

BEYOND 5

Small Business Survivability Study for New Majority Entrepreneurs

Brought to you by
1863 Ventures

Learn more at
1863ventures.net

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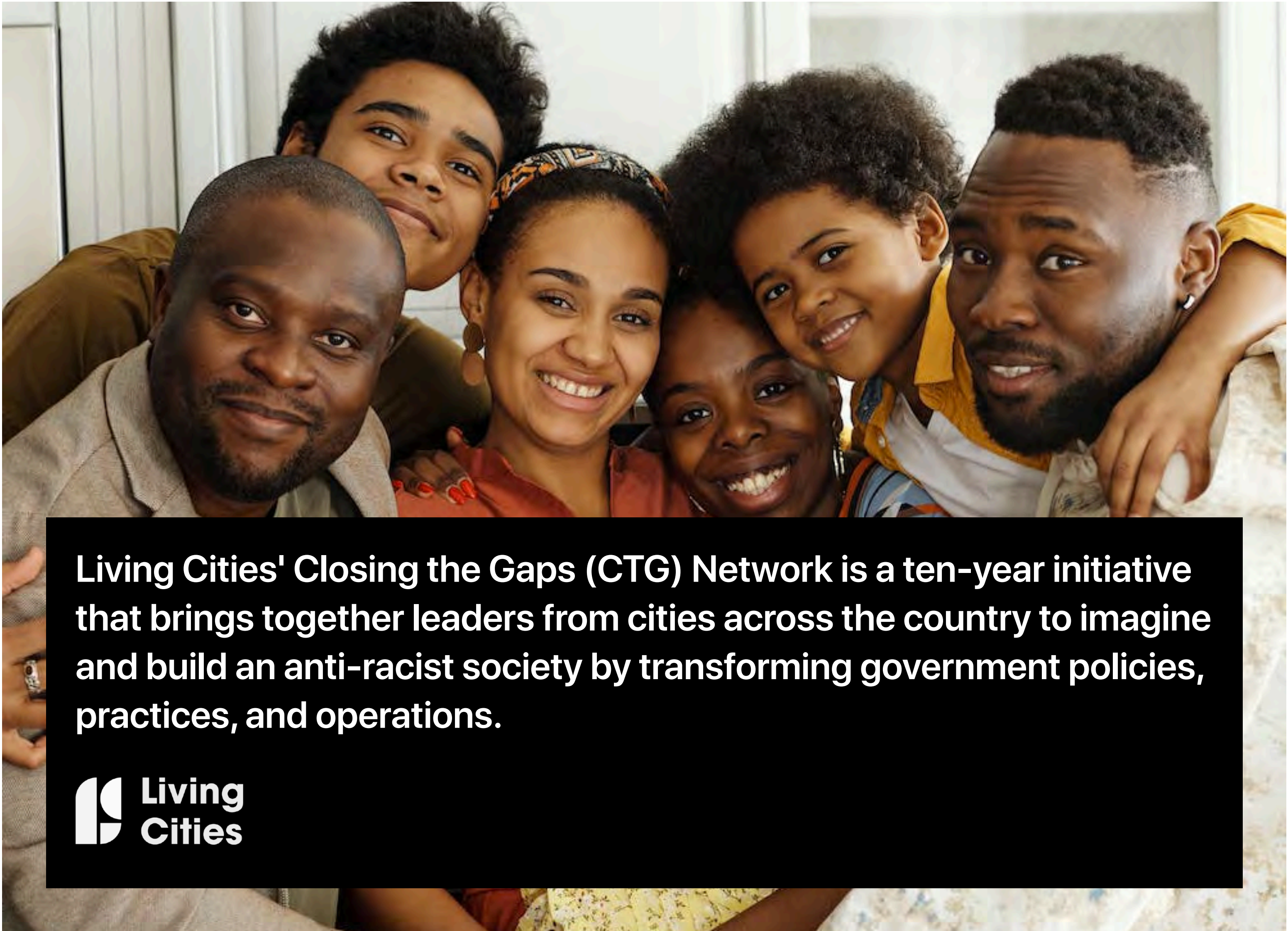
But first...
A thank you to
our research
Research Partners



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And also a special shout-out to

Living Cities CTG Leadership



Living Cities' Closing the Gaps (CTG) Network is a ten-year initiative that brings together leaders from cities across the country to imagine and build an anti-racist society by transforming government policies, practices, and operations.



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THE INTRO



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The Problem

Despite their prevalence & impact, New Majority firms lack the necessary support to thrive.

7.1 million

people employed

\$1.4 trillion

In annual revenues

> 90%

are non-employer firms

85%

generate less than \$100K in annual receipts

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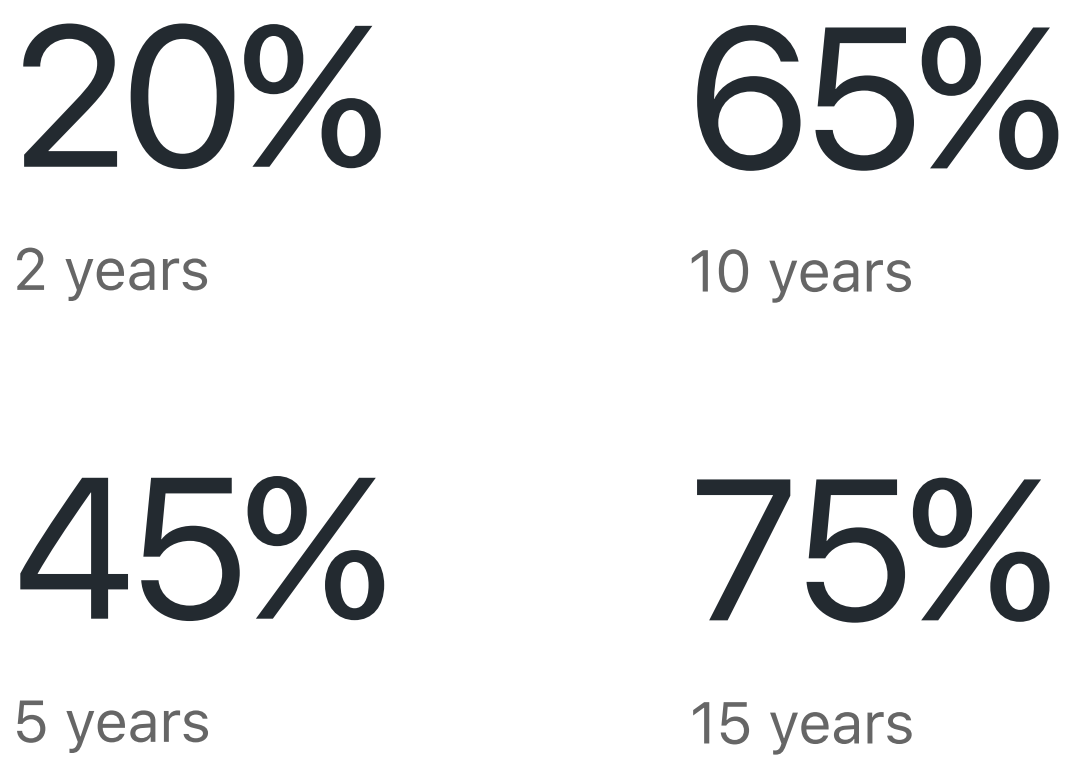
The Solution

Support & promote New Majority firms who have exceeded the national avg of failure by focusing on their success & resiliency.

Common misconception

80%
of of all firms consistently fail in the first FIVE yrs

Data on failure rate ACTUALLY shows:



New Majority firm potential is stifled by a lack of access...

Our founders need support.

To reach profitability and achieve scale, founders need contextual support to help them become better operators & guidance on what tools they should adopt to scale with confidence.

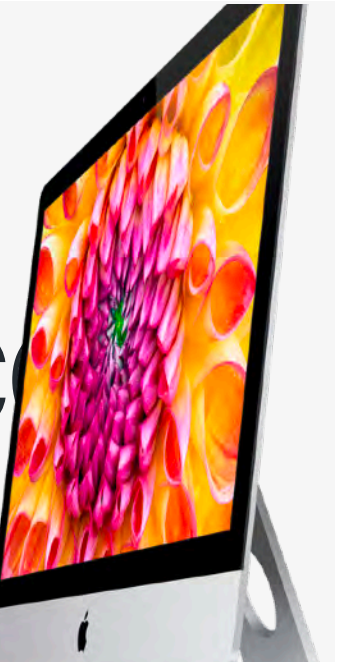
Access to

Capital



Access to

Technical Assistance



Access to

Networks



Barriers exist that hinder growth beyond sole proprietorship

Wealth/opportunity gaps depress growth and increases the risk of failure.

Without a targeted effort, we risk creating asymmetrical business conditions that advantage non-minority firms who are often better capitalized and more likely to be backed by sources of growth capital.

Changing

Demographics



Increasing

Input Costs



Increasing costs of

Real Estate



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RESEARCH & HIGH-LEVEL FINDINGS

During 2021 a survey was created to understand the performance of Black and Brown businesses that survive beyond five years. While 50% of businesses fail within five years in the US, we were convinced that Black businesses were surviving longer. However, we did not have the data to prove it.

The Beyond 5 respondents were resoundingly:

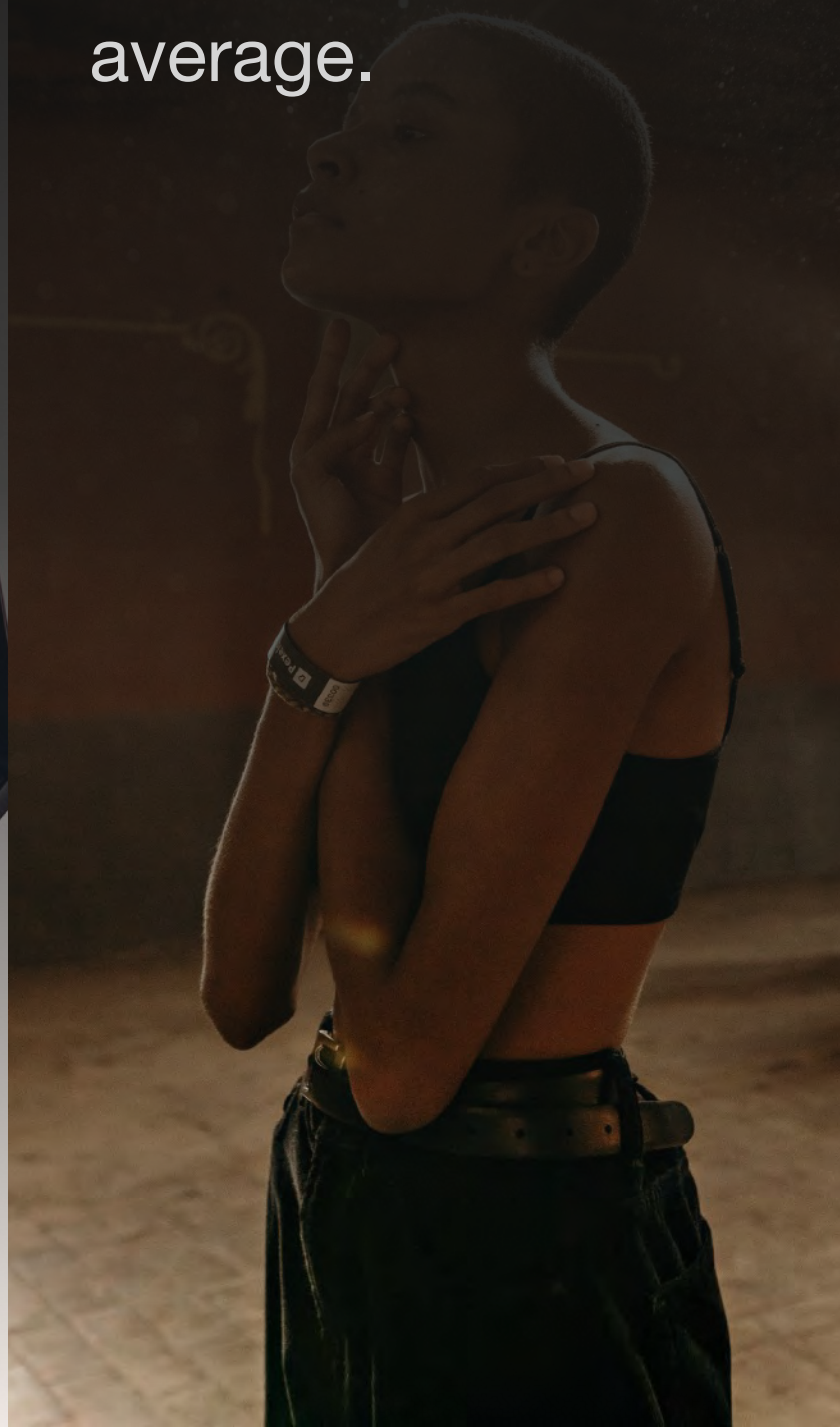
African American and female.



Over indexing in the sector of beauty products.



They over indexed single compared to the national average.



