



Unleashing the Potential of Entrepreneurs of Color in Massachusetts

A Blueprint for Economic Growth and Equitable Recovery

March 2021

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March 2021

Dear Friends:

Spring has arrived. Along with it comes a sense that a return to normalcy awaits just around the corner. While we must take ample time and space to reflect on the heavy losses our community has endured, we simply cannot wait to take concerted action to extract the inequities marbled into the social and economic fabric of our commonwealth.

As civic leaders, we were painfully aware of these longstanding problems well before the pandemic brought them to the fore. However, we did not fully grasp the power of collective effort to counterbalance these forces. Our collaborative work over the past year has taught us that we can make a tremendous difference by acting as one. We seek to bottle this energy by formally coming together in coalition.

This report is the first in a series that our new Coalition for an Equitable Economy will issue in the coming months to support the advancement of inclusive entrepreneurial ecosystems in Massachusetts. Prepared in partnership with MassINC, *Unleashing the Potential of Entrepreneurs of Color in Massachusetts* challenges us to close racial and ethnic gaps in business ownership by the end of the decade. We complement this call to action by outlining steps that we can take immediately to lay a foundation for success. In subsequent reports, we will dig deeper into strategies and tactics, beginning later this spring with *The Color of the Capital Gap*, an in-depth Boston Indicators study of solutions to close large racial and ethnic disparities in access to capital.

Serious pursuit of our ambitious goal for an equitable economy will mean acting with the relentless energy and focus of an entrepreneur. We cannot put off for tomorrow what we can accomplish today; we must fail fast, learn, and iterate; and above all, we must believe wholeheartedly in the worthiness of our aspiration and our ability to succeed.

In this spirit, we present this near-term policy blueprint with full conviction that it will generate productive dialogue, greater energy and momentum for the cause, and quicker genesis of a bolder set of solutions with the power to achieve equitable entrepreneurship in Massachusetts by 2030.

Sincerely,

The Coalition for An Equitable Economy

Executive Summary

In the boom years before COVID-19 landed on our shores, entrepreneurs of color were launching an increasing number of companies in Massachusetts. This flow of dynamic new enterprises stood poised to counter a decades-long decline in small business activity, replenishing regional economies throughout the state and building local wealth. However, if truth be told, we must acknowledge that we were ill-positioned to unlock the full potential of this promising trend. Entrepreneurs of color still lacked full access to appropriate assistance, growth capital, and markets, and our efforts to address the barriers manifest by structural racism and inequality were anemic at best.

One silver lining of the pandemic is the light it has cast on this stark reality. And while business owners of color have been hit disproportionately hard by the economic disruption this past year, they have also demonstrated incredible resilience.

As business owners sought to secure recovery dollars, develop alternative revenue streams, and adopt new modes of operation, the unprecedented level of coordination and support from a wide array of business assistance organizations made a major difference. Moving forward, these organizations are committed to building on this success by working together with other partners to nurture inclusive entrepreneurial ecosystems across Massachusetts.

With the ambitious goal of achieving racial and ethnic parity in business ownership by the end of the decade, *Unleashing the Potential of Entrepreneurs of Color in Massachusetts* offers a blueprint to guide this effort. Informed by data, academic research, and in-depth conversations with more than two dozen experts, the report describes the challenge before us, outlines promising practices, and advances a near-term policy agenda. This executive summary provides a high-level synopsis.

1. Inclusive Entrepreneurship as an Equitable Growth Strategy for Massachusetts

The report begins with the underpinnings of the plan, examining both inclusive entrepreneurship in the context of current economic development policy (Section II, p. 10) and the opportunities and challenges presented by the COVID-19 recession (Section III, p. 15). These opening sections introduce the following ideas:

- **Boosting entrepreneurship is a high-yield economic development strategy.** Entrepreneurs launching businesses generate the lion's share of new jobs in the Massachusetts economy. These young enterprises tend to be more innovative, which means in addition to providing more employment opportunities, they solve vexing problems, create desirable new products, and draw new dollars into our regions. Weighing all the potential benefits entrepreneurs bring, the misalignment of current economic development investments and strategies, which heavily favor large established businesses, is readily apparent.
- **More entrepreneurs of color are needed to grow the Massachusetts economy.** Between 2005 and 2018, the annual number of companies with employees formed in Massachusetts fell by nearly half. While this sharp downward trend largely reflects dramatic decline after the Great Recession, the rate of new startups in Massachusetts has been steadily falling since the late 1970s. The number of minority-owned businesses is rising quickly, however this growth is from a very low base. The share of Black and Latinx residents who own incorporated businesses barely budged between 2010 and 2018; White residents are still about 2.5 times more likely to own an incorporated business in Massachusetts. If we do not substantially increase rates of business ownership among residents of color, the number of new startups will fall ever more sharply in the future as the state's population becomes more diverse.
- **Inclusive entrepreneurial ecosystems are vital to the health of the state's tech sector.** Throughout the country, high-tech sectors struggle to incorporate underrepresented minorities, which costs them valuable talent and perspective. Regions that address this problem first will have a considerable competitive advantage. Data on Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) grants provide one important measure of inclusion in high-tech entrepreneurship. In 2019, the share of the Massachusetts population made up by people of color was nearly five times larger than the share of SBIR-STTR grants to minority-owned firms. Since 2005, Massachusetts has backtracked on this measure of inclusive entrepreneurship.
- **Entrepreneurship reduces poverty and closes harmful racial wealth gaps.** Black residents with incorporated businesses in Massachusetts earn twice as much as those working for wages, and even those with unincorporated businesses do slightly better than wage workers. Entrepreneurs of color are experiencing these gains in income even with intractable barriers that make it difficult to grow profitable businesses.

- **While the pandemic has hit communities of color disproportionately hard, successful response efforts open new possibilities to support entrepreneurs of color in the future.** Business service organizations and community development leaders quickly mounted a coordinated response to help minority-owned businesses navigate the pandemic. These efforts led to the formation of the Massachusetts Equitable PPP Access Ini-

tiative and later the Coalition for an Equitable Economy. Powerful collaboration is helping to ensure that entrepreneurs of color have access to the resources and support they need. It is also forging new relationships with potential to catalyze business growth in the future. With a comprehensive strategy to build inclusive entrepreneurial ecosystems, Massachusetts can leverage this opportunity.

2. A Three Pillar Plan

The middle sections of the report examine three essential ingredients to business success: skills and relationships (Section IV, p. 18), access to capital (Section V, p. 22), and access to markets (Section VI, p. 27). For each pillar, we review research on effective approaches and explore the current landscape in Massachusetts.

A. Skills and Relationships

A founder's individual skillset and personal relationships are essential to the success of their enterprise. Unequal access to high-quality educational offerings, mentors, and early career opportunities makes it more difficult for people of color to gain skills and relationships that enable business growth. An inclusive entrepreneurship strategy can increase technical assistance and strengthen network building organization, positioning more business owners to achieve their aspirations.

- **Technical assistance.** Research on entrepreneurial education suggests models focused on personal coaching, mentoring, and peer support are highly effective. Massachusetts provides these services through a variety of outlets, including Small Business Development Centers (SBDC) and dozens of community organizations supported by the Small Business Technical Assistance grant. These efforts help approximately 1,500 entrepreneurs of color start small businesses each year.
- **Network-building organizations.** From local chambers of commerce and ethnic business service organizations to sector-specific business associations and non-profits dedicated to supporting small business owners, a variety of formal organizations provide entrepreneurs with opportunities to build valuable connections. However, industry consolidation in many regions has left these organizations with limited capacity to perform this important function.

B. Access to Capital

Racial bias and structural inequality make it difficult for entrepreneurs of color to assemble the financial resources they need to build strong companies. New models leveraging technological advances to deliver capital more efficiently may simply reinforce inequality. Massachusetts is at the forefront of efforts to develop innovative solutions to this longstanding challenge.

- **Crowdfunding.** Social media and the internet have created new opportunities to "crowdsource" a variety of forms of capital. However, early evidence suggests those with the ability to access traditional capital are more likely to successfully raise funds through crowdfunding sites. With funding from the 2020 economic development bill, Massachusetts Growth Capital Corporation (MGCC) is designing a matching grant program that will help position entrepreneurs of color to take advantage of the opportunities crowdfunding presents.
- **Accelerators.** Accelerators typically provide office space, technical assistance, and mentorship to a cohort of startups for their first few months. Many also offer modest seed funding. Evidence indicates businesses served by accelerators are more successful in gaining venture capital and new customers than similar businesses. However, accelerators have struggled with inclusivity. Through models like EforAll and The Revolving Test Kitchen, Massachusetts is building inclusive accelerators that can provide underserved entrepreneurs with greater access to opportunity.
- **Community Investment Funds.** Taking advantage of recent changes in federal securities law, community investment funds (CIFs) pool small investments from individuals with larger contributions from local philanthropies and institutions. They then use innovative financing to nimbly structure investments in companies and businesses with hands-on support to overcome growing pains. From PVGrows to the Boston Impact Initiative and the Ujima

Project, Massachusetts is at the forefront of this work. Massachusetts is also home to many federally designated community development financial institutions (CDFIs), which operate loan funds that function similarly across multiple communities. If these funds can successfully draw capital from social-impact investors willing to accept below-market returns in exchange for social and community development benefits, they can scale up and become an important source of capital for entrepreneurs of color.

C. Access to Markets and Customers

Market access is fundamental to the success of any commercial endeavor. Many minority-owned businesses exclusively serve communities of color because of difficulty entering other markets. This makes it challenging for them to grow to a stable size. A wide variety of strategies are emerging to position entrepreneurs of color to access new markets and customers. They include:

- **Procurement strategies.** Since the 1960s, public procurement programs have sought to give underrepresented minority-owned businesses equal access to government spending. However, design flaws rendered many of these initiatives ineffective. In recent years, increased transparency and has led to reporting on enormous disparities, compelling cities and states to correct deficiencies. In Bos-

ton, for example, the city moved aggressively to overhaul efforts to diversify contracting after figures released pursuant to a 2017 ordinance showed less than 1 percent of city spending going to minority-owned businesses. Transparency around procurement and leadership diversity is also key to private sector efforts. States are beginning to pass laws requiring large companies to report on contracting with minority-owned firms and board diversity.

- **Aggregation strategies.** A variety of innovative efforts are underway to build and meet demand for products and services from minority-owned businesses. Leveraging group purchasing organizations (GPOs), which hospitals utilize to assist with procurement and build relationships with businesses of color, is one model. There are also new paradigms underway to help consumers connect directly with business of color. For example, leaders in Greater Boston recently launched GK Market, an online multicultural marketplace.
- **Commercial districts.** In recent years, Main Street programs and business improvement districts have played a leading role marketing neighborhoods, supporting place-making activities, and helping local businesses reach more customers. For communities of color grappling with the loss of Main Street shops, these efforts will be central to rebuilding vibrant business districts.

3. Building from a Blueprint for Inclusive Entrepreneurial Ecosystems

Massachusetts has the underpinnings of an inclusive entrepreneurial ecosystem system. With vision and decisive action, the state can build on this strong foundation to close racial and ethnic gaps in small business ownership by the end of the decade. Informed by the challenges and opportunities revealed by this analysis, and cognizant of the gaps in our knowledge base that will require further consideration, we propose the following immediate set of near-term priorities across the three key areas:

Skills and Networks

- **Dramatically expand the Small Business Technical Assistance grant.** The SBTA grant provides core funding to organizations assisting entrepreneurs of color in every corner of the state. In the immediate recovery period, organizations reliant on SBTA grants will face extraordinary pressure as they seek to help existing businesses restructure, while also supporting a wave of new entrepreneurs.

