ISSUE BRIEF

Three for 30:
A Black Small Business Agenda for Programs and Policy Change by 2030

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Prepared by
Chicago Urban League

Writing and Research Support:
Stephanie Schmitz Bechteler, LSW, PhD
Michael Doss, LSW

INTRODUCTION

During the earliest months of 2021, as the nation was entering its second year of the COVID-19 pandemic, the Chicago Urban League (League) leadership and its staff in the Center for Entrepreneurship & Innovation (CEI) held ongoing conversations about the impact of both the pandemic and the 2020 summer protests following the murder of George Floyd on Black communities and businesses. Having released a paper in May 2020 that examined the potential impact of COVID-19 on the Black community, entitled *An Epidemic of Inequities: Structural Racism and COVID-19 in the Black Community*, League staff were now turning their attention to what would be required over the next 5-10 years to begin laying the groundwork for economic recovery in Black communities. Community economic development, which includes the expansion of small business supports, housing and other infrastructure investments, was seen as the key to this recovery.

The League's Research & Policy Center, in partnership with the Center for Entrepreneurship & Innovation, conducted several community events, interviews and conversations with Black entrepreneurs and small business owners, community partners, banking representatives and government officials between Spring and Fall 2021. The goal was to answer the following questions: (1) How had the twin shocks of COVID-19 and protest/political unrest impacted Black businesses and business owners? (2) What would the League need to do now and, in the future, to support these entrepreneurs and business owners to increase the likelihood of community recovery? The intent of this research was to provide thoughtful guidance for the development of the League's own programs and services, while also sharing what we have learned with government and corporate partners providing grants, funding, and their own supportive services to these business owners.

In 2024, most people are looking at the pandemic in the rear-view mirror, and three years later, life has taken on a familiar, "pre-pandemic" feel. To be sure, COVID-19 is still a concern for many, especially among the chronically ill and the economically vulnerable. Further, challenges to racial equity and DEIA efforts in government, corporations and higher education spheres mean that the struggle to build and uphold the work of racial and social justice continues unabated. For this reason, the League felt it was a good time to review and share with the community what we learned from these conversations nearly three years ago, what knowledge we can apply to small business programs and services, and where there is work still to be done as a community to support Black entrepreneurs and small business owners. Note that the paper will use the term *post-pandemic* not because the virus does not still impact people but in recognition of the end of the many government, corporate and philanthropic efforts that ended in late 2022 through 2023.

This short research brief will highlight the League's lessons learned and provide recommendations for programs, practice and policy changes that will facilitate ongoing business development and recovery efforts, with a focus on Black entrepreneurs and businesses. **Titled *Three for 30*, this paper will conclude with three priorities the League has determined will be necessary to support Black business owners in the next decade.**

METHODS

Research Design

This was a qualitative research study, using interview and narrative data from respondents participating in interviews, community conversations and forums, and focus group sessions.

Participants

The participant pool comprised 25 Black small business owners and entrepreneurs, 15 small business experts and consultants, and 40 participants of community forums and discussions.

Setting

As these interviews and discussions occurred during the ongoing pandemic, all conversations were held virtually through Zoom calls and meetings. This limited participation to those individuals who had access to the technology to participate.

Instruments

Two distinct structured interview templates were developed for the business owners and the small business experts. Community conversations were guided discussions with predetermined questions for participants.

Procedures

Interviews and discussions were conducted and recorded on Zoom. Consent was asked of each participant to be recorded and was asked of the group participating in the community conversations.

Data Collection and Coding

Following the interviews and discussion, the recordings were reviewed by the project lead and the project intern, and notes were compared. Thematic coding was used to group all notes and observations into key themes. Any time direct quotes are included in this paper, these were lifted from the recordings. Identifying information will not be provided.

SECTION ONE
A Snapshot of Pandemic Impacts on Black Entrepreneurs, their Businesses and Post-Pandemic Black Business Recovery

To set the context for the information shared in this brief, this section is a research review of the impact of the COVID-19 pandemic on Black businesses, and how these businesses have fared during the post-pandemic recovery. Sources of data used for this section will include thematic summaries of interviews conducted with the League's CEI participants, as well as a review of literature of pandemic and post-pandemic business challenges and recovery.

Insights from CEI Participants

As part of the League's research on Black business owners, we wanted to learn more about the experiences of entrepreneurs trying to help their businesses survive an unprecedented global health event with significant impacts on the business community. We were curious about their experiences, their challenges, and the physical and emotional toll this was taking on their lives. While we have not conducted a follow-up interview at the time of this report, this section does present a compelling snapshot of a unique time and set of circumstances that laid bare the vulnerabilities and struggles facing these businesses. From these conversations with 25 small business owners and entrepreneurs, the following themes emerged.

***Business owners were unprepared financially to weather the unexpected*.** Many of the respondents noted that they had few financial resources to sustain their business and their personal incomes during that first difficult year of the pandemic when everything was shut down. Even as the world started opening again in 2021, hardships were still common. Most of the respondents owned food, retail, or service businesses—three industries hit particularly hard by pandemic closures and loss of customers. Only two of the fifteen business owners we spoke with were able to access federal, state, or local grant dollars, and those that could found the small award amounts ($5,000 and $10,000) inadequate to address their comprehensive needs. Several noted that the closures and loss of income wiped out what little business and personal savings cushion they had, and price gouging and other unanticipated costs raised their expenditures. For many of these business owners, it was a time of limited revenue, rising expenses and dwindling savings.

Businesses, clients, and customers were in the same financial predicament. Related to the experiences listed above, most of the business owners also noted that they, their businesses and their clients and customers were all located in the same neighborhoods and all of them were facing similar job and income losses. This impacted both business-to-customer sales as well as business-to-business sales, as there was little money freely flowing and changing hands during this time. One of the respondents highlighted this challenge particularly well: "*I was without money, my customer was without money, the person I bought supplies from was without money because I couldn't pay him, and the business that bought product from me went without because they didn't have money. It was one big circle of people having no money. We couldn't help each other*."