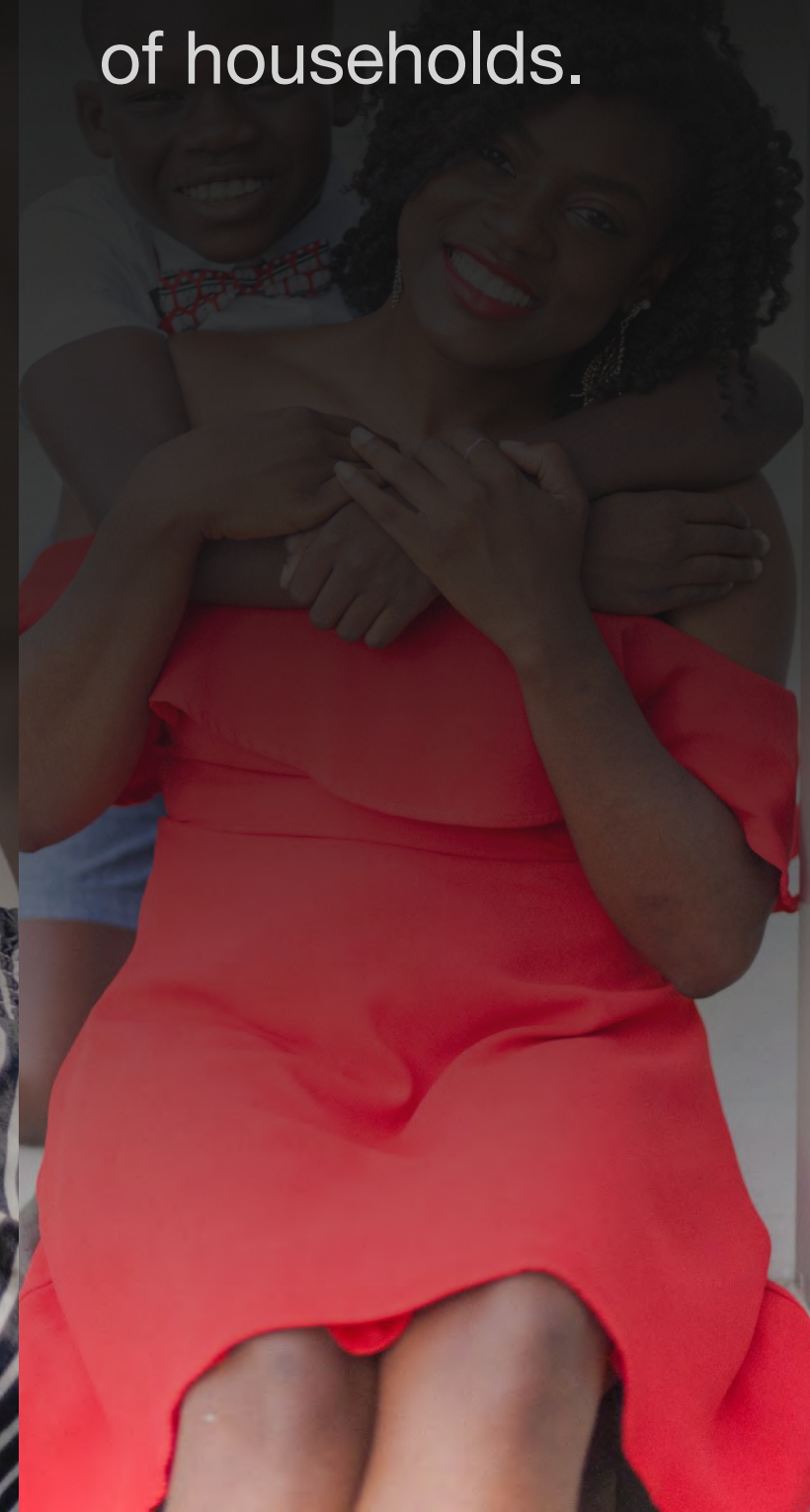
The median age was 42 years old.



Most of these business owners were operating in B2C markets.



Most were single parents and heads of households.



The Beyond 5 Research Project yielded the following results...

Black businesses are **surviving at least 8.5 years**, compared to the **median of 6 years**.

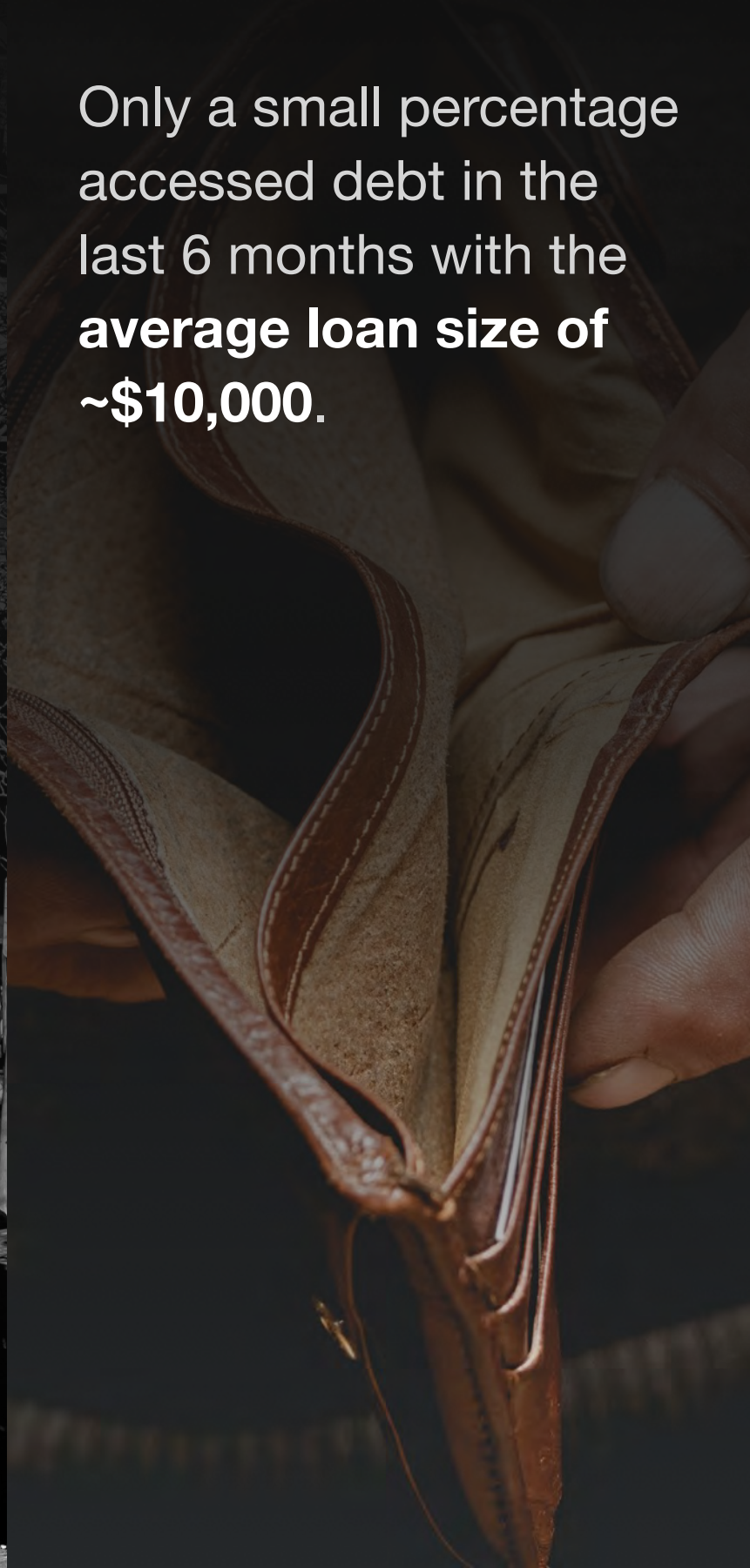
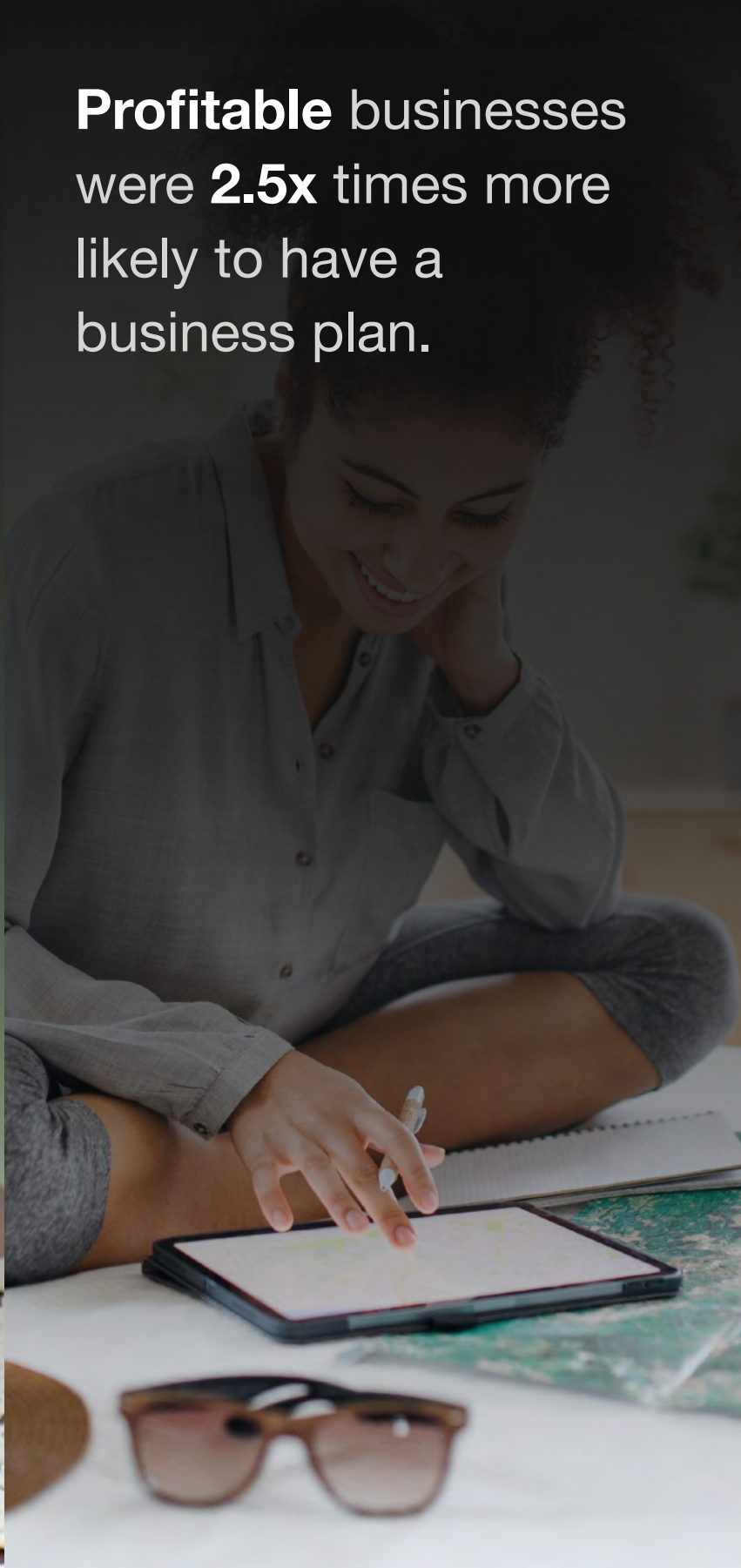
Profitable businesses were **2.5x** times more likely to have a business plan.

The majority of respondents noted **partnerships were critical** to their success.

Most respondents accessed **debt** for growth.

Fewer than 20% had worked with **CDFIs**.

Only a small percentage accessed debt in the last 6 months with the **average loan size of ~\$10,000**.



The Beyond 5 Research Project yielded the following results...

