



ASSESSING CHICAGO'S SMALL BUSINESS ECOSYSTEM

PATHWAYS TO IMPROVED COORDINATION, INCLUSIVE
GROWTH, AND SHARED PROSPERITY

WITH GENEROUS SUPPORT FROM:



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EXECUTIVE SUMMARY

On behalf of the many contributors and collaborators who have participated in this research project, we are pleased to share the following assessment of Chicago's small- and medium-business (SMB) ecosystem. Beginning in 2018, The Chicago Community Trust, JPMorgan Chase, and Polk Bros. Foundation partnered to sponsor a comprehensive market assessment on businesses owned by women and people of color, especially those operating on the south and west sides of Chicago.

The core research team included Community Reinvestment Fund, USA (CRF) – a national nonprofit dedicated to improving lives and strengthening communities through innovative financial solutions – and Next Street, a mission-driven consulting firm serving small businesses, nonprofits, and the organizations that accelerate their success. CRF and Next Street joined forces to conduct a rigorous analysis of the challenges and opportunities facing small- and medium-business owners in Chicago. In addition to CRF and Next Street, this project benefited from the counsel of a formal Advisory Committee including a broad range of small business owners, philanthropic and civic leaders, and representatives from capital providers and business service organizations.

Chicago has a long history of industry, ingenuity and commerce, with a unique business environment that enjoys natural competitive advantages based on its location, local industry, infrastructure and workforce. From its roots as a transportation and agriculture hub to its current high-tech, service, finance and manufacturing sectors, Chicago is a city founded on hard work and opportunity.

Looking at Chicago today, we found continued evidence of a supportive environment for small businesses. Over the most recent five year period there was year-over-year growth in nearly all types of small business financing activity, including debt, equity, and grant capital. Moreover, our research included a representative scan of more than 135 business service organizations and over 70 unique capital providers that are active in the Chicago SMB market.

While all of this is true, our research also demonstrates that the fruits of Chicago's SMB economy have not been shared equally among the city's residents.

The research uncovered significant disparities in the number of business establishments, relative performance and growth of SMBs, access to critical support services and capital resources, and employment opportunities along racial, ethnic, gender, and geographic lines.

While there is a robust spectrum of capital and services available to business owners in Chicago, access is still largely determined by a business owner's personal networks and ability to navigate a fragmented and often confusing landscape.

Specifically for businesses owned by women and people of color, which tend to be earlier stage, we identified several gaps in the market where the availability of capital and other resources is not always well aligned to their reported needs.

We found a specific debt capital gap in the \$50,000-\$250,000 range and a desire for increased grant/equity-like products that could support startup activity for Black and Latinx entrepreneurs who report limited availability of friends and family funding.

We also noted the prevalence of highly generalized business service offerings, often delivered through a cohort model to businesses operating in vastly different industries or stages.

In response to these challenges, this research identified a critical need for a more connected approach to reaching businesses owned by women and people of color, as well as ensuring services are tailored to their individual stage and industry. To support improved access to capital, we also see an important opportunity to develop more flexible debt and equity products that can support startup and growth stage businesses who may not qualify for traditional financing.

Both in our research and in the direct perspectives we gathered from small and medium business owners, we were struck by a profound sense of optimism about what the future holds. This is a unique and urgent moment for leaders and stakeholders in the city to consider the supportive roles they can play to improve ecosystem coordination, promote inclusive growth, and enable emerging entrepreneurs to grow and flourish. This report culminates with a set of recommendations and proposed path forward, rooted in a belief that a healthy, equitable, and diverse SMB ecosystem is a prerequisite for a thriving economy in Chicago.



RESEARCH OBJECTIVES

- 1** Fill a void in available market data and provide insights on small businesses, with a focus on women and people of color
- 2** Improve the understanding of SMBs within specific industries and neighborhoods, in which other interests, development efforts, and funding are already directed
- 3** Establish an understanding of the landscape of capital providers (debt and equity) and business service organizations that cater to these segments of the community
- 4** Identify potential gaps in the current ecosystem and propose opportunities to improve ecosystem coordination

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INTRODUCTION & CONTEXT

For people and institutions dedicated to advancing wealth creation and improved economic mobility for women and people of color, small business development is often seen as a critical lever. Research suggests that self-employed business owners, specifically people of color, experience faster earnings growth than wage and salary workers¹. Recognizing the relationship between business ownership and economic empowerment, wealth creation and upward mobility for both business owners and their communities, we have examined challenges and opportunities for business owners at the national level and in Chicago.

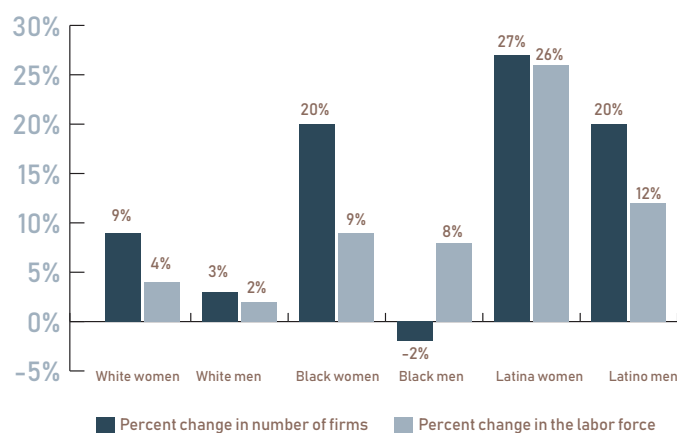
At a national level, there is growing evidence to support the emergence of a small business revolution led by a new cast of entrepreneurs. Today, businesses owned by women and people of color are the fastest-growing segment of start-ups and early-stage businesses². Across the board, labor force participation rates for women and people of color are outpacing employment rates for White men. With the exception of Black men, firm creation rates among women and people of color are significantly higher than new business starts for White men.

Nationally, more than 75% of Black- and 70% of Latinx-owned firms want their business to grow in terms of revenues or profits, compared to 64% of White-owned firms³. If Black-owned businesses alone were able to reach employment parity with all privately held U.S. firms, close to 600,000 new jobs would be created and \$55 billion would be added to the economy⁴.

How will these trends play out in the city of Chicago? What policies and strategies could be adopted to support and foster a more equitable SMB ecosystem? How can the city's leaders and stakeholders contribute to charting a bold new path that celebrates the value of diversity and creates a more level playing field?

For this research team, an exploration of those questions began with the need to develop a foundational body of research that could help align local stakeholders. Without a firm understanding of the needs, challenges and opportunities experienced by business owners, new programs, policies and strategies can often miss the mark, despite good intentions. Since Chicago's SMBs are critical levers for inclusive growth, job creation and neighborhood revitalization, we recognized an urgent need to start with a shared understanding.

FIGURE 1.1: PERCENT CHANGE IN NUMBER OF FIRMS AND WORKFORCE SIZE²
(NATIONAL STATISTICS, 2007-2012)



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HOW WE APPROACHED THE RESEARCH

In order to provide a comprehensive overview of Chicago's SMB ecosystem, CRF and Next Street sought to capture relevant data to help all stakeholders identify long-term strategic priorities that could enhance opportunity and access to resources for business owners in the city and surrounding region. Below we have included a summary of our process for gathering data and perspectives to inform our collective understanding.

In order to ensure the assessment was grounded in primary perspectives from small business owners and other stakeholders in the region, the research team prioritized direct input throughout the project phases, most notably through the survey, focus groups, interview program, and consultation with small business owners serving on the Advisory Committee.

We also noted several potential limitations of our quantitative and qualitative analyses, which should be considered in the context of the overall research findings. These limitations are detailed in Appendix I.

FIGURE 2.1: HOW THE WORK WAS STRUCTURED

WORKSTREAM	KEY ACTIVITIES
Literature Review	<ul style="list-style-type: none"> Aggregated and analyzed relevant research and datasets, including economic development reports and sector-level plans, strategies, and analyses from the last five years
SMB Market Segmentation and Sizing	<ul style="list-style-type: none"> Created a dataset with current state snapshot of SMBs operating in the city, organized by industry, including data on business size, location, and business ownership information for women and people of color
SMB Service Provider / Capital Landscape	<ul style="list-style-type: none"> Built a representative database of 135 BSOs and more than 70 capital providers operating across the city
SMB Survey and Focus Groups	<ul style="list-style-type: none"> Gathered direct perspectives from business owners in Chicago, focusing on understanding demographics and general business characteristics, primary business needs and demand for various business services, and financing dynamics/access to capital challenges
Interview Program	<ul style="list-style-type: none"> Interviewed more than 20 local economic development leaders and practitioners including both debt and equity capital providers, business service providers, academics, and public/civic sector stakeholders

Key Focus Areas and Definitions

For the purposes of this project, we have defined SMBs as for-profit establishments with up to 250 full-time employees unless otherwise noted. Throughout the report we use the term “people of color” to represent non-white categories consistent with U.S. Census definitions including Black or African American, American Indian or Alaska Native Alone, Asian, Native Hawaiian or Other Pacific Islander Alone, and Two or More Race Groups. When aggregating data, we also used information reported about ethnicity (Hispanic, non-Hispanic) where possible. For the purposes of the survey, respondents were asked to identify as one or more of the following: African American/Black, Hispanic/Latinx, Asian, Multi-racial, Native American, Pacific Islander, or White. Respondents were permitted to identify as any of the available options including multiple selections.