- **Establish a center of excellence to develop shared training materials, disseminate best practices, track progress, and evaluate new strategies.** A center can centralize efforts to disseminate knowledge and share resources across the field. Equally important, it can evolve the strategy blueprint by developing reliable metrics to track year-to-year progress at both the state and local level and conducting evaluations to identify what is working and what is not.
- **Provide seed grants to help small business assistance providers align customer relationship management (CRM) systems with statewide data-reporting protocols.** Data on the needs of businesses and their growth trajectories are severely lacking. Helping small business assistance providers develop common reporting protocols and systems to exchange data in real time would vastly improve our knowledge of the field and inform efforts to support small businesses in the future.

- **Develop a new grant programs for inclusive sector-specific accelerators.** Massachusetts needs accelerator programs specifically designed to serve entrepreneurs of color in high-growth industries, particularly in sectors such as cannabis, clean energy, and fin-tech, where communities of color have experienced injustice or remain disparately exposed to potential harm.
- **Maintain funding for the Collaborative Workspace Program and establish DEI goals and reporting requirements.** The Collaborative Workspace Program (CWP) supports the development of entrepreneurial ecosystems by ensuring that creative spaces exist across the state and subsidizing access to well-equipped facilities for startups with limited capital in a range of industries. However, it is difficult to assess the contribution of these public investments without data. MassDevelopment should institute DEI reporting protocols and openly provide these data in the agency's annual report.

Access to Capital

- **Create a large pool of flexible capital for community investment funds.** Between the 2020 economic development bill and the FY 2021 budget, there is at least \$50 million in state funds available to capitalize community investment funds that provide various forms of debt and equity to meet the needs of entrepreneurs of color. In addition, federal stimulus dollars will likely generate a similar volume of resources in the near-term that could be deployed in this manner. Massachusetts can assemble resources to dramatically increase the number of entrepreneurs of color receiving access to growth capital from community investment funds. By moving resources through community investment funds at significantly larger scale over the next few years, we will learn more about the system's capacity to deploy capital, expected returns, and the response increasing access to capital through these nonprofit entities generates from traditional financial institutions.
- **Deploy the \$15 million provided in the FY 2021 budget to match funds raised on crowdfunding platforms; recapitalize the program if it meets DEI benchmarks.** MGCC is designing a new crowdfunding matching grant program that will position more entrepreneurs of color to launch businesses in capital intensive industries. MGCC should establish DEI benchmarks for the program. If it achieves these clearly stated objectives, we must quickly recapitalize the program to maintain continuity as word of the program spreads to other entrepreneurs of color.

Access to Markets

- **Develop a new grant for backbone organizations that support entrepreneurs of color.** Organizations that provide convening and facilitation capacity are critical in ecosystems and will play a leading role at the regional level spearheading all three dimensions of this strategy. With a competitive state grant programs, chambers, private nonprofit economic development partnerships, and ethnic business networks can build capacity to convene local partners, forge relationships, develop strategy, collect data, and monitor progress.
- **Invest in efforts to revitalize commercial districts.** To emerge from the COVID recession stronger, Massachusetts will need to draw heavily on Main Street programs, business improvement districts, and other entities with similar expertise revitalizing commercial corridors. We must coinvest in these efforts to ensure that capacity is more evenly distributed in communities of color throughout the commonwealth. The recovery period is also a unique moment to advance commercial land trusts and other new models that can stabilize fragile commercial districts for the long term.
- **Pass legislation creating greater access and transparency to increase contracting opportunities for businesses of color.** Early in the new session, legislators should work to pass the procurement bill Governor Baker filed last session to make subcontracted work subject to the state's goals for contracting to minority-owned businesses. Legislators should also move quickly on bills mandating corporate reporting on board diversity and contracting with minority-owned businesses.



I. Introduction

The COVID-19 pandemic has painfully exposed growing racial inequality and the heavy toll this division takes, both on individuals and the fabric of our communities. While public, private, and nonprofit sector leaders have responded quickly with meaningful action, rooting out structural racism will require sustained commitment to systemic change on multiple fronts. This includes concerted effort to position entrepreneurs of color to contribute to the Massachusetts economy at their full potential.

Businesses owned by people of color face disadvantages in securing capital and customers that make them particularly vulnerable to any economic downturn. But the pandemic has hit these businesses with brutal force. If there is a silver lining, it is that efforts to deliver first aid reveal an increasingly sophisticated set of organizations dedicated to helping entrepreneurs of color thrive. The crisis has forged stronger bonds among these groups, which will allow them to work together more cohesively and effectively in the future.

There is an urgent need for this coordination both to advance racial justice and economic development more broadly. While the trend is not widely recognized, regional economies throughout the state have steadily been losing small entrepreneurial firms. These businesses play an outsized role, creating good jobs and bolstering productivity. Targeted economic development investments that lead to more small businesses by unlocking the entrepreneurial energy of people of color benefit everybody.¹

Economic development strategists foster conditions for small business growth by nurturing “entrepreneurial ecosystems.” A large body of research shows that this web of actors—including regulatory agencies, suppliers, investors, educational institutions, and firms—cultivates an environment that promotes creativity and risk-taking. When these actors work collaboratively in a synergistic manner, the whole is much greater than the sum of the parts and regions produce more successful businesses. Intentional efforts by leaders and policymakers can have a great deal of influence on the culture and operation of these ecosystems, particularly when it comes to fostering conditions that are welcoming to all.²

Drawing on data, academic research, and in-depth conversations with more than two dozen experts in economic development, community development finance, and small business technical assistance, this report outlines a strategy for building more inclusive entrepreneurial ecosystems in regions throughout Massachusetts. The pages that follow unpack the arguments for prioritizing efforts to support entrepreneurs of color and describe how both the pandemic and the small business response to date inform this campaign. The middle sections outline the contours of a comprehensive plan of attack by examining the three essential ingredients to business success: relationships and skills, access to financial capital, and access to markets. The final section presents a concise policy blueprint with near-term recommendations in each of these areas.

II. Weighing the Substantial Economic Benefits of Inclusive Entrepreneurship

As Massachusetts evaluates strategies to spur economic recovery and advance racial equity, there is a powerful case for a heavy focus on inclusive entrepreneurship: Entrepreneurship is critical to job creation, which means efforts that successfully increase entrepreneurship will provide a high return on investment and benefit everyone. Trends suggest entrepreneurship is in decline in Massachusetts, in part because the state's population is becoming more diverse and a host of barriers keep people of color from creating successful businesses at the same rate as White residents. Finally, fostering inclusive entrepreneurship will generate more geographically balanced growth, narrow racial wealth gaps, and alleviate poverty. Below we explore each of these arguments in more detail.

Boosting entrepreneurship is a high-yield economic development strategy.

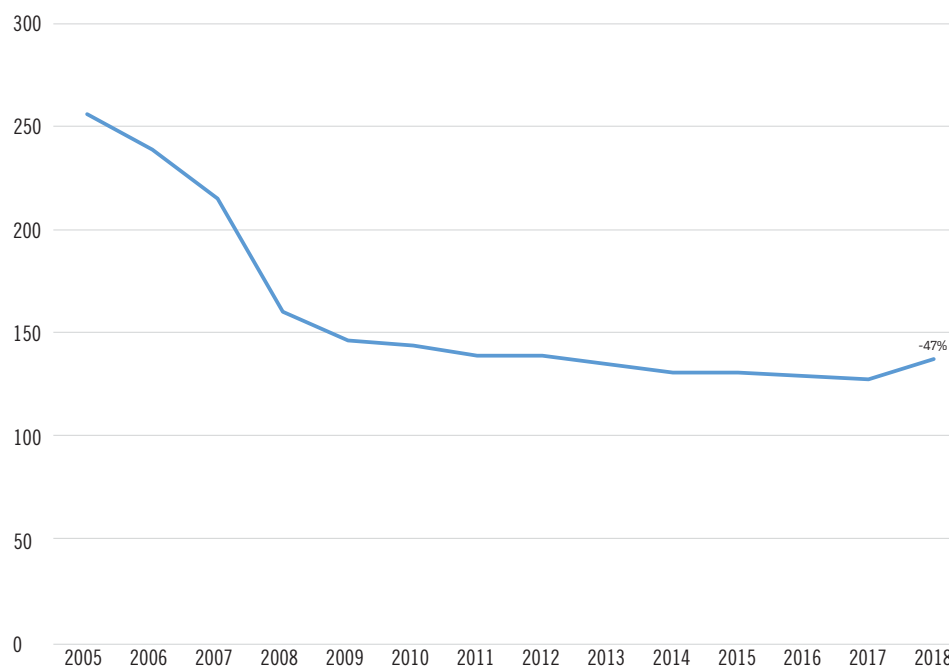
The lion's share of net new jobs in our economy come from entrepreneurs launching businesses. These young enterprises tend to be more innovative, which means in addition to providing more employment opportunities, they solve vexing problems, create desirable new products, and draw new dollars into our regions.³

Entrepreneurs do not need inventions on the order of a successful COVID-19 vaccine to improve our standard of living. In the context of the local economy, innovative "livelihood" businesses play similarly important roles. For instance, a bakery with a tastier chocolate chip cookie forces others to up their game. A stronger local marketplace provides residents with better goods and services, boosting local property values and increasing the community's tax base. In the Amazon economy, local businesses that provide more attractive goods than the mail-order variety will also keep dollars circulating in the regional economy, making vibrant neighborhoods and creating more jobs, income, and locally held wealth.⁴ At the same time, strategies that focus on supporting business growth can help more entrepreneurs take advantage of the opportunity technology affords to lower the barriers associated with designing products and marketing them to customers around the globe, bringing dollars into the local economy and creating new wealth.

Weighing all the potential benefits entrepreneurs bring, the misalignment of current economic development investments and strategies, which heavily favor established businesses, is readily apparent. Public resource will generate much greater

returns if we put more of them to use helping young companies grow.⁵ However, in the context of supporting entrepreneurs of color, we must recognize that this means providing targeted assistance to both budding entrepreneurs inhibited by racial bias and structural inequality *and* entrepreneurs of color who have not had equal access to equal opportunities to grow their enterprises.