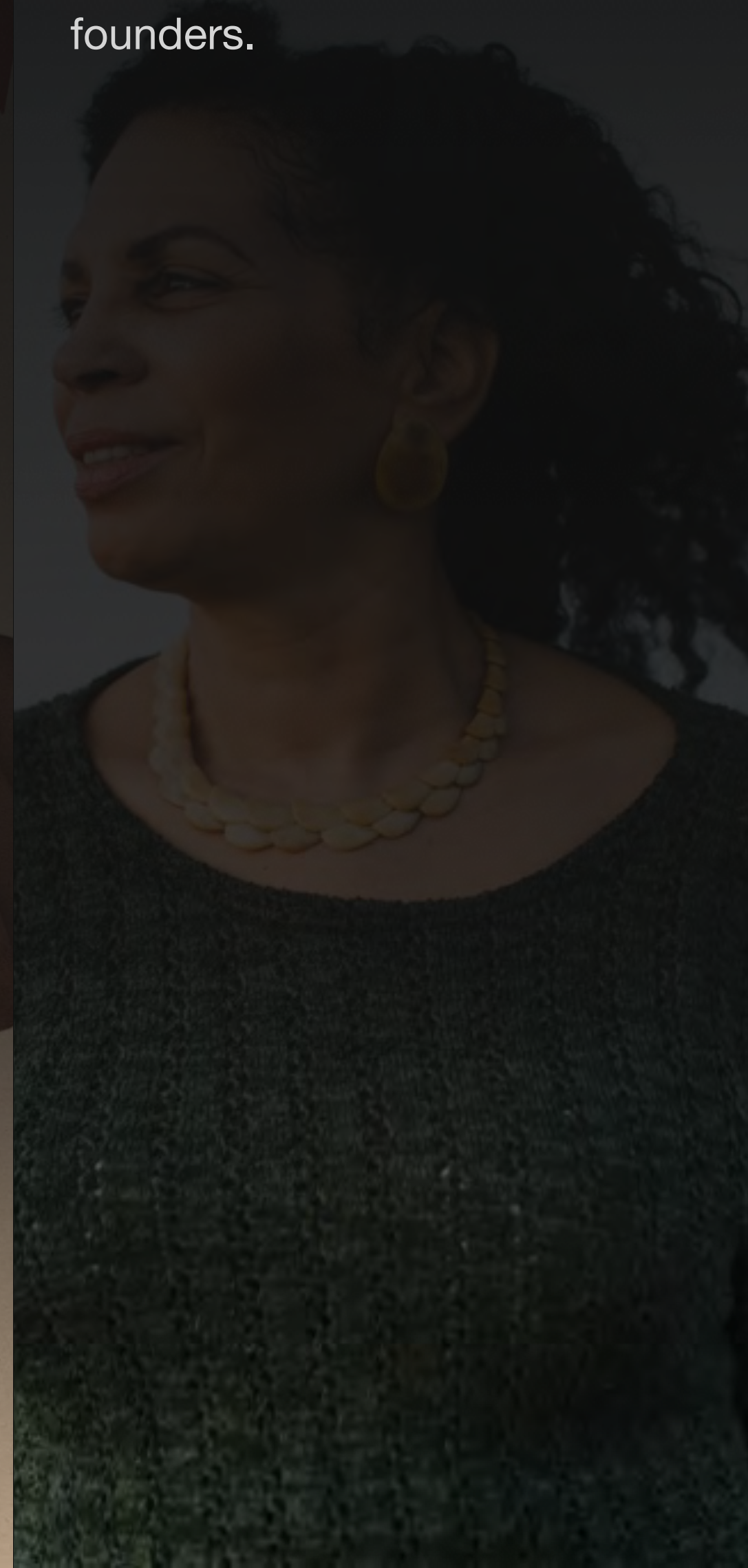
Almost half of the businesses
used personal credit cards to
support their businesses.



Profitability vs. Access to
capital were better predictors
of longitudinal survivability for
Black businesses.



Repeat entrepreneurs were
slightly **more likely to be
profitable** than the first-time
founders.



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FOCUS GROUP FINDINGS



During our focus groups, key challenges noted by founders...



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"Even though I've been in business for 13 years, I've never gone to the bank to get any money. When I checked all the boxes: good credit, cashflow, brick and mortar. I have a solid business and assets. I own a home. I still couldn't get any money from the banks"

- ENTREPRENEUR FROM [AUSTIN, TX](#)

Access to experienced talent, citing rapid wage growth as a major hinderance...



Limited access to experienced coaching and mentorship...



Overworked due to inability to hire more staff due to capital constraints...



Lack of access to ongoing capital for business growth after using savings and credit cards to start their businesses...



Proposed Solutions from Focus Group Founders

PART 01

“So you're kind of piece-mealing stuff together, and by the time you create what you think, you're like, ‘Oh, I think I have all my ducks in a row.’ And then you go and they're like, ‘Nah.’ And you're like, ‘I thought I was making moves, but I'm wasting time in the wrong order with the wrong people, with the wrong organization.’”

- ENTREPRENEUR FROM [AUSTIN, TX](#)

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Transparency with application processes, selection criteria and repayment terms.

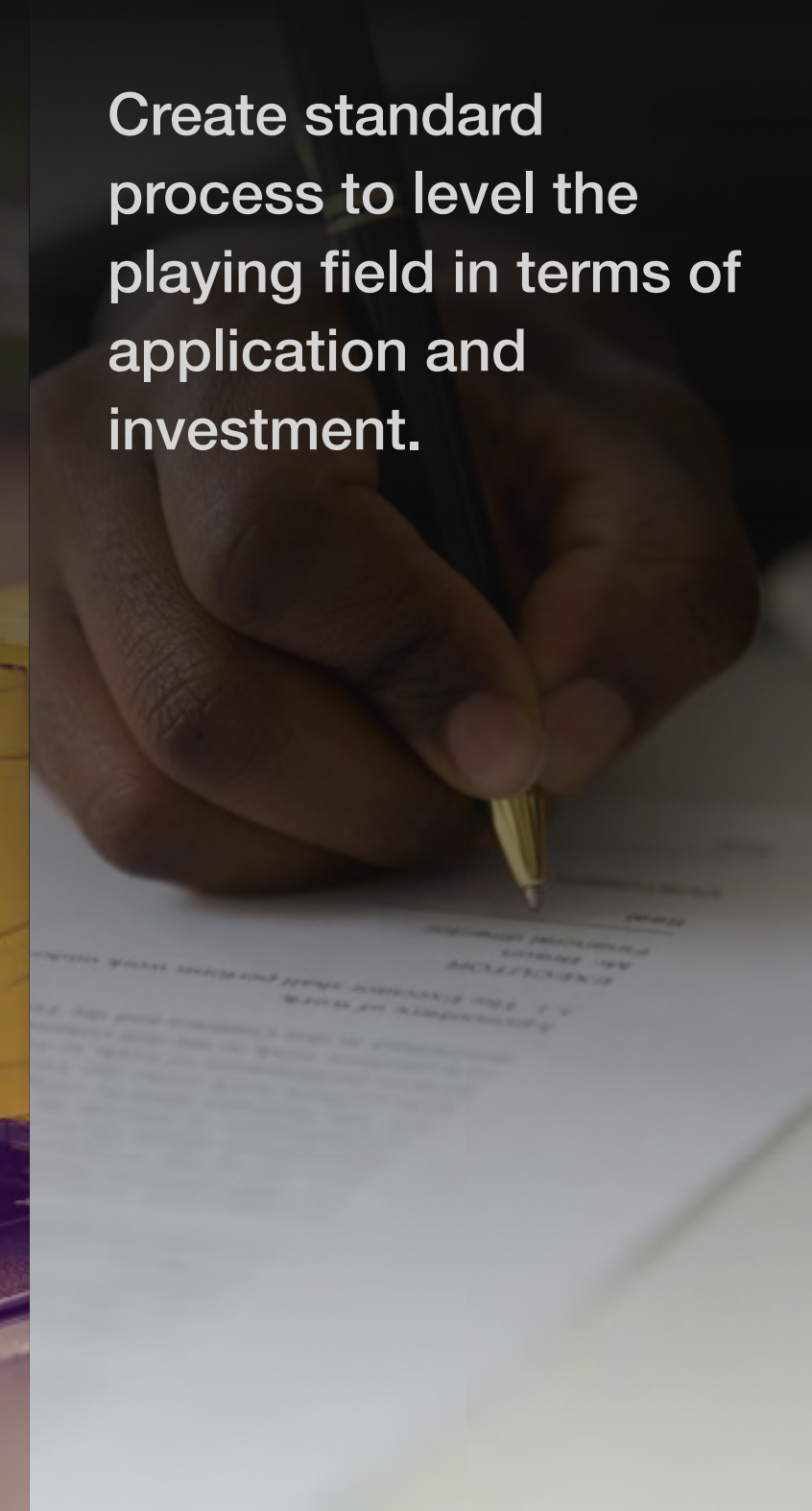
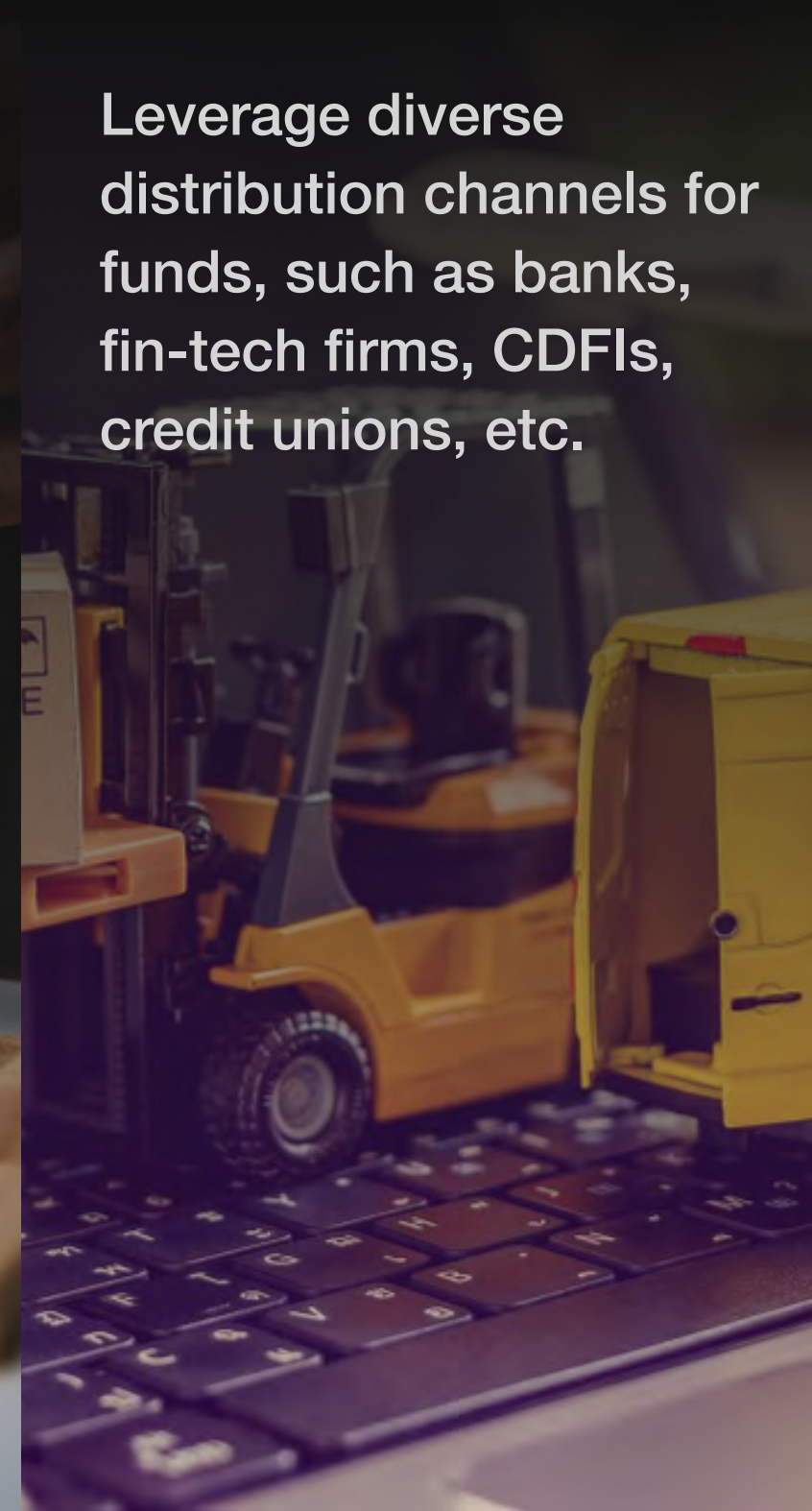
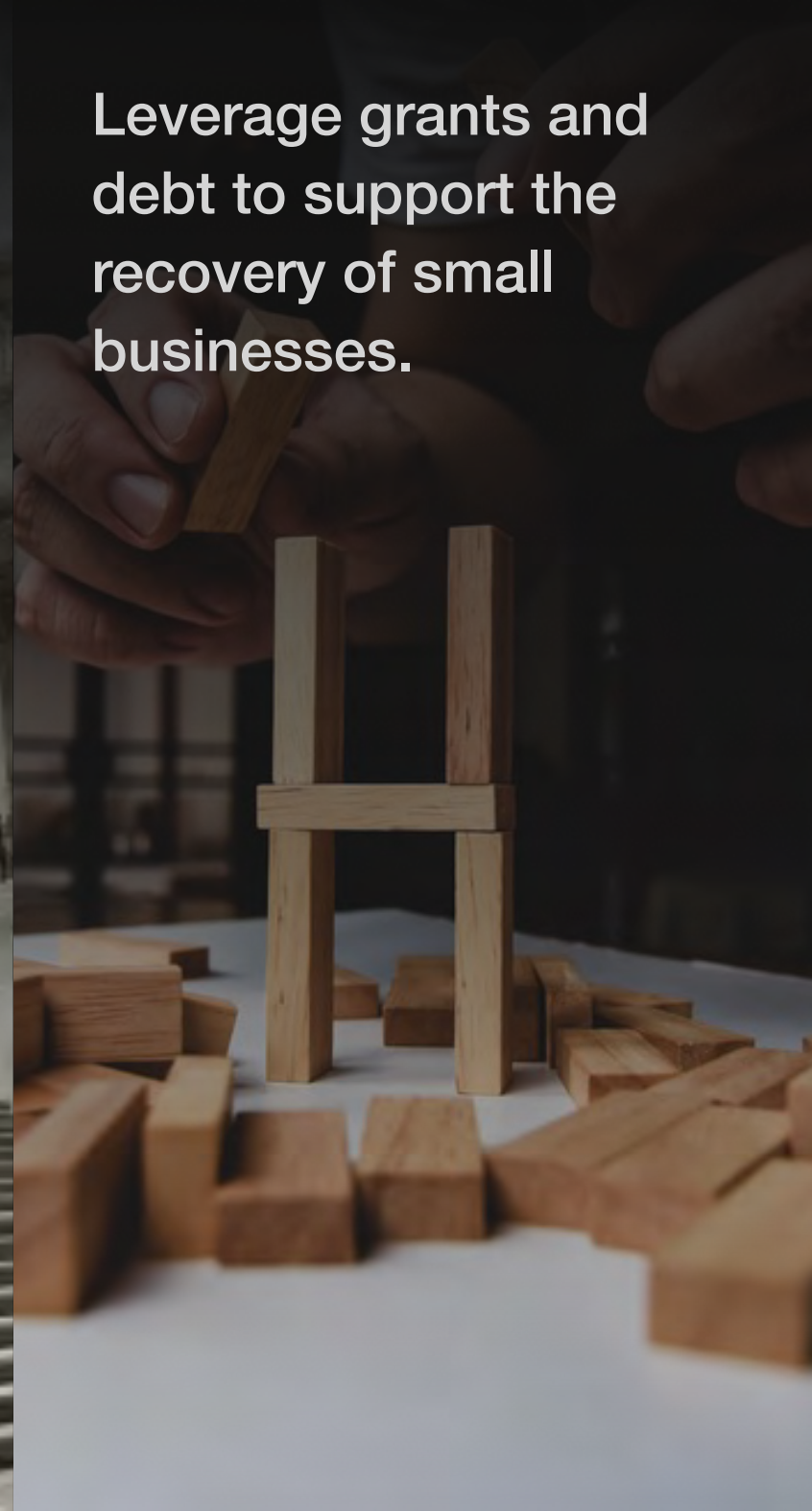
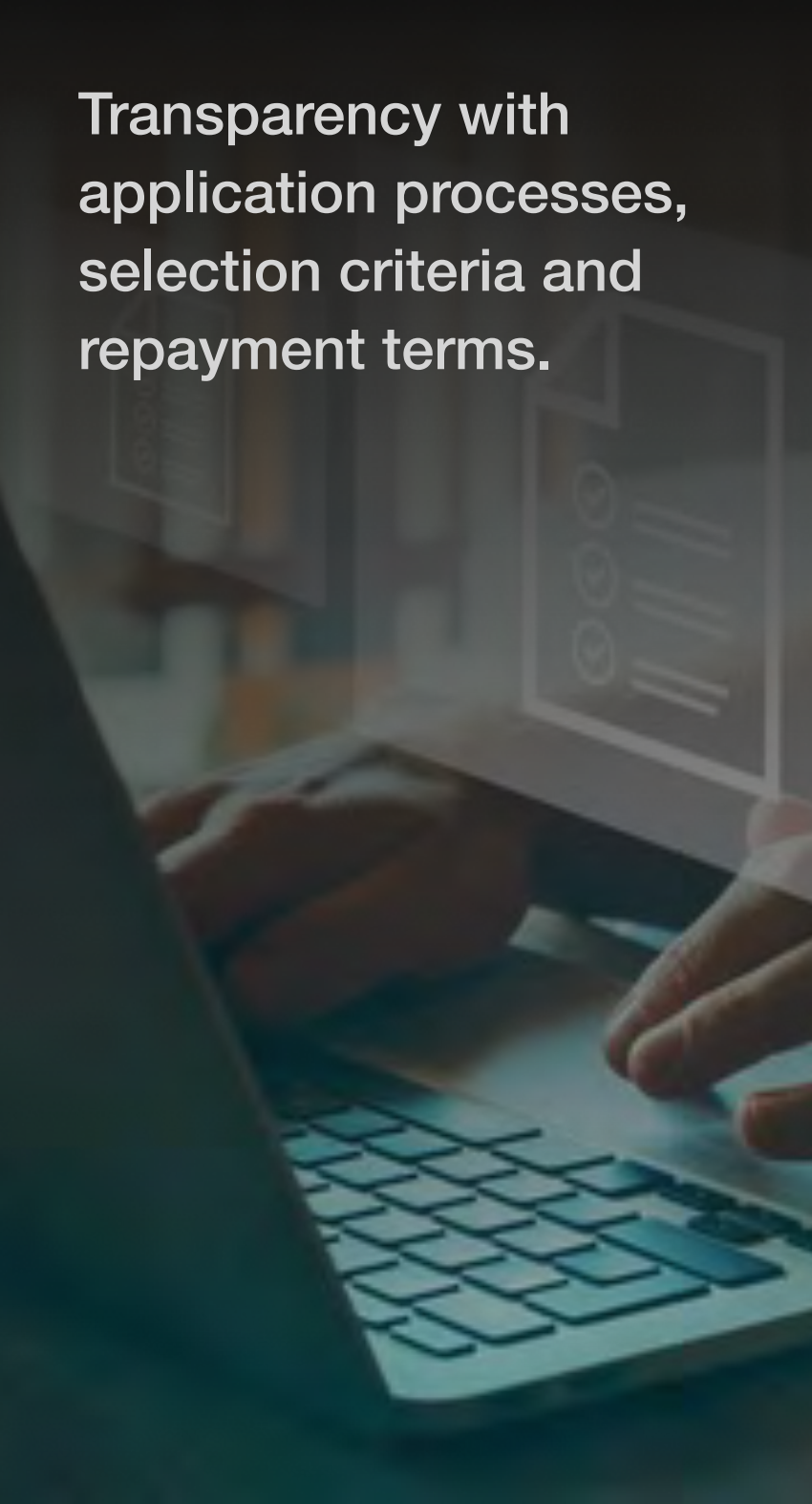
Race based policy to ensure equitable access to capital available.