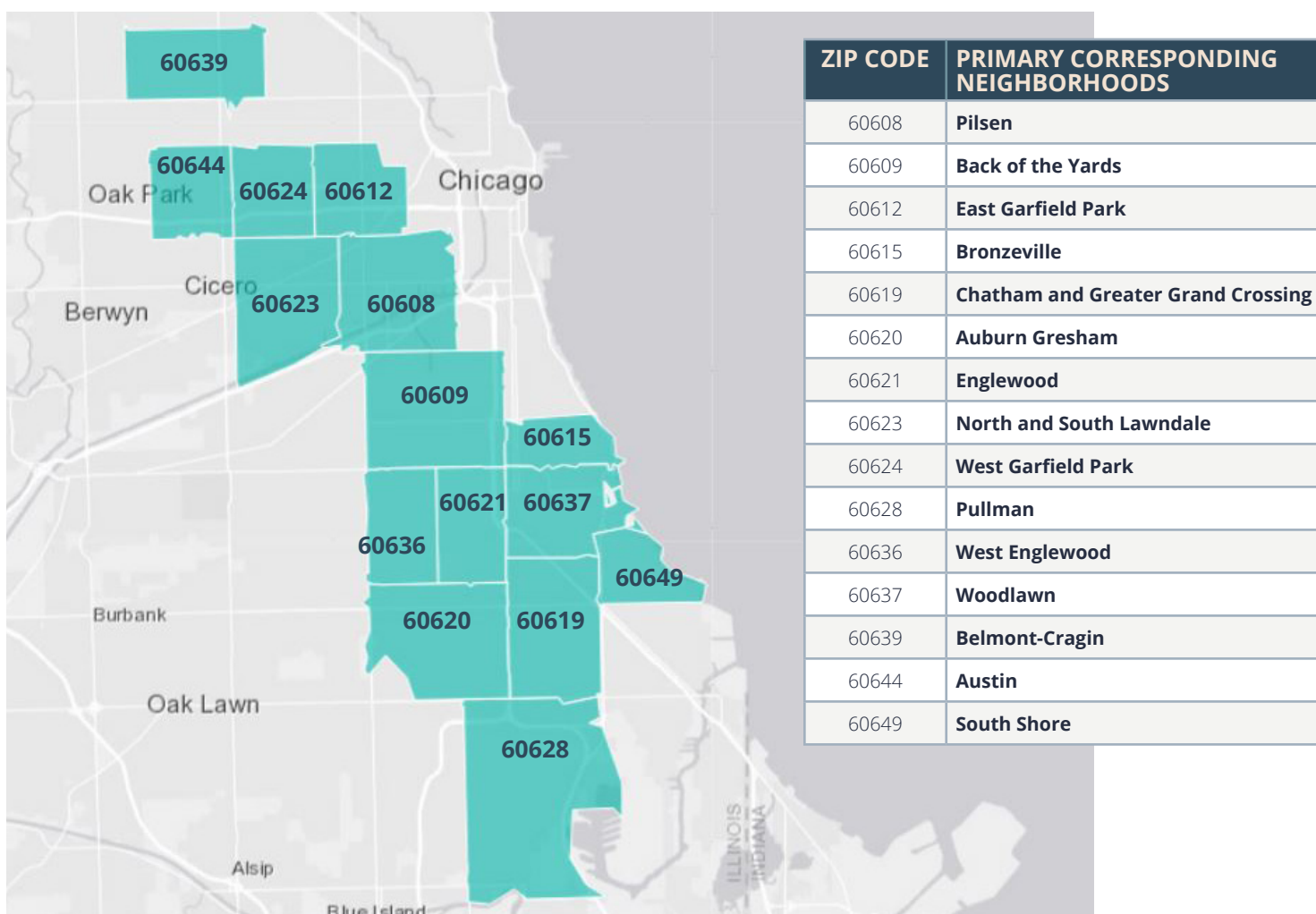
While the content of this report includes an analysis of Chicago as a whole, we worked with the Advisory Committee to prioritize target focus areas for deeper analysis. As a group, we identified specific industry clusters and 15 zip codes in addition to our stated focus on businesses owned by women and people of color. These zip codes were chosen to be representative of specific neighborhoods on

the south and west sides of Chicago that have experienced historic structural and systemic underinvestment.

In addition to a targeted geographic focus, we also analyzed key industry clusters and subgroups to enable a deeper understanding of the SMB ecosystem with a specific focus on businesses owned by women and people of color. For ease of analysis, we identified five focus industries to be able to compare key differences, challenges and opportunities faced by business owners in each category: Construction, Food and Beverage, Arts and Entertainment, Logistics and Warehousing, and Social Assistance and Home Care. Additional information on how we determined geographic and industry focus areas is available in Appendix II.

In the sections that follow, we have included a synthesis of key findings on the overall SMB landscape in Chicago inclusive of business characteristics and needs, the availability and quality of business services, and the availability and quality of capital sources. Taken together, the interaction and dynamics among these key components provide a deep understanding of Chicago's entrepreneurial environment.

FIGURE 2.2: SELECTED ZIP CODES



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WHAT WE FOUND

Our assessment of the Chicago SMB ecosystem brought together geographic, demographic and business ownership data with primary perspectives from business owners, capital providers, and business service organizations to paint a picture of the entire landscape. We also explored the relationship between and among various stakeholders in the ecosystem to understand how the inputs to SMB success are (or are not) being coordinated. Inherent in this exploration was a recognition of various value networks and the clear differences in access to these networks.

While there is a robust spectrum of capital and services available to business owners in Chicago – our research identified a representative set of more than 135 business service organizations and over 70 capital providers – these organizations often operate independently despite shared goals. This research identified a critical need for a more connected approach to reaching businesses owned by women and people of color, as well as ensuring services are tailored to their individual stage and industry. The absence of a city-wide strategy results in many missed opportunities or in other cases, redundant activities occurring among multiple service providers.

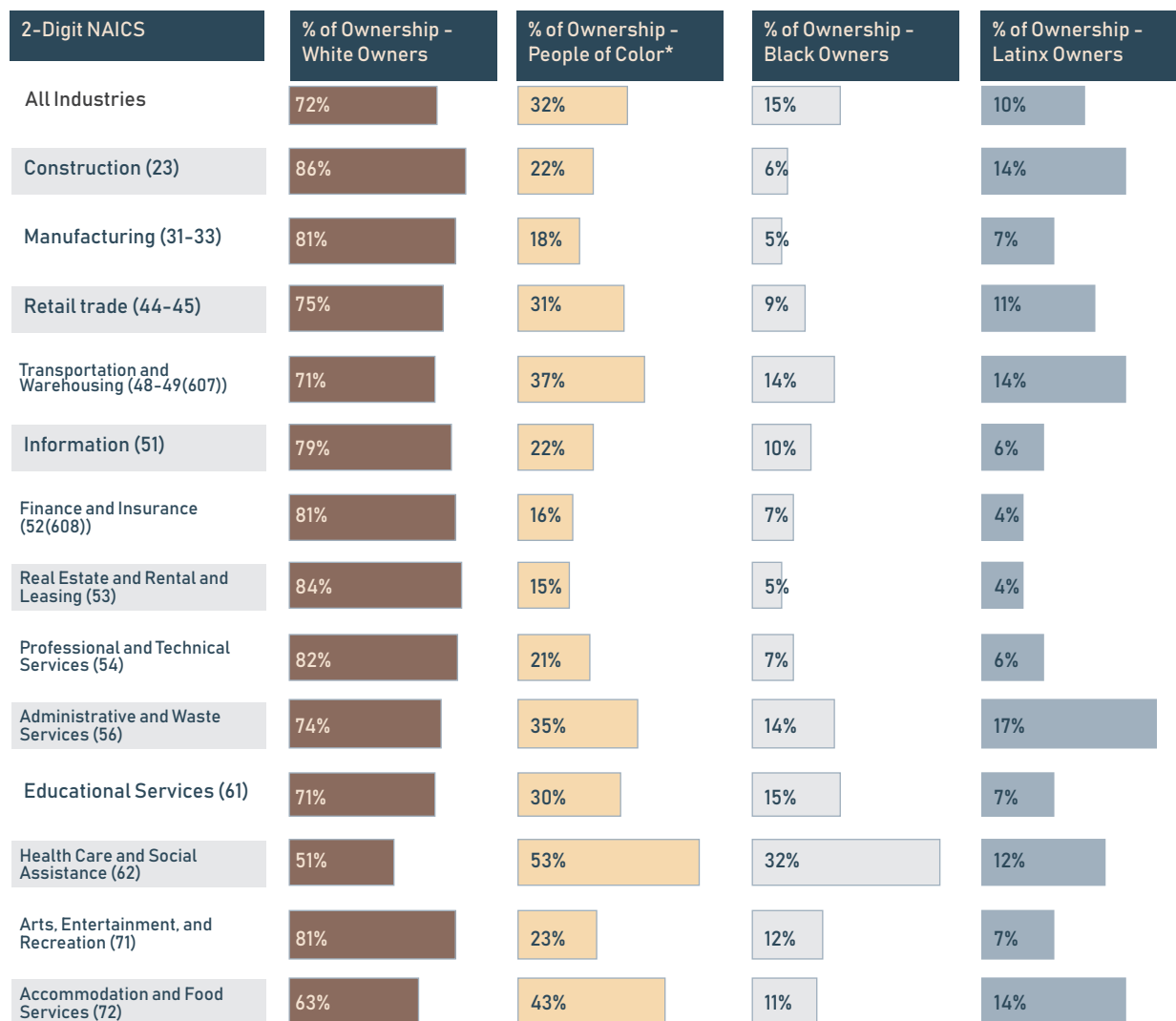


CHICAGO'S SMB LANDSCAPE:

Characteristics and Needs of Diverse Business Owners

Our research confirmed that on the whole, Black and Latinx-owned businesses make up a very small portion of overall establishments in Chicago. The graphic below illustrates industry representation among different racial categories. With the single exception of Health Care and Social Assistance, White-owned businesses represent well over 50% (and often up to 70% or more) of all establishments. Across all industries, fewer than 15% of establishments were Black-owned and less than 10% were Latinx-owned. When excluding sole proprietors, or establishments without employees, those numbers drop to 2% and 6%, respectively⁵.