Figure 1: Annual number of new companies in Massachusetts with employees per 100,000 residents



Source: US Census, Business Formation Statistics

Table 1: Massachusetts workers self-employed full-time in incorporated businesses, 2010 and 2018

Race/Ethnicity	Number of Workers		Percent Change	Share of Workers		Percentage-Point Change
	2010	2018		2010	2018	
White	91,272	87,902	-4%	3.4%	3.3%	-0.1%
Black	2,268	3,014	33%	1.2%	1.3%	0.1%
Hispanic	3,000	5,345	78%	1.2%	1.5%	0.3%
Asian	4,886	5,905	21%	2.8%	2.6%	-0.2%

Source: Analysis of IPUMS-USA, ACS PUMS, five-year samples

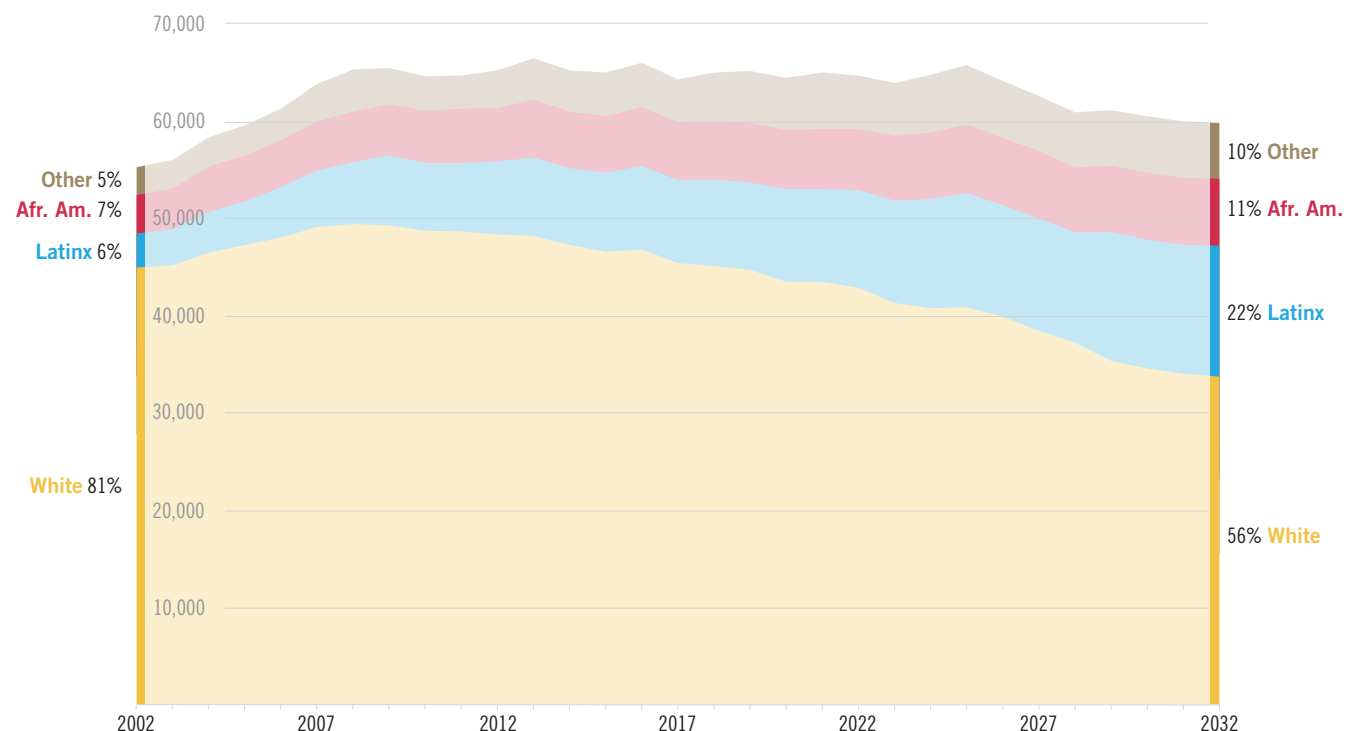
Entrepreneurship is in decline.

While it is not widely recognized, trends show entrepreneurship is under threat. Despite 12 seasons of “Shark Tank” and all of the media attention surrounding innovation of late, the number of new startups is down sharply throughout the United States. Economists are increasingly concerned that the loss of startups will undermine the long-term competitiveness of the US economy.⁶ Massachusetts is not immune to this trend. Between 2005 and 2018, the annual number of companies with employees formed in the state fell by nearly half (**Figure 1**). While these data largely reflect dramatic decline after the Great Recession, studies indicate the rate of new startups in Massachusetts has been in decline since the late 1970s. The attention-grabbing innovation in and around Boston draws attention away from this troubling pattern.⁷

More entrepreneurs of color are needed to grow the Massachusetts economy.

Industry consolidation and other macroeconomic trends are the primary forces behind this reduction in startup activity, but demographic change is contributing significantly to the problem as well. While the number of minority-owned businesses is rising quickly, this growth is from a very low base.⁸ The share of Black and Latinx workers with incorporated businesses barely budged between 2010 and 2018; White workers are still about 2.5 times more likely than to own an incorporated business in Massachusetts (**Table 1**).

If we do not substantially increase rates of business ownership among residents of color, the number of new startups will fall ever more sharply in the future. A decade ago students of col-

Figure 2: Public high school graduates in Massachusetts by race/ethnicity

Source: Massachusetts Department of Higher Education

or made up less than 20 percent of high school graduates; by the next decade, they will represent over 40 percent of graduates in the state (**Figure 2**). Our economic well-being hinges on positioning more of these residents to start and grow businesses.⁹

Inclusive entrepreneurial ecosystems are vital to the health of the state's tech sector.

“Openness” is a strong theme in ecosystems research. Inclusive regions are more competitive, particularly in periods of uncertainty and change.¹⁰ In many ways, the success Massachusetts has in innovation industries today is attributable to learning this lesson the hard way in the 1980s—when “but-toned down” Boston painfully lost out to Silicon Valley’s stronger culture of collaboration and cooperation.¹¹

However, what served for openness in the 1990s and 2000s is clearly insufficient. Throughout the country, high-tech industries struggle to incorporate underrepresented minorities, which costs them valuable talent and perspective. Regions that address this problem first will have a considerable competitive advantage.

Data on Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) grants provide one important measure of inclusion in high-tech entrepreneurship. These federal programs support companies work-

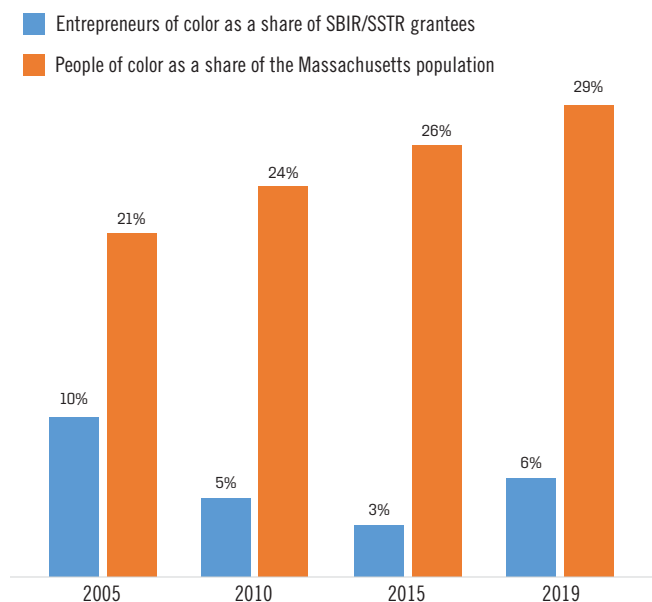
ing to commercialize new technologies. Since 2005, the share of SBIR-SSTR awards to minority-owned business in Massachusetts has trended in the opposite direction of the state’s demographics (**Figure 3**). In 2019, the share of the Massachusetts population made up by people of color was nearly five times larger than the share of awards to minority-owned firms.

SBIR-SSTR data also provide a detailed view of the geography of high-tech entrepreneurship in Massachusetts. The maps below show how high-tech startups, regardless of race or ethnicity, are increasingly concentrated in and around Boston. This tendency is typically associated with “agglomeration forces” (i.e., the advantages businesses gain from clustering when they are engaged in innovative pursuits that benefit from greater access to highly specialized skills and services).

Geographic clustering is also self-reinforcing because the more people are exposed to entrepreneurship, the more likely they are themselves to become entrepreneurs. A groundbreaking 2019 study of patenting activity published in the *Quarterly Journal of Economics* shows that people who as children lived in areas where innovation occurred are much more likely to hold patents as adults. In other words, entrepreneurship is much more a product of our environment than our genetic makeup. Environmental factors explain why the study found White children were three times more likely than Black children and five times more like than Latinx children to grow up to become inventors. According to the authors, capturing the “lost Einsteins” in these underrepresented groups is the surest way to increase innovation in our economy.¹²

The patterns reflected in these maps also illustrate how regional economic development is now intertwined with racial and ethnic inequality. As Massachusetts Gateway Cities are increasingly communities of color, underrepresentation of people of color in high-tech entrepreneurship exacerbates regionally unbalanced growth. If these cities are going to fulfill their important function as economic engines in the state’s economy, it is critical that their youth have more exposure to science and innovation and viable pathways to high-tech entrepreneurship.

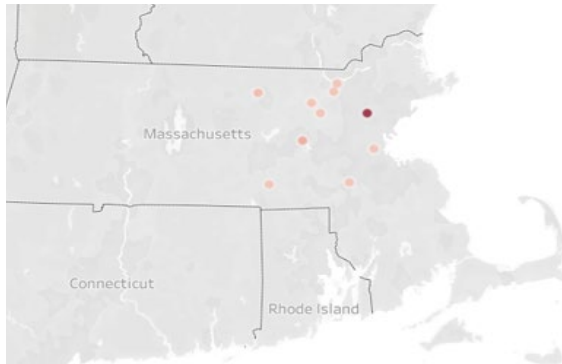
Figure 3: Share of SBIR-SSTR grants awarded to minority-owned businesses in Massachusetts



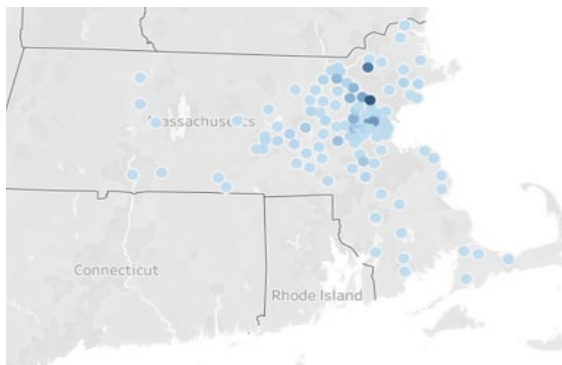
Source: SBIR-SSTR database

Map 1: Location of SBIR-SSTR grantees

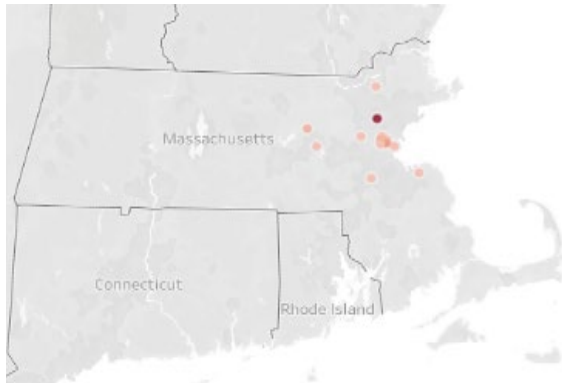
2010 Non-White



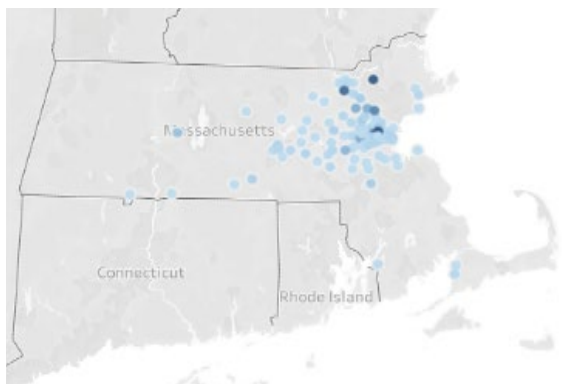
2010 White



2019 Non-White



2019 White

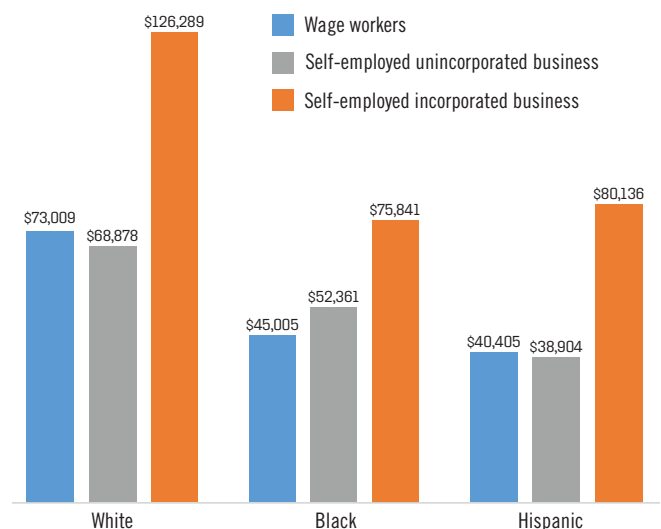


Entrepreneurship reduces poverty and closes harmful racial wealth gaps.

