of color. The city's investors can look to Chicago:Blend, a collaborative of venture capitalists in Chicago who are working to build more inclusivity among startups and venture firms. Chicago:Blend has mapped assets and gaps in the local equity landscape and share resources dedicated to Diversity, Equity, and Inclusion (DEI), including launching the BlendList, a list of BIPOC startup board candidates in Chicago. The Epicenter, a nonprofit hub for the greater Memphis entrepreneurship ecosystem, also offers a model to consider. The Epicenter launched a Friends and Family Fund in 2015 to offer non-dilutive, targeted investments of \$1,000 to \$20,000 to local entrepreneurs in the region. This accessible funding enables small businesses, both tech-based and community-based, to achieve significant growth milestones with laser-focused infusions of capital to acquire needed equipment or services.

Proposed Solutions

Based on input from local entrepreneurs, small business stakeholders, and the Advisory Council, the following four initiatives were identified as having the greatest potential to enhance the availability and accessibility of flexible financing across the capital continuum for the city's BIPOC entrepreneurs and business owners:

The initiative will include funding for more flexible grant, debt, and equity capital dedicated to business in North, West, and Southwest Philadelphia.

Create catalytic capital pools for place-based investments

The entrepreneurship ecosystem should create new catalytic capital pools that direct institutional capital to empower the city's collaborative of local community financial institutions and investors to form place-based funds for BIPOC entrepreneurs and communities. This

37. Source: Kauffman Foundation, 2019



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initiative aims to expand funding for flexible grant, debt, and equity capital dedicated to businesses in North, West, and Southwest Philadelphia. This initiative is designed to integrate within the city's consortium of local community financial institutions and equity investors and seeks to raise capital from public, private, and philanthropic sources both within and outside of Philadelphia to expand the supply of responsible lending for the city's BIPOC entrepreneurs. Local financial institutions and investors should partner with BSOs to ensure that business owners are supported to foster sustainable growth. This initiative should also integrate within and build upon collaborations like the Pennsylvania CDFI Network and the Kensington Lending Partnership.

Establish an integrated community of practice of equity and equity-like investors

The entrepreneurship ecosystem should establish a community of practice among the city's angel, venture capital, and impact investors to share Diversity, Equity, and Inclusion (DEI) best practices, foster forums for BIPOC entrepreneurs, and fundraise for blended capital pools. This initiative should integrate within existing angel and impact investing networks and leverage connections across the

"Main thing for me is, there are many empty storefronts. It would be nice if more of us could build our business in them without being crippled by landlords." - Interviewed business owner

entrepreneurship ecosystem to pair equity investors with other capital and business support organizations dedicated to serving the city's BIPOC entrepreneurs. This initiative aims to expand access to equity and equity-like investments by bringing together new capital products and business education tailored to support BIPOC entrepreneurs in the market. This initiative should integrate within and build upon collaborations like the capital subcommittee within the Economy League's Philadelphia Anchor for Growth and Equity (PAGE) program, an interdisciplinary investor network working to advance racial equity and justice, map capital opportunities, and connect capital resources to Black and Latino(a) businesses.

Form "friends and family" capital funds

The entrepreneurship ecosystem should form new "friends and family" pre-seed and seed funds and related support programs for pre-venture and early-stage BIPOC entrepreneurs. These funds