FIGURE 3.1: FIRM OWNERSHIP



*Note: People of Color is coded as "Minority" in U.S. Census source data for this chart. Race classifications are not mutually exclusive, and thus, values for each row will not equal 100%

As another method of benchmarking, we looked at Average Revenues per Employee (ARPE), which evaluates the ability of a business to outperform its peers by generating marginal revenue. Looking at 2012 data as a proxy, the average business in Chicago earns \$331,636 per employee – in contrast, the average business owned by a person of color makes roughly half of that⁶.

Business owners of color are not concentrated in a single industry, however, there is greater concentration in lower margin industries. Overall and compared to businesses in the same industry, those owned by people of color consistently employ fewer employees, and bring in less revenue, suggesting that they are not getting access to the same resources to enable their success, and/or that they face particularly unique barriers.

While these trends were troubling, we also found reasons for optimism. Our direct survey of business owners revealed that both businesses owned by women and people of color in Chicago were significantly more optimistic about hiring expectations and revenue growth in the future than all other respondents on average.



Industry Focus Areas: Key Insights⁷

In order to evaluate opportunities and challenges specific to businesses owned by women and people of color, our research prioritized an analysis of five focused industry clusters including: Construction, Food and Beverage, Arts and Entertainment, Logistics and Warehousing, and Social Assistance and Home Care.

INDUSTRY CLUSTER	INDUSTRY SUB-CATEGORY	WHY INCLUDED	KEY INSIGHTS
Construction	Construction - Building trades (20,607 establishments)	<ul style="list-style-type: none"> High employment growth (9% for construction of buildings, 4% for specialty trade contractors) Relatively high percentage of overall establishments owned by people of color 	<ul style="list-style-type: none"> Strong growth: construction project starts remain strong in Chicago. In 2017, there was over \$5.5b in residential construction and almost \$7b in non-residential construction starts, contributing to significant year-over-year growth since 2012 Within architectural, engineering, and related services, there are strong representations from Asian (9%) and Black (6%) workers, though the industry subsector is predominantly White (84%) Wages for Black workers in architecture, engineering, and related services are nearly double that for any other analyzed industry
	Construction - Design & Engineering (33,539 establishments)	<ul style="list-style-type: none"> High potential earnings (\$185K average revenue per employee)* Large market (> 33K total establishments) 	
Food & Beverage	Food and Beverage – Manufacturing (977 establishments)	<ul style="list-style-type: none"> High workforce representation among Black and Latinx workers (37% and 23% Hispanic / Latinx and 14% and 18% Black / African-American, for food and beverage, respectively) Low barrier to entry (81% without college degree) 	<ul style="list-style-type: none"> Firm growth and employment in this industry cluster have exceeded Chicago's overall firm and employment growth rate since 2012 For Food Manufacturing, the average wage for Black and Latinx workers is much lower than the average for all workers (\$42,253) – the average Black worker earns \$25,700, and the average Latinx worker earns \$30,242 Within Food and Beverage Retail, early capital requirements are high, margins are thin, and desirable locations are expensive to rent and build out
	Food and Beverage – Retail (23,830 establishments)	<ul style="list-style-type: none"> Relatively high percentage of overall establishments owned by people of color (including up to 11% by Hispanic / Latinx owners) Large market (> 23K total SMB establishments) 	
Arts, Entertainment and Media Production (2,028 establishments)		<ul style="list-style-type: none"> Considerable Black / African-American representation (up to 14% of workforce) Low barrier to entry (70% without college degree) 	<ul style="list-style-type: none"> Overall this industry cluster has represented relatively low employment growth, but establishment growth has outpaced growth rates overall in Chicago Accelerated by a tax credit program for local production, there was over \$430M in production spending in Chicago in 2017, with 47% of crews comprised of women and/or people of color Still, average wages for full-time Black workers in the industry (\$24k / year) are much lower than wages overall (\$60k / year)
Logistics, Warehousing, and Delivery (9,294 establishments)		<ul style="list-style-type: none"> Low barrier to entry (83% without college degree) High growth rate (9-11% compound annual growth rate for SMBs between the years 2012-2015) High Black / African-American (up to 30%) and Hispanic / Latinx (up to 23%) workforce representation 	<ul style="list-style-type: none"> This cluster has seen consistent growth in the Chicago region, exceeding national growth numbers in both employment and firm revenues Black workers make up a particularly high portion of the workforce in this cluster (Truck transportation: 14%; couriers and messengers: 31%; warehousing and storage: 22%) Even though there is a high concentration of businesses owned by people of color in this industry cluster (19%), they are much lower revenue compared to the average business in this industry, capturing only 3% over overall sales
Social Assistance & Home Care (6,167 establishments)		<ul style="list-style-type: none"> High Black / African-American workforce (35%) Low barrier to entry (77% without college degree) Moderate income (\$60K average revenue per employee)* 	<ul style="list-style-type: none"> The sector as a whole is likely to grow due to increasing demand for de-institutionalized / home-based healthcare as the population ages, and ongoing demand for childcare services as the family-raising population grows in Chicago This industry cluster included the highest representation of Black workers (36%) among the target industries profiled However, within this industry cluster, the low wage range (~\$25,000 between 25th and 75th percentile) indicates limited potential for economic mobility

*Data from the U.S. Census Bureau Survey of Business Owners (2012) available at the 2-digit NAICS level is used as a proxy for understanding trends at the 3-digit NAICS level

CHICAGO'S SMB LANDSCAPE:

Survey of Small Business Owners

With the help of more than 20 partners in Chicago, the research team administered a survey to small business owners across the city. The survey was distributed widely, but also on a targeted basis in an attempt to secure a significant number of responses within our focused neighborhoods, industries, and demographic groups. In all, we received 289 individual responses, of which 56% were business owners of color and 53% were women business owners. For detailed information on the characteristics of respondents and confidence levels achieved, please see Appendix III. Below we have included key findings from the survey and our focus groups with business owners in Chicago.

SURVEY FINDINGS: Business Characteristics

The majority of businesses surveyed had been in business for three or more years, though business maturity was unequal when looking at specific demographic categories. Businesses owned by people of color comprised 71% of startup (1-3 years) respondents and 77% of pre-startup (less than 1 year) respondents.

Businesses owned by women and people of color tended to be significantly smaller than all businesses surveyed on average, both in terms of revenues and employee count. Businesses owned by people of color were highly concentrated in revenue categories less than \$250,000 and employed 62% fewer people per firm than other respondents. This was also true for women-owned businesses (though less acutely so) who reported employing 33% fewer people per firm than other respondents.

Businesses owned by people of color were most highly concentrated in Accommodation and Food Services (67%), Construction (66%), Professional, Scientific and Technical Services (59%), and Retail Trade (55%).

Business optimism (measured by hiring expectations and revenue growth expectations) was significantly higher among businesses owned by people of color than businesses overall. Businesses owned by people of color comprised 66% of respondents who expected revenues to grow over the next year. Also, within our target industries, businesses owned by people of color expected to hire at a rate that would add between 0.5 – 1 more new employees than businesses overall over the next 12-18 months.

“In Chicago, sexism, racism, and ageism define business here—so much so that I didn’t even want to open my first business here. And when I did, I wanted to create a new, different narrative for my city.”

– Chicago Small Business Owner

SURVEY FINDINGS: Business Needs

For all businesses, top reported needs were generally consistent and included access to funding, access to contract opportunities, access to high-performing employees, managing cash flow, and access to affordable commercial space. However, businesses owned by people of color tended to prioritize categories related to revenue generation and cost containment (e.g., access to funding, contract opportunities, and affordable commercial space), more than other respondents.

The majority of firms reported a need for business services (82%), however, a smaller portion reported actually having sought business services (71%). Of those who sought business services, marketing assistance, back office support, financing assistance, hiring assistance, and business plan development were the most common.

For all businesses, ‘word of mouth’ was by far the most common way they learned about business services. However, businesses owned by women and people of color were more likely to learn about business services through social media and community / social organizations than other respondents.

For businesses owned by people of color, connections to funding and/or sales opportunities were the two most important factors when deciding to seek business services. Compared to all other respondents, businesses owned by people of color were four times more likely to consider connections to sales opportunities and three times more likely to consider connections to funding when evaluating business services.

Businesses owned by women and people of color indicated that they depend heavily on personal funds and were less likely to secure financing from a bank. In addition, businesses owned by people of color were two times more likely to report seeking funding from friends and family.

CHICAGO'S SMB LANDSCAPE:

Survey of Small Business Owners

Key Highlights

In general, businesses owned by people of color applied for smaller loan amounts and had less success obtaining financing overall. Among all respondents who reported seeking a loan, businesses owned by people of color made up more than 80% of those seeking amounts less than \$25,000 and only 32% of those seeking amounts greater than \$250,000. This is likely partially attributable to the fact that these businesses were smaller in general, and thus, would tend to seek smaller loan sizes.

Among businesses that indicated a need for additional funds, working capital was the most likely use of funds. However, businesses owned by people of color represented more than 80% of respondents who indicated that they would use new funds to start a business, acquire a business, or expand to a new geography. Women respondents were also more likely to report that they would use new funds to start a business.

