

# PART 1

# MAPPING THE ECOSYSTEM

## Our Approach

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To address building the foundation for change, the content in this section establishes baseline facts about Birmingham's business and economic support ecosystem and who it supports:

- **Who are Birmingham's support providers?**
- **What types of business owners do they serve?**
- **What services are they providing?**
- **Who should seek to access them?**

By answering these questions, a picture is painted of where Birmingham has been, where it is now, and perhaps most importantly, where it can go.

The analysis reflected in the following report will show that Birmingham's Black residents own fewer businesses, make less money, are more likely to live in poverty, and are more likely to lack the social connections needed for socioeconomic mobility.

Within the existing ecosystem, Black founders and employees feel these disparities wholeheartedly. The reality for most is that Black business owners are less likely to receive loans and grant funding, are more likely to own a business that accelerator programs and incubators lack interest in, and in general, are less likely to know about existing classes, assistance, and other crucial resources that can mean the difference between business growth and stagnancy.

Resource providers are diligent, using resources at hand to maximize efforts across a disjointed system deficient of coordinated processes. Intentionally designed actions to better support the city's Black business owners can help redefine the local identity, economy, and capacity for opportunity and hope.

*The work of this project focuses on Birmingham's business and economic support ecosystem as its protagonist.*

# IMPORTANCE OF THE ECOSYSTEM

*Strong business and economic support ecosystems are the modern backbones of locally-oriented economic development.*

With the capacity to grow not only businesses from scratch, but the talent that can start companies and fill the jobs they require, cities can give themselves newfound avenues to economic growth.

These ecosystems exist at a variety of scales. There are larger ecosystems of executives, employees, funders, wholesalers, and consumers that drive the world of corporate commerce. Similarly, there are networks of idea incubators, flexible working spaces, educational courses, and creative financial institutions that turn creative thinkers with ideas into capable, established entrepreneurs. Within economies themselves, these ecosystems take the shape of conveners, committees, politicians, think tanks, action-oriented civic leaders, and residents that help drive the identity and lived experience of a place.



# THE IDEAL ECOSYSTEM

## What does the ideal ecosystem look like?

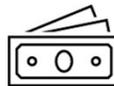
That answer, of course, depends on existing data, relationships, business profiles, and other factors relevant to any given locality. There is no one-size-fits-all solution that any municipality can adopt. However, best practices begin to shed light on what can be successful and what falls short of impact.

**In the case of nonprofits supporting business creation, this ecosystem is often comprised of familiar organization types:**

## MAPPING THE ECOSYSTEM



Conveners & network builders (Ex. chambers of commerce, trade associations)



Funders (Ex. banks, CDFIs, grantors, accelerators)



Service providers (Ex. technical assistance providers, accountants, lawyers)



Educational providers (Ex. workforce development groups)



Physical workspaces (Ex. coworking offices and labs)



Planners (Ex. economic development, urban planning support)



## MAPPING THE ECOSYSTEM

**Ecosystems are most successful when they utilize a shared mission and vision, along with frequent collaboration to achieve the goals that come from these statements and purposes.**

Ecosystems are often a mix of organizations that either emerge from history and necessity to add a specific form of value to businesses or are much more intentionally planned to address a particular gap in an ecosystem or economy. Ecosystem partnerships and relationships can be either informal or contractual, depending on the preference of organizations.

In terms of creating a successful business and economic support ecosystem for Black businesses, many modern actions and initiatives exist that are proven to create change. These concepts include:

- Providing direct capital support to businesses (Ex. loans, grants, equity funding)
- Empowering influential actors who drive knowledge sharing (Ex. workshops, events)
- Enhancing mentoring and social networking opportunities (Ex. one-on-one meetings)

These ideas and more, along with dedicated funders and innovative partners who seek collaboration, create the baseline of a successful ecosystem, regardless of where it may be, and can do the same for Birmingham/ Jefferson County.



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# BUSINESS ARCHETYPES SERVED

The business archetypes in this section lay out general categories that businesses may fall into, based on first the **type of business** that founders have built or might consider creating and then the **stage of the business** along its lifecycle journey.

These archetypes should be combined to provide a full picture of the type of business an owner/entrepreneur aims to be as well as the current phase of existence of the enterprise.