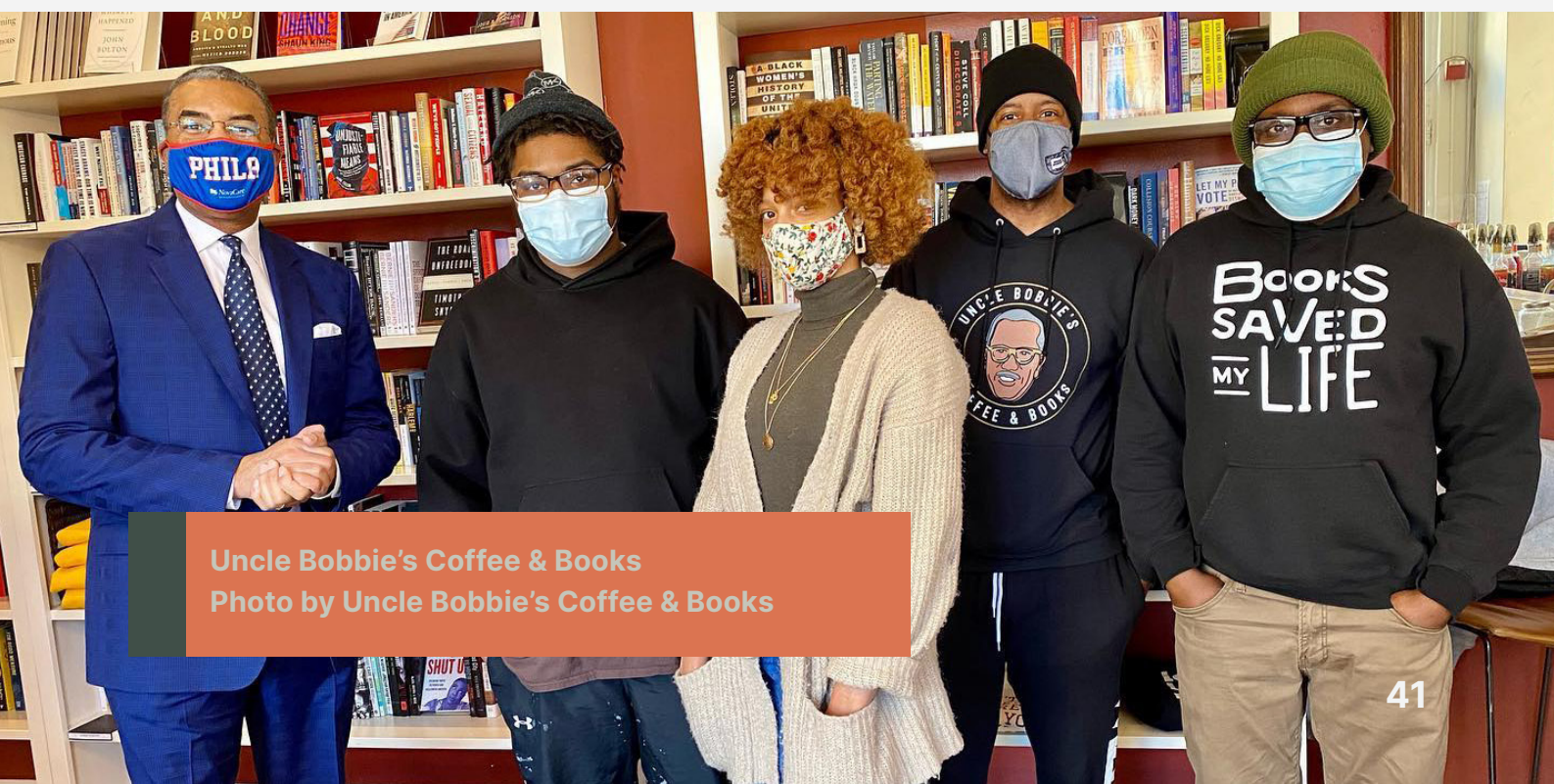
BUILDING A MORE EQUITABLE AND INCLUSIVE ECOSYSTEM ACCESS TO CAPITAL

should offer flexible capital products like convertible debt and associated advisory support and guidance to ensure that local entrepreneurs of color have the necessary financing and capabilities to start-up and sustain their business ventures without putting their personal financial health at risk.

Introduce revolving line of credit products

The entrepreneurship ecosystem should introduce new revolving line of credit products dedicated to BIPOC entrepreneurs and small business owners. These new capital products would bring to market alternatives to predatory equity and personal credit card debt by offering flexible repayment and

reborrowing terms. Introduced by the city's consortium of community financial institutions, the line of credit product should incorporate relationship-based underwriting and loan servicing, making the product more accessible to BIPOC entrepreneurs. Local community financial institutions introducing this product should integrate within and build upon existing collaborative efforts like PIDC's partnership with Rebuild Philadelphia to provide a contract-based line of credit for Philadelphia businesses participating in Rebuild projects and the Greater Philadelphia Financial Services Leadership Coalition's \$100 million commitment to the Philadelphia-based members of the Pennsylvania CDFI Network.



Uncle Bobbie's Coffee & Books
Photo by Uncle Bobbie's Coffee & Books

Market Opportunities

Local Context

In Philadelphia, business owners of color have disproportionately low representation within local public and private procurement pipelines, including within the city's university, hospital, and corporate communities.³⁸ While numerous M/W/DSBE-certification programs exist, business owners of color seeking local purchasing opportunities have difficulties navigating a myriad of procurement contract portals and accessing networks to form partnerships and joint ventures with firms with long-held public and private contracts. Moreover, few business support programs in Philadelphia tailor holistically to procurement-oriented BIPOC-owned businesses, compounding challenges among less established M/W/DSBE-certified businesses pursuing local purchasing opportunities. Local business owners and stakeholders also report similar issues for BIPOC entrepreneurs seeking industry-specific advice and guidance.

Across the city, local initiatives have emerged to build procurement pipelines and expand growth opportunities among the city's business owners of color.

Philadelphia Anchors for Growth and Equity (PAGE), an Economy League of Greater Philadelphia initiative, aims to increase local buying for BIPOC entrepreneurs among anchors by building relationships across the entrepreneurship ecosystem, fostering contract portal standardization, and offering procurement readiness support to BIPOC business owners. The Chamber of Commerce for Greater Philadelphia recently launched its Diverse Procurement Collaborative with 100 companies committing to increasing the diversity of their supplier networks and spend with BIPOC-owned vendors. The City of Philadelphia also launched reforms to its purchasing practices after participating in Living Cities' City Accelerator initiative, introducing a single source contract portal and a new procurement mentorship program through the Eastern Minority Supplier Development Council. In addition, the City's Local Business Entities (LBE) legislation gives locally based enterprises a preference discount, which is aimed to support smaller locally based employers and could be further targeted to support BIPOC business owners.³⁹ Meanwhile, in recent years, local business support organizations like The Enterprise Center

38. Source: Philadelphia Anchors for Growth and Equity, 2019
39. Source: City of Philadelphia Procurement Department

and the Philadelphia Fashion Incubator have launched accelerator programs and industry networks to cultivate industry-specific programming for local entrepreneurs of color.

