

PART 2: PLANNING FOR IMPACT

In Part 2 of Prosper's Operation Backing Black Businesses Ecosystem Report, we will explore how a healthy ecosystem can create positive outcomes for Black business owners and the community.



PLANNING FOR IMPACT

The ideal ecosystem has the potential to create not only a shared vision and unity in action but legitimate, tangible outcomes for the owners and employees of businesses operating within the area.

These outcomes can follow a variety of metrics that measure success, including:

- # Number of new businesses created
- \$ Total lending to existing businesses in a calendar year
- \$ Revenue growth for new and existing businesses
- # Number of participants in an accelerator program
- # Labor participation rate
- # New employees added to the workforce
- \$\$\$ Economic impact of new developments built to accommodate businesses
- Target market scope and research

These outcomes can be viewed through a range of specific lenses when adequate data is tracked. Race, age, and the industry of different businesses can be analyzed to comprehend more specific insights into the economy of these particular subgroups and compare them against the whole. It is also exponentially helpful when different organizations within an ecosystem track and share agreed-upon data to form collective supports.

Engaging in systems to accurately track and evaluate progress opens doors for extended investment both locally and nationally. Some in the Black community, however, have shied away from this type of formalized scrutiny as a result of historical trauma coupled with miseducation. But times continue to evolve along with mindsets and expanding opportunities in the digital landscape. Above all, the Black community is characterized by its resilience through adversity and made stronger through these unified efforts when positioned advantageously as recommended in the following section.

Intervention that begins to alter long-standing paradigms is possible when focused on getting necessary resources, capital, and connections in the hands of both existing and potential Black entrepreneurs.

POTENTIAL INDICATORS OF SUCCESS

As we consider a shared vision of progress, a natural next question is: how will we know when we have achieved our vision?

The following metrics have not been adopted by any specific entity at the point of this reporting, but instead is the result of the research team holding build sessions with members of the Birmingham community to brainstorm about what key indicators would show progress and ultimate success. From the discussions, the following measures surfaced:

WEALTH

Generational wealth increases in the Black Community

Rate of homeownership and home value appreciation increases in the Black community

Overall wages increase

ENTREPRENEURSHIP

Increase in the number of Black-owned businesses surpassing 2-years of operation

Increased diversity in the mix of industries represented by local Black-owned firms

EDUCATION

Educational attainment increases within Black population

At least one HBCU recognized as a Tier 1 research institution

EMPLOYMENT

Share of high-paying jobs held by Black employees increases

Wages paid at Black-owned firms raise and meet or exceed average wages paid by white-owned firms

COMMUNITY

Increase in the city's overall diverse population

Increased presence of thriving diverse neighborhoods and commercial corridors

ECONOMIC DEVELOPMENT

Attraction of large corporate entities with commitments to invest and hire within Birmingham's Black community

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The ecosystem can track these metrics internally, starting with the findings of this report, to serve as a baseline for future change. The majority of this information can be tracked using public data. Sources by category include:

WEALTH

In terms of wealth, metrics on wages by race and industry are captured by the Bureau of Labor Statistics through their [Quarterly Workforce Indicators](#). Changes in homeownership by race can be found through the [American Community Survey](#). Tracking Black generational wealth may require multiple data sources, from the Census to the [Survey of Consumer Finances](#). Additional reports, like from [Brookings](#), can offer national context.

EDUCATION

The [American Community Survey](#) tracks educational attainment across race and income groups. Forging connections with HCBUs and local colleges will inform their research specialties and workforce demands. There may or may not be ambitions to reach the suggested research tier designation, however the community can help support the intentions of these institutions.

COMMUNITY

The [Decennial Census](#) and [ACS](#) both capture population counts. The condition of neighborhoods and commercial corridors is best captured by the lived experience of its residents and visitors, rather than numeric data. However, keeping track of local vacancy rates, at a census tract level is one method. The [ACS](#) captures residential occupancy and vacancy. Local real estate firms may be able to share additional data.