In addition to these survey findings, our focus groups uncovered important direct perspectives from business owners.

Focus group participants reported that policy rhetoric around business owners of color can actually reinforce stereotypes. The way the local stakeholders talk about serving diverse business owners reinforces negative stereotypes. Programming that distinctly targets business owners of color continues to create a separate economy of services and capital access. This reinforces existing siloes and can perpetuate a deficit-based approach to resource distribution and service quality.

Services are marketed in ways that business owners do not understand. Participants in our focus groups reported having to navigate a changing “alphabet soup” of business services, programs, and initiatives. They indicated that they are beginning to search for support outside the existing ecosystem with private, trusted, or non SMB focused resources. In addition, the existing ecosystem parlance for services (e.g., “technical assistance”, “business advisory”) are not terms used by actual businesses, with some reporting that such nomenclature deters them from accessing services.

There is an emerging opportunity to leverage diverse business ownership as a competitive differentiation. Beyond certification and sub-utilization requirements, some businesses report how their race or gender is an asset by distinguishing them among competitors. Differentiation by race/ethnicity and gender is not often cultivated by business service organizations or advisors as a marketing lever or strategic driver for growth.

ACCESS TO CAPITAL:

Analysis and Key Findings

There is a wide variety of debt, equity, and grant funds available in the Chicago landscape. From 2012 – 2016 there was growth in all types of small business financing, with the single exception of Small Business Improvement Fund (SBIF) grants.

While the capital ecosystem is strong, there are clear disparities in access to capital, specifically for Black and Latinx business owners who tend to apply for smaller amounts and have less success securing financing than White business owners. Businesses owned by women and people of color indicated that they depend heavily on personal funds and were less likely to secure financing from a bank. In addition, our survey demonstrated that businesses owned by people of color were two times more likely to report seeking funding from friends and family – an important finding given relatively lower levels of personal wealth among Black and Latinx households.

Our research identified a specific debt capital gap in the \$50,000-\$250,000 range, lower than average utilization of the SBA 7(a) program, and a desire for increased grant/equity-like products that could support startup activity for Black and Latinx entrepreneurs who report limited availability of friends and family funding.

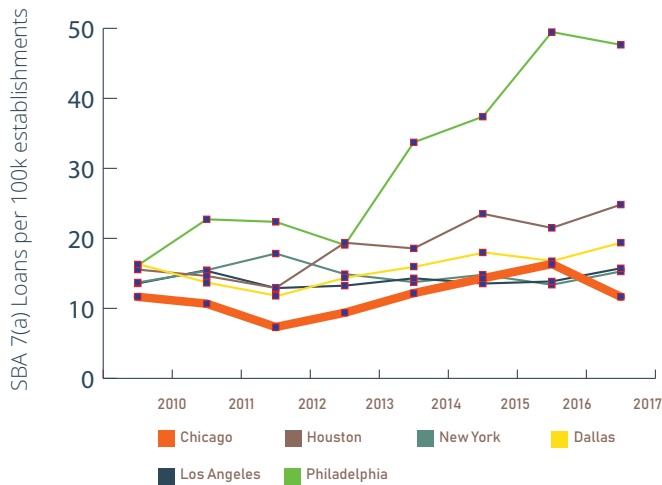
FIGURE 3.2: CAPITAL LANDSCAPE: SOURCES OF CAPITAL

Type	Sub-type/Program	Geography	Annual Growth Rate 2012-2016	Total \$ Amount 2016	Average Amount 2016
DEBT CAPITAL ^{1,2,3}	FDIC Insured Institution Lending	Cook County	+6%	\$4.2B	\$31.8K
	SBA 7(a) Lending	Chicago	+22%	\$127M	\$588.0K
	CDFI Lending	Chicago	+4%	\$6.9M	\$16.4K
EQUITY CAPITAL ⁴	Investments and Deals	Illinois	+8%	\$1.1B	\$7.5M
GRANTS ⁵	Small Business Improvement Fund grants (SBIF)	Chicago	-12%	\$7.4M	\$48.4K
	Small Business Innovation Research (SBIR)	Chicago	+3%	\$48.9M	\$362.2K

“Our biggest source of deal flow is from personal relationships, whether it is from other entrepreneurs or other venture capital firms who like to have us as co-investors. I do not know that I have ever made an investment off a cold call in 40 years”

– Chicago Venture Capital Investor on the importance of established networks to source new deals

FIGURE 3.3: SBA 7(A) UTILIZATION IN CHICAGO COMPARED TO OTHER MAJOR METRO MARKETS (2010 - 2018)¹



Data shows that Chicago's SBA 7(a) lenders are deploying fewer loans to small businesses than Houston, New York, Dallas, Los Angeles, and Philadelphia. This is notable because the SBA 7(a) loan is one of the most versatile loan products on the market. The funds can be used for nearly anything, including purchasing equipment, refinancing debt, and purchasing real estate. The SBA 7(a) loan is also one of the most affordable options with low interest rates and repayment terms that stretch up to 25 years, keeping monthly payments low. Though most uses do require a down payment, the amount is usually 10 – 20% of the total project costs. Business owners who have a lower-than-average credit score or are light on collateral can often qualify for SBA 7(a) loans. Expanding SBA 7(a) utilization in Chicago could be a relevant strategy for increasing capital access to a wider number of small business owners, particularly women and people of color.

FIGURE 3.4: TOP LOCAL SBA 7A LENDERS IN CHICAGO CITY (2010 – 2017)

Bank	Number of Loans	% of Total Loans	Total \$ Amount	% of Total \$ Amount	Avg. \$ Amount
Byline	427	34%	\$349m	52%	817k
Wintrust Charters (15 total)	192	15%	\$74m	11%	\$385k
Bank of Hope	82	6%	\$10m	2%	124k
Pacific City	49	4%	\$19m	3%	\$381k
First American	46	4%	\$13m	2%	\$289k
South Central	41	3%	\$15m	2%	\$368k

Byline Bank is Chicago's largest SBA 7(a) lender – since 2010, they have deployed 427 SBA 7(a) loans. The next most active lenders are Wintrust's Charters at 192 total SBA 7(a) loans.

Additional takeaways from our capital landscape assessment included:

Businesses struggle to understand and then find available capital options.

The capital provider landscape is fragmented in Chicago, likely due to tight marketing budgets and a ‘word-of-mouth’ culture, and business owners do not know where to go to obtain capital. Those businesses that did take advantage of products designed for SMBs and offered by alternative lenders report having personal referrals and deep one-off relationships with those lenders to help them navigate their options.

Misalignment between SMBs and capital providers in their understanding of capital market gaps.

While capital providers believe the struggle is to deploy their capital and to find businesses to lend to, businesses consistently report the biggest challenge they face is access to capital. Better alignment or improved understanding is needed.

Some credit products targeted at SMBs present risk for unfamiliar users.

Non-bank services and products, like loans from CDFIs, are marketed to businesses that are not always in a position to take full advantage of them. Businesses that pay higher costs of capital and are less likely to get the full amount solicited are put at risk for default or non-compliance to their lender.

Providers challenged to provide appropriate products for SMBs.

Especially for businesses that have limited collateral or fall outside traditional credit underwriting requirements, relevant providers are challenged to create the flexible products strongly desired by SMBs (like a revolving line of credit or loans between \$50k-\$250k with flexible underwriting standards).

The strength of a business owner's personal network greatly affects their ability to fund business growth and reach meaningful scale.

Chicago's ecosystem is ripe for continued growth.

Many businesses depend on flexible friends and family capital to start up their initial growth and scale. Business owners of color and women entrepreneurs have different access to these key networks, and are encouraged to tap more expensive capital that compounds the challenge of scaling their businesses.

New capital providers including alternative lenders and banks with an expanded presence are entering the small business market in Chicago, and the market overall is doing more deals (debt and equity) on a year-over-year basis. However, there is still a clear need for more risk tolerant investment, particularly for startup businesses, given that the majority of new capital deployment has been through more traditional debt products.

“It’s really hard to get money from the bank. The amount of time it took to get my books in order to even have a conversation almost prevented me from going—and even then I was denied. In one way, I’m lucky I didn’t get it; someone I know got a loan, but not enough to really get going, and ended up hurting their credit score.”

– Chicago Small Business Owner



BUSINESS SERVICES:

Analysis and Key Findings

In addition to developing a better understanding of the SMB capital landscape in Chicago, a key focus of this project was the analysis of the availability, quality, and utilization of business services, particularly among businesses owned by women and people of color. The research team conducted interviews with leaders from prominent business service organizations (BSOs) and built a custom representative database cataloging the offerings of more than 135 BSOs across Chicago. While we found a vast landscape of available services, we also identified several challenges faced by business owners in accessing those services.

In general, diverse business owners reported a lack of awareness of potential services and identified a mismatch between business service offerings and their most pressing needs. Geography plays an important role in contributing to this imbalance: BSOs tend to be concentrated in zip codes with low percentages of diverse populations, limiting visibility for business owners in those communities.

Target zip codes with the highest percentage of Black residents (60619, 60620, 60621) and Latinx residents (60623, 60639) contain few BSOs, with 0 to 2 BSOs per zip code. Target zip codes with relatively high percentages of residents below the poverty line (60621, 60624, 60637) have a varying presence of BSOs, ranging from 1 to 4 organizations.



The most prevalent services offered by BSOs are marketing assistance, business plan development, and advice on navigating government relations. We found that BSOs deliver services most commonly through events, with one-on-one coaching being the least prevalent delivery model. Many BSOs portray themselves as ‘one-stop’ centers for businesses of all stages and industries. Among BSOs in the data set, 83% either do not specify which stage of businesses they target or advertise services for businesses at all levels of maturity, and only 12% (16) of BSOs offer services targeted to a specific industry.