To foster a more equitable small business environment, Philadelphia will need further commitment and collaboration among its public, anchor, and corporate institutions and the supporting entrepreneurship ecosystem to build from these emerging initiatives and form new programs designed to foster growth among the city's business owners of color.

National Models

Philadelphia can draw from established and emerging models from across the country to form its integrated approach to supplier diversity and growth accelerator programs for the city's BIPOC entrepreneurs. The Greater University Circle Initiative (GUCI) in Cleveland is an example model for forming and executing a multi-anchor strategy to expand purchasing within local communities of color. Formed in 2005, GUCI has brought together anchor

To foster a more equitable small business environment, Philadelphia will need further commitment and collaboration among its public, anchor, and corporate institutions and the supporting entrepreneurship ecosystem to build from these emerging initiatives and form new programs designed to foster growth among the city's business owners of color.

institutions, philanthropies, financial institutions, community organizations, and the City of Cleveland to build a model for sizing, aggregating, and channeling local university and hospital procurement needs towards local business formation and growth. Since its inception, CUGI has expanded local procurement and investments in Greater University Circle neighborhoods, with nearly \$400 million in local procurement spending and \$4 billion in total investment leveraged among Cleveland's anchor institutions annually.⁴⁰

To ensure that Philadelphia entrepreneurs are ready for an expanded pool of growth opportunities, local stakeholders should also look to national accelerator models tailored to growth-oriented entrepreneurs

40. Source: Greater University City Initiative and Democracy Collaborative

and business owners of color. The Cincinnati Minority Business Accelerator (CMBA) is an accelerator model run through the Cincinnati USA Regional Chamber that establishes relationships with minority-owned businesses with average revenues of \$1 million to help them excel. CMBA provides individually tailored advisory support and coaching to help portfolio firms acquire a strong business strategy, access to capital, and connections with large corporations. Other models, including Capital Impact Partners' Equitable Development Initiative and The Hatchery Chicago, offer industry-specific support to local entrepreneurs in industries like real estate development and food production, respectively, and have committed to promoting racial equity across their business support and mentorship programs.

Proposed Solutions

Based on input from local entrepreneurs, small business stakeholders, and the Advisory Council, the following two initiatives dedicated to fostering a sustainable growth environment for BIPOC entrepreneurs were identified by improving purchasing opportunities and offering tailored growth-oriented accelerator programs and networks:

Integrate supplier diversity initiatives citywide

The entrepreneurship ecosystem should work to integrate supplier diversity initiatives across the city government, anchor institutions, and large corporations to streamline contract portals and expand access to procurement opportunities. This initiative aims to further uplift work currently housed under the Economy League's PAGE Initiative, the Chamber of Commerce for Greater Philadelphia's Diverse Procurement Collaborative, corporate supplier diversity initiatives, and the City's public procurement to bring a unified approach for "procurement-ready" BIPOC entrepreneurs.

"The City dangles a carrot [contracts], but I'm not able to capitalize on the opportunities because the process is so confusing." - Interviewed business owner

Build tailored, industry-specific accelerators

The entrepreneurship ecosystem should establish business accelerators to offer tailored, industry-specific advice and mentorship to help BIPOC entrepreneurs

BUILDING A MORE EQUITABLE AND INCLUSIVE ECOSYSTEM
MARKET OPPORTUNITIES

be competitive for procurement and other growth opportunities. This initiative should build upon existing accelerators dedicated to supporting BIPOC entrepreneurs in the market and target industries that balance

BIPOC representation with long-term industry growth trends, including sectors like legacy and advanced manufacturing, food production, fashion, and real estate development.

Ray and Esther Alvarez, Co-Owners of A&I Security
Photo by Urbane



Trusted Guidance

Local Context

Philadelphia is home to a robust ecosystem of Small Business Development Centers (SBDC), Chambers of Commerce, and other business support organizations that deliver critical resources and services to the city's small business owners and entrepreneurs. However, local entrepreneurs indicate that the business services network is difficult to navigate and offers overly generic services that do not tailor to business owners' unique needs. BIPOC business owners also report seeking additional support affording professional services for back-office operations like accounting and bookkeeping, marketing, and legal assistance and shifting their business operations and sales channels to a digital environment.