ENTREPRENEURSHIP

Business ownership by race across industries is captured by the Census [Annual Business Survey](#). However, as we noted in our earlier analysis, the survey suffers from considerable data suppression and lag. Given the limitations of public data, tracking this information internally would allow the ecosystem to be more agile and cooperative in supporting Black-owned businesses.

EMPLOYMENT

As with wage, [QWI](#) reports the number of workers employed by race. This can be further broken down by sector or age. Employment and wage at Black-owned firms are captured by [ABS](#), but, given the shortcomings of that data set, recording this information as businesses are assisted by the ecosystem would go a long way..

ECONOMIC DEVELOPMENT

The ecosystem is off to a good start here, with lots of knowledge of companies being recruited or moving to Birmingham. Consolidating this into one place, with additional metrics on how many jobs may follow, will further strengthen this strategy. Given we heard companies may also be moving out of Birmingham once getting off the ground, the ecosystem should track departures in addition to recruits.

PLANNING FOR IMPACT

Starting a business is already a daunting task with a failure rate of up to 70% within the first ten years of launching. According to recent research, Black individuals face an added layer of burden in several ways along the journey to successful business ownership, such as:

- **Latching on to less scalable ideas and industries due to lower barriers to entry,**
- **Opening up shop in their own neighborhoods, statistically areas with disproportionate levels of concentrated poverty,**
- **Lacking access to key business networks as a legacy of exclusionary policies evolved into accepted norms and practices,**
- **And an inability to access both localized and large-scale capital for all the listed reasons and more.**

This is not just indicative of Birmingham solely but follows national trends. Ecosystems can specifically have a large impact on the potential of Black-owned businesses, lending to the overall growth for all businesses including those not minority-owned.

In the next column are some specific examples of strong efforts supporting Black-owned businesses to show that long-standing economic realities based on race can and will begin to shift with intentional action.



In Atlanta, tied for 3rd in metros with the highest share of Black-owned businesses, the **Russell Innovation Center for Entrepreneurs (RICE)** has been a haven for incubating Black-owned businesses, serving as a physical workspace and resource hub for Black entrepreneurs and service providers. The impact speaks for itself: 250 new Black businesses with over 2,000 employees.



In Memphis, 5th in the metros with the highest share of Black-owned businesses, the city's **Black Business Association (BBA)** creates a social network for Black business owners to utilize counseling sessions with leading lawyers, accountants, business planners, and real estate professionals.

In New Haven, CT, **The Community Foundation** has fueled an entirely new ecosystem of resources and support groups for Black, Latinx, and female entrepreneurs, bolstered by a series of creative indicators looking at metrics from the racial opportunity gap to small business growth and entrepreneurial dynamism.



And finally, in Nashville, 27th in Black-owned business share, the city's **Entrepreneur Center** has expanded its resources specifically for Black-owned businesses to the statewide level, scaling their impact up to over 200 enterprises annually.

These examples give reasonable optimism to much of the negative data that paints the picture of Black business ownership in both Birmingham and the country as a whole.

IN BIRMINGHAM

In Birmingham, the current ecosystem is adequate in that service providers exist to support every stage of business, but there is no saturation for any stage of development, leaving room for growth throughout. This means that the general entrepreneur can find resources from the early stages of idea creation through scaling a concept across multiple markets and consumer groups. Educational groups have programming in practice and being cultivated for those looking to turn a side-hustle into a full-time endeavor. Networking events are emerging post-pandemic for people seeking connections with like-minded individuals. And in the right circumstances, capital can be obtained that helps provide financial sustainability and growth for business owners.

Similarly, in the space of economic development, Birmingham has planned and suggested solutions such as the [Imagine Birmingham Community Framework Plans](#). These plans and other similar efforts usually arrive with grand announcements and fanfare but require active and ongoing participation by local government and the sustained buy-in of the community; ambitions which are admittedly difficult to maintain. This example and previous studies and reports provide a great foundation for continued thought and active movement in areas such as land use, code enforcement, and getting capital into the hands of those who need it. A myriad of partners support this work. City government, economic development organizations (EDOs), and community development corporations (CDCs) all have made it their mission to better Birmingham's economy both in the short and long term.

However, the ecosystem's primary issue is a lack of intentional focus on the Black community.