FIGURE 3.5: NUMBER OF BSOs PROVIDING VARIOUS BUSINESS SERVICES¹

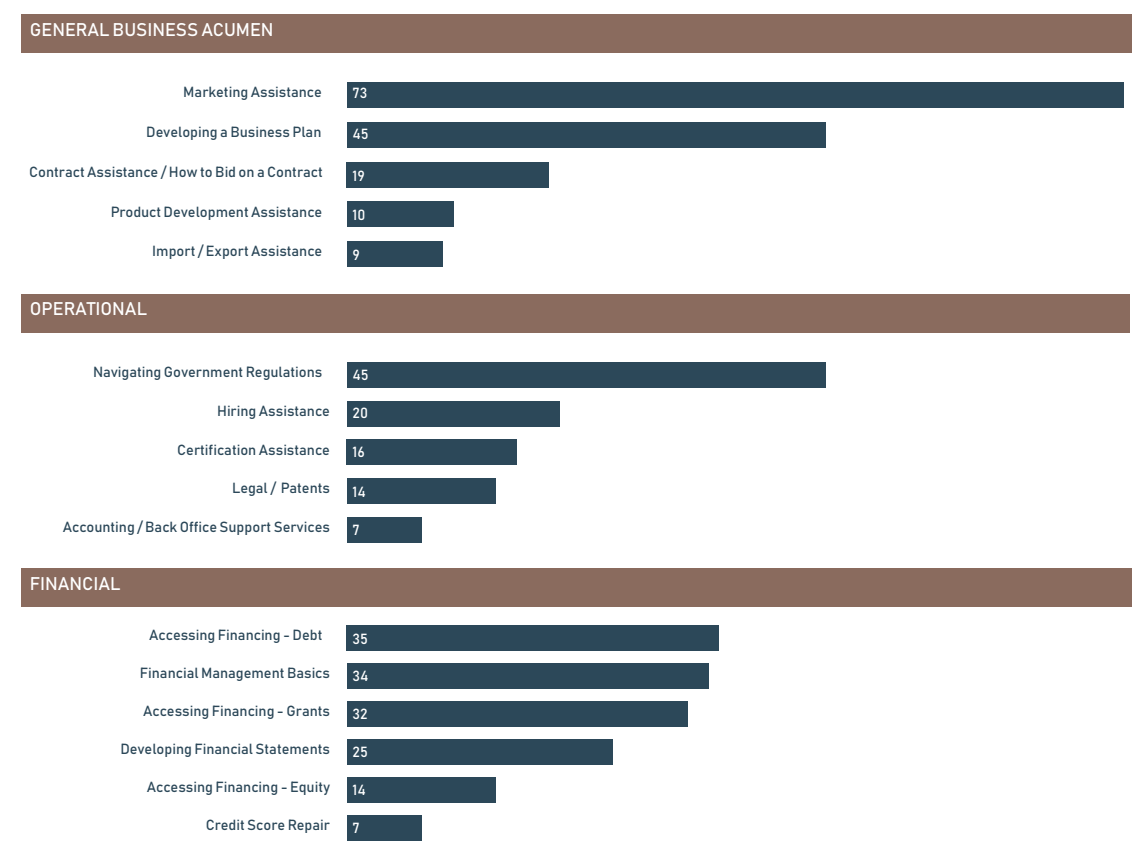
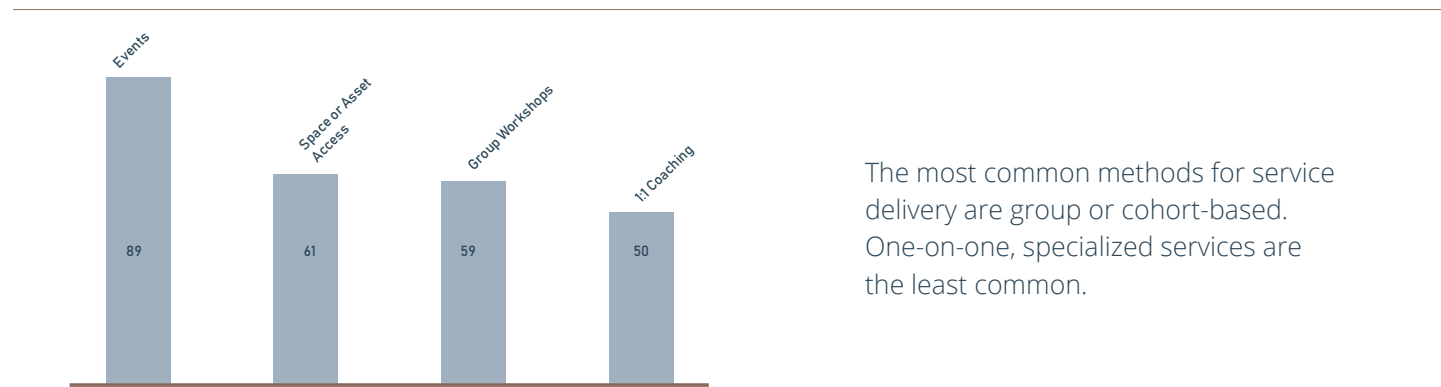


FIGURE 3.6: HOW BSOs DELIVER SERVICES¹



While many SMBs were familiar with organizations that serve as networking resources for their business – such as the Urban League and Chambers of Commerce – they tended to be unaware of mentoring, technical assistance or training services offered. SMBs need to be able to understand how to identify and navigate the resources provided by BSOs.

Key Findings

Available business services tend to be highly generalized and do not necessarily correspond to the most commonly reported needs of business owners.

Specialization of services by industry, stage, and geographic focus could enable BSOs to improve service quality and clarify their value propositions. By focusing on narrower sets of skills (and being better known for those few skills), BSOs can continuously improve the quality of their services through the accumulation of experience, investment in skill, and focused acquisition of talent.

The way in which BSOs market and provide their services can be better honed to the ways in which businesses identify, understand and search for services.

Marketing of services should be viewed as a priority for BSOs and should include both digital and non-digital channels. Lack of a concerted strategy to drive personal referrals is a liability to the enrollment and marketing efforts of these organizations.

Businesses consume services that flex to their changing needs and experiences.

SMBs tend to trust their professional services providers (e.g., lawyers, accountants, bankers) as the first line of advice. BSOs are not often thought of as desirable resources because their services do not always match up to the timing and inputs of a business's needs. This could be addressed by industry segmentation and specialization among a coordinated group of BSOs.

SMBs often lack the up-front formal data that BSOs may require in order to provide guidance.

Greater support to help collect business intelligence data (e.g., financial, HR, business plans) will enable better routing and connection to relevant business services. BSOs that help businesses organize and create this data will enable them to support their own success over time, and to get support from a wider set of BSOs.

Businesses realize how their relationships and networks greatly affect their ability to start up and grow.

BSOs could focus more on helping businesses to build and leverage widely recognized network effects. Services and advice that enable businesses to cultivate, grow, and reap benefits from their networks and relationships are highly valuable.

Establishing a more cohesive and patient ‘Theory of Change’ for the small business ecosystem can help achieve greater alignment, collaboration, and sharing among individual BSOs.

Establishing more nuanced expectations that track short-term activities and more long-term outcomes can help to focus programming at the BSO level by allowing resource-constrained BSOs to build for the long run, rather than worry about re-upping for funding the following year.

Funder incentives for service providers shape the experience of business owners seeking services, leading to more broad-based and cohort models.

Grant incentives and reporting requirements for BSOs often prioritize serving a high number of businesses as opposed to evaluating the quality of service delivery. Funding strategies that target individual outcomes for business owners could encourage BSOs to identify real gaps and solve them by establishing and deepening their abilities in a chosen (and unique) position in the market.

A shared reporting infrastructure and greater cohesion among funding solicitations and timelines will allow BSOs to focus resources on service delivery.

Greater harmonization of reporting requirements and shared reporting infrastructure could enable BSOs to dedicate more of their resources to direct services deployment, versus additional overhead activities.

“Sometimes despite best intentions, funders motivate you to not share best practices, especially when it comes to sharing what doesn’t work. We are incentivized to hide things that do not work.”

– Leader, Chicago Business Service Organization



04

THE PATH FORWARD

This research culminated in a set of clear recommendations that can inform strategic decisions about the path forward for the Chicago SMB ecosystem. The research team identified more than 20 opportunity areas, and, in consultation with the Advisory Committee, prioritized a shortlist of key recommendations to address challenges that were surfaced over the course of the research. Each of these individual recommendations has been aligned to a focus area, which could form the basis for three dedicated working groups related to the following priorities:

ENHANCED BUSINESS SERVICE OFFERINGS

- **Create standards for ensuring business services are of high quality:** ensure services are culturally competent, aligned to business needs and confirmed with customer feedback, consistent with the latest and most accurate approaches (e.g., meets industry standards for accounting, incorporates most effective marketing tactics), among others.
- **Outcome-based funding from City/philanthropic funders:** establish mechanisms that increase or drive funding to organizations focused on programming ‘outcomes’ (e.g., change in business revenue over time) versus solely ‘inputs’ (e.g., number of workshop attendees), in order to encourage and guide BSOs toward the most effective service delivery.

INDUSTRY-SPECIFIC STRATEGIES AND FUNDING

- **Develop strategies for curating and focusing business services, funding and other economic development strategies for selected industries:** this working group would collaborate with the other two to inform strategies for new product development or service delivery, providing specific expertise on how these strategies could best support targeted industry clusters.