Across the city, local organizations have launched initiatives to better support BIPOC entrepreneurs with their spectrum of needs. Since 2017, Ben Franklin Technology Partners and the Philadelphia Alliance for Capital and Technologies (PACT) has operated Mentor Connect, a program providing founders and leaders of emerging companies with coaching, connections, and tools to grow their businesses successfully. Moreover, local BSOs like the Black Squirrel Collective and the Community College of Philadelphia's

Power Up Your Business Accelerator introduced initiatives to support BIPOC entrepreneurs' back-office needs, including licensure, taxes, and regulatory compliance. During the COVID-19 pandemic, Temple University's SBDC and a collaborative of Pennsylvania-based SBDCs partnered to establish the Center of Digital Transformation for Small Business to empower small business owners with digital training and tools and establish a digital and e-commerce presence. Philadelphia-based Comcast Corporation also launched its Comcast RISE program, providing a combination of consulting, creative production, technology upgrades, access to their media platforms, and monetary grants to BIPOC entrepreneurs; through the program, Comcast has also offered direct support to local organizations including PIDC, The Enterprise Center, and the Philadelphia Association of Community Development Corporations. Meanwhile, Widener University's SBDC has introduced a bilingual training program for small business owners in English and Spanish to address the language access gaps.

Building from this active business support environment, Philadelphia has an opportunity to create programs that offer business services tailored to meet the needs of the city's entrepreneurs and business owners of color during this



Jamil Scurry, Owner of La'vanter Boutique
Photo by Taylor Farnsworth

crisis and beyond. Local stakeholders will also need to develop tools that enable entrepreneurs and BSOs alike to navigate, track, and assess the city's vast business support landscape.

National Models

Volunteer networks and programs have emerged across the country to offer support tailored to local entrepreneurs and small business owners of color. In New York City, New York Professional Advisors for Community Entrepreneurs and Start Small, Think Big utilize volunteer networks to offer business support to the city's underserved entrepreneurs and business owners. Volunteer advisors have expertise ranging from accounting to marketing development and work with small businesses on challenges impeding their growth.

During the COVID-19 pandemic, new business support models have also arisen to support businesses in adapting and pivoting to a digital and e-commerce environment. The Rhode Island Small Business Coalition, led by the state's Lieutenant Governor in partnership with

In New York City, New York Professional Advisors for Community Entrepreneurs and Start Small, Think Big utilize volunteer networks to offer business support to the city's underserved entrepreneurs and business owners.

service providers and local small businesses, provides free one-on-one consultation services for small businesses to meet with digital marketing or social media experts. Moreover, early in the pandemic, the Rhode Island Commerce Corporation also partnered with local technology firms, including Infosys and Vertikal6, to support businesses in adopting remote working and converting to digital business operations.

To foster access and awareness of local business support resources, technology-enabled service providers like SourceLink and Ecomaps have online product platforms that enable users to navigate entrepreneurship ecosystems. In the State of Missouri, for example, MOSourceLink connects entrepreneurs with the resources they need to start up and grow through two ways: a "Network Navigator"

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CAR
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+
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931-2576



staff member dedicated to building relationships with resource partners and connecting with entrepreneurs over the phone to match them with the right resources and a corresponding online “Resource Navigator” tool that allows users to search for nearby business services to meet their specific business needs.

Proposed Solutions

Based on input from local entrepreneurs, small business stakeholders, and the Advisory Council, the following four initiatives aim to establish publicly available resources for BIPOC entrepreneurs to navigate and access services dedicated to supporting them in meeting their objectives and streamlining their businesses’ operations:

Create a network of trusted, local pro-bono consultants

The entrepreneurship ecosystem should create a network of trusted, local pro-bono consultants and a corresponding matchmaking procedure to pair them with BIPOC-entrepreneurs to provide tailored, one-on-one support. These pro-bono consultants should serve as mentors to local entrepreneurs and be members of the city’s small business and corporate communities, bringing business strategy

and management skills in support of local entrepreneurs. To form this network, the ecosystem should utilize and train business associations to build trust with business owners historically disconnected from the entrepreneurship ecosystem. The ecosystem should also partner with CDFIs to facilitate conversations and connections with business owners by offering a direct handoff to an appropriate consultant.

Subsidize access to a collective of small BIPOC professional service providers

The program should pair local small business owners together to garner affordable professional services they need while expanding local providers’ book of business.

The entrepreneurship ecosystem should raise funds and launch a program to subsidize access to a collective of small BIPOC professional service providers who have expertise in supporting local small businesses. This program aims to pair local small business owners together to garner affordable professional services they need while expanding local providers’ book of business. This program should partner with existing BSOs who offer dedicated professional services support

and integrate within the city's professional services associations and networks.

**"We're chefs, we're creators...
we're capable of doing
business operations, but
others do that for a living." -
Interviewed business owner**

Establish a collaborative e-commerce support program

The entrepreneurship ecosystem should establish a program among a collaborative of business support organizations that provides direct e-commerce design development and training for ongoing digital management and marketing. This program should seek to pair the city's business support organizations with technical experts to create an integrated approach for meeting small businesses' e-commerce needs, magnified during

the COVID-19 pandemic. In this program, ecosystem stakeholders should also explore partnerships and funding strategies to address barriers among the city's sole proprietors and micro businesses in accessing digital equipment and affordable broadband.

Create a comprehensive online small business advocacy and resource navigator hub

The entrepreneurship ecosystem should create a comprehensive online advocacy and resource navigator hub for local small businesses to identify and access needed services. The platform should be actively managed to foster information intake, aggregation, and updates of ecosystem services and activities and be used to support ecosystem-wide impact measurement and tracking. This platform should also offer small businesses the ability to learn from their peers through blogs and direct digital connections.