For example, a popular form of entrepreneurship is to have an idea for new technology, then work to become a scaling technology company with exit opportunities. Or, a historic, family-run barbershop would be a built legacy business, potentially looking to scale to multiple locations. A new accounting practice led by a breakaway partner from a larger firm would be a launching provider, with the potential to find success as a scaled corporate business or by remaining small and becoming imbedded in the community.

**These different archetypes and descriptions of businesses all require unique resources.**

The barbershop requires far different forms of capital and mentorship than the technology startup. And the technology startup will have a radically different business plan than the accounting practice. Different forms of technical assistance, education, networking, and capital are needed for a diverse mix of businesses. However, a truly effective business and economic support ecosystem will work on behalf of each and every archetype combination.

Business archetypes are examined in the next pages and then further used as the organizing variable in the mapping of existing ecosystem organizations. Examples of ecosystem partners that support each stage of business, from idea to scale, are noted in this tool. Groups that support either a specialized or multiple growth phases of the business journey within the Birmingham ecosystem include:



# TYPES OF BUSINESS

**Effective ecosystems are designed to serve various types of businesses that exist within a community, and at their varying stages of growth.**

These business types may align with industry or sector attributes, types of products or services offered, or ownership structure. The following section outlines the types of businesses most frequently encountered in Birmingham and their core attributes.



### CREATIVE

Creative business owners center their work around a passion or unique skill set that provides a social benefit to the community they belong to and represent. **Artists, dancers, musicians, videographers, fashion and clothing designers, marketing and advertising, writing, barbers, and nail techs** are some of the examples of professional creative industry businesses. Upstart Co-Lab shares [NAICS codes](#) for their definition of Creative Businesses which is a helpful reference to how an area can define its creative business sector. It also provides the groundwork for investors who appreciate the value of this industry. Creative businesses may work out of their home, a coworking facility, or have a brick-and-mortar shop or production facility. Creative businesses often require a smaller amount of capital to lift an idea but may have a harder time finding funding to support building and scaling their business. Creative businesses may require specialized equipment to allow for building and scaling which requires additional financial investment.



### LEGACY

Legacy business owners include **family-owned businesses that are a part of the history and culture of the community they serve**. These businesses are multigenerational in the years they have been in business in addition to multiple generations of familial ownership and management. A legacy business may have a brick-and-mortar place where customers can shop or receive services or reflect a trade or skill that is transferred from one generation to the next. These businesses are a part of a thriving main street and are well known and received. Their journey usually starts with one physical location. Legacy businesses may scale into multiple locations like with a grocery store or restaurant chain; however, they need not scale to have an impact within a community that creates a sense of place and culture. Legacy businesses may face challenges in succession planning, capital funding, and business management resources. Advantages of legacy businesses include creating a sense of history within a community, building generational wealth within a family, and businesses that are founded and grow within the area they serve.

## PLACEMAKER

Placemaking businesses drive a sense of community in their local area through both physical space and the presence of a unique identity. A placemaker business provides culture and a sense of identity to the area it occupies.

Placemaking businesses can also be seen as a travel destination, luring people from within the community, but also the region, and potentially farther, to visit the business. Museums, historical centers, restaurants, boutiques, and tattoo parlors all have the potential to be seen as a placemaking business. Legacy businesses may also be considered placemaking businesses. Placemaking businesses have the opportunity to connect with other businesses around a shared interest or culture to deepen the potential of an area. This allows for a community and regional approach to sharing the identity and offerings of a community. The Pennsylvania Cheese Trail brings consumers to farmers within small communities throughout Pennsylvania. New Orleans historical and ghost tours lean into the city and tourists' love for the occult. Breweries, wineries, boutiques, art, music, and food are other cultural placemaking themes that a city can develop by tying businesses together.



## PROVIDER

A provider business is grounded in a service or product that addresses a community need.

Community needs may include practical necessities such as food, medical, housing, or a socioeconomic concern like access to vital resources and services. A need can also include business services such as legal, accounting, or business resource navigators. Providers can be nonprofits, tax accountants, or social enterprises. Providers find an area or niche where services are needed to support other individuals or organizations within an area. Providers' reach may extend beyond their own community but are a crucial part of the area in which they reside. Providers could range anywhere from a sole proprietorship or partnership to a corporation or 501c3 that receives fiscal sponsorship or funding from public or private organizations. The provider's role is that of a support system within the community. They are able to provide services that no one else is addressing but which are still of need.