Business owners could not compete for limited resources. During the pandemic, resources such as needed supplies and staff were in short supply. For the few small business owners in the study that had employees, they noted that people were uninterested or unwilling to work retail, food, or service during the pandemic. Thus, the demand for staff increased and these owners could not pay as competitive wages or offer as many hours as larger, established businesses. This impacted the owners, who took on more responsibility and longer hours, as well as the businesses, which were unable to manage rushes of people once things started opening again, resulting in loss of business. All the business owners with a food or retail business also expressed anger at the price gouging many experienced in purchasing not only their business materials, but needed, hard-to-find supplies such as masks, gloves, hand sanitizer, cleaning supplies and other pandemic necessities. Increased costs and delays with shipping, businesses unwilling/unable to deliver goods to other businesses and the unreliability of internet connectivity also impacted business operations negatively.

Business owners felt very disconnected from support. Many of the respondents expressed the isolation they felt not only in their personal lives, but also in their disconnection from the business community. For business owners and entrepreneurs, their business was not just their work and source of income but also a source of social connection. Unlike employed workers with colleagues that were part of a bigger system even during the shutdowns, respondents felt very disconnected from the very people that could have empathized with their challenges, shared recommendations and resources and commiserated over shared struggles.

Business owners were frustrated by the "Buy Black" campaigns and messaging because they proved unsustainable and lacked impact. Respondents noted that these initiatives existed before the pandemic and the 2020 summer protests, but they grew in number and insistency over the Fall and Winter of 2020. As several business owners noted, these efforts are more of a curse than a blessing. First, many of the respondents noted that their customers/clients were and will continue to be other Black people and businesses, so it was unclear what the call to "Buy Black" was setting out to do. If the goal was to create a sustained customer base among Black consumers, that was already the market segment most likely to support their business. If the goal was to get more individual White customers and clients, the call to action might lead to a one-time purchase, if the business owners had the opportunity to even connect with this market segment. Existing online businesses got lost in the noise of a rapid shift to online operations, new online businesses could not get their footing, brick-and-mortar businesses were temporarily closed and once reopened did not anticipate a large influx of White consumers into the neighborhood. If the goal was to get larger businesses and corporations to live up to their steadily increasing DEI statements through business-to-business arrangements, the size and types of businesses owned by respondents and many others in the community would never grab the attention of or be attractive to these large enterprises. Several respondents wondered how much money was spent on these initiatives and believed it would have been better spent on grants and financial support to the business owners.

The pandemic's impact on businesses took a physical and psychological toll on business owners. All the respondents reported varying degrees of physical and emotional stress as they worked long hours and navigated considerable uncertainty during 2020 and early 2021. Many respondents reported anxiety and panic attacks, depression, heightened frustration, greater insecurity, and feelings of being overwhelmed and mentally fatigued. Others reported physical aches and pains, exhaustion, and physical manifestations of stress such as heart palpitations and racing heart, headaches, and stomach pains. Many reported that while everyone was experiencing mental and physical challenges because of the pandemic, they believed that the additional stressor of being a business owner and losing their income and livelihood placed a considerable burden on their mental and physical health.

Business owners lacked confidence that any of the experiences and lessons learned from the pandemic would ultimately change things for Black businesses and communities. The respondents were all hopeful that their business would survive the pandemic, but they were not hopeful that strategic recovery and assistance would be available post-pandemic to stabilize their businesses and communities. One respondent's comment was a good representation of others' comments: "*These are issues that we've been talking about for decades. Our communities and businesses are redlined. This was before COVID, and this will be after COVID. I'm not confident there will be a recovery effort. When you look at history, it takes years for things to improve, IF they improve. People are not going to invest in the community in a big way or it would have happened. So why now? I see us as a people working hard to recover. I don't see governments or corporations continuing this money they are throwing around now.*"

Literature Review

In addition to the stories and experiences the League gathered during interviews with small business owners, there has been considerable research literature released over the past few years examining both the longer-term impact of the pandemic on businesses and post-pandemic recovery outcomes. Highlights and themes from these studies will be presented here.

When a Pandemic Leads to Economic Downturn

There was considerable worry about the long-term impact of social, political, and economic disruptions on businesses and the business community as the United States moved through the first year of the pandemic in 2020. In the United States, 40 percent of small businesses reported temporary closures, but this figure rose to 70 percent for certain sectors (services, food, retail as examples).[1] In some states, Illinois included, our public health and executive orders led to longer closures and lengthier disruptions of standard business practices compared to states with looser restrictions.[2],[3] This created additional concerns about pandemic impacts on our small businesses and municipal and state economies.

Experiences from previous economic shocks, such as the Great Recession of 2008, provided a possible checklist of what was to come: businesses would lose revenue and many would cease operations, banks would institute conservative lending and investment practices and available dollars would decrease, companies would engage in hiring freezes or layoffs, households would reduce spending.[4] Early evidence suggested that not only were these things happening, but the pandemic placed additional burdens on our economic and workforce systems because we were dealing with a novel virus that undercut both purchasing and productivity by directly impacting the health of both the consumers and the workers. Not only were people nervous about participating in activities that increased their risk of exposure, but those who also worked in these environments (transportation, healthcare, education, retail, food service, entertainment, etc.) were unwilling or unable to continue working, creating a circuitous demand and supply problem that threatened to derail these sectors for longer than others.[5]

As expected in any downturn, but particularly one in which certain sectors and work environments made some workers and business owners more vulnerable to viral exposure risk, the economic effects of the pandemic were not born equally across society. Low-wage service, retail, food, and transit workers and business owners, many of whom are Black and Latino, were more severely impacted by both the disease and economic burdens.[6],[7] Economists have termed this a "k-shaped recovery," where higher income individuals and large businesses in some sectors don't just thrive but expand and grow exponentially, while lower income individuals and small businesses become increasingly strapped for money and resources.[8] The next section will examine more closely the impact of the pandemic on small businesses over the past few years.