Chef Chris Paul, Owner of Everything We Eat and Lakay
Photo by Urbane

Ecosystem Infrastructure

Local Context

Philadelphia has an expansive network of community-based lenders, business service providers, and advocacy organizations dedicated to supporting the city's small business owners and communities of color. However, many local organizations face significant operating capacity constraints and fundraising challenges, limiting their impact and effectiveness for the businesses they serve. The city's business support organizations lack the resources to hire and retain staff and invest in back-office infrastructure to run efficient

The entrepreneurship ecosystem will create a collaborative of private and philanthropic funders committed to learning about advancing, and investing in Philadelphia's entrepreneurship ecosystem.

operations. This presents a challenge for these organizations to respond to business owners' evolving needs, as staff turnover and archaic business models disrupt relationship-building with local entrepreneurs seeking tailored business advice and capital products. These business models also limit organizations'

reach to the city's entrepreneurs, particularly among the city's CDFIs that face structural balance sheet issues to accommodate larger capital volumes.

Numerous emerging and longstanding initiatives exist to support the city's business support organizations in building operational and financial capacity. LISC Philadelphia, for example, assists its community partners to build capacity by fostering resources needed to implement community-driven plans. Other programs like the now-discontinued Citi Leadership Program for Opportunity Finance, an 11-month leadership development program for local CDFIs administered through the Opportunity Finance Network and the University of Pennsylvania's Wharton Business School, also offered leadership training for the city's community lenders and organizations.

Meanwhile, philanthropic and institutional funders have also begun to establish forums to support the city's communities and entrepreneurs. The Philanthropy Network of Greater Philadelphia, in partnership with Andorra and Common Future, organizes a Mission-Aligned Investor Working Group where Philadelphia-area philanthropies engage peer learnings as they explore new investment strategies for BIPOC communities and the entrepreneurial



J&J Supermarket
Photo by David McDowell

ecosystem. From this foundation of activity, Philadelphia has an opportunity to build a better environment for the city's business support organizations that offer financing, advice, and networking for the city's entrepreneurs of color.

"There's so many facets that you have to deal with - Health Dept., Buildings, L&I, Revenue. They need to streamline all the applications, forms, documents, running around and waiting in line." - Interviewed business owner

Complementing this capacity building support is a need for an integrated approach to advocate for and market citywide priorities among local entrepreneurs and the supporting ecosystem. Business owners and ecosystem stakeholders highlight structural issues with the City of Philadelphia's business tax policies and regulations and with funding formulas to the local entrepreneurship ecosystem. In May 2019, the City announced its Vision for Inclusive Growth, which proposed eliminating tax filing obligations for businesses with less than \$100,000 in sales and continued reductions to the Wage Tax. The plan also called for

establishing a Business Acceleration Team to increase consistency, transparency, and efficiency in the City's business service processes. The pandemic has further highlighted the City's need to digitize and consolidate touch points needed to file for permits and licenses, receive tax status updates, and provide other services. Philadelphia should build from this momentum and call for further progress to make the city a more hospitable small business environment.

National Models

Philadelphia can learn from national models fostering philanthropic capital networks, capacity building support, and advocacy and policy platforms for the local entrepreneurship ecosystems.

In Chicago, a collaborative of local philanthropies—including the Chicago Community Trust and the JPMorgan Chase Foundation—sponsored and convened a cross-section of stakeholders to conduct a similar assessment on Chicago's small business ecosystem. From that work, local philanthropies now meet regularly within the Chicago Inclusive Growth Coalition, the city's small business ecosystem collaborative, where funders pool knowledge and resources to launch grant programs providing funding



George Lawrence, Owner of GL Productions
Photo by Urbane

for partnerships supporting the small business ecosystem. The Pontiac Funders Collaborative operates a similar model in Southeast Michigan, where a cohort of funders work in partnership with local government and nonprofits to support a collective plan to strengthen the region's small business communities. During the COVID-19 pandemic, this collaborative has offered direct business relief grants to businesses impacted by the crisis.

"I'm always thinking about the young people who come after. There should be someone who's saying, 'What can we do so that the next generation has a smoother entry?' Younger business wouldn't fail if they had support and guidance of older businesses." -
Interviewed business owner

Complementing financial assistance are technical assistance programs for local business support organizations. Across the country, nonprofit advisory firms and programs have supported local nonprofits in building operational capacity. Propel Nonprofits is a Minneapolis-based CDFI that offers project financing and education and consulting services for nonprofits on all nonprofit-related topics,

including fundraising and capital planning. Social Ventures Partners also offers comprehensive nonprofit capacity building programs, providing general operating funds, skilled volunteers, professional consultants, leadership development, and management training opportunities.