## TECHNOLOGY

**Technology businesses are centered around a product that is in digital form. Application-based tools or platforms focus on the development, maintenance, management, and manufacturing of a technology knowledge-based tool that produces new goods or services.** Technology companies can start as sole proprietorships or as a team. The journey for a tech company includes an initial investment of time and capital. Tech-based businesses typically require a prototype experiment to quickly test an idea at a low cost. After a prototype assessment, tech companies may then launch a prototype version of the product. Technology companies are not tied to a particular region for establishment unless there is a natural resource, business incentive, or staffing need that is specific to the technology company.

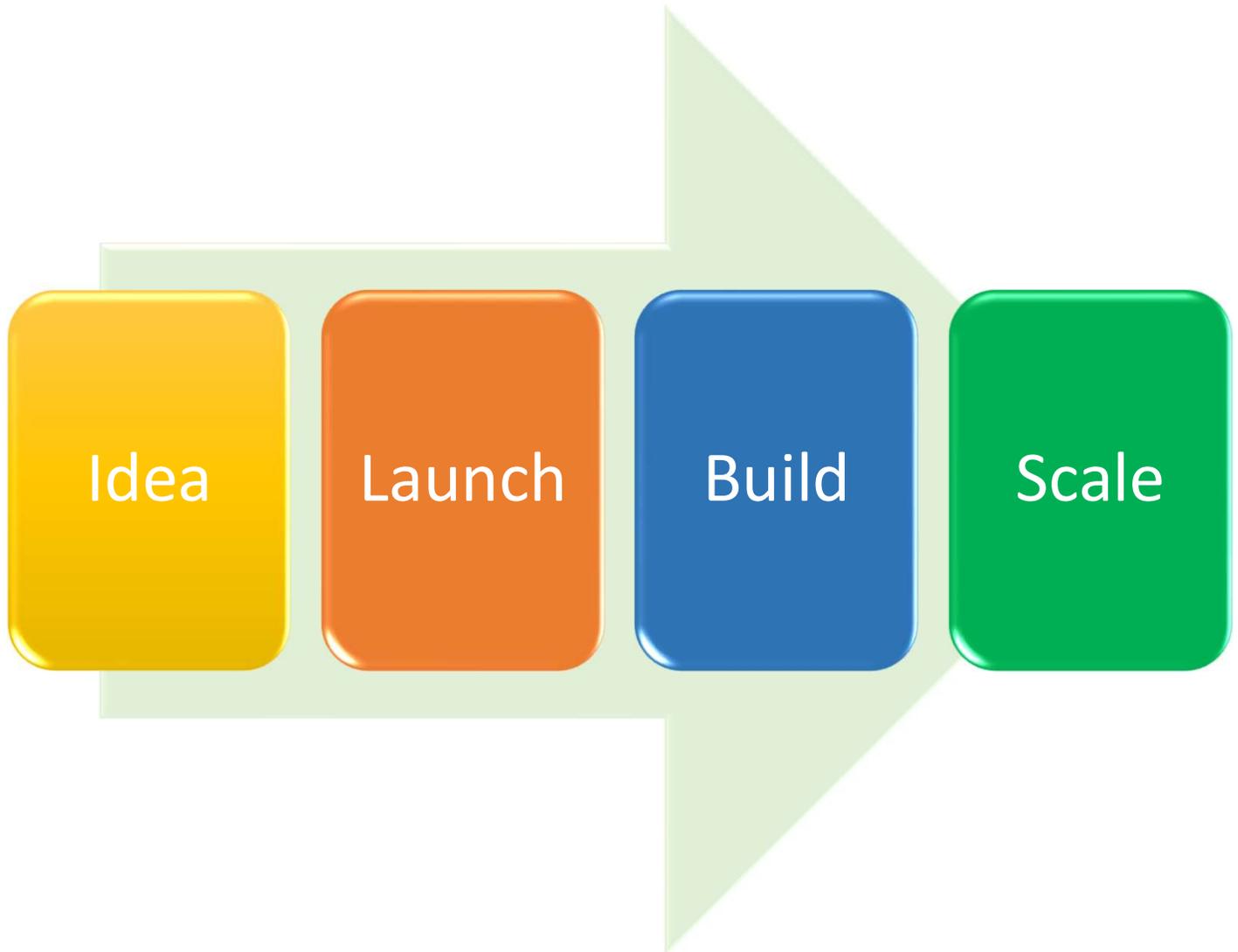


## CORPORATE

**Corporate businesses provide employment opportunities for the communities they occupy. Corporate companies issue stock to raise capital and also may receive tax benefits for relocating, expanding, or developing a business unit in multiple or new locations.** Corporates are often grown in the city where the idea is formulated, but an opportunity or investment may see the business attracted to relocate to a new city. These businesses along with technology and manufacturing are key in building tradeable sector offerings, meaning that goods and services can be sold outside of the local market to bring in capital from external sources that can help energize and generate resource flow within the local ecosystem.

# STAGES OF BUSINESS

For this example, we'll explore four main stages of growth that businesses experience on the journey from the lightbulb moment of a first thought to the full manifestation of a thriving endeavor doing business out in the world.



As a reflection of the human lifecycle, this process looks different and is unique for every individual and business seeking success within the ecosystem. The information in this section will provide a blueprint for what each stage may look like so that business owners, founders, and would-be entrepreneurs can recognize themselves and seek the supports available to suit them where they are.



## IDEA

Individuals with an idea that is centered around a product or service to sell for a profit sparks the ideation phase of starting a business.

The idea phase is a part of creating a culture of entrepreneurship within a community. An individual may be a new or serial entrepreneur that is interested in exploring how to get their idea off the ground. This phase of development can even include individuals who may not even know their idea has the potential to develop into a business.

The idea phase requires little to no capital or investment to get started. Students and those who do not have experience or exposure to entrepreneurship benefit the most from receiving resources and opportunities to better understand how to get started.