Impacts of Pandemic Closures on the Business Sector: 2020 - 2023

The initial concern in the first year of the pandemic, following the mandatory shutdown orders beginning in March 2020, was the extent to which the business sector would be harmed by emergency orders and the extent to which business operations would resume once the most restrictive orders were lifted. Evidence suggests there was a marked increase in service and goods sector business exits (ceased operations) and a marked decrease in business starts (started operations) during the second quarter of 2020, with approximately 735,000 businesses closing and 330,000 business exits recorded nationwide.[9] The more reassuring news from these initial studies showed that in the subsequent quarters, more than 70 percent of closed businesses were able to reopen and resume operations and the pace and frequency of business exits closed considerably.[10] As noted in other studies, service sector businesses requiring personal contact and face-to-face interactions suffered the greatest and most sustained losses, and businesses in the service sector comprised approximately 90 percent of exits between March 2020 and March 2021.[11]

What was unanticipated when examining previous economic shocks to predict the impact on businesses was the degree to which the business sector pivoted to establish new businesses to either supplement or offset losses during the first year of the pandemic. Nationally, over 100,000 more businesses were created than lost by March 2021, and many of these business starts were in sectors that were initially hit hard by pandemic closures and exits: services, leisure, hospitality, transportation.[12] Unlike the situation following the 2008 Great Recession, when business development remained slow and uneven for the following decade, pandemic business development rapidly soared by mid-2020. Approximately 4.4 million new business filings were posted in 2020, almost 1 million more than in 2019, and new business filings have increased 40 percent from March 2020 to June 2022.[13] Part of this growth was fueled by an increase in online microbusinesses, as well as an increase in service businesses in areas outside of central business districts (suburbs, exurbs) and high-tech sectors, online retailing, software and computer systems development and data processing and analytics.[14],[15] Significant investments in local, state and federal grant funds and loan programs that helped create the infrastructure to sustain existing businesses also helped usher in the creation of new businesses.[16]

Small Business Starts, Exits and Recovery: 2020-2023

Stabilization and growth in the U.S. business sector must also be considered from the lens of small businesses. Despite the positive picture of recovery for the business sector overall, care must be taken to understand the unique set of challenges the small business sector faces in the ongoing post-pandemic recovery. Small businesses are a sizable portion of the U.S. economy – they represent approximately 44% of U.S economic activity and nearly 50 percent of wage earners are employed by small businesses.[17] For this reason, it is important to consider what they have experienced and any ongoing and future needs to ensure that this significant driver of the U.S. economy sustains development and growth.

Small businesses felt the immediate impact of the pandemic on their finances and operations in 2020. The Small Business Pulse Survey was a rapidly deployed survey from the U.S. Census Bureau that attempted to measure the effects of the pandemic in real time.[18] Launched in April 2020, it continued to collect data on small businesses through April 2022. Of note are the following key highlights from the two-years of data collection: in April 2022, 20 percent of small businesses reported a large negative impact from the pandemic on their businesses, a significant drop from 50 percent in April 2020; every small business sector reported negative sentiment (beliefs on overall effect of the pandemic on businesses) for the entire two years, with very minor improvements in the Utilities, Finance and Insurance, Real Estate, Professional Services and Administrative and Support sectors in 2022; nearly 80 percent of small businesses reported a change in operating revenue in April 2020, dropping to about 20 percent in April 2022; by the end April 2022, the Wholesale, Retail, Educational services, Accommodation and Food Services and Other Services sectors still believed they had a longer recovery period expected.[19]

A July 2020 study looking at the recovery pathway for small businesses following the pandemic closures and restrictions suggested that the U.S should anticipate and plan for expected variations in recovery timelines by small business sector. In this report, recovery by sector can be thought of as immediate term (2020-2021), short term (2021-2023) and longer term (2021-2025+), with the following sectors falling along this distribution: [20]

- Immediate term: Healthcare and social assistance
- Short term: Information; Professional, scientific, and technical services; Real estate, rental, and leasing; Management; Retail trade; Construction; Finance and insurance; Utilities; Administrative and support services; Wholesale trade
- Longer Term: Manufacturing; Transportation and warehousing; Educational services; Mining; Accommodation and food services; Arts, entertainment, and recreation

These variations in recovery make intuitive sense – the healthcare and social services sector needed to immediately respond to the health and social aspects of the pandemic and were classified as an essential workforce often exempt from pandemic restrictions. In contrast, hospitality, food, and entertainment are not seen as essential needs or activities and thus consumers and businesses will take longer to return to pre-pandemic volume.

Not all small businesses were vulnerable to the pandemic in the same way. Businesses that were already experiencing losses or had cashflow problems pre-pandemic were more likely to cease operations and not be able to reopen.[21] Additionally, businesses that were not able to pivot from a brick-and-mortar establishment to an online or home-based business were less likely to weather the closures successfully.[22] Finally, business owners that lacked personal resources and connections to cover business expenses or losses were much less likely to sustain their business and resume operations as the economy picked up again.[23] In contrast, businesses that were able to capitalize on online marketing and operations, implement new product development and delivery procedures, draw on enhanced pricing and customer relations structures and access supplemental funds and funding strategies were much more likely to survive the earliest months of the pandemic.[24]

Aside from these operational differences, there were also demographic variations within the small business sector that must be taken into consideration when examining the impact of the pandemic on small businesses. This next section will review the experiences of Black business owners in greater detail, highlighting their experiences and their path to recovery.