FLEXIBLE CAPITAL

- **Develop more flexible debt products:** identify opportunities for creating debt products that have greater flexibility in their credit underwriting criteria.
- **Create more philanthropic capital for equity investments:** identify opportunities for providing more philanthropic capital directly to SMBs, with considerations around pairing this capital with advice and investing in certain demographics (e.g., people of color and women business owners).

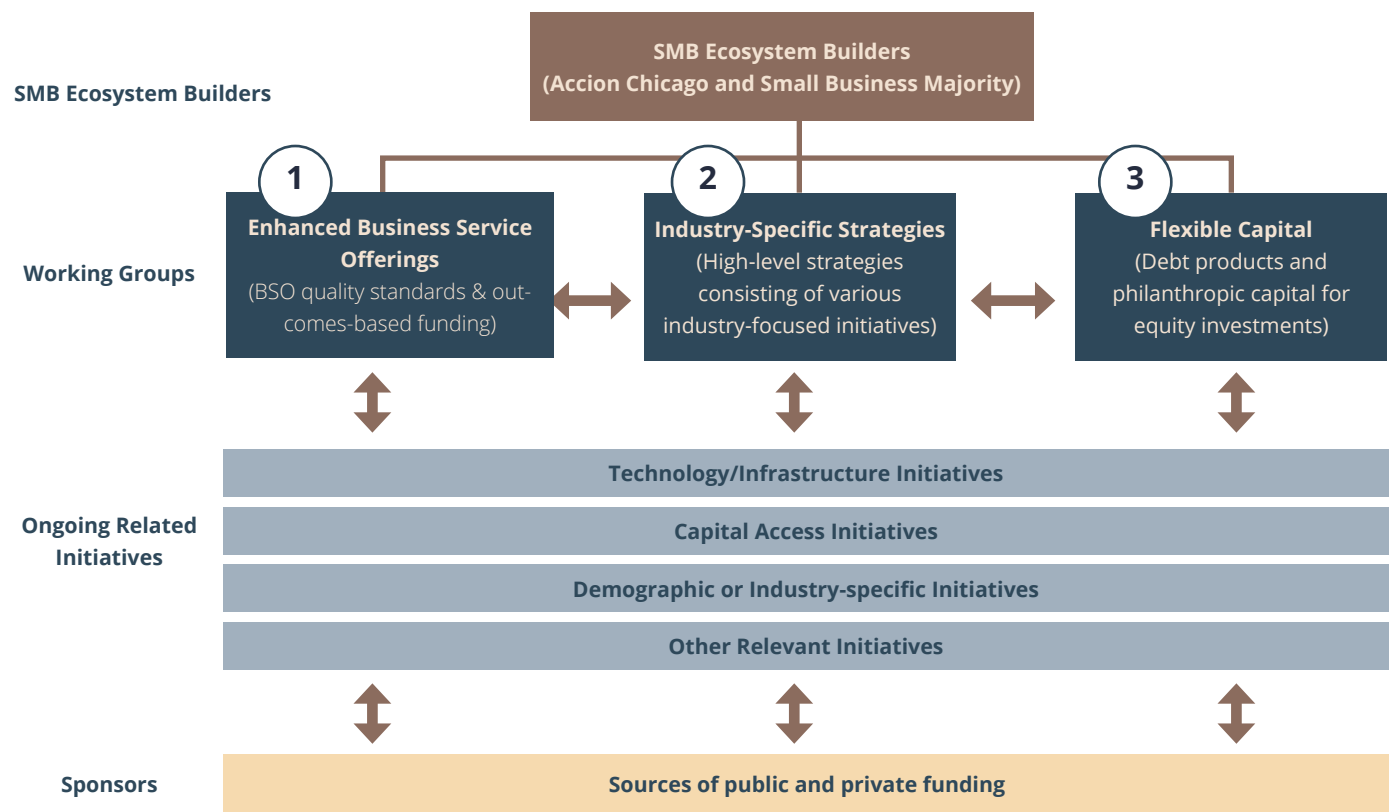
In addition to these three focus areas, we also believe there is significant potential to create a more unified technology strategy that can integrate existing initiatives and improve coordination among BSOs and capital providers. We recognize that this work is already underway with support from local government and other community and economic development leaders through the adoption of the SourceLink platform, which is referenced in the “Peer City Comparison” Appendix as an important platform for ecosystem coordination.

A Framework for Ecosystem Coordination

The Advisory Committee concluded that the city requires a dedicated “Ecosystem Builder” function to effectively manage, prioritize, and implement the recommendations. According to the Kauffman Foundation, Ecosystem Builders are professionals that “take a long-term and system-wide approach to fostering innovation and entrepreneurship in their region or community”. The Advisory Committee advocated for the establishment of one or more

Ecosystem Builders in order to effectively coordinate potential working groups, manage relationships with new and existing aligned initiatives, marshal resources, and manage to mutually determined objectives. With support from the Advisory Committee, two organizations have stepped forward to lead this work and take on the Ecosystem Builder role: Accion Chicago and Small Business Majority.

FIGURE 5.1: PROPOSED ECOSYSTEM GROUP FRAMEWORK



Looking ahead, the formation of a Chicago SMB Ecosystem Group is a major step forward in aligning resources, improving coordination, and executing on a comprehensive strategy to promote equitable growth in Chicago. This group can play an important role in monitoring the value chain of SMB needs, identifying gaps, coordinating services and piloting new initiatives to ensure SMBs, especially those owned by women and people of color on Chicago's south and west sides, have the quality business services and capital needed to drive wealth creation in local communities.

Economic equity for business owners of color and women cannot be advanced without improving the organizations,

services, products, and cooperative relationships that facilitate fair opportunities for entrepreneurs to learn and grow their enterprises to create income, assets, and wealth not only for their families, but for their local communities. Strengthening the small business ecosystem will address the gender and racial wealth gap through the lens of entrepreneurship. Ecosystem efforts can increase opportunities for business owners of color and women by assessing the internal and external capacity, strengths, and gaps of direct service organizations, lenders and investors toward enhanced service capacity and program quality.

Armed with the core research findings and priority recommendations coming out of this project, stakeholders in the city of Chicago have an opportunity to help shape the next chapter of small business growth and entrepreneurship in the city, creating new pathways for inclusive growth, shared prosperity, and economic mobility.

Are you interested in exploring opportunities to participate in this work? Everyone who wants to help neighborhood entrepreneurs grow can play a role in improving the small business environment in Chicago. To participate in the small business working groups in 2019, contact the two organizations that will lead this work.

For Accion Chicago

Contact: Brad McConnell at bmconnell@accionchicago.org

Small Business Majority

Contact: Geri Aglipay at gaglipay@smallbusinessmajority.org.



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ACKNOWLEDGMENTS

This project would not have been possible without the collaboration of a long list of incredibly generous partners. Individuals representing these organizations supported this research in a variety of ways including serving on the Advisory Committee, helping to distribute our survey, engaging small business owners and other leaders to participate in our focus groups, and directly sharing perspectives through the interview program. We greatly appreciate your engagement, enthusiasm, and commitment to this work.

Accion Chicago
Archdiocese of Chicago
Benefit Chicago
Bethel New Life
BG Consulting, LLC
Byline Bank
Chatham Business Association
Chicago Chamber of Commerce Small Business Center
Chicago Community Loan Fund
The Chicago Community Trust
Chicago Food and Beverage Network
Chicago Neighborhood Initiatives Microfinance Group
Chicago United
Chicagoland Workforce Funding Alliance CIBC
City of Chicago, Office of the Mayor
City of Chicago, Office of the City Treasurer
City of Chicago, Department of Business Affairs and Consumer Protection
The Coleman Foundation
Community Reinvestment Fund
DePaul University Entrepreneurship Center
Digital Bridge Solutions
Esteem Services Inc, NP
Federal Reserve Bank of Chicago
Fifth Third Bank
Gold Leaf Capital Partners
Great Cities Institute
Greater Englewood CDC
Illinois Hispanic Chamber of Commerce
Industrial Council of Nearwest Chicago
InUrban Strategies, LLC
ITT Minority Contractor Technical Assistance Center
JPMorgan Chase Foundation
Manufacturing Renaissance
Midwest Legacy Group, LLC

Nicole Jordan Catering
Polk Bros. Foundation
Quad Cities Development Corp
Reliabuild Construction
Small Business Majority
SRW Sports Marketing & Digital Media
SomerCor
Sunshine Gospel Ministries
The University of Chicago
Urban League of Chicago
U.S. Bank
Wintrust
Women's Business Development Center
World Business Chicago

About the Research Team

The Research Team would also like to acknowledge the contributions of several individuals from both Next Street and CRF who collaborated to produce this report and the underlying research.

Next Street:

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Maureen McKenna
Vicky Stein
Kristopher Nyreen
David Hlavac
Patrick Davis

We would also like to acknowledge Becca Goldstein at BG Consulting, LLC, who guided the project team in starting to translate the research findings into an actionable path forward.



06

APPENDIX

Appendix I: Potential Data Limitations

QUANTITATIVE ANALYSIS

Industry-level sources:

- The quantitative analysis combined data from a number of nationally-focused, publicly available sources. Though multiple key data sources were from the U.S. Census, there are some minor inconsistencies in quantitative data available between sources.
- Four primary sources were used to build out the majority of the quantitative industry data:
 1. U.S. Census Survey of Business Owners and Self-Employed Persons (SBO), 2012 data (latest available, business owner demographics / business characteristics by 2-digit NAICS code)
 2. U.S. Census American Community Survey (ACS) Public Use Microdata Sample (PUMS), 2016 1-year data set (workforce data by 2-6 digit NAICS code)
 3. U.S. Census Longitudinal Employer-Household Dynamics (LEHD) Quarterly Workforce Indicators (QWI), 2015 data (provides business data by 2-6 digit NAICS code)
 4. U.S. Census County Business Patterns (CBP), 2012-2015 data (latest available, provides business data by 2-6 digit NAICS code)
- The most recent publicly available data consistently available from all datasets is from 2015 (with the exception of SBO); given this time lag, it is possible the data does not accurately represent current business dynamics.
- The industries included in the seven focus clusters were defined at the 3- and 4-digit NAICS code levels. Because SBO data is available at only the 2-digit level, analysis using this data describes broader industry categories.