When building local advocacy and public relations platforms, Philadelphia's entrepreneurship ecosystem should consider community-wide advocacy efforts in cities across the country. In New York City, United for Small Business NYC (USBnyc) is a coalition of community organizations across New York City fighting to protect small businesses and non-residential tenants from the threat of displacement. Run by the Association for Neighborhood and Housing development, the coalition focuses on owner-operated, BIPOC-run businesses that serve the city's low-income and BIPOC communities. In 2014, the Coalition for Nonprofit Housing and Economic Development (CNHED), a nonprofit coalition that represents Washington D.C.'s affordable housing and inclusive economic development industries, launched a similar platform through its Small Business Policy Project designed to improve the environment addressing barriers to the success of small and micro businesses across the district.

Proposed Solutions

Based on input from local entrepreneurs, small business stakeholders, and the Advisory Council, the following three initiatives are designed to build the capacity of and create forums for capital and service providers, funders, and other stakeholders to coordinate, advocate for, and deliver on ecosystem priorities. These initiatives should be complemented by and integrated with ecosystem-wide impact measurement and tracking activities:

Form a collaborative of funders dedicated to supporting equitable small business

The entrepreneurship ecosystem should create a collaborative of private and philanthropic funders committed to learning about, advancing, and investing in Philadelphia's entrepreneurship ecosystem. Embedding within existing networks like the Philanthropy Network of Greater Philadelphia and emerging groups like the Greater Philadelphia Financial Services Leadership Coalition, this collaborative should endeavor to bring together the city's funder community to share best practices



and formalize financial commitments in support of multi-stakeholder efforts in the entrepreneurship ecosystem. This collaborative aims to complement existing philanthropic commitments and support the ecosystem-wide, cross-continuum priorities resulting from this initiative.

Establish capacity building programs for local capital and service providers

The entrepreneurship ecosystem should launch programs designed to provide operating support, coaching, and training to the city's capital and business service providers to expand their leadership capabilities and digital acumen. These programs should focus on supporting the city's direct service providers and

their leadership and staff members and leverage partnerships with local and national trainers with capacity building experience.

Establish an ecosystem-wide advocacy and public relations platform

The entrepreneurship ecosystem should establish and sustain an advocacy and public relations platform to create and champion an equitable and hospitable small business-friendly environment. This platform should incorporate the ecosystem's long-term vision and priorities and utilize the ecosystem's advocacy, policy, and public relations capabilities to spur collective action.



Oluwafemi, Co-Founder of Worldtown
Photo by Urbane

Philadelphia Equitable Entrepreneurship Ecosystem Coalition



Following a yearlong collaborative process, the proposed solutions within this report establish BIPOC entrepreneurs and small business owners at the center of a commitment to bring individuals and groups together to address barriers and build a more inclusive and equitable entrepreneurship ecosystem in Philadelphia. To make this vision come to reality, we recommend building on the foundation of diverse entrepreneurs, business services organizations, and Advisory Council members that we met with and heard from through this process and invite new and

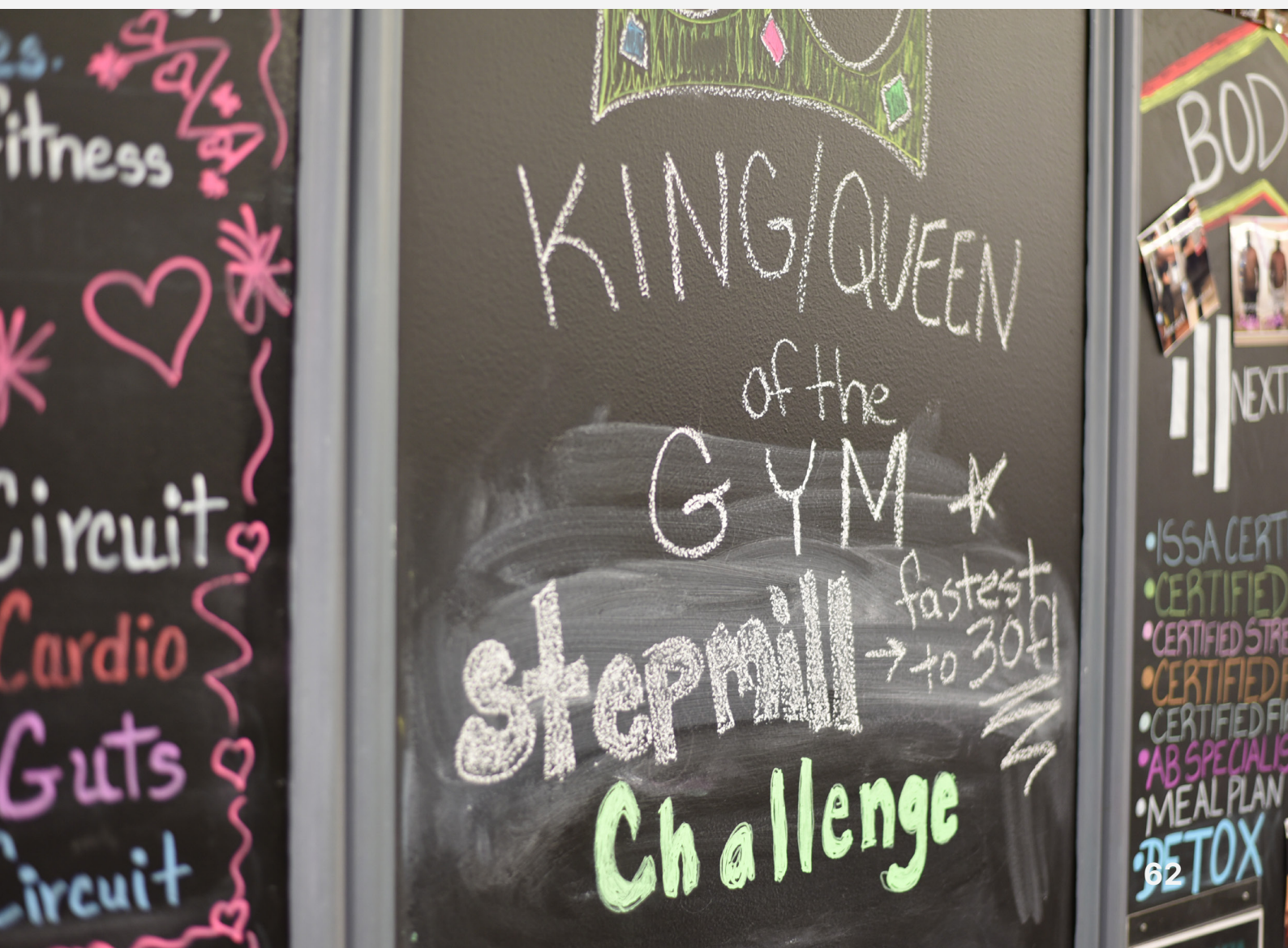
emerging voices in this community not yet engaged.