Black Businesses during Pandemic Recovery

During the earliest months, Black and Latino business owners comprised a larger percentage of business exits than White business owners. By April 2020, Black-owned businesses declined by 41 percent and Latino-owned businesses by 32 percent, in contrast to a 17 percent decline in White-owned businesses.[25] Reasons for this are numerous, and include some of the following factors: Black businesses are located in communities with higher rates of COVID-19 exposure and infectivity; the federal PPP program and other forms of assistance did not adequately reach, recruit and enroll Black and Latino business owners; preexisting financial vulnerabilities, funding gaps and limited personal resources provided business owners with little to no cushion to ride out the early shutdowns an restrictive closures.[26] The League's own conversations with Black business owners confirmed much of what has been written about this financial vulnerability going into the pandemic: Black business owners had fewer personal funds and savings, lower credit ratings that impacted their ability to access credit, and lacked strong relationships with banks and financial advisors to take advantage of pandemic funding resources.[27],[28]

Despite these early challenges in the pandemic, two unexpected conditions helped promote access to resources and jumpstart recovery for Black business owners, which did begin to improve as early as 2020. First, the summer of 2020 ushered in a renewed focus and understanding of the disparate experiences of Black Americans following the protests and social actions in response to police brutality, and corporations, philanthropy and governments focused their attention and resources on Black people, businesses, and communities.[29] Further, the influx of federal funds through the CARES Act, while not aimed at small business development solely, did provide a significant influx of funds into communities that could be used to stabilize households and create opportunities for business development.[30] Research by the National Bureau of Economic Research found that metropolitan regions with larger Black populations experienced a larger increase in new businesses relative to other areas.[31] Black entrepreneurs accounted for over 25 percent of all new online microbusiness owners during the pandemic, suggesting an increasing share of the online commerce ecosphere.[32]

There are 3.12 million Black-owned businesses bringing in annual revenues of over $200 billion in the United States.[33] In 2020, just over 2% of employer firms more than one employee were Black-owned (134,567); most Black-owned businesses are non-employer firms providing income only to the business owner.[34] This is not for lack of drive and determination on the part of entrepreneurs – a lack of wealth accumulation and lack of connection to investment capital and longstanding experiences with discrimination in lending, housing and employment significantly curtails business development and growth.[35] This suggests deep-rooted, systemic challenges that must be addressed to build up and support Black entrepreneurs, but all evidence points to this being a worthy investment. Black business owners create thousands of new jobs each year and contribute billions to the national economy.[36] Further, Black women represent a large and growing percentage of entrepreneurs and business owners, outpacing business development among women as a whole.[37] That said, at the current level of growth, it will take an estimated 256 years for Black business development to reach parity with White business development, so it remains critical that we commit resources to ongoing equitable business development.[38]

Looking Ahead – Ongoing Support of the Black Small Business Infrastructure in Chicago

In 2021, the City of Chicago introduced the Chicago Recovery Plan, an effort to strategically deploy federal funding from the American Rescue Plan Act and local bond funds to invest in Chicago's economic recovery. Congress appropriated $350 billion to the State and Local Fiscal Recovery Fund under the American Rescue Plan Act of 2021 and the City of Chicago was allocated $1.887 billion from the Local Fiscal Recovery Fund for expenditures incurred March 2021 thru December 2024.[39] Under the Equitable Economic Recovery section, the plan outlined its Small Business and Workforce Support efforts, to include $67 million in funding to provide grants and business support services and support new small business owners.[40] Chicago also provided additional resources for small business owners through the Chi Biz Strong Initiative, the Chicago Microbusiness Recovery Grant Program, and the COVID-19 Small Business Support Program (CSBS).[41],[42],[43]

Efforts are still underway for several Chicago Recovery Plan initiatives throughout 2024, but many of the other COVID-specific programs, grants and resources are no longer available for small business owners. This does not suggest that the work does not continue, rather that it will now likely be embedded into the commitments and plans of the city's existing departments. As we enter the next phase of planning and support for small business owners, we are presented with the opportunity for all stakeholders to pause and review the lessons learned from the pandemic and how we might collectively translate these insights into program and policy plans for the next several years.

SECTION TWO
Lessons Learned from the Pandemic: Reflections on Challenges and Opportunities for Ongoing Recovery

Over the first six months of 2021, the League interviewed 15 small business subject matter experts and consultants, facilitated a regular working group of 10 additional experts and hosted virtual community forums with upwards of 40 participants to learn about the experiences of Black business owners during the pandemic and what would need to be done moving forward to support these businesses. Longstanding systemic barriers and pre-existing characteristics of Black businesses, coupled with the disruptions brought on by the pandemic, laid the foundation for the challenges faced by business owners and entrepreneurs. These conversations also provided a clue as to what challenges lay ahead during the post-pandemic recovery period.

The purpose of these conversations was to help demonstrate what made Chicago's Black business owners particularly vulnerable to the negative outcomes of an event like the COVID-19 pandemic so that governments, organizations, and philanthropy could put in place solutions that might prevent this from happening again in the future. Although we cannot be certain when, we can be certain that another disruptive shock, global or national crisis, or major economic downturn will happen again. What can we gather from the lessons of the COVID-19 pandemic that could be used to create programs and policies that might stave off the worst of these effects on Black businesses?

What Did We Learn about Chicago's Black Entrepreneurs and the COVID-19 Pandemic?

Interviews with the CEI participants and small business experts were remarkably consistent in their diagnoses of what made Black business owners particularly vulnerable to the disruptions of the pandemic. Section One briefly detailed the experiences of the small business owners, and additional context from the experts will be provided in this section.