Leverage grants and debt to support the recovery of small businesses.

Leverage diverse distribution channels for funds, such as banks, fin-tech firms, CDFIs, credit unions, etc.

Create standard process to level the playing field in terms of application and investment.

Contextual resources by language, community, size, age, gender, etc.



Proposed Solutions from Focus Group Founders

PART 02

"We need people in the boardroom, people with authority, in the White circles to hear these stories. We need them to become humble and create opportunities... They should be prepared to hear directly from us."

- ENTREPRENEUR FROM ROCHESTER, NY

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Increased collaboration within entrepreneurial ecosystems.

More holistic approaches to investor due diligence.

Institutions investing more in understanding communities of color.

More diversity on boards of investor committees.

More government assistance towards supporting business viability.

Cultural competence courses in MBA programs.



U.S. Small Business
Administration



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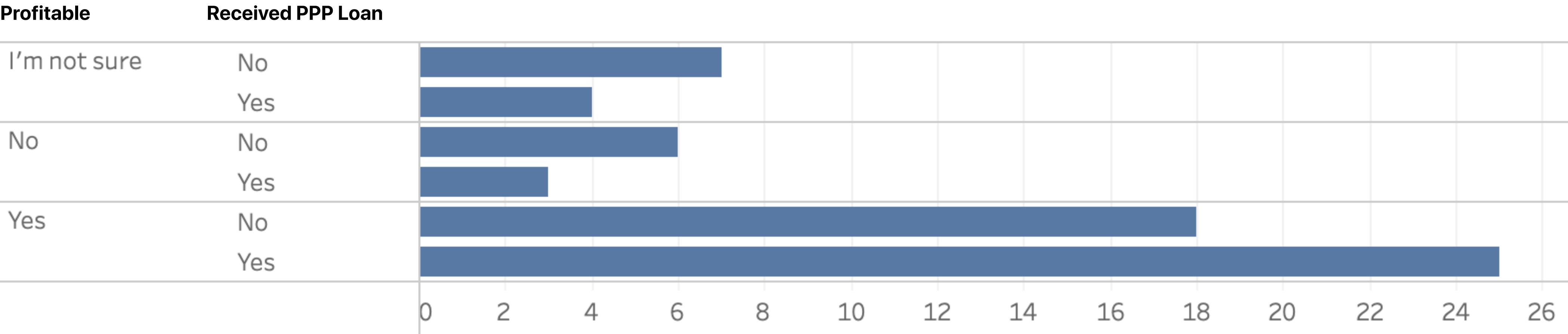
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NATIONAL FINDINGS



Nationally founders noted the following capital related challenges in business growth...

PROFITABILITY IMPACTED PPP ACCESS, CREDIT AVAILABILITY



Racial wealth gap caused by structural racism

Existing policies that limit founder opportunity, such as redlining

Lack of access to capital

Limited social capital to advance businesses

Housing discrimination that limits access to startup capital

Student loan debt that impacts ability to borrow

Nationally founders noted the following educational & strategic positioning challenges in business growth...



Disparities in education and training which limits access to critical business information

Lack of access to, and understanding of, technology to advance business growth and scale

Entrepreneurs of color start businesses in less lucrative sectors

Customer bias which leads to reduced sales

Discrimination in contracting

Policy Solutions

PART 01

“In the end, you can talk about red tape, but if we elevate the conversation to the concept of prosperity, talking about wealth distribution, there's all these pot of money. The government has a lot of money, companies have all these money to be invested. But the way in which this money flows has to do with relationships, who knows who.”

- ENTREPRENEUR FROM [ST. PAUL, MN](#)

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Economic development solutions should be inclusive of a racial equity lens.



Redefine CRA to account for gentrification.



Unbundle contracting opportunities to allow for smaller firms to be competitive.



Make licensing easier, less cumbersome and time consuming.



Eliminate red tape and unnecessary bureaucracy.



Create small business committee as part of city council.

Policy Solutions

PART 02

"I am a certified Minority and Woman owned business in the state...That doesn't mean that I get any business. I found out that the contracts are written by the person who got them. If you have a relationship with a contracting manager, and they might not know the job well enough, they will ask a contractor to write the contract. Of course they will win the bid, they wrote the contract and put their skills in the criteria."

- ENTREPRENEUR FROM [AUSTIN, TX](#)

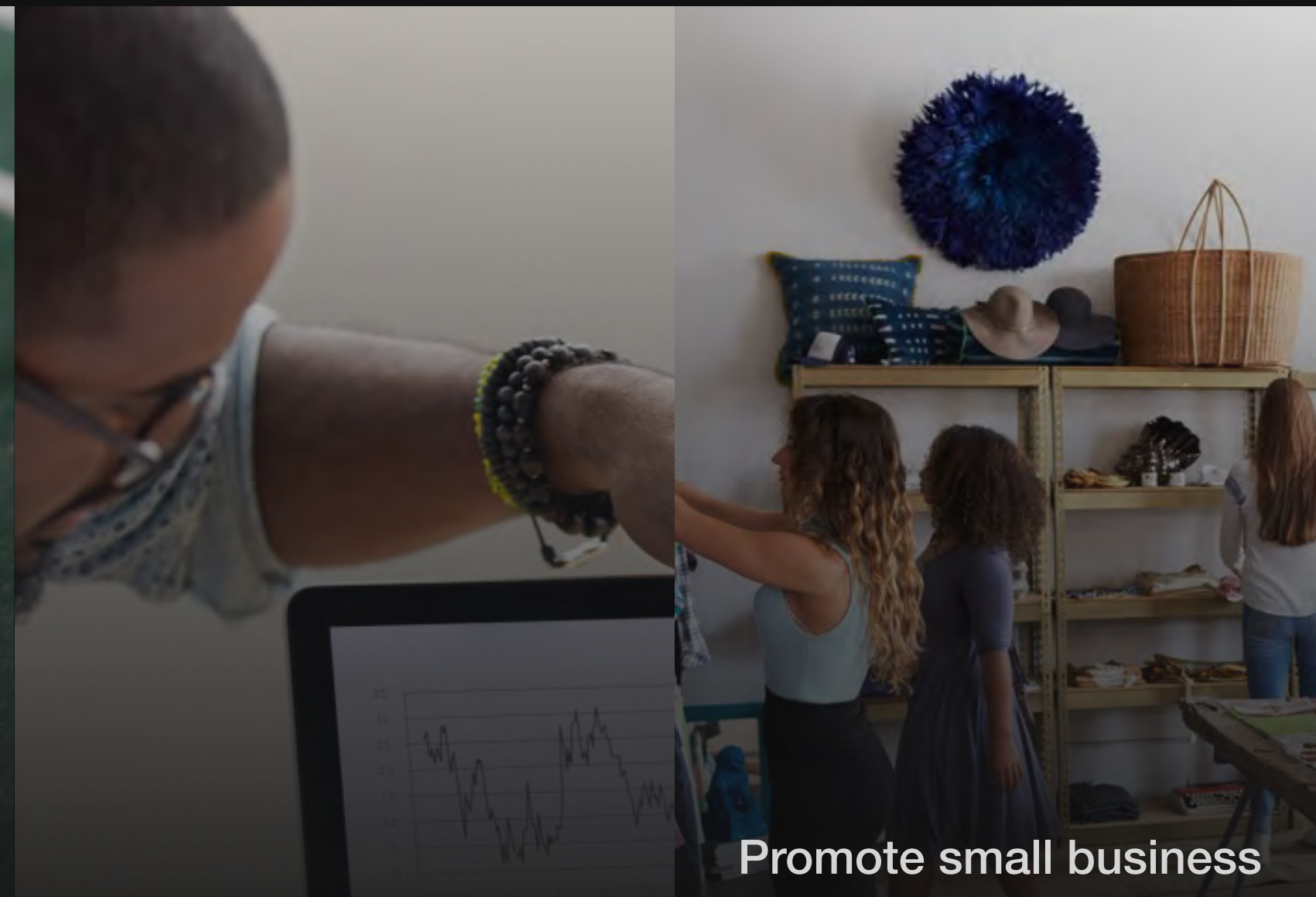
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Assess budgets to align small business investment to close the racial wealth gap.