In 2015, the Federal Reserve Bank of Boston published a report revealing astonishingly high levels of wealth inequality in Greater Boston. White households had nearly \$250,000 in net assets while Black and Hispanic households had close to zero wealth. This finding has prompted much discussion about how we address this intractable problem.¹³ Some experts question whether entrepreneurship can play a significant role.

People of color have historically been pushed into self-employment, shouldering the accompanying risks and heavy demands, because discrimination has left them with far fewer career alternatives. However, on balance, studies find people of color who pursue self-employment increase their income and dramatically increase their wealth.¹⁴ Large earnings gains for self-employed workers in Massachusetts support this conclusion (**Figure 4**). Black workers with incorporated businesses earn twice as much as those working for wages, and even those with unincorporated businesses do slightly better than wage workers. Entrepreneurs of color are experiencing these gains in income even with intractable barriers that make it difficult to grow profitable businesses (see box p. 14). Successful efforts to address these problems will undoubtedly increase the financial benefits of self-employment.

Figure 4: Annual earning for wage and self-employed workers, 2018



Source: Analysis of IPUMS-USA, ACS PUMS, five-year samples

Beyond building individual wealth, supporting entrepreneurs of color is beneficial as a broader anti-poverty strategy. Businesses owned by people of color are more likely to contribute to economic development in underserved areas by locating in

urban communities and hiring other people of color.¹⁵ Entrepreneurship is also an important form of empowerment that can provide a potent antidote to the hopelessness poverty and discrimination exact.¹⁶

DISCRIMINATION AND INEQUALITY DAMPEN INNOVATION

Numerous studies show rates of business ownership are steadily increasing among people of color. However, their companies continue to have fewer employees, less revenue, and lower valuations, which leads to higher failure rates. This is the result of inequities that have accumulated over time and discrimination that continues to persist to this day.

A new national study following the growth of startups finds that by year seven the average White-owned firm's valuation is two-and-a-half times greater than that of the average Black-owned firm. Relevant owner characteristics (education and previous work and startup experience) and business characteristics (industry, incorporation status, intellectual property, and paid employees) explain half of this disparity. However, observable differences cannot explain the remaining half; discrimination in the marketplace is the likely force behind this large portion of unexplained variance.¹⁷

A statistical analysis of racial disparities in state contracting commissioned by the Baker administration in 2017 provides a powerful rendering of these forces at work in Massachusetts. The study shows people of color face discrimination in the Massachusetts labor market, making it difficult to garner occupational experiences leading to entrepreneurial opportunities. Examining regional lending data, the study found minority-owned firms are less likely to seek loans because of distrust of the banking system and fear they will be denied. This fear is not unwarranted. When minority-owned firms do apply, their loan requests are substantially more likely to be declined after accounting for credit history and other relevant factors. And even when minority-owned firms receive loans, they pay higher interest rates than comparable non-minority-owned firms. Throughout the analysis, the data indicated Black-owned small businesses faced particularly acute discrimination in Massachusetts.¹⁸

HIGHER EDUCATION, WEALTH INEQUALITY, AND INNOVATION

Recent MassINC research has sought to draw attention to the connection between underfunding public higher education, particularly at the community college level, and growing socioeconomic inequality in Massachusetts. This problem has direct ties to lower levels of entrepreneurship among residents of color.

Black students are much more likely to take out student loans to pay for college, and the amount they borrow is significantly higher. Because they have fewer financial resources, they are more likely to default on student loans when they face financial difficulties. Roughly half of all Black students will default, damaging their personal credit, which is vital to securing small business loans.¹⁹

And student loans are not the only burden people of color commonly encounter while attempting to save for a business. At age 30, Black college graduates are three times more likely than White college graduates to be in a position of needing to provide family members with regular financial support.²⁰

III. Emerging from the Pandemic with a Solid Inclusive Entrepreneurship Strategy

Small businesses play a key role in economic dynamism during periods of expansion, but they are more vulnerable in recessions. The COVID-19 downturn is unlike anything that has come before it, particularly for entrepreneurs of color. Below we consider both the disparate impact of the crisis on these businesses and opportunities to leverage early victories in the pandemic response to lay the groundwork for more inclusive entrepreneurial ecosystems over the long term.

The first wave of the pandemic took a heavy toll on businesses of color.

Without question, businesses owned by people of color have been disproportionately harmed by the economic havoc brought by COVID-19. At a national level, early analysis found nearly one-third of Latinx-owned businesses and over 40 percent of Black-owned businesses closed between the start of the pandemic and April 2020; in comparison, 17 percent of White-owned businesses ceased operations at the beginning of the pandemic. While higher concentrations of Black and Latinx businesses in industries most likely to experience shutdowns explain a significant portion of this disparity, many other factors contributed.²¹

Minority-owned businesses entered the crisis on far more precarious financial footing. A study by the Federal Reserve Bank of New York found 58 percent of Black-owned businesses were at risk of financial distress before the pandemic, compared to 27 percent of White-owned businesses.²² Businesses owned by people of color are disproportionately located in urban areas, where the virus has hit harder and more steadily throughout the pandemic. Residents of these urban communities have also experienced job loss at much higher rates, which means they have had less money to spend at local businesses.

Data collected last summer by the MassINC Polling Group (MPG) found large racial and ethnic disparities among Massachusetts businesses that were able to survive the initial shutdown. Nearly half (46 percent) of Black businesses and 41 percent of Latino businesses had missed payments on rent, insurance, utilities, taxes, and vendor bills, compared to 28 percent of White businesses.

Given their disproportionate exposure to the pandemic and far more acute financial difficulties, minority-owned businesses urgently required outsized assistance from the federal Paycheck Protection Program (PPP). Unfortunately, they did

not have equal access for a variety of reasons, including lack of established banking relationships. However, studies also suggest overt bias and discrimination were also contributing factors.²³

Coordinated efforts to support businesses of color are gaining momentum.

While business service organizations and community development leaders were caught off guard by the pandemic like everyone else, they quickly mounted a response. In March 2020, nonprofit groups providing small business assistance across the state came together to form the Massachusetts Equitable PPP Access Initiative. Together they helped nearly 700 small businesses owned by people of color apply for over \$9 million in PPP loans. To ensure that businesses of color most impacted by the crisis had more equal access to relief funds in the future, these groups continue to work cooperatively to influence policy and resource coordination through the Coalition for an Equitable Economy.²⁴

The power of this collaboration was evident in October when the Baker administration announced the creation of a \$50 million COVID-19 Small Business Grant Program. To ensure these funds made it to communities of color most impacted by the downturn, the administration partnered with the groups involved in the Equitable PPP Access Initiative. Together they supported applications from 10,000 businesses seeking over \$500 million in assistance. While available resources enabled only 1,200 grants in the initial selection, 95 percent of recipients were minority-owned businesses²⁵

Notable efforts to provide more robust assistance to entrepreneurs of color have not been confined to mission-oriented nonprofits. Last spring, corporate leaders responded to the protests after the death of George Floyd with commitments to work collaboratively to advance racial justice. Black and Latinx business leaders created the New Commonwealth Racial Equity and Social Justice Fund, which quickly raised \$25 million to dismantle systemic racism in various ways, including through economic empowerment. Massachusetts' corporate leaders also came together to create Small Business Strong, a coordinated effort to provide minority-owned businesses with support ranging from general advising to specialized consulting services.

The pandemic response offers an opportunity to cultivate optimism and engagement.

Businesses of color have suffered enormous harm. For many, this trauma is layered on a history of unfulfilled promises when it comes to lending and contracting. But there is also the possibility that this time is different.

Early efforts to support minority-owned businesses are bearing fruit. Relief funds are now flowing to the businesses most in need, and more support is coming with the Baker administration drawing heavily on the latest round of federal stimulus to make available another \$668 million. To ensure that the progress does not stop here, a diverse set of groups has come together to form an Equitable Economy Coalition (see box p. 17).

Entrepreneurs are increasingly receiving resources and technical assistance to adapt to changing economic conditions. For instance, many small minority-owned businesses have not had websites or other digital technology to market online and communicate with customers via email. With technical assistance, they are rapidly implementing technology solutions to expand their reach and capabilities.

By their nature, those likely to pursue entrepreneurship have strong antennas. People of color aspiring to start and grow their own companies are likely attuned to deep introspection among financial institutions, business networks, procurement officers, and other important actors in their local ecosystems. Those with sensitivity to these changes will watch attentively to see if leaders will maintain this effort and continue to build upon it when the crisis abates.

If the energy and collaborative effort can be sustained, Massachusetts can create a more inclusive, entrepreneurial ecosystem. People of color will be more likely to pursue opportunities that set the stage for entrepreneurship, to start companies, seek loans and other forms of growth capital, become certified vendors, and participate in business networks. This engagement will enhance our economy and catalyze more equitable growth throughout the state.

Following through on a successful post-pandemic strategy requires an understanding of the scale required to achieve this goal and monitor progress toward it. While imperfect, Census data from the American Community Survey provide perhaps the most reliable metric available to track annual progress in the aggregate.²⁶ Based on the figures presented in Table 1, Massachusetts would need roughly 2,700 Asian-, Black-, and Latino-owned incorporated businesses per year to achieve shares of businesses ownership equal to that of White residents by 2032.²⁷

As we turn to strategies to help entrepreneurs build skills and relationships and access capital and markets in the pages that follow, this rough estimate of 2,700 additional new minority-owned businesses per year provides a useful benchmark.

AN EQUITABLE ECONOMY COALITION FORGED IN THE PANDEMIC RESPONSE

On March 18, 2020, just three days after Governor Baker announced abrupt closures to slow the spread of COVID-19, leaders from small business assistance organizations came together over Zoom to share information and explore partnerships to rapidly deploy resources to vulnerable businesses in their communities. Over the next several months, this informal group steadily grew in numbers, meeting weekly to coordinate the delivery of small business relief and advocate for more funding to support entrepreneurs of color and other underserved business owners.

The pandemic also spawned a second initiative with overlapping membership. In late-March, nonprofit leaders recruited bank partners and formed the Massachusetts Equitable PPP Access Initiative. This more targeted effort sought to ensure that people of color were not bypassed again when the federal government distributed a second round of forgivable loans to businesses. Working together on outreach and technical assistance, the initiative responded to 1,685 requests and helped 682 underserved businesses apply for over \$9 million in PPP loans. Members of this initiative also supported applications for MGCC grant programs late in 2020, helping underserved small businesses submit more than 1,100 grant applications in just 3 weeks.

Over the past year, participants in these two parallel networks regularly combined forces to advocate with state and federal policymakers to secure vital resources for small businesses. These collaborative campaigns led to a three-fold increase in funding for the Small Business Technical Assistance Program (\$3 million in FY 20 to \$9.1 million FY 21), \$17.5 million for CDFIs to invest in small businesses, \$3.8 million to help small businesses with digital access, \$7.5 million for a matching grant program, and more than \$700 million in small business grants administered by MGCC.

Together, more than 300 individuals representing over 100 organizations have contributed to the movement. Their shared accomplishments identifying needs, advocating collectively for policy to meet them, and quickly connecting underserved businesses with new resources demonstrate that Massachusetts has very significant assets that it can draw upon to mount a sustained effort to build more inclusive entrepreneurial ecosystems throughout the state.

Inspired by this lesson, leaders at the forefront of this work have laid the groundwork for the Coalition for an Equitable Economy. This new coalition will provide a structure for ongoing efforts to build upon the collaborative success of so many leaders over the past year, helping to ensure that collective work going forward is as impactful as possible for entrepreneurs of color in Massachusetts.