Yes, resources exist, and many providers are designing more targeted programmatic offerings. But the ecosystem does not have established systems which effectively share these new resources in full across the Black community, and the simple presence of these new and emerging projects does not mean that Black business owners can access and utilize them equally. Through both data analysis and community engagement, it is apparent that resources such as educational courses, accelerator programs, coworking offices, and perhaps most importantly, funding from the seed to exit phases, are disproportionately inaccessible to and frequently unusable by the city's Black populations. These data points and perspectives have been laid out in the SWOT analysis at the end of this report, and potential solutions for these existing gaps and disparities will be examined in the sections to come.

PLANNING FOR IMPACT

As the ecosystem looks to further align, internal researchers created the following standardized list that outlines 21 distinct offerings that service providers, support organizations, and financial institutions can provide:

The starred offerings represent the most common primary types of business assistance across the ecosystem: Banking or financial literacy (6 providers), Access to mentors (5), Business planning, modeling, or strategy development (5). These three specialties are also the most common secondary type of assistance offered by organizations. Therefore, the ecosystem is rich in these areas and could potentially benefit from collaboration between providers in these areas of strength.

Service Offering	
1. Access to equipment	
2. Access to mentors	★
3. Access to pro bono subject matter Experts	
4. Banking or financial literacy	★
5. Branding or logo design	
6. Business continuity and disaster planning	
7. Business formation or governance	
8. Business planning, modeling, or strategy development	★
9. Competitive assessment and market research	
10. E-commerce or online sales	
11. Establishing formal relationships with professional services providers, including banking, insurance, accounting, or legal service providers	

Service Offering	
12. Financial planning	
13. Identifying and applying for financial assistance programs	
14. Language services	
15. Marketing and advertising, including digital, social media, or print	
16. People management or human Resources	
17. Prototyping development	
18. Real estate acquisition, rental, or renovation	
19. Software development or technology support	
20. Supply chain management	
21. Website development	

KEY FINDINGS

The listing of service offerings also revealed two foundational areas to tackle that will help ensure new offerings fill gaps rather than further overlap. By 1. aligning resource providers to prepare a transparent competitive assessment and share market research and 2. establishing formal relationships between Black business owners and professional services providers, the ecosystem can be best prepared for responding to the remaining recommendations that follow:

1 ● **ALIGNING TO CREATE UNIFIED AND TRANSPARENT DATA** Creating a Competitive assessment and strategic market research dashboard.

A shortage in the ability to provide robust competitive assessments and market research was noted in the review of ecosystem organizations and the available disaggregated research. This high-level, technical functionality connects directly to the point above; it takes specialization and industry expertise to provide a high-level assessment and analysis of a local market. As the ecosystem moves to target specific sectors, such as Black-owned businesses in general, healthcare, and technology, understanding industry trends and supporting businesses in navigating them will create more strong, flexible businesses, and develop a more competitive landscape in the workforce and real estate arenas. All of which equate to a more thriving economy.



2

BUILDING RELATIONSHIPS TO INCREASE PROCUREMENT SPENDING WITH BLACK-OWNED BUSINESSES

Establish opportunities to build relationships between Black business owners and providers of professional services including banking, insurance, accounting, or legal services, as well as access to pro bono subject matter experts.

Ecosystem organizations, particularly those centered around mentorship and business planning, repeatedly voiced that assisting businesses requires meeting Black entrepreneurs where they are. General finance, law, insurance, and real estate professionals likely do not have the potential to tap these populations without assistance. Similarly, Black business owners consistently expressed their inability to receive strong services from these established professionals.

Ecosystem practitioners are in a position to make these connections and introductions. Establishing these connections contributes to several success indicators, from helping more Black businesses thrive in Birmingham to growing Black generational wealth.

Per data in the SWOT analysis of this report, Black business owners were more likely to be rejected or not apply for PPP loans due to preconceived notions about eligibility. As a result, Black business owners tapped into their own personal savings to float their businesses. More established relationships with professionals could avoid such a scenario by aiding in applying for a loan, pre-screening an application, or even helping a business to meet certain formalized standards that are required for capital access.