Create an equitable small business agenda and measure success.



Host annual hearing of local capital providers to report equity impact in the region.



Align services by size, sector – policy and ecosystem.



Streamline certification processes.

Policy Solutions

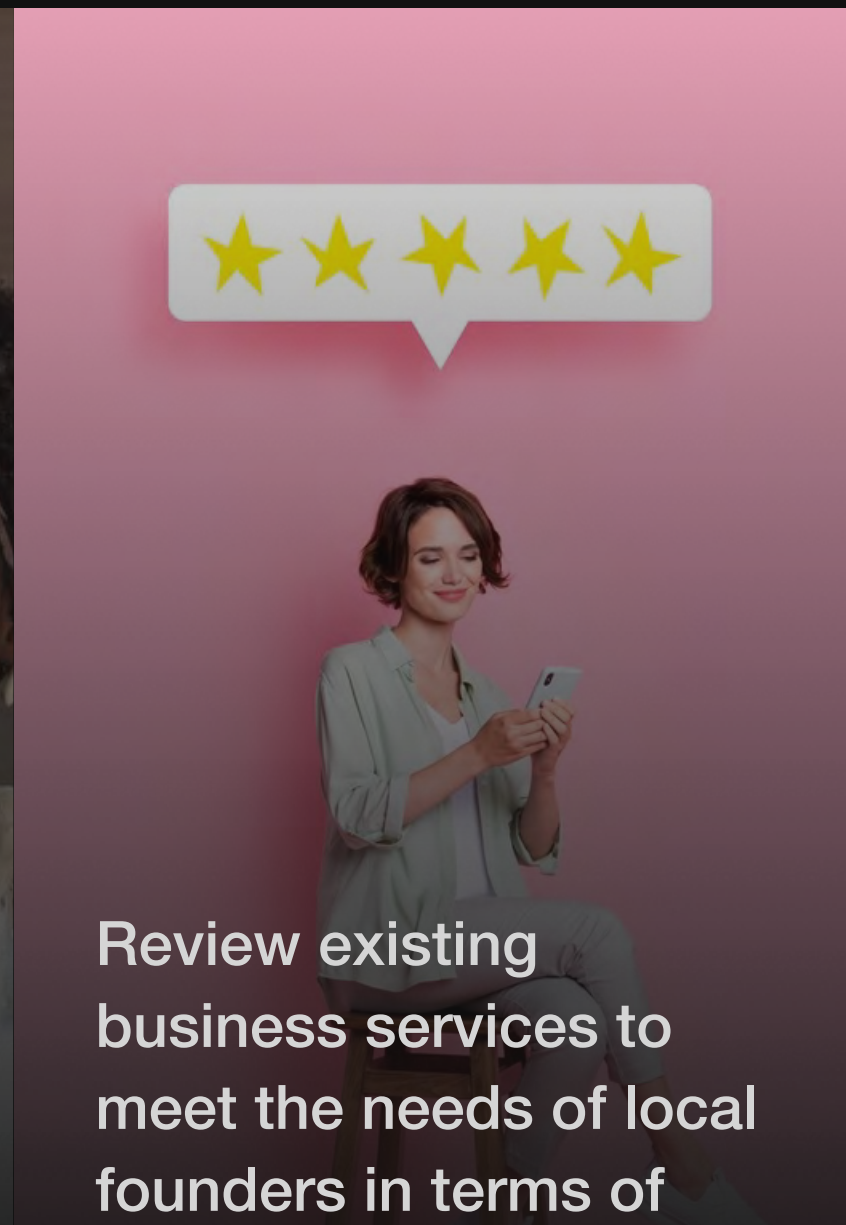
PART 03



Explore any friction in current procurement practices.



Require percentage to MWBE in local government.



Review existing business services to meet the needs of local founders in terms of hours, customer experience, processing times, fees, etc.



Support diverse business structures – from C corp to sole proprietor to worker cooperatives to B corp.



Establish a Small business ombudsman.



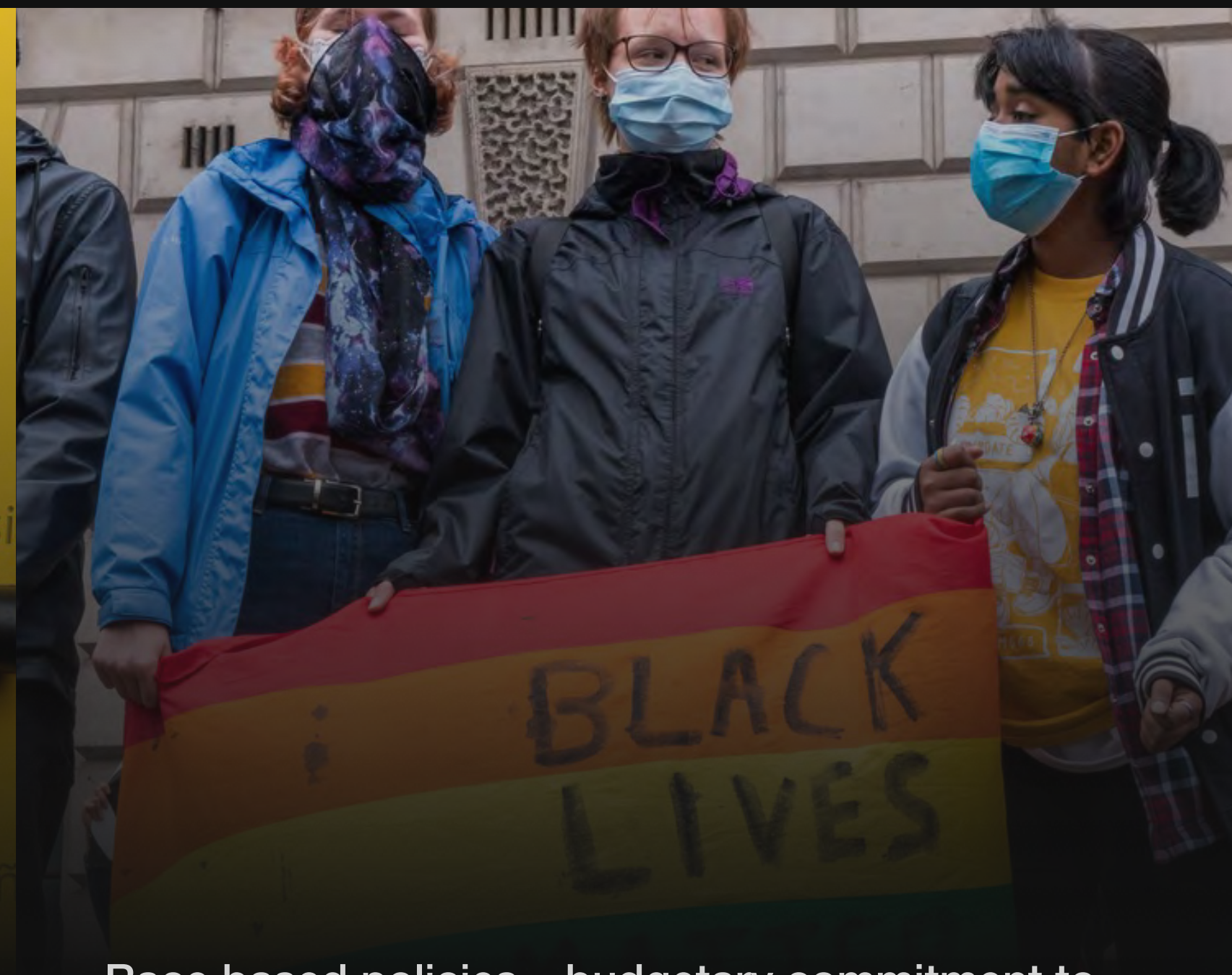
Map ecosystem to make the path easier.

Policy Solutions

PART 04



Multilingual service delivery.



Race based policies – budgetary commitment to support historically marginalized communities.



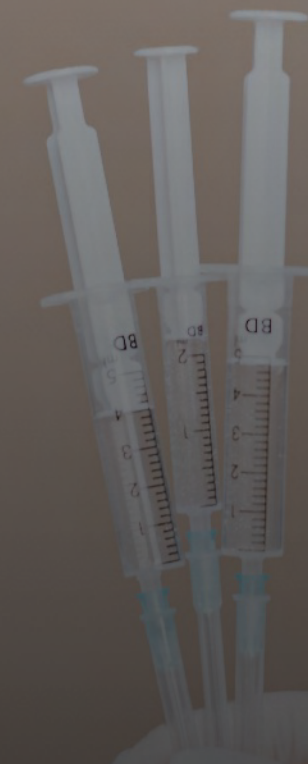
Set a bar for training to ensure quality and credibility of content and practitioners.

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Public-Private Sector Case Study

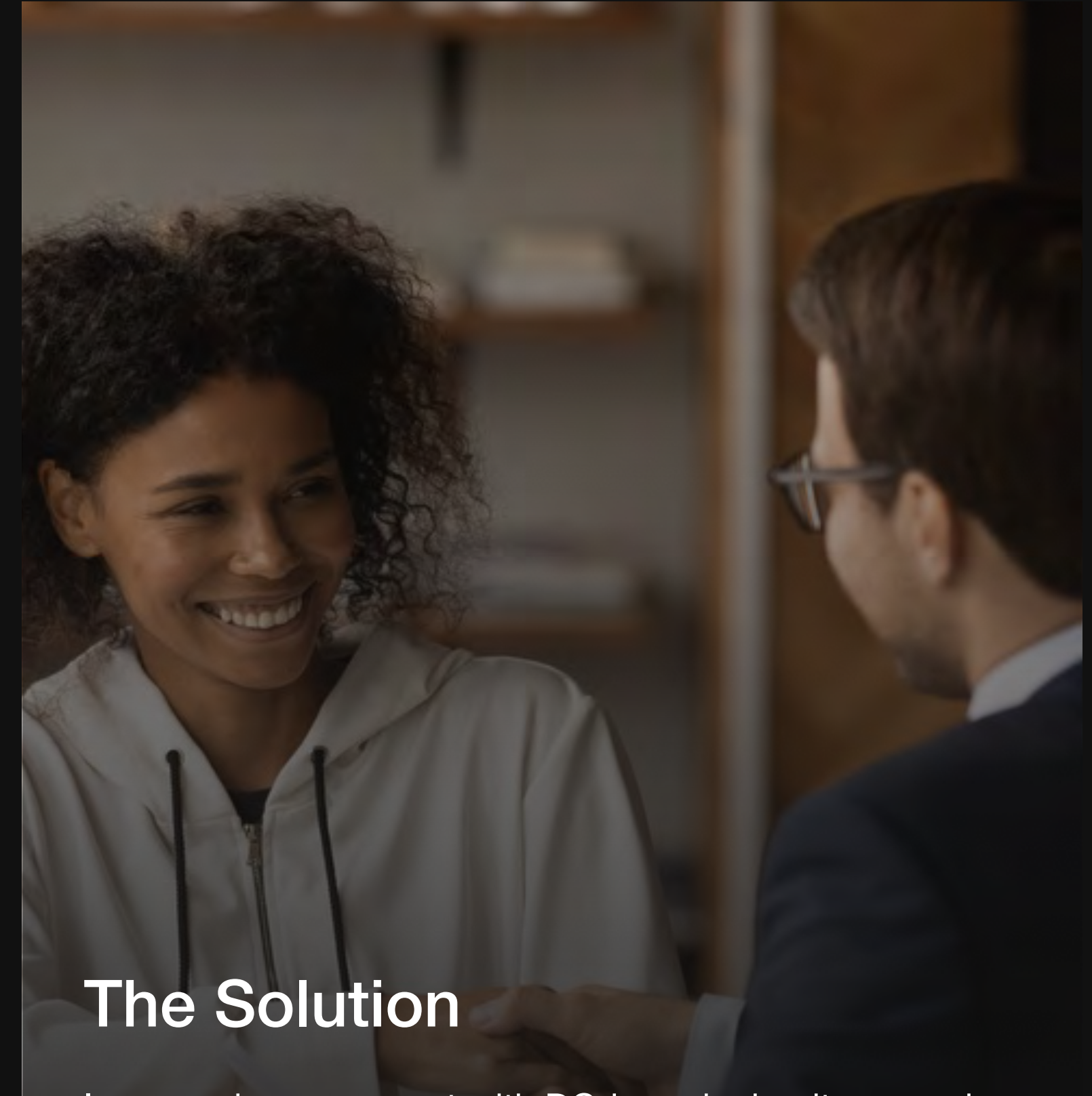
CNHED's DC Community Anchor Partnership (DCAP) is a collaborative of local “anchor institutions” – hospitals, universities, and utility companies – harnessing their purchasing power to grow DC-based minority-owned business enterprises (DC MBEs).

Led by CNHED and co-convened with the Deputy Mayor for Planning and Economic Development (DMPED), DCAP works with its Anchor Members to re-engineer institutional procurement systems and create equitable access to contract opportunities.



The Problem

The hospitals and universities in the District of Columbia collectively spend more than \$2B on goods and services every year, but a small percentage goes to DC minority-owned business enterprises (MBEs). This perpetuates the wealth and inequality gap.



The Solution

Increased procurement with DC-based minority-owned businesses, through DCAP, will create jobs, boost incomes, and generate wealth for residents of color, supporting institutional corporate objectives and advancing inclusive prosperity in the District of Columbia.