Examples of programs that support the idea phase include [Network for Teaching Entrepreneurship](#). NFTE is a New York based nonprofit organization that supports low-income youth in learning about entrepreneurship through training, programs, resources, and competitions. Other places where ideas are formed include coworking or shared workspace centers, digital networks or shared interest communities, and through attending events or programs within one's community or region.

The idea stage requires a city to understand the importance of creating an environment that welcomes and supports entrepreneurship.

**“Find a need and fill it. Successful businesses are founded on the needs of people.” – A.G. Gaston**

### MODEL

A product or service idea that addresses a particular need.

### FUNDING

No funding is required at the ideation stage.

### STAFFING

One person to a small team of individuals. No one is on payroll or being compensated for the idea.

### RESOURCES

Family and friends support the idea. Network connections share resources to think about investing in the idea to move it to launch.

### SUPPORT

Entrepreneurial events like pitch competitions, investor discussions, and business resource opportunities to support the idea moving into an actionable stage.

### GROWTH/PLATEAU

The idea stage will not grow or plateau as a business, however, it will not move to launch without additional resources of time and capital investment.

### EXAMPLE

A new point of sale system that allows business owners to streamline online and in-store orders. The idea is to create a technology-based app.

### ECOSYSTEM PARTNERS

Alabama Small Business Development Center (SBDC); Bronze Valley; Innovation Depot; and AppThink.

### ECOSYSTEM EXAMPLES

The Gener8tor Bronze Valley and a BETA Accelerators, are part of a national program with a local scope in the city. They provide training on taking creative ideas and turning them into businesses.

## LAUNCH

**The launch stage of a business includes taking the business idea and connecting it to a process of exchange- usually for money/ income.**

**EXCHANGE:** an act of giving one thing and receiving another (especially of the same type or value) in return.

**Launching an idea may require some capital investment to establish a \*pretotype and/or prototype to test or “prove” the concept.**

This stage isn't quite a microbusiness or startup in the technical sense of having under 10 employees. However, this stage is usually a one-person show, from the idea to the making phase of the product or service. Launching the idea usually happens alongside the entrepreneur maintaining their day-job, as this phase may not yet be seeing revenue accumulate that allows the entrepreneur to have a solo focus on the product or service.

The entrepreneur is able to adjust the product or service with flexibility within this stage as they acquire feedback from potential or current customers. In addition to the resources mentioned in the idea stage, the launch phase requires financial investment and further business resource support. The entrepreneur may not be ready for a tax accountant or business service provider but is starting to build an understanding of the potential revenue and capacity for the business' long-term plan. They may need to access logo designers, graphic artists, web designers, or other professionals who can help make their vision concrete and ready to share.