Building upon the collaboration among the Advisory Council and local stakeholders, we recommend launching the Philadelphia Equitable Entrepreneurship Ecosystem Coalition, a public-private coalition with diverse representation across the city designed to build collective action and activate the initiatives put forth by this citywide strategy. Through this coalition, Philadelphia has an opportunity to create a table where all perspectives are heard

and valued while remaining oriented to collective and urgent action to address the gaps and challenges that we identified in this report and those we overlooked. This coordinated approach will build on Philadelphia's unique assets dedicated to supporting the city's BIPOC entrepreneurs, create clear priorities for investment to address the unmet needs of BIPOC entrepreneurs and small business owners,

and bring about much-needed changes to the city's entrepreneurial environment.

With this newly formed coalition dedicated to supporting the city's business owners of color, Philadelphia's entrepreneurship ecosystem would be primed to make meaningful changes to create a more inclusive and resilient entrepreneurial environment accessible to all.



Call to Action

The time to act is now. The Philadelphia entrepreneurship ecosystem is at a crossroads with the opportunity to bring a comprehensive response to the continued economic impact of the COVID-19 pandemic and resulting in a more equitable and sustainable environment for the city's entrepreneurs of color.

The research with stakeholders over the course of this project recommends immediate action on the four pillars and proposed solutions described in this report.

Collaborative funding strategies are being pursued to resource the implementation of these proposed solutions, the ongoing

Philadelphia Equitable Entrepreneurship Ecosystem: Proposed Solutions

Access to Capital

Create catalytic capital pools for place-based investments among the city's collaborative of local community financial institutions and equity investors

Establish an integrated community of practice of equity and equity-like investors to share DEI best practices, foster forums for BIPOC entrepreneurs, and fundraise for blended capital pools

Form new "friends and family" pre-seed and seed funds and related support programs for pre-venture and early-stage BIPOC entrepreneurs

Develop and fund more debt capital products with relationship-based underwriting standards and flexible repayment and re-borrowing terms

Market Opportunities

Integrate supplier diversity initiatives across the city government, anchor institutions, and large corporations

Establish business accelerators to offer tailored, industry-specific advice and mentorship for BIPOC entrepreneurs

Trusted Guidance

Create a network of trusted, local pro-bono consultants that provide tailored, one-on-one support for BIPOC entrepreneurs

Launch a program to subsidize access to a collective of small BIPOC professional service providers who have expertise in supporting local small businesses

Establish a program among a collaborative of business support organizations that provides direct e-commerce design development and training for ongoing digital management and marketing

Create a comprehensive online resource navigator for local small businesses to identify and access needed services

Ecosystem Infrastructure

Create a collaborative of private and philanthropic funders committed to learning about, advancing, and investing in Philadelphia's entrepreneurship ecosystem

Launch programs designed to provide operating support, coaching, and training to city's capital and business service providers

Establish a citywide advocacy and public relations platform to create an equitable and hospitable small business-friendly environment

collaboration, as well as opportunities for an immediate infusion of local funding to foster economic recovery among the city's BIPOC-owned small businesses.

Philadelphia's entrepreneurship ecosystem is primed to make meaningful changes to create a more inclusive and resilient entrepreneurial environment accessible to all.



Anthony Tyrone Howard, Owner of ATH ARTS
Photo by Urbane

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Advisory Council Members

Andrew Frishkoff, LISC Philadelphia

Anna Shipp, Sustainable Business Network of Greater Philadelphia

Charnelle West, CH Planning Ltd.