Ecosystem Solutions

PART 01

"[Entrepreneurial support organizations] cannot help you. They are going to discourage you. They are going to give you misinformation. Instead of helping you, they say, 'Go talk to this person.' They do not have all the information and many do not have experience running businesses."with the wrong organization."

- ENTREPRENEUR FROM ROCHESTER, NY

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Create navigator program for entrepreneurs of color.



Help increase access to technology to support business growth.



Create certification for business educators, coaches and mentors.



Expand access to capital via diverse deployment vehicles to match the needs of the entrepreneurs.



Provide culturally competent education to small business owners.

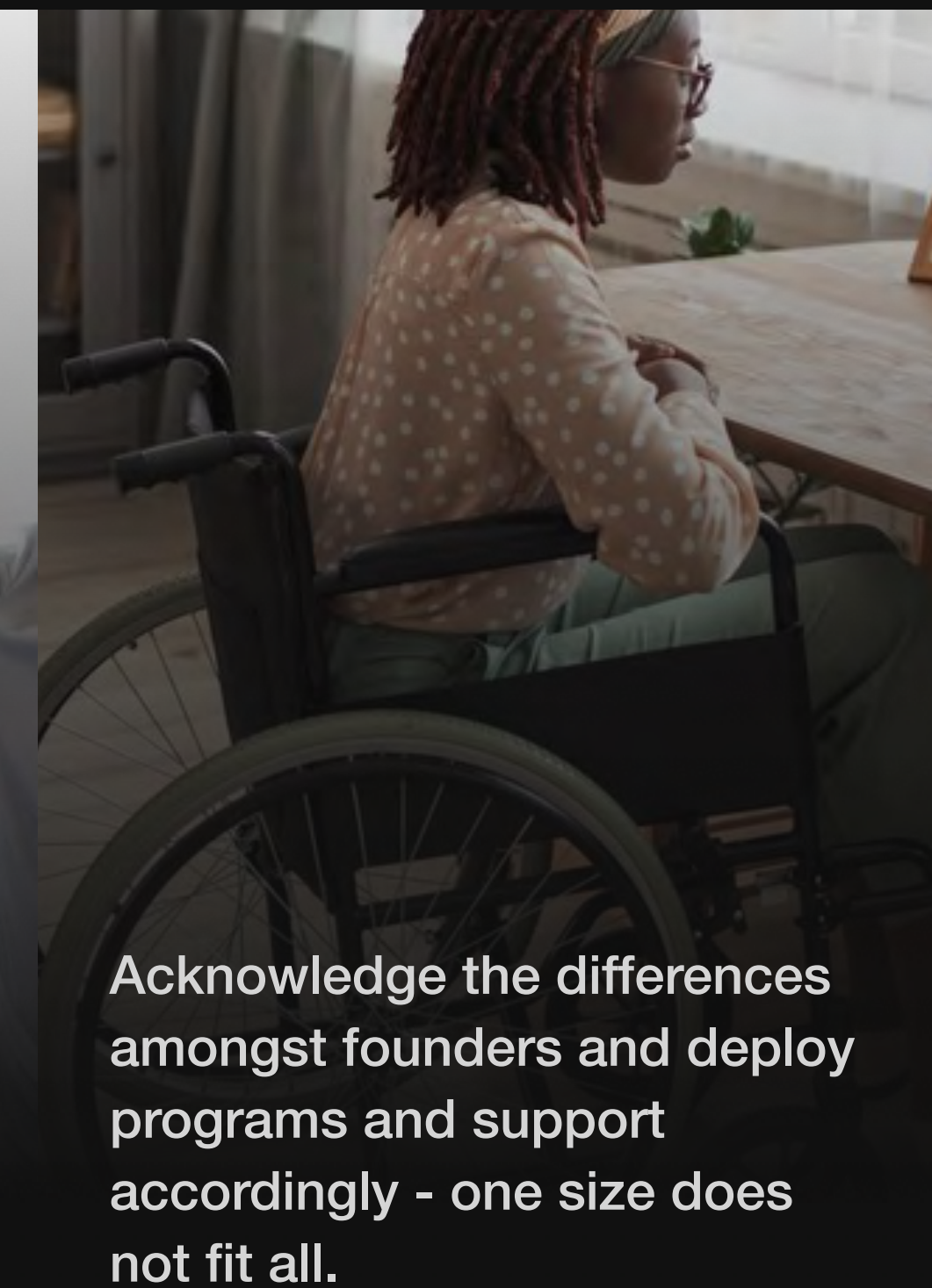
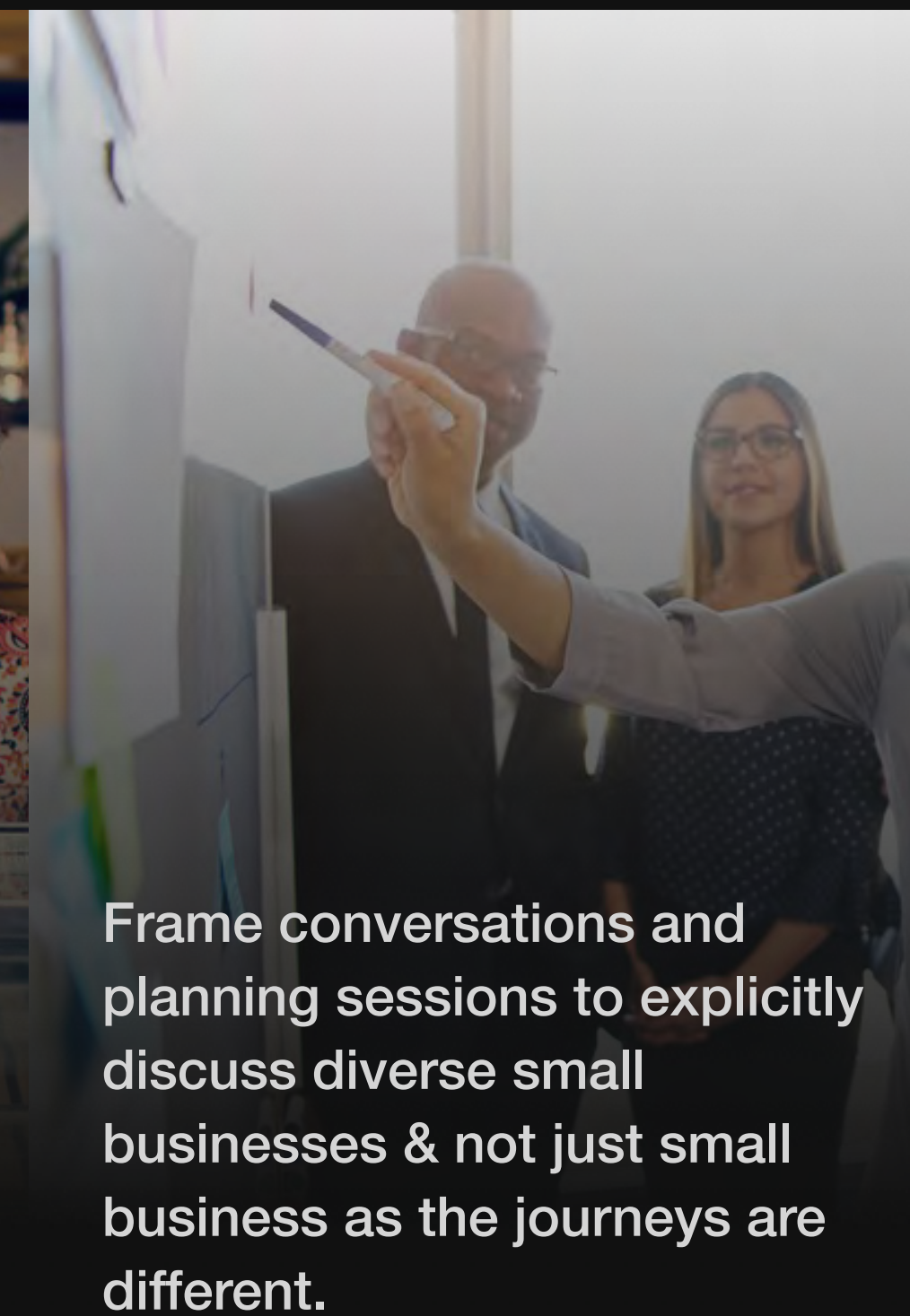
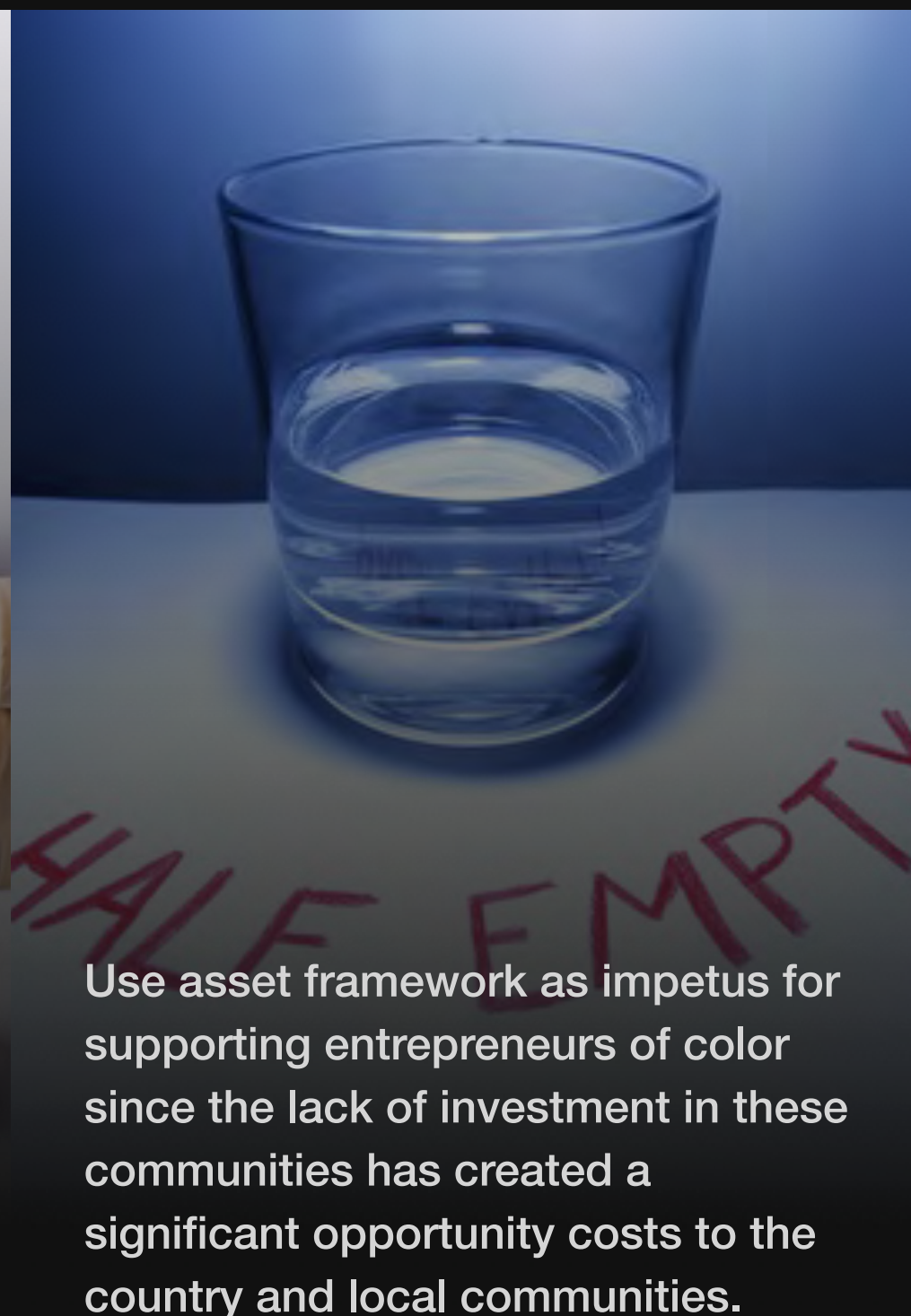
Ecosystem Solutions

PART 02

"We're talking about having access to wealth creation that white people have. That they can set up businesses, that they can get capital to start new business, or they can have their relationships to have access to loans, to things, like they can be put on their names and can be invited to..."