Black business owners were unprepared for a crisis. Nearly every expert interviewed or participating in the League's research and learning activities without fail stated that a significant percentage of Black business owners were critically unprepared for any kind of crisis that could threaten their operations. As the experts noted, the presence of any one of these conditions can threaten business success even in the best of times – business owners facing all these conditions as they entered the uncertain and highly disruptive pandemic were at such a significant disadvantage that the likelihood of successful recovery was slim to none. From these conversations, four key themes emerged:

1. **Business owners lacked formal processes.** The development and use of standard business practices, such as formal accounting and book-keeping procedures, technology integration and business process automation, risk management, fiscal management and operations management are key to small business sustainability. These standards provide owners with the documentation, tracking and reporting tools necessary to monitor and control their business operations. Many small businesses have not formalized these practices and processes, which put the business owners in a very unfavorable position when federal, state, and municipal grant and lending programs became available during the pandemic. They were unable to take advantage of these resources because they were unable to provide the needed documentation and

information that would allow them to apply for and receive assistance. They lacked financial statements, historical records of their operations and other information necessary to be competitive for aid. As one expert noted, *"When things are fine, you can skirt by lacking any sound business skills – maybe you are even doing OK. But when things go bad, and they will go bad unpredictably, this is when you are going to get hurt [by this]. You will have no real way to deal with a crisis once it starts if you didn't prepare for it when things were good. You'll just fail because that's not the time to put these things in order. It's too late. Way too late."*

2. **Business owners lacked key relationships.** When the pandemic hit, the small business owners that had existing relationships with a bank/financial institution, a local Small Business Administration or MBE/WBE organization, city-based community development agencies or nonprofits serving small businesses and entrepreneurs fared better than those owners that did not. These organizations not only provided information and guidance, but were essential in connecting business owners to programs, services, grants, and other supports to help owners stabilize their operations during the worst of the pandemic closures and disruptions. Unfortunately, as many experts noted, many microbusiness owners and solopreneurs (these will be discussed in the next section) can be unaware of these services or do not avail themselves of these resources. As stated in the comments above, the best time to build these relationships is when things are going well. Once a crisis hits, particularly one that impacts a lot of people, it is difficult to build a relationship rapidly to receive assistance. Surveys of Black business owners likely provide an underestimate of the degree of disconnection faced by Chicago' business owners and entrepreneurs overall, since owners completing the surveys are the ones most likely to be connected to services and may not be representative of the greater small business community.

3. **Business owners lacked financial reserves.** This challenge has been noted well before the start of the pandemic: Black entrepreneurs and small business owners do not have the same business or personal finances to weather lengthy disruptions in revenue generation when compared to White business owners. As many of the experts noted, Black business owners might have enough in their personal cash reserves and on personal credit cards to float operations for a few weeks, but any lengthier disruption in revenue generation puts their business at considerable risk. Added to the pains of income losses were the increase in unplanned expenses that the pandemic introduced: additional needed equipment, technology upgrades, software or online business products, price gouging on business and health supplies, and higher shipping and delivery costs. The confluence of increased expenses and business revenue reductions and minimal to no cash reserves or personal credit created a situation in which continuing business operations was untenable and placed the owner's personal finances and financial wellbeing at risk.

4. **Business owners lacked personnel support**. A concern shared by both the business owners and the experts was that these businesses were often an extension of the owner, and anything that befell the owner befell the business. As noted early in the report, only 2 percent of Black small businesses have employees, so when the owner fell ill during the pandemic, business operations ceased, and income stopped. As we have learned in the subsequent years since the start of the pandemic, many people that become infected with an initial COVID-19 illness can experience a

lengthy recovery period. Some people remain permanently disabled by post-viral cognitive and physical health declines, making work all but impossible.

Black business owners existed in a network of connections that struggled to uplift one another. Both the business owners and experts stated that it would be wholly inaccurate to describe Black business owners as lacking networks and connections. Owners routinely built formal and informal relationships with other owners, and many noted that they were happy to serve as a source of word-of-mouth marketing and support for their business peers. What became an issue during the pandemic is that these networks were comprised of other entrepreneurs that were in the same economic and social position as they were, and all were struggling in similar ways. Whereas previous interactions might lead to a business referral or a new client or new customers for a product, pandemic conversations were more about empathy than business dealings. As one expert shared, *"I would gather about 10 business owners together for virtual coaching and support sessions. These were free; I did it because I had worked with them before and knew they were on hard times...They all were there for each other mentally, but there wasn't much else they could do for each other because it wasn't like any of them had a secret stash of customers to share. They were all in the same sinking boat."*

Black entrepreneurs owned businesses that are predisposed to closure. All the experts talked about the profile of Black businesses and their overrepresentation in limited sectors, mainly services, retail, and food. These can be low-barrier, easier-entry businesses that are more accessible to entrepreneurs with limited financial resources and connections. The result is a lack of business diversification in the community and online, increasing competition and making it harder to sustain business operations. This was also the case pre-pandemic, but it intensified during the pandemic. Research showed that businesses that were able to survive the pandemic were ones that were able to pivot to new products or processes or delivery methods, but not all businesses can pivot easily. Hair and nail salons, coffee shops and online micro retailers would find it exceedingly difficult to operate their businesses using anything but existing business models, particularly if owners did not have the finances to adopt recent technologies, increase marketing or expand into new delivery methods.

The pitfalls of the Black hustle culture became evident during the pandemic. Hustle culture has always been a little precarious. It is built on a patchwork of available opportunities that will hopefully come together to help a person make a living. There are no guarantees of success, but it is a deeply held conviction among those who hustle that if you use your intelligence, your skills and your connections and you put in the work, it will pay off in the form of income, networks, or advancement. The social and economic challenges faced by poorer Black Chicagoans has always required people to hustle more to survive, and the same can be said for Black business owners needing to overcome the burdens of geographic and economic segregation and the resulting lack of resources. During the pandemic, as people were losing their jobs and businesses were shuttering, the demand for hustles grew exponentially. While the supply of new or expanded hustles also expanded, many experts commented that it seemed more and more that people were fighting over the same, fewer scraps. What this period made visible was the degree to which many people and businesses would rely on hustles to drum up opportunities for income – when those dwindled, it was much more evident the need for a strong local economy that could support job and business development. As one expert said, *"When you take away that [side] hustle, you see how very little is left to help someone make their money."* Another expert explained how the reliance on hustles was understandable, but ultimately undermining business development and growth: "*Hustle culture shows us how money really flows through Black communities* –

through these informal arrangements that are not something a person can really count on. Black people put so much busy energy into making these few coins in ways that other people don't have to. No wonder we don't get ahead. How do you really run your business successfully when you are constantly in the hustle? Think of all the energy you burn up doing that, when you should be putting your business plan together."