Dean Miller, Philadelphia Alliance for Capital and Technologies

Ellen Weber, Robin Hood Ventures

Ellen Yin, High Street Hospitality Group

Evelyn Smalls, United Bank of Philadelphia

Herman Nyamunga, Community College of Philadelphia's Power Up Your Business

Iola Harper, City of Philadelphia Department of Commerce

Jennifer Rodriguez, Greater Philadelphia Hispanic Chamber of Commerce

Jill Fink, The Merchants Fund

J'nelle Lawrence, Economy League of Greater Philadelphia (Philadelphia Anchors for Growth and Equity)

John Morris, 17 Asset Management

Kersy Azocar, formerly with FINANTA/Community First Fund

Kevin Williams, Drexel University Dornsife Center for Neighborhood Partnerships

Kiera Smalls, formerly with Philly Startup Leaders

Lou Rodriguez, Rodriguez Consulting LLC

Lynne Cutler, Women's Opportunities Resource Center

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Marc Coleman, The Tactile Group

Margaret Berger Bradley, Ben Franklin Technology Partners

Mary Horstmann, formerly with JPMorgan Chase & Co.

Maura Shenker, Temple University Small Business Development Center

Michael Banks, United Way of Greater Philadelphia and Southern New Jersey

Michael Pearson, Iron Stone Real Estate

Mimi Drake, Permit Capital Advisors, LLC

Narasimha Shenoy, Asian American Chamber of Commerce of Greater Philadelphia

Nicole Marquis, HipCityVeg

Rachel Pritzker, Pritzker Law Group

Sidney R. Hargro, Philanthropy Network of Greater Philadelphia

Tayyib Smith, Little Giant Creative

Tia Lyles-Williams, LucasPye BIO

Business Stakeholder Interview Participants

Amanda High and Andrew Rachlin, Reinvestment Fund

Andrew Frishkoff, Melissa Kim, and Rachael Viscidy, LISC Philadelphia

Andy Toy, SEAMACC

Anna Shipp, Sustainable Business Network of Greater Philadelphia

Anne Bovaird Nevins, Arthur Gimenez, Heather G. Hanowitz, and Marla S. Hamilton, PIDC

Bernadine Hawes, Delaware Valley Industrial Resource Center

Beth McConnell, Philadelphia Association of Community Development Corporations

Brad Copeland, Mt. Airy CDC

Brian Brogan, St. Joseph's University Initiative for Family Business & Entrepreneurship

Bryan Fenstermaker, Passyunk Ave Revitalization Corporation

Chris Spahr, Centennial Parkside CDC

Claire Greenwood and Yvette Nunez, Chamber of Commerce for Greater Philadelphia

Cory Donovan, ImpactPHL

Daniel Betancourt, Community First Fund

Danielle Cohn and Keenan Corrigan, Comcast Lift Lab

David Silver, REC Philly

Dean Miller, Philadelphia Alliance for Capital and Technologies

Dr. Eric Edi, AFRICOM-Philly

Elissa Bloom, Philadelphia Fashion Incubator

Ellen Weber, Robin Hood Ventures

Ellie Devyatkin, Frankford CDC

Everett Sands, Lendistry

Gillian Robbins and Sharontina Huzzy, Free Library of Philadelphia/Business Resource and Innovation Center

Greg DeShields, PHLDiversity

Herman Nyamunga, Community College of Philadelphia's Power Up Your Business

Irayma Olivencia, Maria Gonzalez, and Harry Tapia, HACE CDC

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Ivelisse Cruz, Philadelphia VIP

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Jenn Maher, 1776

Jennifer Rodriguez, Greater Philadelphia Hispanic Chamber of Commerce

Jessi Ray Koch, New Kensington CDC

Jill Fink and Lindsay Boyd, The Merchants Fund

Jim Burnett, VestedIn (formerly West Philadelphia Financial Services Institution)

Joan Chrestay, Community College of Philadelphia/ Goldman Sachs 10,000 Small Businesses

John Chin, Chinatown CDC

John Morris and Heather McGee, 17 Asset Management

Karen Fegely, Yvonne Boye, NazAarah Sabree, and Qadeer Gulzari, City of Philadelphia Department of Commerce

Ken Jones, Boathouse Capital

Kersy Azocar, formerly with FINANTA/Community First Fund

Kyle Morris, ECO Foundation

Leila Cartier, CraftNOW Philadelphia

Lenin Agudo, Widener University SBDC

Leslie Benoliel and Earl Boyd, Entrepreneur Works

Lynne Cutler, Women's Opportunities Resource Center

Maitreyi Roy, Bartram's Garden

Margaret Berger Bradley and Mark Trabbold, Ben Franklin Technology Partners

Maura Shenker, Temple University Small Business Development Center

Meegan Denenberg, IF Lab

Michael Murphy, Penn Entrepreneurship Legal Clinic

Mimi Drake, Permit Capital Advisors, LLC

Narasimha Shenoy, Asian American Chamber of Commerce of Greater Philadelphia

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Michael Rashid
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Econsult Solutions, Inc.

Lee Huang
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Dara Macan
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