- ENTREPRENEUR FROM [ST. PAUL, MN](#)

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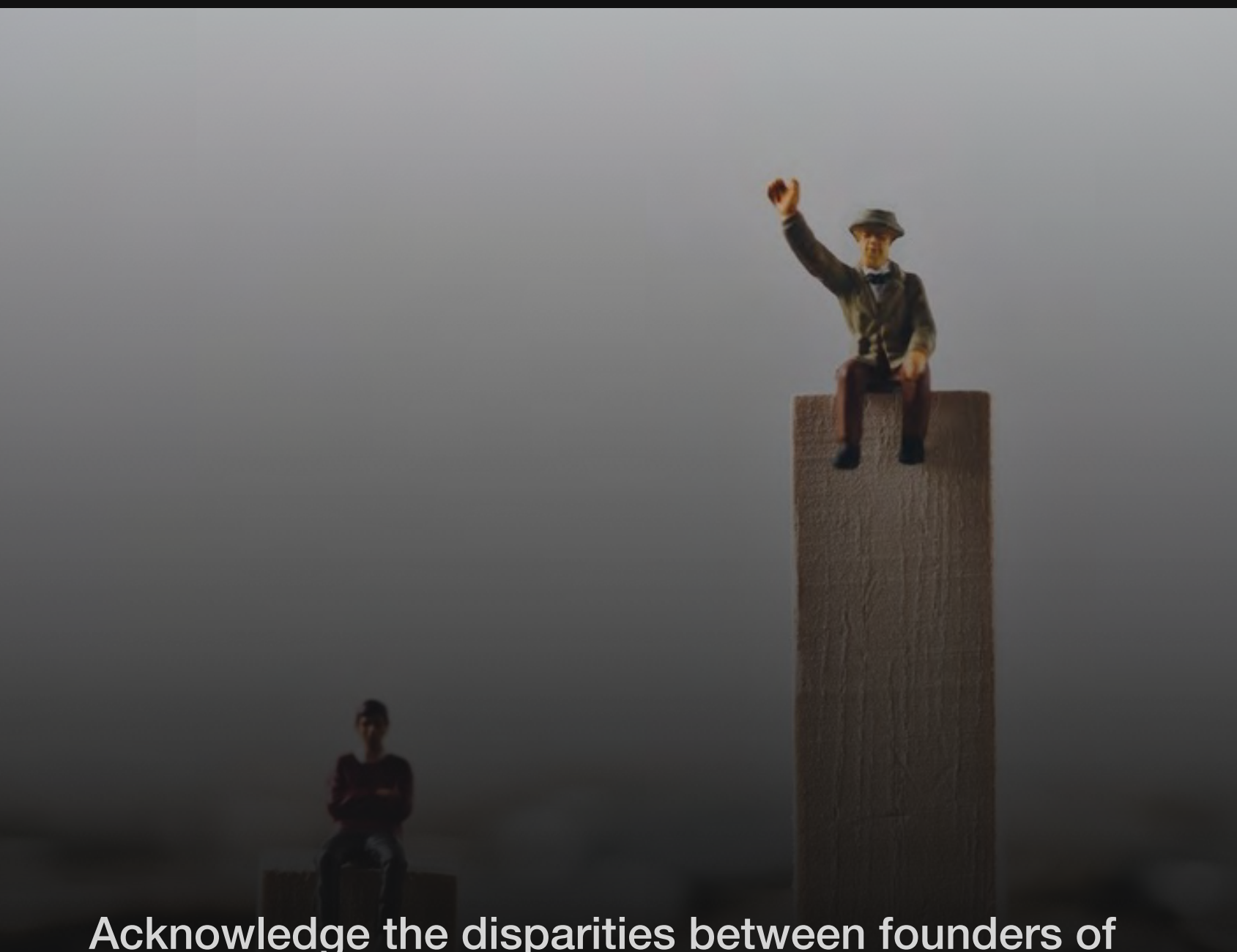
Ecosystem Solutions

PART 03

"I think in the past two years, two and a half years with the pandemic and the murder of George Floyd, things have happened, the curtain has been lifted, what people are seeing through and they're seeing new things about the realities of the dynamics, the disparities, the socioeconomic and racial disparities in the Twin Cities that had always been there but the people had ignored and wanted to look the other way. And now people, the younger folks that have a higher sense of social justice and they want more equality, more transparency, they are questioning these things."

- ENTREPRENEUR FROM [ST. PAUL, MN](#)

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Acknowledge the disparities between founders of color and white founders and adjust screening and selection criteria to support diverse cohorts.



Advocate to funders on the importance of supporting founders of color.

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Increase research about entrepreneurs of color to better align supports, training and capital.

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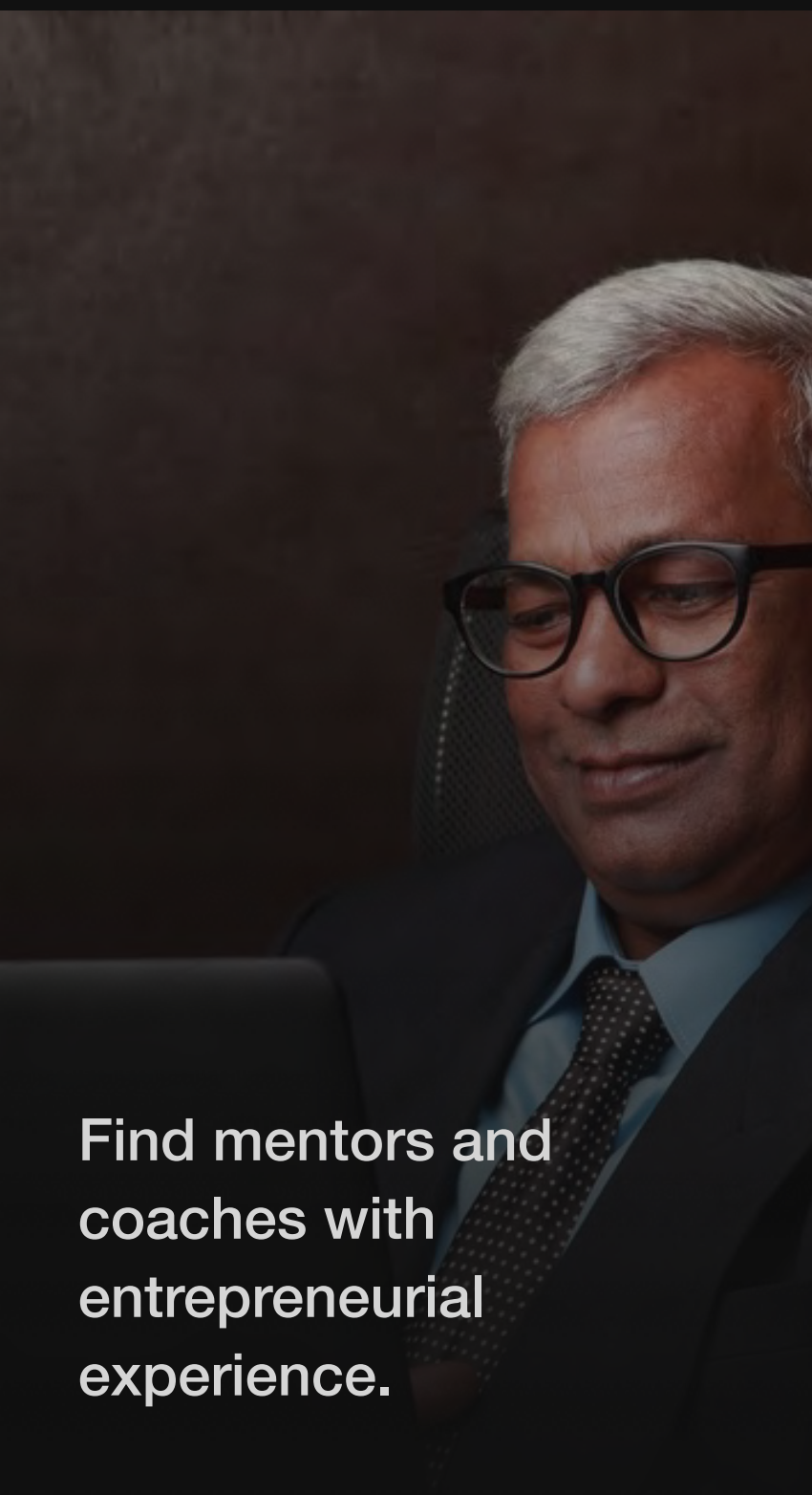
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FOUNDER