What Did We Learn about the Unique Challenges of Solopreneurs during the COVID-19 Pandemic?

Solopreneurs are people who start up and operate a business on their own, making them both the founder and employee. Approximately 98 percent of Black businesses can be considered solopreneur ventures because they do not employ one or more staff members. This is not a problem in and of itself, as there can be highly successful businesses that do not require additional staff for their operation and growth. However, the presence of solopreneurs is indicative of an American Dream mindset that does not necessarily benefit people with entrepreneurial aspirations. This mindset suggests that anyone that wants to start a business can and should and that we should support people in their effort to do so. Reality would suggest that some ideas are better than others and not everyone has a viable business to bring to market. Thus, this section will focus on a specific subset of solopreneurs that are at increased risk of business closure.

Black solopreneurs and the people that support them must have honest and transparent discussions about the characteristics of a successful business. Nearly all the experts interviewed talked about how the desire to own a business coupled with easy entry into certain businesses is both a benefit and detriment to solopreneurs. When we err on the side of supporting anyone that wants to become an entrepreneur and start a business, we don't pause to ask important questions that might prevent someone from investing scarce resources into a business that has no chance of earning consistent revenue. Note that this observation is less about whether a business owner has the appropriate documentation and processes in place and more about whether the person should be in business at all. As one expert noted, *"We've all heard [a business idea] and thought in our heads, 'That's so dumb' or 'There is no way that's gonna work' and then we smile and tell the person what a great idea they had. A lot of us feel bad about the idea of squashing someone's dreams, especially if they've put some thought into it, maybe even bought some supplies. We should feel worse giving someone false hope. They are going to waste time and money they don't have on a bad idea."* For many of the experts interviewed, the more humane course of action is to upset someone in the moment and challenge a bad idea than watch someone work hard and put their own money into a high-entry, low-barrier, or otherwise non-needed and non-lucrative business that has little to no chance of success.

Organizations and funders are doing Black solopreneurs a disservice by continuing to offer support to businesses with a low probability of success. Related to the observation above, experts noted that it is time to revisit the purpose and structure of small business and entrepreneurship programs. Even pre-pandemic, organizations would gauge their success on business starts and not push for the formalization of processes and documentation that can set a business up for success. Even when programs would focus on business formalization activities, they would show reluctance in properly vetting business ideas and discouraging people from pursuing non-viable or overly competitive options. An expert explained, *"These programs will often promote entrepreneurism at any cost. It's not malicious. It's because people want to be owners. Or maybe they can't find a good job... but this is not working. They create dozens of these same businesses that swamp a community or get lost online and the market can't sustain it. [The* *program participants] have an overused business model, no competitive advantage and nothing that distinguishes them from the hundreds of other businesses just like theirs."* During the pandemic, when otherwise successful and viable businesses were struggling, these overly saturated businesses with inconsistent revenue were practically set up to fail.

What Will Need to be Done to Support Black Business Owners and Entrepreneurs Post-Pandemic over the Next 5-10 Years?

The League asked business owners and experts to provide recommendations for ongoing recovery support once the worst of the pandemic had passed. Staff also solicited targeted feedback from nonprofits, government, philanthropic, financial, and corporate representatives on the role their sector would play in recovery. This section will conclude with a report on key themes from these discussions.

Business owners and experts would like to see big picture thinking and changes over the next decade. Many of the respondents shared in their interviews the frustration they felt hearing and discussing the same Black business issues and solutions repeatedly. As many noted, nothing of what they were telling the League during these interviews were things that have not been said multiple times, yet we collectively remain committed to the same strategies that have failed to work previously.

1. **We keep incentivizing organizations to offer services and programs that perpetuate rather than solve the problem.** As noted above, programs for entrepreneurs and business owners are often focused on business starts and business growth and as such, do not properly vet ideas and keep people from investing their resources in an effort with little to no chance of sustainable success. Organizations are routinely provided predetermined metrics of participant and program success from funders and grantors that push staff to keep churning participants through canned programs. These services may at best lead to minimal short-term outcomes and at worst may put the participant in a troubling financial position, having spent time and their own money on a business that will not grow in size or revenue. As one expert said, *"We need to take a step back here, [we need to] have everyone pump the brakes. I will say something a bit radical, but that does not make it untrue: the pandemic made very clear who had a good business and who did not. Many of those that had something good are still here. They didn't defy unexplainable odds – they had a good business."*

2. **We keep relying on a grant-making structure that couples too many things together and muddies the intent and impact.** Small business support is often seen through the lens of community economic development. To a degree, this makes sense, as businesses are both a part of and contributors to the local community. Businesses, especially brick-and-mortar locations, also require community assets to support them – livable, walkable neighborhoods with quality housing, public safety, transportation and parking, commercial corridors, etc. In many predominantly Black Chicago communities, there are government and philanthropically supported neighborhood initiatives that create a carve out for small business development and growth from the pot of funds used to address all the other needs listed above. The result is a large and sometimes unwieldy set of goals and desired outcomes that require substantial investment of capital, partnerships, and political will to execute. It also raises the "what comes first" question for prioritization – do you select one focus area and pour the dollars into that work until progress is made, postponing the others? Do you allocate little portions to each area

each year, watering down the potential impact of the investment? Many of the experts noted that under the model of traditional business investment, we would not expect a business owner to approach a bank or venture capital firm for funds, only to learn that their neighborhood will get 80 percent of the funds for community development and 20 percent will be allocated toward their business. Yet in these communities, many of the public-private partnerships, nonprofit and government initiatives, this is what these business owners can expect. One expert shared the following example: *"I have yet to meet the White business owner who, upon going to the bank for a business loan, is told that they'll get their check after the bank takes some of their money to fund a new municipal parking lot. It's inconceivable, yet we basically do this to many under-resourced, under-connected Black entrepreneurs. It's insulting."*