Zip-code level sources:

- Two primary sources were used to build out the majority of the quantitative industry data:
 1. U.S. Census American Community Survey (ACS), 5 year estimates (2012-2016) (population demographic data by zip code)
 2. U.S. Census County Business Patterns (CBP), 2013-2015 data (business data by zip code) Establishments classified as Agriculture, Mining, and Utilities were excluded from establishment counts by zip code.
- Race/ethnicity data was not available for all respondents; given this limitation, percent breakdowns do not sum to 100%.

Appendix I: Potential Data Limitations – Continued

INTERVIEW / FOCUS GROUP PROGRAM

- The business owners we interviewed were identified through BSOs, and therefore, present sample bias due to the fact that these owners had previously engaged with business services and were relatively connected with the economic development ecosystem in Chicago.
- The interview and focus group program encountered small sample sizes due to challenges associated with reaching business owners in each of the focus clusters.

BSO LANDSCAPE ANALYSIS

- This dataset is intended to be representative, but not necessarily comprehensive of the BSOs located in Chicago and the surrounding region.
- There are some limitations and considerations that should accompany any analysis of this BSO dataset:
 - The data was collected based on availability of information on BSO websites or through interviews
 - Locations of BSOs were gathered using the zip code of the organization's headquarters, not its service area due to availability of consistent data
 - Organizations whose primary service or focus was related to workforce development were excluded

CAPITAL LANDSCAPE ANALYSIS

- The data provided is intended to be representative, but not necessarily comprehensive of the capital providers located in Chicago and the surrounding region. There are some limitations and considerations that should accompany any analysis of this capital landscape dataset:
 - FFIEC CRA data underrepresents loans to small businesses, as only banks above a certain asset size threshold are required to report CRA loans
 - CDFI loan data underrepresents loans to small businesses because not all CDFIs shared proprietary loan data

SMB SURVEY DATA

- **Selection bias:** The survey data is likely impacted by selection bias as a result of the distribution strategy. This was an expected consequence of our intentional targeting in order to capture a high number of responses within specific demographic (i.e., businesses owned by women and people of color) and geographic categories (i.e., businesses within our target zip codes). As a result of our outreach strategy, proper randomization of businesses that responded to the survey was impacted.
- **Confidence levels:** Target samples were based on publicly available information about the total number of firms in Chicago by several key categories: firms owned by women, firms owned by people of color, firms within our target industries, and firms within our target zip codes. Supplementary information on maximum confidence levels achieved within each category has been provided in Appendix III. Statistically significant sample sizes for sub-categories within our overall target categories were not achieved. For example, although we achieved a confidence level of 90% (+/- 10%) for businesses owned by people of color, we did not achieve a significant confidence level specific to Hispanic / Latinx owned firms.
- **Self-reported information:** All data collected through the survey was self-reported by respondents. The respondents were aware that the survey was funded through prominent organizations in the city of Chicago, and as a result, there may be a bias toward optimistic responses about revenues, growth, and employment figures.

Appendix II: Geographic and Industry Focus Areas

SELECTED INDUSTRIES

CLUSTER	NAICS CODES
Construction	<ul style="list-style-type: none">• Construction of buildings• Specialty trade contractors
	<ul style="list-style-type: none">• Architectural & engineering services• Interior design services• Industrial design services
Food and Beverage	<ul style="list-style-type: none">• Food manufacturing• Beverage manufacturing
	<ul style="list-style-type: none">• Food & beverage stores• Food services & drinking places
Arts, Entertainment and Media Production	<ul style="list-style-type: none">• Motion picture and sound recording industries• Performing arts and spectator sports• Fitness and recreational sports centers
Logistics, Warehousing and Delivery	<ul style="list-style-type: none">• Truck transportation• Couriers & messengers• Warehousing & storage
Social Assistance and Home Care	<ul style="list-style-type: none">• Nursing & residential care facilities• Social assistance (e.g., child care)

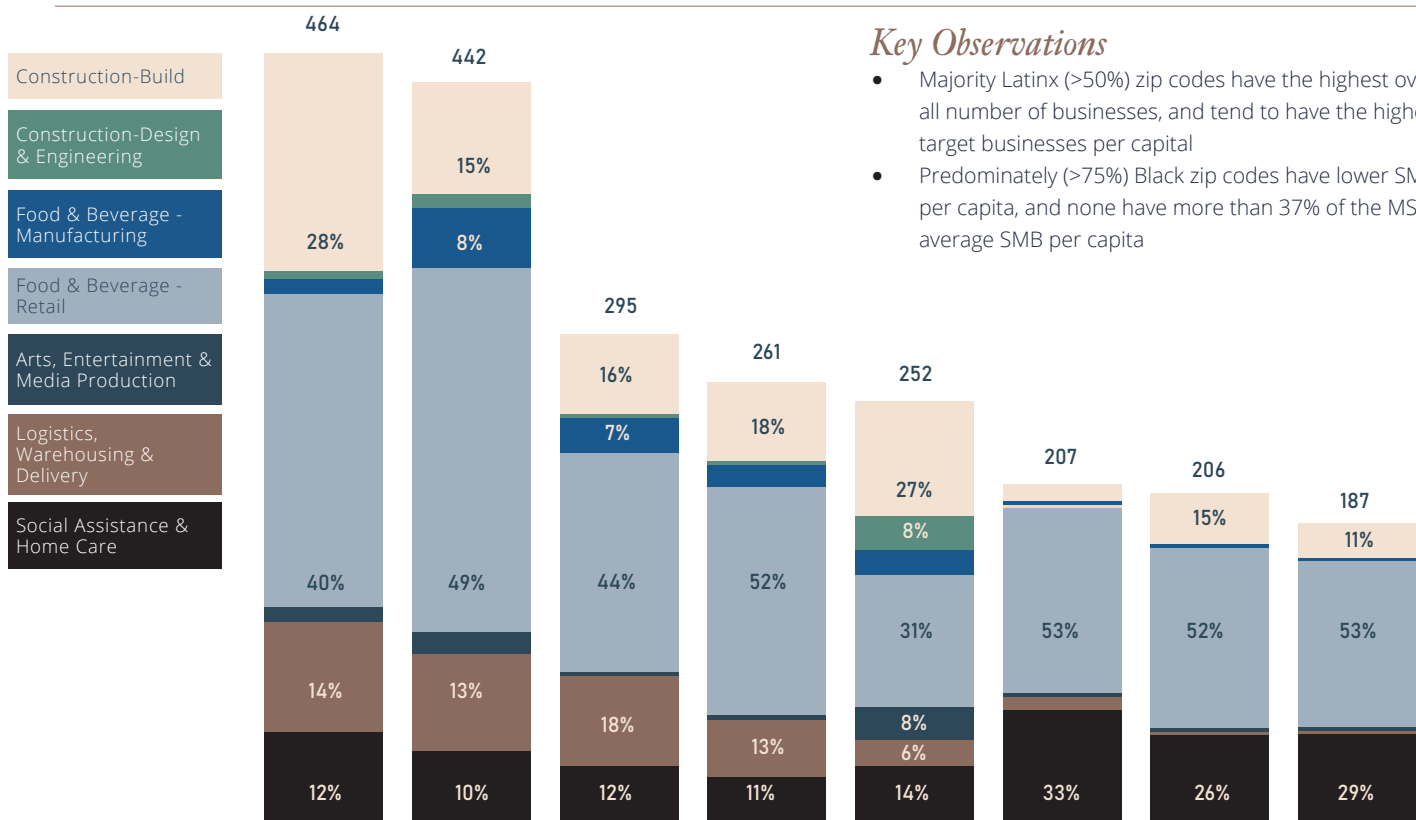
Appendix II: Geographic and Industry Focus Areas - Continued

ZIP CODE FOCUS AREAS

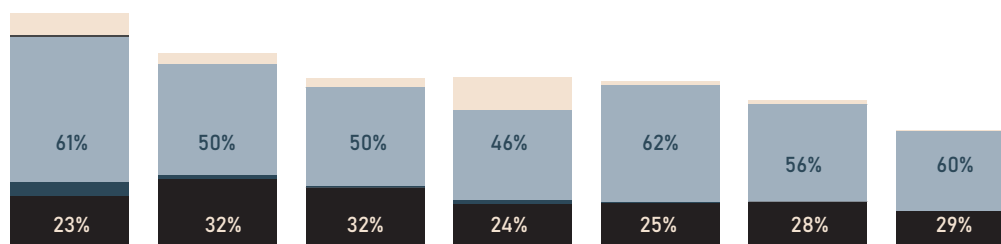
#	ZIP CODE	PRIMARY CORRESPONDING NEIGHBORHOODS
1	60608	Includes Pilsen , and parts of Bridgeport, McKinley Park, Illinois Medical District, and Little Italy
2	60609	Includes Back of the Yards , and parts of New City, Fuller Park, McKinley Park, and the Former Robert Taylor Homes
3	60612	Includes East Garfield Park , and parts of Illinois Medical District, Tri-Taylor, and the United Center
4	60615	Includes Bronzeville , and parts of Hyde Park, Kenwood, Washington Park, and 53rd St. Corridor
5	60619	Includes Chatham and Greater Grand Crossing , and parts of Avalon Park and Park Manor
6	60620	Includes Auburn Gresham , and parts of Auburn Park, Beverly View, and Brainerd
7	60621	Includes Englewood , and parts of Washington Park
8	60623	Includes North and South Lawndale , and parts of Little Village and Marshall Square
9	60624	Includes West Garfield Park , and parts of East Garfield Park, Homan Square, and Fifth City
10	60628	Includes Pullman , and parts of West Pullman and Roseland
11	60636	Includes West Englewood , and parts of Chicago Lawn
12	60637	Includes Woodlawn , and parts of Washington Park, Hyde Park, and Park Manor
13	60639	Includes Belmont-Cragin , and parts of Hermosa and North Austin
14	60644	Includes Austin , and parts of West Garfield Park
15	60649	Includes South Shore , and parts of Jackson Park Highlands