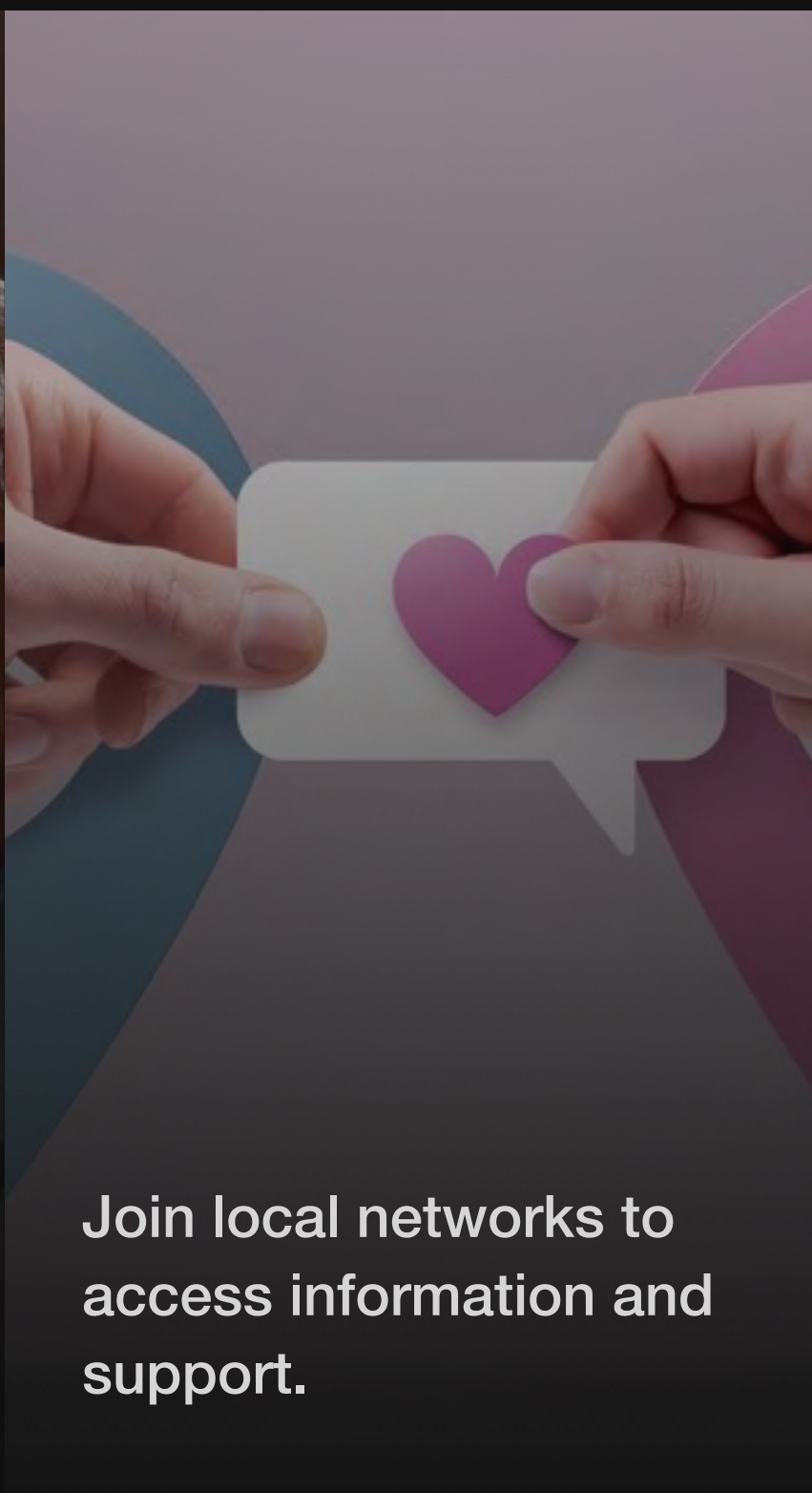


Founder to Founder Solutions

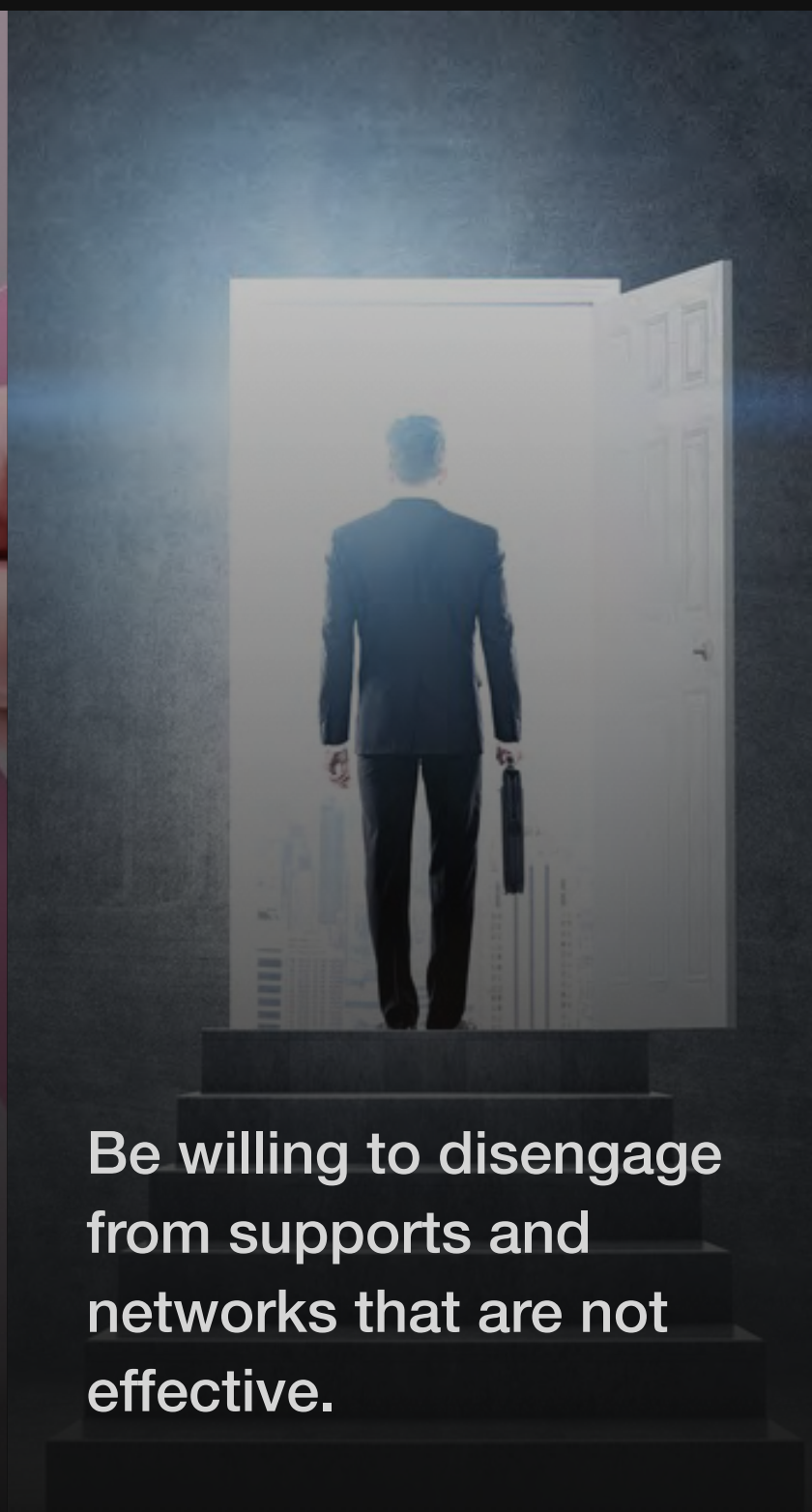
PART 01



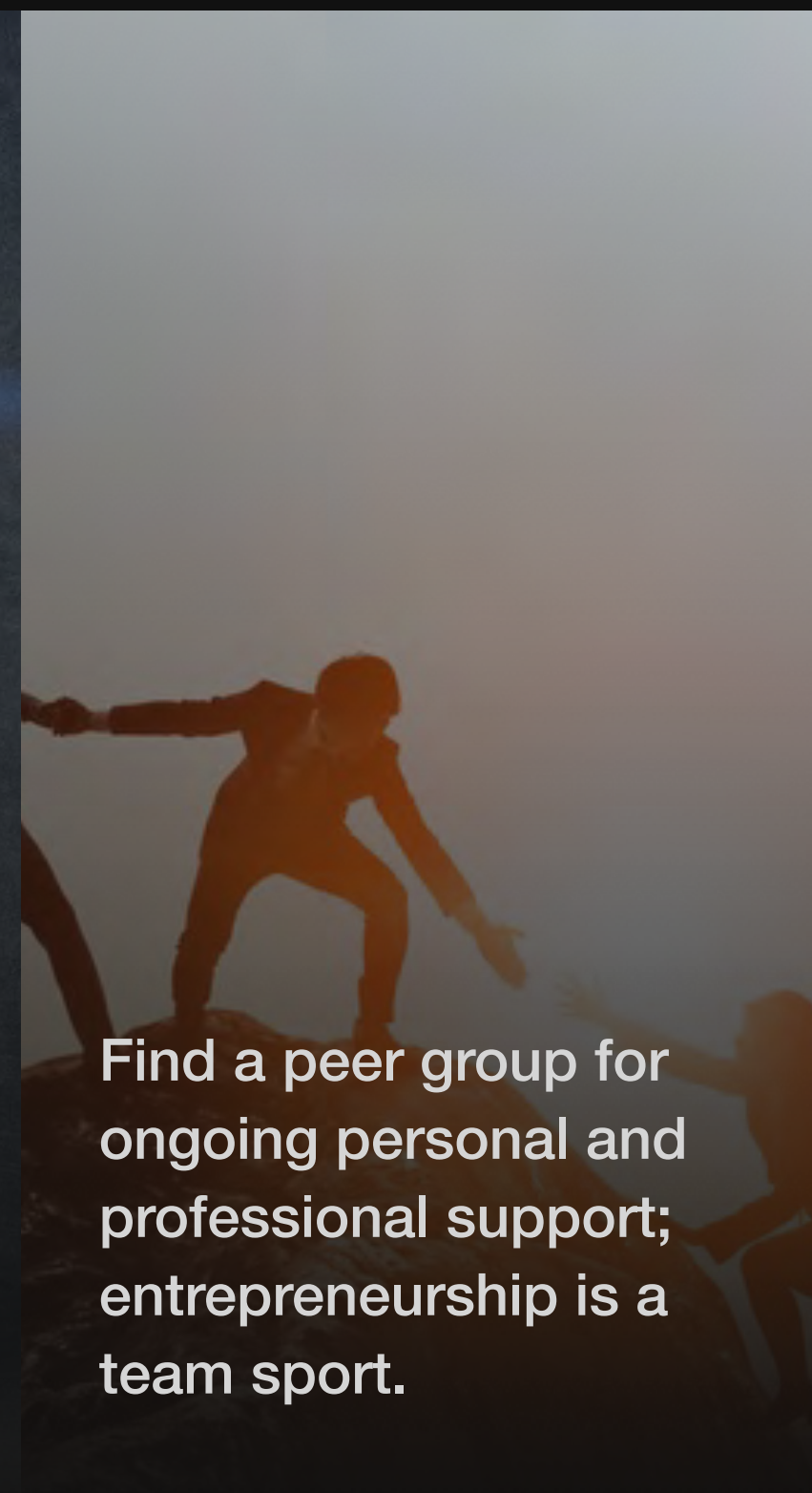
Find mentors and coaches with entrepreneurial experience.



Join local networks to access information and support.



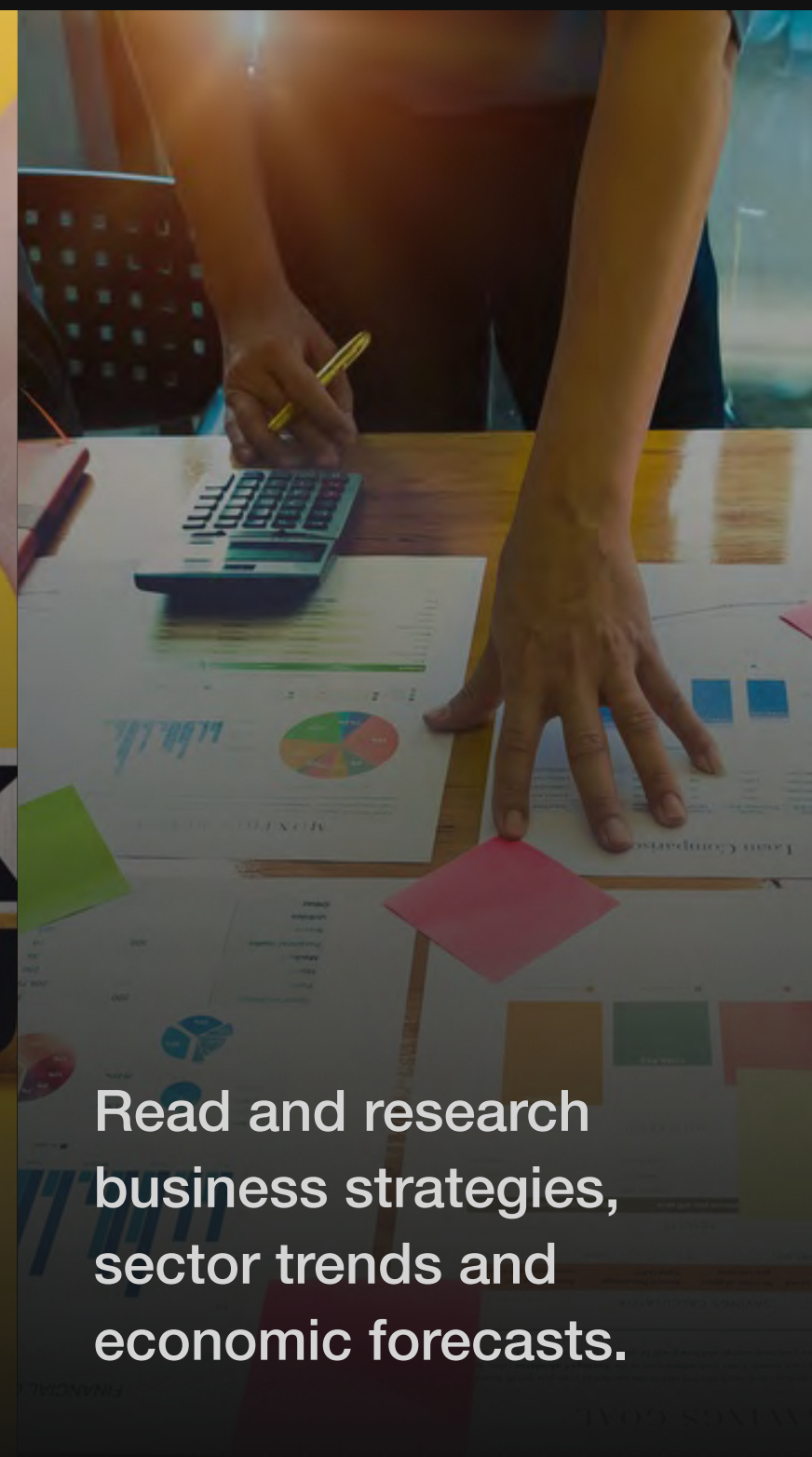
Be willing to disengage from supports and networks that are not effective.



Find a peer group for ongoing personal and professional support; entrepreneurship is a team sport.



Develop a risk tolerance to help you improve your short and long term decision making.



Read and research business strategies, sector trends and economic forecasts.

Founder to Founder Solutions

PART 02



Be willing to, be uncomfortable.



Be steadfast in your values and flexible in the journey.



Find a community that makes you feel safe and supports your growth.



Pace yourself.



Be humble.



Celebrate the small wins!

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CLOSING



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Why Support Founders of Color? Demographics



Demographic data points to a shift in the US population where people of color are becoming the New Majority.

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Moreover, the people of color are fueling the growth in entrepreneurial activity in the country.

To this end we have to do a better job supporting business growth and scale amongst founders of color.

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Why Support Founders of Color?

The purpose of this report.

This report is intended to help founders, ecosystem builders and policy leaders effectively respond to the Increase of diverse founders across their communities, and support their long term sustainability and growth.

2021

11%

of new business owners
were Black or African
American...

Previously

3% ↑266%

In recent years

While people of color are the fastest growing entrepreneurs, these same communities are lagging in most other economic indicators. They face discrimination - formal and informal.

The historical structural barriers, coupled with individual bias, allow for continued segregation and racism in terms of access to financing, social capital and business supports.

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Why Support
Founders of Color?
It's an economic
imperative.

These factors not only limit the growth of founders, but the country as well. If we do not actively support founders of color, there will be a huge cost to the US in terms of time, talent and economic prosperity.

Had these gaps been addressed 20 years ago, the report finds that the nation could have:

\$13 trillion

In additional business revenue

\$2.7 trillion

In additional income earned by Black Americans

770,000

More Black homeowners

6.1 million

In new jobs annually, if Black entrepreneurs has access to fair & equitable lending

\$218 billion

Boost to the national economy

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Why Support Founders of Color? It's time we understand that...



CULTURE is an asset and economic driver that deserves our attention and investment.

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1863 Ventures evolved from a 2015 entrepreneurial summit I created with students at Georgetown University, called Venture DC, to support emerging business owners from Southeast Washington, D.C. In 2016, we created a fiscally sponsored entity named Project 500 to commit to surfacing 500 D.C.-based, Black entrepreneurs in three years.

The organization found 527 founders in just 18 months. These milestones signaled the need for business training, mentorship, and capital for Black business owners and underscored a clear market opportunity to support local entrepreneurs in creating generational wealth.

Today 1863 Ventures is an independent, Black-led non-profit organization providing access to capital and delivering business development programs to New Majority founders to bridge the gap between entrepreneurship and equity.



\$287,378,799

Revenue Generated

2118

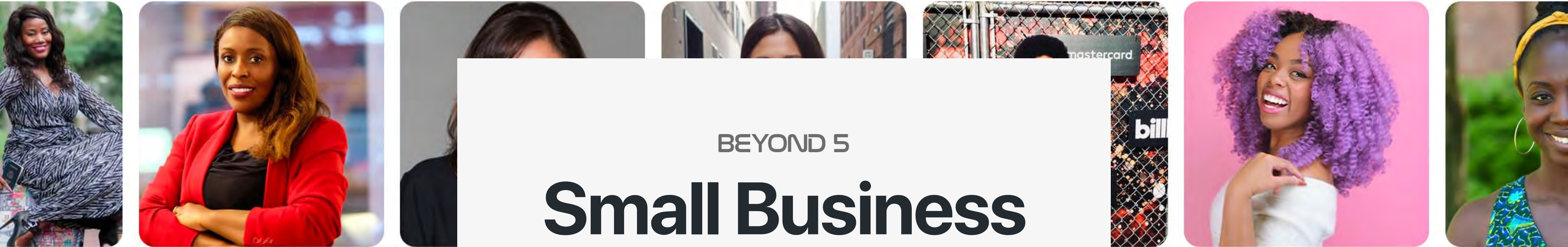
Jobs Created

\$35,200,000

Equity Raised

\$32,400,000

Debt Raised



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