3. **We keep expecting the bare minimum from the business and financial sectors.** Most of the experts, while expressing appreciation for the financial contributions of banks and corporations, stated that the main problem is that these sectors still see Black businesses and business owners as a charity opportunity and not an investment opportunity. The sectors are not totally to blame – as stated above, it is both understandable and reasonable for banks, investors, and businesses to withhold their resources from businesses with limited opportunity for success, or businesses that do not offer goods and services needed by themselves or others. Instead, the issue is when banks and corporations set charitable giving to organizations with entrepreneurship programs as their primary strategy and fail to create robust business-to-business approaches for the small and growing population of Black business owners that have a viable business, some business and personal savings, a good credit score and good business documentation and practices in place. One expert in the financial sector shared in detail the need for the financial and business communities to rethink their relationships with Black business owners: *"We need to take a hard look at why strong, solid Black businesses are not getting the same level of support as their counterparts. Not the businesses that are not a good candidate for our products and services. We need to be more selective and [need to be] OK with being more selective...banks and investors want to get behind high-growth, high-impact businesses. Corporations are here to make money – they will get behind a business that helps them do that. This might be a small percentage of Black businesses, but they are out there, and we need to aggressively court them."*

Banks and corporations play a significant role in directly supporting viable Black businesses and building the pipeline for future viable businesses. This is not a novel statement – of course banks and businesses play a role in the growth and sustainability of Black businesses. However, these interviews with business owners and small business experts helped clarify the unique contributions these entities provide that cannot be easily found elsewhere.

1. **Banks, investors, and corporations have timely, accurate and insightful market expertise that other stakeholders do not.** Many Black entrepreneurs and small businesses owners seek services and support from government agencies, community organizations and nonprofit university entrepreneurism programs. These programs hire staff with varied experience in business development and growth and may not have the ability or capacity or ability to stay abreast of the latest marketplace trends, high-growth industries and sectors and business-to-business needs. While operating from a place of good intent, these partners may lack the needed information and expertise to help entrepreneurs assess market needs and saturation, evaluate a business

idea through the lens of market competitiveness and provide projections on sector growth and development. Banks and corporations possess considerable knowledge of these domains and must find ways to transmit this to the broader small business community.

2. **Banks, investors, and corporations understand how to be competitive.** As noted throughout this section and the prior, a significant challenge facing the Black business community is the preponderance of low-barrier, high-entry businesses, solopreneurships and businesses that lack the proper processes and documentation to make them viable, sustainable businesses. Many entrepreneurship programs may provide a high-level overview of these topics, but it's clear through the interviews with business owners and experts that many Black entrepreneurs have a limited understanding of banking and financial systems, accounting practices, credit scores and lending criteria, and the tools that banks and businesses use to assess risk and determine whether they will engage in a business-to-business relationship with another entity. Not all Black business owners will be competitive, and the counsel provided by banks and businesses will not translate to many of the retail, food and service businesses created by entrepreneurs. However, there is a percentage of Black business owners, albeit small and growing, that could benefit significantly from this counsel and these entities must find ways to share this knowledge.

3. **Businesses are buyers of technology, goods, and services.** 2020 unleashed a sea of DEI statements and targeted DEI hirings from corporations large and small across the United States. Concerns about racial inequity and systemic racism fall in and out of favor in the U.S., and during the first year of the pandemic, they had a renewed attention following the murder of George Floyd and the resulting protests. As many noted during the League discussions, DEI statements and the hiring of DEI-centric staff typically has little long-term impact because there is no commitment behind them. Further, these statements and roles tend to disappear once social commentary and attention to racial injustice begins to die down. We are seeing evidence of this now, as many states are putting in place restrictions on DEI practices and many organizations are reducing or removing their DEI staff and teams.[44],[45] What is needed from businesses is not crafted statements or DEI teams with little decision-making authority but a true and intentional commitment on the part of businesses to do business with strong, successful and viable Black businesses. When a business does not intend to commit to DEI fully, it considers its efforts charity and engages its philanthropic arm to provide donations. When a business intends to commit to DEI, it sees Black businesses as viable business-to-business partners and engages its business arm to develop contracts and write checks.

Government agencies, academic institutions, community-based organizations, nonprofits, and nonprofit philanthropy will continue to play a vital role in serving Black entrepreneurs and small business owners. These organizations have created a necessary, accessible ecosphere of support, guidance and resources that cannot be replicated by business and corporate entities driven by a profit motive. Those entities exist to maximize profits, whereas nonprofits and government services exist to provide services and programs that offer a social return on investment (SROI) but typically not a direct ROI on investment dollars. Thus, there will always be a need for these organizations to offer programs, provide grants and in the case of government entities, provide opportunities for contracting and procurement from a diverse set of businesses and suppliers. This does not mean that there are no areas of opportunity for these organizations, as respondents identified two key areas in which they would like to see change.

1. **Nonprofit entrepreneurial programs and nonprofit philanthropy must rethink program goals, content, and measures of success.** These organizations and the participants and clients they serve are at a disadvantage from the start. Organizations provide budding entrepreneurs with an opportunity that does not carefully and routinely vet participants and their business viability as a matter of practice, then provides a program that often fails to include comprehensive content and technical assistance on developing and maintaining standard business practices, then must claim minimal short-term outcomes that often do not translate into long-term success for many participants. What is needed is a revisioning of nonprofit entrepreneurial programs and honest and transparent conversations between community-based organizations, government agencies and the nonprofit philanthropic community regarding what is reasonable, what is attainable, who and what must be prioritized for services and how to define and measure success.

2. **Government agencies and nonprofit philanthropy must rethink grant-making practices that couch small business development into broader community development.** One of the unique things that happened during the pandemic was the commitment on the part of federal, state, and local entities to provide direct dollar resources to business owners on a large scale. As we move into a post-pandemic era, we can expect to see a greater return to apportioning small business development dollars into larger neighborhood and community development and reinvestment projects. To be clear, it is important for businesses to create vibrant, livable communities. Businesses do better in places where people want to live, shop and work. However, the business owners and experts interviewed all talked about the critical need for business owners to get direct financial support to underwrite operations, expand needed assets and inventory, or for business investments and growth. Further, many of the respondents talked about the need for targeted grant opportunities that would seed early-stage product/technology development to get more Black entrepreneurs into high growth sectors and industries and away from an over-reliance on easy entry retail, food, and service businesses.