IV. Building Skills and Relationships:

A founder's individual skill set and personal relationships are essential to the success of their enterprise.²⁸ Unequal access to high-quality educational offerings, mentors, and early career opportunities make it more difficult for people of color to gain skills and relationships that support business success.²⁹ Intentional efforts to help such entrepreneurs overcome these structural disadvantages are core to an inclusive entrepreneurial ecosystem. Below we describe recent efforts in Massachusetts to support skill and network building and reflect on how these efforts lay the groundwork for a post-pandemic strategy.

Efforts to help entrepreneurs build skills are highly effective.

Entrepreneurs draw on a variety of skills for success, including both abstract abilities (i.e., creative thinking, leadership, communication, negotiation, and managing change) and functional knowledge (i.e., management, marketing, financial analysis, strategic planning, and organizational development). Strong empirical evidence demonstrates that these skills can be acquired through education and training.³⁰

Research on entrepreneurial education suggests models focused on personal coaching, mentoring, and peer support are highly effective. Most small business development programs rely heavily on this style. Coaching facilitates active learning around real-world business problems. It also provides flexibility, so entrepreneurs can access services as their schedules allow. In addition to skill building, this form of training fosters relationships. As trust develops, entrepreneurs are more likely to follow the advice and coaches are more likely to connect them to valuable contacts in their local business community.³¹

Numerous evaluations suggest programs working with entrepreneurs of color in this manner increase business success and support job creation at rates well above traditional economic development programs.³² However, two factors are critical to the success of this mode. First, the entrepreneurs must have access to these opportunities and be open to receiving coaching. Programs that have difficulty recruiting are unlikely to draw a sufficient number of motivated clients to operate cost-effectively. Second, programs need culturally competent advisors with relevant business experience and the ability to excel at personal coaching. In many regions, it can be difficult to find advisors with these attributes.³³

In Massachusetts, business owners have access to coaching and peer support through a variety of sources.³⁴ Massachusetts' network of Small Business Development Centers

(SBDC) serves approximately 1,000 entrepreneurs of color annually with regional offices in Amherst, Boston, Fall River, Pittsfield, Salem, Springfield, and Worcester. The program utilizes a mix of state and federal funding to provide one-on-one consulting services free of charge to both new and existing businesses. With a focus on reaching socially and economically disadvantaged groups, consultants help small businesses with financial, marketing, production, organization, and technical problems.³⁵ With federal funding, the Center for Women and Enterprise offers similar services to approximately 750 entrepreneurs of color annually through offices in Boston and Westborough.³⁶

In recent years, the state has complemented the capacity provided by federally supported small business assistance centers by expanding a more flexible grant program created in 2006. Since FY 2014, the number of organizations receiving these Small Business Technical Assistance Grant (SBTA) grants has grown from 18 to 47 as the annual budget appropriation increased from \$750,000 to \$3 million. By providing community-based organizations with language skills, cultural competencies, and relationships to reach harder-to-serve entrepreneurs, this growth has significantly expanded general small business access to assistance in a targeted manner. The grant also resources organizations offering specialized businesses services or services to businesses in specific sectors.

In FY 2019, SBTA grantees reached approximately 2,200 entrepreneurs of color through a variety of delivery modes. Some clients received one-on-one support. Others participated in cohort-based group training. In some instances, grant recipients contracted with consultants to support specialized client needs.

An external review of the SBTA program conducted by Mt. Auburn Associates in 2018 found entrepreneurs served by these programs gave them very high marks and associated the support they received with improvements in their businesses that led to significant growth and new hires. Consistent with other studies, the analysis found these programs created and retained jobs at a cost that was orders of magnitude below costs associated with traditional economic development incentive programs.³⁷

Outcomes reported in the Mt. Auburn study suggest SBTA grantees help approximately 800 entrepreneurs of color (37 percent of clients served) launch new business ventures each year. If the state's small business assistance centers achieve similar results, this would equate to another 650 births or nearly 1,500 new businesses across the two programs. Sig-

nificant additional capacity is clearly required to nurture the growth of 2,700 new minority-owned businesses annually.

As noted in the Mt. Auburn report, greater budget certainty is essential to increase capacity while maintaining quality. In recent years, the annual state budget appropriation for the SBTA program has fluctuated; this trend, combined with growth in the number of business service providers, created significant volatility in the average grant size (**Figure 5**).

Network-building organizations play a crucial role in helping entrepreneurs forge relationships.

From local chambers of commerce to sector-specific business associations, formal organizations provide entrepreneurs with opportunities to build valuable connections. Business relationships gained through these networks can help entrepreneurs access useful and often exclusive information associated with tangible outcomes, including locating specialized consulting services, gaining new customers, and obtaining growth capital. However, the power of these networks is a direct function of their ability to foster a culture of trust and reciprocity. This can be more difficult to establish in networks where there is a high level of inequality among members.³⁸

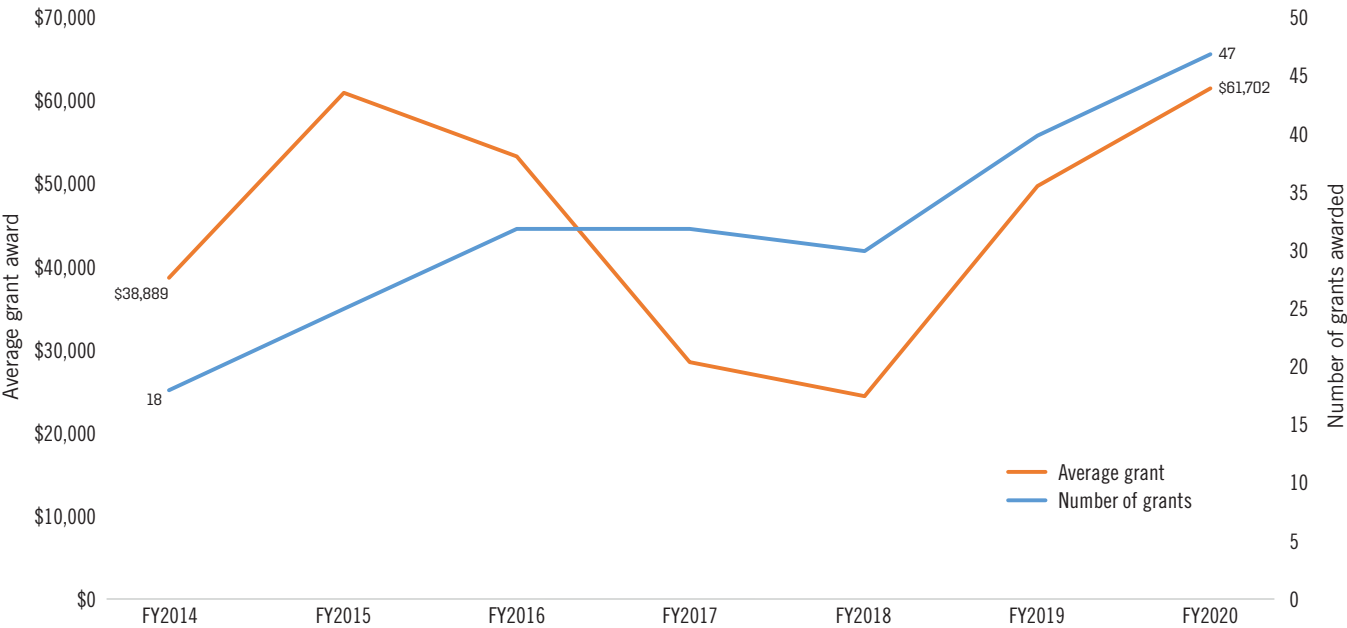
Entrepreneurs of color are increasingly overcoming this challenge by participating in ethnic business networks. Evidence

suggests these networks are particularly beneficial to startups seeking to build relationships and establish a positive reputation in the community. While their value wanes as businesses mature and require a more diverse set of relationships for growth, they can perform an important function helping entrepreneurs of color gain momentum to enter both general and sectoral business networks on more equal footing.³⁹

Massachusetts is home to a growing number of co-ethnic business organizations. Groups like the Black Economic Council of Massachusetts, the Haitian-American Chamber of Commerce, and Amplify Latinx have a statewide presence. There are also regional groups, including the North Shore Latino Business Association and the Latin American Business Organization in Worcester. At an even smaller scale, there have been recent attempts to build community among ethnic business leaders within a city or neighborhood. Notable examples include Black Owned Brockton and Worcester’s Main South Business Association, which was incubated by MassDevelopment’s Transformative Development Initiative.

In addition, private nonprofit economic development organizations such as the Lawrence Partnership have formed with a heavy emphasis on inclusion from the outset. And established business organizations, including the Haverhill Chamber of Commerce and the Lowell Plan, are actively pursuing strategies to build a more diverse and welcoming membership.

Figure 5: MGCC Small Business Technical Assistance grantees and average award, FY 2014 – FY 2020



Source: Massachusetts Growth Capital Corporation and Mt. Auburn Associates, Inc. (2018)

Leveraging relationships solidified in the pandemic, Massachusetts can blend a patchwork of skill and network-building activities into a powerful first-pillar strategy.

Successfully bringing a much larger volume of entrepreneurs of color into the ecosystem will require significant planning and coordination to ensure that these entrepreneurs have access to the full range of support and network-building opportunities.

Within the small business assistance sector, this coordination could come in a variety of forms. At the most basic levels, providers would benefit from coordinated efforts to share translated materials, identify consultants with specialized skills for client referrals, and jointly market services.

More powerful benefits could be achieved by leveraging Zoom and other technologies to bring more diverse business advisors into the field and support joint training efforts to prepare them for the role. This is especially critical as the pandemic has piqued interest among those with valuable experience but who need training to build coaching and cultural competency skills. With more trained advisors and mechanisms to coordinate across programs, these same technologies can be deployed to facilitate consultations with clients.

Strategic efforts to increase coordination will also lead to greater integration of small business assistance and networking building. In many regions, wave after wave of industry consolidation has impacted the ability of private business organizations to operate with sufficient capacity to add value for members. If these organizations cannot function as healthy contributors to the local ecosystem, there will be fewer successful startups and a self-reinforcing cycle will take hold. Programs like the Small Business Technical Assistance Grant provide diversified revenue streams and position these organizations to house services that offer substantial benefit to members, increasing their engagement and amplifying the return on public investment.

A Boston Foundation-led effort to map out initiatives and ecosystem players across the state will provide essential information to help planners and policymakers identify opportunities for synergistic coordination. A strategic vision for inclusive entrepreneurial ecosystems will build upon this map with more durable structures to improve data collection.

This information will position leaders to monitor changing needs and continuously track progress. Similarly, it will allow them to better understand how efforts align with growing sectors in the Massachusetts economy and to develop more creative strategies that will help all regions of the state tap into Greater Boston's significant entrepreneurial assets.

THE MYTH OF THE YOUNG FOUNDER

Popular stereotypes would have us believe that most successful entrepreneurs are young with nothing to lose. However, new research reveals the reality that the most successful founders are middle-aged. While entrepreneurs in social media and other consumer-facing industries may skew younger, mid-40s is relatively consistent across a range of industries. Successful founders have years of experience in their fields and extensive professional networks.⁴⁰

However, we should not mistakenly take this as evidence that skills training does not need to begin early. Rodney Sampson, an expert on inclusive entrepreneurship at Opportunity Hub, has written extensively about how inclusive ecosystems are built on a strong foundation of “talent development” beginning with early exposure and socialization. These efforts recognize that ecosystem builders must help young people of color enter career pathways that will lead to possibilities for entrepreneurship much later in life.⁴¹

Massachusetts has several fledgling programs that provide these opportunities. Connecting Activities and Youth Works expose students to the state's knowledge industries. The Early College High School initiative is a transformative effort to ensure more students of color have access to higher education. The acceleration and increased rigor Early College programs provide give disadvantaged students greater ability to navigate challenging STEM pathways.