**\*PRETOTYPING** or “pretend” prototype is a method to validate business ideas to improve the chances of building a product people want. Creating a prototype answers the question of “can we build it?” While proper pretotyping answers “should we”?



### MODEL

A product or service launches. There is something being made and someone consuming/purchasing the product or service.

### FUNDING

Depending on the venture, a small to a large amount of capital funding is required to launch the product or service. Microloans or grants could be provided by family, friends, crowdfunding, or community resources.

### STAFFING

One person to a small team of individuals. People are being paid for their time for the product or service. The support staff may not be full-time, and the lead business owner may not have their ideal living salary from the venture.

### RESOURCES

Microbusiness grants, crowdfunding, family and friend investment, coworking and shared workspace convening places for business owners, municipal or city support for incubating ideas.

### SUPPORT

A community that shares best practices and lessons learned around establishing a business. Community events and programs that support the launch of new businesses. A city could offer a facade improvement program, microgrants or loans, and free business services to support the growth of new company starts. The business reaches its plateau when it cannot meet demand with its current resource and staff capacity. There could be growth potential in knowing there is a bigger demand that requires more capital and resources to meet. The plateau may also signal a mismatch in demand and therefore imply that the business may not be able to build or scale into a larger company.

### EXAMPLES

1) The individual was able to raise \$10,000 in crowdfunding investment to launch a prototype of the point-of-sale system application. The company sells the system at a discounted rate to companies to beta test the product.

2) The individual was able to raise \$5,000 from family and friends and individual savings to purchase an initial set of materials to make soaps and lotions. The individual sells these items at local craft and farmer's markets in addition to word-of-mouth sales via their network.

### ECOSYSTEM PARTNERS

- Alabama Small Business Development Center
- Bronze Valley
- Central Alabama Redevelopment Alliance
- Endeavor ScaleUp Birmingham Accelerator
- Gener8tor Bronze Valley Accelerator
- Innovation Depot
- REV Birmingham
- Rebirth Community Corporation
- TechStars Alabama EnergyTech Accelerator
- Urban Impact

### ECOSYSTEM EXAMPLES

The Alabama Small Business Development Center, a state office part of the center's national network, supports business owners in launching a formal business, providing one-on-one guidance in creating a business plan, maintaining financial books, crafting a marketing plan, and understanding the ins and outs of a long-term lease.



## BUILD

**The build stage is the long-term planning of the business idea. An entrepreneur in the build stage is typically a micro or small business with 1-100 employees.**

At the build stage, the business is ready to comply with tax and regulatory requirements for existing as an entity of the state. The business may form as a sole proprietorship (single owner), partnership (two or more individual owners), an LLC (Limited Liability Corporation), Corporation, or non-profit (501c3). Each has specific benefits and requirements, which is why businesses at this stage should seek technical and tactical supports from resource providers or other professionals with experience in setting business foundations.

Businesses at this stage are ready or preparing to hire additional employees to support the business and meet the demand for the product or service. This stage requires more financial resources and investment and possibly a physical space to conduct the business. The financial investment may range in amount depending on the business offering, but there is a need to build out the formal structure of the business to comply with legal requirements and other protective regulations.

A more scaled company may look to acquire businesses in the build stage. The acquisition of the build business allows an exit with a large amount of capital that has the potential to be recycled into another business venture. Many businesses remain at the build stage for their entire lifecycle due to personal interest, supply, and demand of their product or service, or the inability to raise capital and resources to scale the company.

# BUSINESS ARCHETYPES

## BUILD

### MODEL

The product or service is established. There is a demand for services and products that once exceeded the ability of a 'launch' company.

### FUNDING

Depending on the venture, a small to a large amount of capital funding is required to stabilize the product or service. Additional revenue may support the funding to establish the business as a formal venture. Bank or venture capital funding are other alternatives for a larger influx of cash to stabilize the business while the revenue increases.

### STAFFING

Small team of individuals. People are being paid for their time for the product or service. There is a blend of part-time and full-time staff. The owner is able to have a living salary and may have reduced time at another job to solely focus on the business.

### RESOURCES

Bank loan requirements, venture capital options, tax incentives, city resources.

### SUPPORT

Small business associations and chambers of commerce in addition to municipal or local advocates for small businesses. Funding support from banks and venture capital partners to grow the company.