3. **Government agencies must lean into their commitment to business and supplier diversity.** In addition to their role as a grantor and service provider, government agencies have an economy of scale that can be further leveraged to increase diversity. One consideration mentioned by respondents was to unbundle large contracts and projects into smaller procurement opportunities. Black businesses can build their capacity to take on larger projects by successfully completing projects within a scope of work doable under their current operations. This “foot in the door” approach is a win for both the agencies seeking diversity and the businesses seeking an opportunity to do business with state and municipal partners.

SECTION THREE
Three for 30:
A Black Small Business Agenda for Programs and Policy Change by 2030

In the preceding sections, we laid out the challenges faced by Black entrepreneurs and small business owners during the pandemic and highlighted actions needed for an ongoing recovery over the next 5-10 years. **In this concluding section, we will lay out the League's plan for bringing varied stakeholders together to begin building the infrastructure for programs and policy changes by 2030.** While the work will extend well beyond that date, the League believes that the next 5 years are critical revisioning years that will give all small business stakeholders the opportunity to come together and create a truly supportive small business ecosystem for Chicago's Black entrepreneurs and business owners. The next several pages will outline the framework for future conversations and work based on the following three priorities:

1. **Reimagine entrepreneurship programs.**
2. **Reenvision the small business grant and finance infrastructure.**
3. **Reinvent how businesses and government agencies commit to DEI.**

Strategy

To facilitate this work, the League proposes to develop, convene, and oversee a stakeholder working group that will meet routinely to move these priorities forward over the next five years. High-level activities will include:

- Identifying and recruiting working group members
- Reviewing and discussing report findings
- Developing deliverables and an annual work plan of activities based on the priorities
- Issuing annual and a project-end report

Priority 1: Reimagine entrepreneurship programs.

Goal

Bring together all stakeholders in the entrepreneurial education and services ecosystem to review and make recommendations on the following program elements:

- Program Recruitment – vetting and gatekeeping practices to reduce participation by entrepreneurs with nonviable businesses.
- Program Goals – What is the purpose of these programs, what is reasonable and attainable when committing to creating viable businesses.
- Program Content – How best to incorporate content and technical assistance on standard business practices and documentation; Deeper understanding of finances, financial services, and competitive funding applications.
- Program Outcomes and Metrics – How to define and measure success.

Need Addressed

This strategy addresses the oft-reported concern in this study that entrepreneurship programs are playing a role in perpetuating the same issues facing entrepreneurs for years. It is an attempt to hold all stakeholders collectively accountable for creating the conditions for small business success. Organizations must thoroughly vet participants and assess business ideas, help business owners implement standard business practices and documentation and make them more competitive for business and financial opportunities. Nonprofit philanthropy and government grantors must have a more realistic understanding of success and what constitutes successful outcomes in these programs.

Key Partners

- Academic institutions
- Banks and corporate partners
- Community-based organizations
- Local and state government agencies
- Nonprofits
- Nonprofit philanthropic organizations

Key Resources

- Network of stakeholders across sectors
- Existing small business programs
- Existing public-private partnerships

Sample Activities to Achieve Goal

1. Identify unified vision of the goal of entrepreneurship programs.
2. Propose standard elements needed in entrepreneurship programs, including program vetting procedures, goals, and content.
3. Propose outcomes and metrics that spur viable business development while preventing nonviable or financially detrimental business development.

Priority 2: Reenvision the small business grant and finance infrastructure.

Goal

Bring together financial and grantor stakeholders to review and make recommendations on business, government and philanthropic grant structures that address the following needs:

- Direct funds to business owners.
- Decoupling small business grants from broader community development projects.
- Developing and subsidizing Small Business Buyer's Collectives and other operations-focused strategies to reduce expenses for viable businesses.
- Expanding targeted sector grants for technology/product development businesses to promote inclusion in high growth sectors and industries.
- Expanding targeted banking efforts to Black business owners with strong, viable businesses.
- Expanding financial education services in the community to small business owners with viable businesses – loss of banking branches in neighborhoods impacts access and availability of services.

Need Addressed

This strategy recognizes that the preponderance of limited growth and nonviable businesses is distracting grantor entities and financial institutions from expanding assertive, targeted, efforts to recruit and work with viable business owners and provide them with the resources to grow and sustain their business.

Key Partners

- Banks
- Corporate philanthropy
- Local and state government agencies
- Nonprofits
- Nonprofit philanthropic organizations

Key Resources

- Robust banking and business communities
- Robust nonprofit community philanthropy
- Existing public-private partnerships

Sample Activities to Achieve Goal

1. Propose opportunities for leveraging direct funds to business owners.
2. Propose opportunities for leveraging sector-based grants and seed funding.
3. Propose opportunities for economies of scale/cost subsidization for buyers' collectives.
4. Propose opportunities for expanding financial education.

Priority 3: Reinvent how businesses and government agencies commit to DEI.

Goal

Bring together business and government stakeholders to review and make recommendations on how entities can make a deeper commitment to DEI through business approaches:

- Incorporating DEI into business practices: vendor and consultant RFPs, vetting and selection, procurement processes, business partnerships, teaming.
- Unbundling large projects and contracts into smaller scope of work.

Need Addressed

This strategy recognizes the need to support the business and government sectors in their stated commitments to DEI by providing resources and tools for action that benefit both these entities and small businesses.

Key Partners

- Banks
- Businesses and corporations
- Local and state government agencies

Key Resources

- Robust banking and business communities
- Existing public-private partnerships

Sample Activities to Achieve Goal

1. Propose strategies and benchmarks for leveraging business-to-business contracts.
2. Propose strategies and benchmarks for leveraging unbundled procurement opportunities.

ENDNOTES

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