EforALL EXPLOITS THE POWER OF RELATIONSHIPS

EforAll is a homegrown national leader in inclusive entrepreneurship. The nonprofit evolved from the Merrimack Valley Sandbox, which the Deshpande Foundation launched in Lowell in 2010. Dedicated to advancing community economic development by increasing access to entrepreneurship, the program is structured much like an accelerator. However, it defies traditional boundaries, and more than anything, it generates impact by fostering relationships.

EforAll now operates in 10 locations, nine of them in Massachusetts. Each program has approximately 200 volunteer, including mentors, subject specialists, readers of applications, and local advisory boards. Mentor teams, composed of seasoned business executives, entrepreneurs, and community leaders, provide hands on coaching over the course of a year, operating with the conviction that business success is largely a matter of who you know and the decisions you make. These advisors act much like a board of directors, helping business owners network and connect to new opportunities, while also serving as a sounding board as they carefully explore risks and rewards at key decision points.

To help forge stronger relationships among graduates, EforAll recently entered a partnership with the Pittsburgh-based nonprofit, eforever. Eforever professionally moderates monthly peer-to-peer sessions, which provide business owners with a venue to share experiences, problem-solve, celebrate accomplishment, and lend mutual support.

In evaluations that EforAll has regularly conducted over the past decade, entrepreneurs of color consistently report that they gain the most from the new relationships they build by participating in the program.

V. Increasing Access to Capital

Capital is the second essential ingredient for business growth. Racial bias, compounded by large wealth disparities, makes it difficult for entrepreneurs of color to access the resources they need to build strong companies. As a result, many entrepreneurs of color enter industries with low capital requirements; operating businesses in low-barrier-to-entry industries generally means thin margins and high failure rates.⁴² Fortunately, innovative solutions to this longstanding challenge are emerging. A blueprint for inclusive entrepreneurial ecosystems must include scalable strategies that position entrepreneurs of color to surmount the many obstacles they face accessing capital.

Difficulty accessing early-stage capital reduces the growth of minority-owned businesses.

Many experts on small business growth and development contend capital access is not a central issue, but rather that entrepreneurs of color are underprepared and lack compelling business plans. A growing body of empirical research contradicts this view.

On average, White-owned businesses launch with about three times more financial capital than Black-owned businesses. Wealth inequality is at center of this problem; minority entrepreneurs with less family wealth (and less wealth in their personal networks) have less equity to start a business, which makes it more difficult to leverage debt. And debt is where the capital gap is actually the widest. Compared to Black businesses, White businesses take on five times more debt in their first year.⁴³

Lack of equity to collateralize borrowing is just one factor leading to this large disparity in lending. Distrust in banks and fear of rejection is another major obstacle. Highly qualified Black business owners are more than twice as likely as similarly qualified White business owners to not apply for a bank loan because they believe they will be denied.⁴⁴ This concern is not without merit. Studies consistently find minority business owners are denied loans at significantly higher rates than White business owners with similar attributes, including their equity position.⁴⁵

New forms of capital present both promising opportunities and potential risks.

Fortunately, innovations in the marketplace for growth capital have real potential to increase the flow of resources to entrepreneurs of color. A strategy for inclusive entrepreneurial ecosystems will carefully cultivate these opportunities to en-

sure that in practice they are working to close divides rather than widening them. Five scalable innovations with momentum merit particular consideration:

ONLINE LENDING

Online lenders employ “fintech” to build alternative models to evaluate credit risk and expand credit availability. The sector has scaled up rapidly in recent years. By 2018, approximately one-third of small businesses seeking loans applied with an online lender. A recent study by researchers at the Federal Reserve Bank of Cleveland found a large share of online borrowers (44 percent) were unlikely to apply and receive traditional bank loans, and minority businesses owners were statistically less likely to be denied by online lenders. However, this research also raises some red flags. Online lenders are lightly regulated, and minority borrowers have reported concerns about high interest rates and lack of clarity on loan terms.⁴⁶

CROWDFUNDING

Social media and the internet have created new opportunities to “crowdsource” a variety of forms of capital. In exchange for a donation to a startup, Kickstarter offers rewards, such as discounts on a planned product. Lending Club and several other websites provide access to crowdfunded debt. Since changes in federal law went into effect in 2016, crowdfunding can also be used to sell securities to the general public.⁴⁷ This has led to the emergence of platforms, such as Crowdfunder, Republic, and IFund Women, which help entrepreneurs market and promote their startups to potential investors.

Limited research on crowdfunded debt and equity makes it difficult to say for certain how they will impact entrepreneurs of color. However, early evidence gives rise to concern that crowdfunding may simply exacerbate existing socioeconomic disparities. Businesses that gain momentum toward their goals quickly have the most success on crowdfunding platforms; this greatly advantages entrepreneurs with wealthier social networks or equity from professional investors. Businesses with startup resources to complete product development before they begin crowdfunding also have considerably more success raising capital on these platforms. And while those investing through crowdfunding are extremely geographically dispersed, at least initially, the firms successfully drawing these investments have been highly concentrated in the same handful of cities as firms receiving traditional venture capital.⁴⁸

ACCELERATORS

Accelerators typically provide office space, technical assistance, and mentorship to a cohort of startups over a short, fixed period, generally less than six months. Many also offer limited seed funding and take a share of equity in exchange. In this regard, accelerators function like equity investors.⁴⁹ Some programs, including the Latino Business Action Network Latino Scaling Program and the Business Equity Initiative, focus on scaling and access to contracting and debt capital for growth.

Evidence indicates businesses served by accelerators are more successful in gaining venture capital and new customers than similar businesses.⁵⁰ Studies also suggest accelerators can have a positive influence on a region's entrepreneurial ecosystem by speeding the pace of innovation and weaving stronger relationships between firms.⁵¹ However, research conducted by ICIC finds accelerators have struggled with inclusivity. Many lack diverse leadership, selection committees, and mentors. Entrepreneurs of color are underrepresented, and those who are accepted into accelerators are less likely to participate in all of their services and less likely to receive seed funding. Rather than expanding access to capital, accelerators with these structural issues may perpetuate exclusion.⁵²

COMMUNITY INVESTMENT FUNDS

The 2016 change in federal securities law enabling equity crowdfunding has also given rise to community investment funds (CIFs). These funds bring together capital from residents of a community to invest in local businesses. They are notable for their focus on local governance and decision-making. While changes in financial markets that created serious challenges for locally owned businesses and regional economic development were the primary impetus behind the development of these funds, their design provides a powerful model for delivering capital to entrepreneurs of color.⁵³

Many CIFs pool small investments from individuals with larger contributions from local philanthropies and institutions. These funds often nimbly structure their investments in companies using revenue-based financing, a form of capital that acts more like equity but allows for long-term repayment in the form of a percentage of future revenues rather than an ownership stake. To meet the needs of the business, they may also use a range of traditional debt products that are harder for smaller companies to access, including purchase order financing, receivables financing, lines of credit, and loan guarantees. Similar to private equity or venture capital, these funds will often provide the businesses they invest in with hands-on support.⁵⁴

Like the innovations above, the community investment fund movement presents both risks and opportunities. Providing services and customized financial products lowers return on investment. If these funds can successfully draw capital from social-impact investors willing to accept below-market returns in exchange for social and community development benefits, they could scale up and become an important source of capital. On the other hand, if they are unable to serve a significantly larger volume of businesses, this solution will struggle to make a meaningful difference.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS

Community Development Financial Institutions (CDFIs) are federally certified organizations that promote economic development by offering financial services. Created in the early 1990s, CDFIs have taken shape in a variety of forms including credit unions, banks, loan funds, and venture capital funds. Like community investment funds, they typically offer flexible loans and technical assistance. However, they often operate as large intermediaries serving many regions. Some have scaled up to the point that rating agencies score their financial products, allowing them to reach institutional investors. As tools for evaluating the social return on investment improve, CDFIs will be well positioned to tap into a growing supply of capital from environmental, social, and governance (ESG) investors who seek to generate both a financial and social return from their investment. The scale of CDFIs also affords them with greater opportunities to serve as more powerful intermediaries by developing and deploying new technologies.⁵⁵

Massachusetts stands on the leading edge of efforts to leverage these innovations to support entrepreneurs of color.

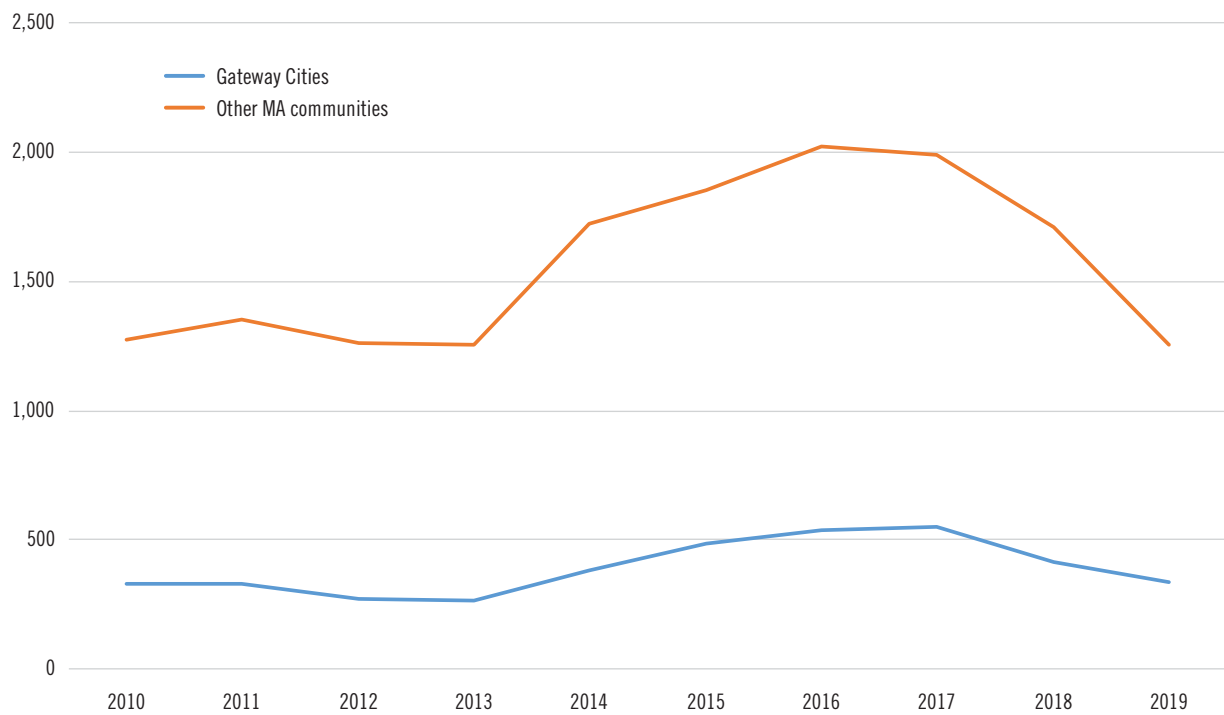
From accelerators and crowdfunding to community investment funds, Massachusetts is at the leading edge of advances in entrepreneurial finance. Equally important, innovations in one corner of the state have spread with unusual speed to meet similar small business needs in other communities.

Massachusetts was home to both the first accelerator, Y Combinator, and, through EforAll, one of the first efforts to develop an accelerator designed to further inclusive entrepreneurship. EforAll began in Lowell in 2010, incrementally expanding with state support to Fall River and New Bedford, Lynn, Holyoke, Roxbury, and the Berkshires. To date, the program has helped launch over 500 small businesses, and over 70 percent of graduates remain active three years after launch.⁵⁶ To increase inclusion, several of these sites conduct EparaTodos programs in Spanish.