### GROWTH/PLATEAU

A business in the build stage may have the option of whether they wish to scale or not. The build business may face similar challenges as seen in the launch phase where supply and demand level out to unveil a long-term need for the product or service. However, the business may also plateau in needing more resources and staff again to scale to meet an anticipated increase in demand.

### EXAMPLES

- 1) The technology-based point of sale application saw a large increase in use due to word-of-mouth marketing. The business grew to twenty employees within two years. There is a consistent revenue stream and profitability exists.
- 2) The soap and lotion business started to rent a production facility to conduct light manufacturing of the product. Contract deals were signed with a local grocery chain to sell the product.

### ECOSYSTEM PARTNERS

- Alabama Small Business Development Center
- Alabama Minority Business Development Agency
- Bronze Valley
- Central Alabama Redevelopment Alliance
- Elevators on 4th
- IGNITE! Alabama
- Innovation Depot
- Penny Foundation
- REV Birmingham
- Rebirth Community Corporation
- TechStars Alabama EnergyTech Accelerator
- Urban Impact

### ECOSYSTEM EXAMPLES

REV Birmingham supports established small businesses in finding brick-and-mortar locations locally, creating marketing and communications strategies targeted directly at Birmingham residents, and meeting potential mentors in the local business ecosystem.

# BUSINESS ARCHETYPES

## SCALE

**A scaled business becomes a larger presence in the community. Scaled businesses may have several locations, products, and services being offered.**

The scaled business may start and grow within its location of origin or may be enticed to a new location due to the resources a particular region may offer. Scaled companies can be seen as corporate businesses that have the ability to raise several million dollars of capital through investment, acquisitions, or stock options. Scaled companies become a fixture of the areas they represent, often contributing to taxes, and philanthropic investment, and are a keystone in workforce development and job creation.

## MODEL

The business has several outpost locations, but its headquarters remained in its place of origin because of business incentives and the role it plays in keeping individuals employed within the city.

## FUNDING

The scaled business may see partial acquisitions and investments to develop a larger reach of the product or service to allow for large capital investments in infrastructure to grow the company. Revenue should be higher than a building business. The business may now use the additional revenue to focus on research and development to better understand future placement and offerings within its industry.

## STAFF

Over 100 employees, several locations or one large central location.

## RESOURCES

Opportunity zones, job creation tax incentives, relocation incentives, tax credits, and rebates.

## SUPPORT

City, state, and federal relationships.



# BUSINESS ARCHETYPES

## SCALE

### GROWTH/PLATEAU

The scaled business may reach a plateau where right-sizing the company may require a scale back in product, service, or staffing model to remain stable. A larger corporate company could become a unicorn with a 1B exit or investment. There are different tax credits and incentives for larger companies that provide employment opportunities for a particular region. This can also be seen as an exposure if a majority of jobs are dependent on one company and the company exits the region.

### EXAMPLES

- 1) The technology-based point of sale application was acquired by a larger firm allowing the company to scale to 500 employees.
- 2) The soap and lotion business found a manufacturer and distributor to work with on a national scale. The headquarters remained in the inception city, but limited employment opportunities to business operations, sales, and marketing only.

### ECOSYSTEM PARTNERS

- Alabama Minority Business Development Agency
- Birmingham Business Alliance
- Central Alabama Redevelopment Alliance
- Elevators on 4th
- Economic Development Partnership of Alabama
- Innovation Depot

### ECOSYSTEM EXAMPLES

The Economic Development Partnership of Alabama provides high-level services to larger businesses and corporations, including site selection for warehouses and manufacturing plants, competitive assessments, connections with larger buyers and financiers, and connecting entrepreneurs to exit opportunities.



## BUSINESS ARCHETYPES

The fact is that no matter the type or stage of business, every business needs “things”. Answers to questions most starters don’t even know to ask; friends, investors, and collaborators who support the vision; customers; capital; or just to be pointed in the right direction by someone who has traveled the path before.

Beyond resources, successful entrepreneurs know that they need a tribe that connects them to the larger village. If you are starting a business or building your legacy in Birmingham, you are in the right place. To find resources in Birmingham/Jefferson County based on the stages listed in the pages above, visit the local business ecosystem map by clicking the link or scanning the barcode below:

[CLICK HERE](#)

**To access the full Operation Backing Black Businesses  
Ecosystem Map**

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