SMALL BUSINESS LENDING PATTERNS IN MASSACHUSETTS

While the SBA does not provide information on race and ethnicity, data tracking the number of loans originated with SBA 7(A) guarantees provides a sign that small business dynamism is faltering in Massachusetts. SBA 7(A) is one of the most versatile lending products available to small businesses. Despite its accessibility, the number of loans originated through the program fell sharply in recent years. In FY 2019, the loan volume was similar to FY 2010 levels. Economic studies show a direct relationship between the number of SBA small business loans awarded and income growth in a region.⁷³ While the loan volume trajectory was very similar for both Gateway Cities and other Massachusetts communities over the past decade, grouping cities obscures divergent patterns. For instance, the number of loans in Lawrence more than doubled while the number of loans to small businesses in Fall River fell by two-thirds.

Figure 6: Number of SBA 7(A) loan originations, FY 2010 – FY 2019



Source: US Small Business Administration

The Revolving Test Kitchen (RTK), another Merrimack Valley innovation, is a sector-specific accelerator focused on inclusion in the food business. Created in 2016 by Lupoli Companies with support from the Lawrence Partnership, Northern Essex Community College, and the City of Lawrence, RTK provides one food entrepreneur a year with a fully outfitted restaurant to experiment with menus, develop a customer base, and refine a business model. In partnership with Mass-Development, the program is expanding with space to support multiple customer-facing businesses as well as a shared commercial kitchen facility for entrepreneurs building food businesses.

Companies coming out of these accelerators with a growth strategy have an increasing number of places they can turn to for capital.

Salem-based Mainvest provides crowdsourced equity finance for brick-and-mortar businesses. The entrepreneurs of color behind Brockton Beer Company and Comfort Kitchen in Uphams Corner each raised over \$100,000 through Mainvest. Sensing the opportunity to help more minority entrepreneurs overcome the structural barriers that crowdfunding platforms cannot fully eliminate, the state's 2020 economic development bond bill includes resources that the Massachusetts Growth Capital Corporation can leverage to match crowdfunded equity investments, improving the likelihood that startups utilizing these platforms will achieve their fundraising goals.

This kind of collaboration and creativity has also made Massachusetts fertile ground for community investment funds. Local banks are working together to provide more flexible debt to growing businesses. The Lawrence Venture Loan Fund, created by a group of 10 Merrimack Valley banks in 2015, was the first incarnation of a successful model that is rapidly expanding. Each bank contributed \$250,000, which was matched by the city to provide a 10 percent loan loss reserve. Four banks in Haverhill replicated this approach in 2018, investing \$125,000 each. In 2020, six local banks and the Essex Community Foundation raised \$1 million to create the Salem Small Business Loan Fund. Lawrence-based Mill Cities Community Investments (MCCI) has provided the backbone capacity to administer these funds and facilitate replication.

Franklin County Community Development Corporation and other leaders working collaboratively to meet the needs of agricultural businesses in the Pioneer Valley were the first to take advantage of the 2016 changes in federal securities law with PVGrows. This fund's equity investment structure was adopted by the Boston Impact Initiative, which the Boston Ujima Project then replicated. Massachusetts is also import-

ing community investment fund models built explicitly for entrepreneurs of color. For example, Massachusetts became the first expansion site for Runway, a Bay Area nonprofit. With support from Berkshire Bank, Runway is providing entrepreneurs of color in Massachusetts with "friends and family" funding, coaching, and a network of support.

The Business Equity Initiative (BEI), led by the Foundation for Business Equity (FBE), is a strategic advisory program to enable enterprise growth by building capacity and increasing access to capital and contracts. BEI Advisors, former CEOs and successful business owners, work with established Black- and Latinx-owned companies to create and implement a customized growth plan. Since 2017, more than 50 minority-owned businesses have participated in the initiative and together they have drawn \$5 million of growth capital (see box p. 26).

Massachusetts is also home to nearly 30 CDFIs, mostly in the form of loan funds. These organizations have played a crucial role helping small businesses access capital through the pandemic. State leaders are proactively working to position them to continue serving this function through the recovery by creating a new fund at Massachusetts Growth Capital Corporation that CDFIs can access to provide small business loans and grants.

This vibrant collection of activities shows Massachusetts has many leaders working creatively to connect entrepreneurs of color with the capital they need to successfully grow their businesses. However, at present these programs are serving at most a few hundred minority-owned businesses annually. The blueprint for an inclusive entrepreneurial ecosystem must contain strategies to ensure that efforts like these are positioned to support several thousand entrepreneurs of color each year.

FBE'S BUSINESS EQUITY INITIATIVE FEEDS ALL THREE INGREDIENTS FOR HEALTHY GROWTH

The Foundation for Business Equity (FBE) was created to help close racial wealth gaps in 2017. Glynn Lloyd, the President and Founder of City Fresh Foods, came forward to lead the new nonprofit and quickly set about creating its signature program—the Business Equity Initiative (BEI). BEI helps Black and Latinx entrepreneurs grow their companies, build wealth, and create living-wage jobs by providing the three essential ingredients for business success described in this report.

BEI offers access to high-quality advice and relationships to help businesses grow. Strategic advisors are core to this component of the model. Over the course of nine months, businesses owners work one-on-one with a team of advisors who help them develop and implement a robust growth strategy. Leveraging their personal network, the advisors also make introductions and cultivate relationships for the business owners. In addition, BEI facilitates a CEO Roundtable that allows entrepreneurs participating in the program to build supportive peer relationships.

To increase access to growth capital, FBE helped the Boston Foundation establish the Business Equity Fund. And in partnership with Berkshire Bank and the Federal Home Loan Bank of Boston, FBE worked to position Mill Cities Community Investments to secure new capital to offer flexible debt products to companies participating in the initiative.

FBE has also provided leadership to help entrepreneurs of color access corporate contracts through the Boston Chamber's Pacesetters program, and other partnerships with companies committed to increasing supplier diversity. While this work has been challenging, FBE remains focused on finding creative ways to open doors for entrepreneurs of color.

The early gains experienced by businesses served by BEI demonstrate the power of providing all three ingredients in tandem: The first three cohorts of businesses that went through BEI have generated an additional \$53 million in revenue, while creating the combined equivalent of 368 new full-time jobs.

VI. Increasing Access to Markets and Customers

Market access is the third fundamental key to the success of any commercial endeavor. Many minority-owned businesses exclusively serve communities of color because of difficulty entering other markets. Much like the effect of barriers to accessing capital, this limitation makes it difficult for minority-owned businesses to grow to a stable size.⁵⁷ Below we look at the track record of both public- and private-sector supplier diversity efforts and other innovative initiatives to make market access a catalytic force for the growth of inclusive entrepreneurial ecosystems.

For decades, public procurement programs failed to provide equal access.

Entrepreneurs of color have long been denied equal access to public procurement. Without access to government contracts, many minority-owned businesses have had difficulty growing to a size that puts them in a better position to serve private-sector clients.

Since the 1960s, public procurement programs have sought to give underrepresented minority-owned businesses more equal access to government spending.⁵⁸ However, design flaws have frequently rendered these initiatives ineffective. Common problems include overly large contracts, substantial bonding and insurance requirements, bundled contracts requiring firms to have multiple capabilities, hostile prime contractors, and slow payment of invoices. The few larger minority-owned businesses in a position to overcome these design challenges were often barred from participating due to eligibility thresholds based on the owner's personal wealth or the firm's annual revenue. Eliminating larger, more efficient firms raised costs to the public, exposing these procurement initiatives to criticism.⁵⁹

Many public agencies have been slow to identify these challenges and address them, often using court rulings against racial quotas as justification for not working harder to develop more successful legally compliant models.⁶⁰ In recent years, public procurement programs in some cities and states made considerable progress by paying invoices more promptly, reducing the contract size, removing the revenue caps, and unbundling contracts so firms were not asked to provide multiple products or services. Hiring dedicated staff with expertise to support and engage strong businesses, while working at the same time to weed out front companies, has also helped.⁶¹

Data and transparency can draw attention to inequities and generate an effective response.

In many places, data and transparency have been a strong force for change. This seems to be true in Massachusetts as well. When recent investigative reporting by WGBH found state contracting with minority businesses owners had fallen by 24 percent since the late 1990s, Governor Baker filed legislation elevating the state's Supplier Diversity Office to a stand-alone agency with more tools and resources to collect and audit data to ensure compliance.⁶²

Data and reporting have also had considerable impact in Boston. In 2019, the city released figures for the first time pursuant to a 2017 ordinance requiring agencies to report quarterly on contracting. The tally showed less than 1 percent of city spending going to minority-owned businesses.⁶³ After these data became public, the Walsh administration responded aggressively, allocating \$2 million to a fund to help minority-owned businesses secure contracts through assistance such as forgivable loans. The mayor also issued an executive order taking a number of steps to help minority-owned business access both public and private procurement.⁶⁴ The response appears to have had an immediate impact. In FY 2020, minority-owned business received 4.8 percent of city contracts.⁶⁵ Looking to build on this progress, Boston is also completing a gap study to help establish legally sustainable race-based procurement goals.

Private-sector supplier diversity efforts lack reliable reporting mechanisms. However, ideas for developing them are beginning to gain traction. In 2019, California passed legislation requiring hospitals to report supplier diversity data. A recent white paper by a group of highly regarded experts calls for unified national standards for tracking and reporting on corporate procurement from minority-owned businesses. Under the proposal, independent audit firms would verify reports against these standards to give ESG investors confidence in the metrics.⁶⁶

Inclusive leadership is key.

Research shows procurement managers are slow to comply with directives to increase contractor diversity unless management is fully committed and engaged. In both public and private organizations, management's commitment is a direct function of diverse organizational leadership.⁶⁷

The "MassPort model" demonstrates the dramatic difference high-level leadership in public agencies can make. When

putting major parcels of land in Boston's Seaport District out for bid, the quasi-public agency made diversity, equity, and inclusion (DEI) 25 percent of the scoring. This sent a very strong signal to the development community that innovative approaches to DEI would likely be a determinative factor in winning bids. While the MassPort approach benefited considerably from Boston's thriving downtown real estate market, a Harvard Business School case study largely attributes the effort's success to board leadership, the CEO's commitment to advancing DEI, and the talent and dedication of the senior staff person responsible for implementing the policy.⁶⁸

Experience suggests leadership is equally important in private-sector supplier diversity initiatives. Recently, the Greater Boston Chamber developed the Pacesetters Program to boost these efforts. Early reports suggest the program has struggled to gain the necessary focus and attention from high-level corporate executives.⁶⁹ While the chamber continues to refine the program, steps to increase corporate board and leadership diversity in Massachusetts are critical to long-term success.

In 2019, Illinois became the first state to require publicly held domestic and foreign companies to disclose the number of women and minority board members. In 2020, California Governor Gavin Newsom signed into law a bill that requires publicly held companies headquartered in the state to include board members from underrepresented communities. Public pressure is building for others to follow suit. Last October, several state treasurers and fund managers signed an open letter calling on large companies to disclose information on board diversity.⁷⁰

Innovative efforts to build markets hold promise.

Intermediaries can play an important role helping to cultivate and serve growing demand for products and services provided by minority-owned businesses. The white paper

noted previously suggests borrowing from healthcare's Group Purchasing Organization (GPOs) model. Hospitals distribute three-quarters of their non-labor expenditure through these intermediaries. While this is primarily an effort to pool demand and lower costs, the GPOs also provide sophisticated contracting and supply-chain management capacity. They can use this capacity to identify small minority-owned businesses and help them develop the capabilities necessary to serve large corporate clients.

A variety of new efforts aim to help businesses of color by connecting them with more customers directly through websites. Online marketplaces such as Katika and WeBuyBlack seek to provide an Etsy-like platform exclusively for minority-owned businesses. Greater Boston leaders are experimenting with a similar approach to market-building with GK Market, a free website offering a multicultural marketplace managed by Get Konnected, a cross-cultural business networking group.

Digital inclusion is key to the success of these efforts. A recent MassINC report noted the need for more attention to the urban dimensions of the digital divide in Massachusetts.⁷¹ Programs like Ebay's Retail Revival, which has worked in a handful of cities to help small businesses build the skills to succeed online, provide models. Hands-on assistance helping businesses implement technology solutions that allow them to broaden their customer base has been particularly helpful during the pandemic, as demonstrated by LISC's Beyond Six-Foot Apart Accelerator (see box p. 29).

When building inclusive ecosystems, innovative efforts to increase market access often provide a foundation for success. In Cincinnati, a leading city on measures of inclusive entrepreneurship, efforts were initially driven by a desire to increase supplier diversity (see box p. 28). To position entrepreneurs of color to contribute at their full potential, Massachusetts must demonstrate a similar commitment to engagement and cross-sector collaboration in market access strategies.

PROCUREMENT EFFORTS PAVE THE WAY IN CINCINNATI

Cincinnati ranks among the top 10 large metro areas for minority-owned businesses. This competitive position is the result of longstanding efforts to build an inclusive entrepreneurial ecosystem. These efforts date back the 1970s, when anchor institutions and large corporations headquartered in the city founded the nonprofit Ohio Minority Supplier Development Council. The city followed suit with a minority-owned business procurement ordinance. Soon the public, private, and nonprofit sectors were working together strategically to incubate and grow minority-owned businesses. In 2003, they forged the Minority Business Accelerator (MBA), which is housed within the Cincinnati Regional Chamber of Commerce. The accelerator has a portfolio of 35 Black- and Latinx-owned firms with annual revenues of more than \$1 million. In addition to helping these businesses grow, the MBA works to build a pipeline, preparing smaller startups to enter the program. The MBA also works with the regional economic development agency to strategically recruit minority-owned firms in sectors where Greater Cincinnati has a competitive advantage.⁷²

LISC BOSTON'S HELPS SMALL BUSINESSES SURVIVE COVID-19 BY BUILDING DIGITAL SKILLS

Just before the pandemic hit, LISC Boston launched the Beyond Six Feet Apart Accelerator (BSFAA) to help small minority-owned businesses in the region grow. This new program quickly pivoted to helping these businesses respond safely and strategically to COVID-19. LISC partnered with the IXL Center, a global business consulting company, to pair MBA students with small-business owners. Supported by IXL consultants, they worked together for five weeks, exploring low-cost, digital solutions to avoid unnecessary contact, reach customers, and capture new demand. Businesses and their consulting teams met weekly over Zoom in sector-specific groups, networking and developing sector-specific strategies. BSFAA has served nearly 50 small businesses in two waves.



VII. Building from a Blueprint for Inclusive Entrepreneurial Ecosystems

Successful pandemic response efforts prove that Massachusetts has the underpinnings of an inclusive entrepreneurial ecosystem system. With vision and decisive action, the state can build on this strong foundation to close racial and ethnic gaps in small business ownership by the end of the decade. The complete blueprint for achieving this goal will take time to craft and continual refinement. To accelerate progress in the near-term, leaders must coalesce around an initial set of strategic priorities. Informed by the challenges and opportunities revealed by this analysis, and cognizant of the gaps in our knowledge base that will require further consideration, we propose the following immediate set of near-term priorities across the three key areas:

Skills and Networks

- **Dramatically expand the Small Business Technical Assistance grant.** The SBTA grant plays a central role in helping entrepreneurs of color in every corner of the state develop skills and find the support needed to grow successful small businesses. Independent analysis shows the program generates jobs and provides high return on public investment. To serve a larger volume of entrepreneurs, this grant program must increase significantly.

At present, heavy demand forces MGCC to cap grants at \$85,000 annually per organization. In the immediate recovery period, organizations reliant on SBTA grants will face extraordinary pressure as they seek to help existing businesses restructure, while also supporting a wave of new entrepreneurs. In addition to larger grants, these organizations need more predictability. Federal stimulus funds may provide a unique one-time opportunity to forward-fund the program, allowing MGCC to offer multi-year grants, or at a minimum, grants that will not lapse for several months when there is a delay in the state budget.

- **Establish a center of excellence to develop shared training materials, disseminate best practices, track progress, and evaluate new strategies.** Marshalling both public and private support, Massachusetts can centralize efforts to disseminate knowledge and share resources across the field. As we seek to learn from the many innovative experiments deployed in the response to the pandemic, a center could play a timely role in increasing adoption of practices with the most long-term potential. A center could also play an important function accelerating the development of new nonprofits entering the

field, such as those working to increase access to economic opportunity in communities heavily impacted by incarceration through the state's new Justice Reinvestment Fund.

Equally important, the center can evolve the strategy blueprint by developing reliable metrics to track year-to-year progress at both the state and local level and conducting evaluations to identify what is working and what is not. Immediate needs for additional research to inform future efforts include the strength of supports for women of color, the impact of the state's current regulatory structures on access to capital for entrepreneurs of color, scans of inclusive entrepreneurship challenges and opportunities in high-growth sectors, and sustained focus on monitoring access to public and private procurement.

- **Provide seed grants to help small business assistance providers align customer relationship management (CRM) systems with statewide data-reporting protocols.** Data on the needs of businesses and their growth trajectories are severely lacking. Helping small business assistance providers develop common reporting protocols and systems to exchange data in real time would vastly improve our knowledge of the field and inform efforts to support small businesses in the future. While fully developing this data infrastructure will likely take many years, it is critical to begin this vital work without further delay.
- **Develop a new grant programs for inclusive sector-specific accelerators.** Massachusetts needs accelerator programs specifically designed to serve entrepreneurs of color in high-growth industries, particularly in sectors such as cannabis, clean energy, and fin-tech, where communities of color have experienced injustice or remain disparately exposed to potential harm. Culturally competent, sector-specific accelerators can increase coordination among existing accelerator and incubator programs, positioning entrepreneurs of color to take greater advantage of the many offerings in the larger Massachusetts ecosystem.
- **Maintain funding for the Collaborative Workspace Program and establish DEI goals and reporting requirements.** The Collaborative Workspace Program (CWP) supports the development of entrepreneurial ecosystems by ensuring that creative spaces exist across the state and subsidizing access to well-equipped facilities for startups with limited capital in a range of industries. However, it is difficult to assess the contribution of these public investments without data. Across the board, state economic

development programs lack DEI goals and metrics. Mass Development can establish important precedents and standards by instituting reporting protocols for the CWP and openly providing these data in the agency's annual report.

Access to Capital

- **Create a large pool of flexible capital for community investment funds.** Between the 2020 economic development bill and the FY 2021 budget, there is at least \$50 million in state funds available to capitalize community investment funds that provide various forms of debt and equity to meet the needs of entrepreneurs of color. In addition, federal stimulus dollars will likely generate a similar volume of resources in the near-term that could be deployed in this manner. Leveraging contributions from private philanthropy and social-impact investors, Massachusetts could assemble resources to dramatically increase the number of entrepreneurs of color receiving access to growth capital from community investment funds.

As leaders work to structure a program to deploy these resources, they should prioritize applications that embrace new partnerships, technologies, and other innovations that provide sustainable opportunities to serve more entrepreneurs of color at scale. In addition, the focus should include funds offering specialized support to businesses in high-growth sectors, worker cooperatives, and contract financing for entrepreneurs of color seeking access to both public and private procurement.

By moving resources through community investment funds at significantly larger scale over the next few years, we will learn more about the system's capacity to deploy capital, expected returns, and the response increasing access to capital through these nonprofit entities generates from traditional financial institutions. With this information, leaders will be in a better position to gauge the size of the capital needs gap for businesses of color and devise sustainable approaches to fully meet this need.

- **Deploy the \$15 million provided in the FY 2021 budget to match funds raised on crowdfunding platforms; recapitalize the program if it meets DEI benchmarks.** MGCC is designing a new crowdfunding matching grant program that will position more entrepreneurs of color to launch businesses in capital intensive industries. MGCC should establish DEI benchmarks for the program. If it achieves these clearly stated objectives, we must quickly recapitalize the program to maintain continuity as word of the program spreads to other entrepreneurs of color.

Access to Markets

- **Develop a new grant for backbone organizations that support entrepreneurs of color.** Organizations that provide convening and facilitation capacity are critical in ecosystems and will play a large role at the regional level spearheading all three dimensions of this strategy. However, they can perform an especially vital function coordinating efforts to help entrepreneurs of color access markets as the Cincinnati model demonstrates.

Chambers, private nonprofit economic development partnerships, and ethnic business networks can convene local partners, forge relationships, develop strategy, collect data, and monitor progress. Many of these organizations are eager to take on this work, but they require dedicated capacity and the ability to raise resources locally is limited. A competitive state grant program could place these organizations in a much better position to marshal the funds necessary to lead impactful initiatives.

While the design of this new grant program should provide ample flexibility to meet the needs and opportunities of each region, organizational commitment to DEI as evidenced by leadership diversity should be a key selection criterion.

- **Invest in efforts to revitalize commercial districts.** Main Street programs, business improvement districts, and other entities marketing neighborhoods, supporting placemaking activities, and helping local businesses reach more customers have a vital role to play rebuilding vibrant commercial districts that are welcoming to all. To emerge from the COVID recession stronger, Massachusetts will need to draw on the decades of experience these organizations bring and ensure that this capacity is more evenly distributed in communities of color throughout the state.

The recovery period is also a unique moment to advance new models that will stabilize fragile business districts in communities for the long term. High-potential opportunities for exploration include the use of commercial land trusts to acquire, rehab, and maintain affordability of commercial property in communities of color, as well as efforts to utilize ground floor retail space in affordable housing developments to further local inclusive entrepreneurship strategies.

- **Pass Governor Baker's procurement bill.** Last year, Governor Baker filed An Act to Expand Opportunities for Minority and Women Business Enterprises in Public Construction Projects (H.4511). The bill makes subcontracted work, which represents more than half of all spending on

public projects, subject to the state's minority participation goals. While the bill was reported out favorably by committee, it was caught in the end-of-session logjam and did not receive a vote. Governor Baker should refile the relatively straightforward bill for legislators to act on early in the new session.

- **Pass legislation mandating reporting on contracting with minority-owned businesses.** Massachusetts can build on California's hospital supplier diversity law with legislation requiring all public and private organizations issuing contracts over a given annual threshold to report on contracts issued to the state's certified minority-owned businesses.
- **Pass legislation mandating reporting on board diversity.** Following the Illinois law mandating the disclosure of data on board diversity, Massachusetts could also help entrepreneurs of color access contracts issued by large privately-held companies by requiring corporations headquartered in Massachusetts to track and publicly report data on leadership diversity.



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About MassINC

Founded in 1996, MassINC's mission is to provide the people of Massachusetts with the information they need to participate fully in our democracy. We are a nonpartisan 501c3 and achieve impact through independent research, nonprofit journalism, and civic engagement.

About the Coalition for An Equitable Economy

The Coalition for an Equitable Economy is a broad collection of stakeholders from across Massachusetts aligned around a shared commitment to building an equitable small business ecosystem and to the values of racial equity and inclusion. The Coalition's mission is to ensure equitable access to capital, business networks, education, technical support and other resources for Black, Latinx, immigrant and low income small business owners in Massachusetts. We aim to build, on the foundation of existing assets, a highly collaborative, innovative and effective ecosystem that delivers to diverse entrepreneurs the resources necessary to start, stabilize and grow profitable businesses that fuel the Massachusetts economy.

For more information, visit <https://www.maequitableeconomy.org>.

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