Appendix II: Geographic and Industry Focus Areas - Continued

TARGET ZIP CODES AND INDUSTRY CLUSTERS: FURTHER DETAIL



	60639	60608	60609	60623	60612	60619	60620	60628
SMBs Per 10K Residents	136	172	156	90	256	95	81	77
Percent Black	13.2%	18.1%	24.5%	32.4%	64.8%	97.9%	97.8%	95%
Percent Latinx	78.7%	53.3%	54.8%	65.4%	12.5%	1.3%	1.3%	3.0%
Percent POC	14.6%	29.6%	31.0%	33.0%	69.2%	98.2%	98.4%	95.4%
Unemployment Rate	11.3%	10.8%	19%	12.8%	15.6%	21.4%	22.3%	26.1%



	60615	60644	60649	60624	60636	60637	60621	CHICAGO MSA
SMBs Per 10K Residents	145	75	78	96	92	75	68	260
Percent Black	59.6%	93.7%	94.5%	94.0%	92.9%	79.2%	96.2%	17.3%
Percent Latinx	6.0%	4.6%	1.9%	3.7%	6.0%	2.6%	2.6%	21.6%
Percent POC	68.4%	94.0%	95.3%	94.3%	93.3%	83.7%	96.7%	23.9%
Unemployment Rate	11.1%	18.8%	19.7%	18.0%	32.4%	18.3%	33.4%	8.5%

Appendix II: Geographic and Industry Focus Areas - Continued

ZIP CODE AND INDUSTRY CLUSTER CROSS REFERENCE

TOTAL SMBS PER CAPITA (PER 10,000 RESIDENTS)	60639	60608	60609	60623	60612	60619	60620	60628	60615	60644	60649	60624	60636	60637	60621	CHICAGO MSA
All Industries	136	172	156	90	256	95	81	77	145	75	78	96	92	75	68	258.8
Construction - Build	14	9	8	5	20	3	5	3	3	3	3	5	2	2	2	21.4
Construction - Design & Engineering	1	2	1	0	5	0	0	0	1	0	0	0	0	0	0	4.2
Food and Beverage - Manufacturing	2	4	4	1	4	0	0	0	0	0	0	1	0	0	0	1.0
Food and Beverage - Retail	21	28	21	16	22	18	16	15	22	13	13	14	20	12	15	25.7
Arts, Entertainment, & Media Production	1	2	1	0	6	0	0	0	2	0	0	1	0	0	0	2.1
Logistics, Warehousing, & Delivery	7	7	9	4	5	1	1	1	0	2	1	3	2	1	1	8.2
Social Assistance & Home Care Entertainment, and Recreation	6	6	6	3	10	11	8	8	8	9	8	7	8	6	7	6.5

No fill: Below 25% of Chicago MSA

Light brown: Between 25% and 50% of Chicago MSA

Light Yellow: Between 50% and 75% of Chicago MSA

Green: Above 75% of Chicago MSA

Key Observations

- Five zip codes have more than 100 businesses per 10,000 residents (MSA overall has ~260)
- Of those, four zip codes have SMB density greater than 75% of the MSA average for at least four focus clusters
- These tend to be more industrial (Back of the Yards) or commercial corridors (Pilsen, IL Medical District)

Source: US Census Bureau County Business Patterns, Chicago-Naperville-Elgin, IL-IN-WI Metro Area (2015)

Appendix III: Additional Survey Detail

SURVEY RESULTS: RESPONSE TARGETS

	BUSINESSES OWNED BY PEOPLE OF COLOR*	BUSINESS OWNED BY WOMEN	INSIDE TARGET ZIPS	TARGET INDUSTRIES	TOTAL
Total Population Size (Number of Businesses)	140,109 (48%)	123,632 (42%)	9,421 (3%)	69,246 (24%)	291,007 (100%)
Sample Size / Maximum Confidence Level	138 respondents 90% Confidence Level; +/- 7% margin	138 respondents 90% Confidence Level; +/- 7% margin	83 respondents 90% Confidence Level; +/- 9% margin	84 respondents 90% Confidence Level; +/- 9% margin	271 respondents 90% Confidence Level; +/- 5% margin
Actuals (Number of Respondents)	163 (56%)	153 (53%)	98 (34%)	101 (35%)	289 (100%)

Source:

CRF-proctored survey issued to Chicago Area SMBs; see stand-alone survey results document for additional detail

*Includes respondents who identified as one of these options: African American / Black, Hispanic / Latinx, Asian, Multi-racial, Native American, Pacific Islander

RESPONDENTS BY RACE / ETHNICITY

	AFRICAN-AMERICAN / BLACK	HISPANIC / LATINX	OTHER CATEGORIES*	WHITE	TOTAL
Number of Respondents (and % of Total Responses)	122 (41%)	25 (8%)	30 (10%)	122 (41%)	299 (100%)
Average Respondent Size – Number of FT Employees**	6.12	8.13	7.63	31.03	17.41
% Respondents with 0 Employees beyond Owner	46%	32%	10%	20%	33%
Respondent Business Stage	0-1 year in business: 22% 1-3 years in business: 32% 3+ years in business: 46%	0-1 year in business: 8% 1-3 years in business: 28% 3+ years in business: 64%	0-1 year in business: 32% 1-3 years in business: 32% 3+ years in business: 36%	0-1 year in business: 7% 1-3 years in business: 17% 3+ years in business: 76%	0-1 year in business: 15% 1-3 years in business: 24% 3+ years in business: 61%
Top Reported Business Needs	Access to funding; Access to contract opportunities; Managing cash flow	Access to funding; Access to contract opportunities; Access to high-performing employees	Access to funding; Managing cash flow; Access to contract opportunities	Access to high-performing employees; Access to funding; Managing cash flow	Access to funding; Access to contract opportunities; Access to high-performing employees
Top Reported Sources of Business Funding	Personal funds; Credit card; Friends and family	Personal funds; Credit card; Regional / community bank	Personal funds; Regional / community bank; Friends and family	Personal funds; Regional / community bank; National bank	Personal funds; Credit card; Regional / community bank

Source:

CRF-proctored survey issued to Chicago Area SMBs; see stand-alone survey results document for additional detail

*Other includes, Asian, Multi-racial, Native American, Pacific Islander, and Prefer not to respond; Racial categories split out for analysis in this engagement focus on demographic groups identified as focus areas for our analysis by the Working Group and Advisory Committee. It does not reflect nuances between all demographic groups

**Part-time employees (PTes) assumed to be 0.5 FTE

Appendix III: Additional Survey Detail – Continued

RESPONDENTS BY GENDER AND GEOGRAPHY

	FEMALE-OWNER	MALE-OWNER	GENDER UNSPECIFIED*	INSIDE TARGET ZIPS	OUTSIDE TARGET ZIPS	TOTAL
Number of Respondents (and % of Total Responses)	153 (53%)	129 (45%)	7 (2%)	98 (34%)	191 (66%)	289 (100%)
Average Respondent Size – Number of FT Employees**	11.70	23.51	19.42	20.14	15.96	17.4
% Respondents with 0 Employees beyond Owner	40%	27%	14%	43%	28%	33%
Respondent Business Stage	0-1 year in business: 16% 1-3 years in business: 26% 3+ years in business: 58%	0-1 year in business: 14% 1-3 years in business: 24% 3+ years in business: 62%	0-1 year in business: 17% 1-3 years in business: 0% 3+ years in business: 83%	0-1 year in business: 20% 1-3 years in business: 26% 3+ years in business: 54%	0-1 year in business: 13% 1-3 years in business: 23% 3+ years in business: 64%	0-1 year in business: 15% 1-3 years in business: 24% 3+ years in business: 61%
Top Reported Business Needs	Access to funding; Access to contract opportunities; Access to high-performing employees	Access to funding; Access to contract opportunities; Access to high-performing employees	Managing cash flow; Access to contract opportunities; Navigating government regulations	Access to funding; Access to high-performing employees; Managing cash flow	Access to funding; Access to contract opportunities; Access to high-performing employees	Access to funding; Access to contract opportunities; Access to high-performing employees
Top Reported Sources of Business Funding	Personal funds; Credit card; Regional / community bank	Personal funds; Regional / community bank; Credit card	Credit card; Personal funds; Friends and family	Personal funds; Credit card; Friends and family	Personal funds; Regional / community bank; Credit card	Personal funds; Credit card; Regional / community bank

Source:

CRF-proctored survey issued to Chicago Area SMBs; see stand-alone survey results document for additional detail

*Response option in survey was "Prefer Not to Say" or "Other"

Appendix III: Additional Survey Detail - Continued

SURVEY SUMMARY: INDUSTRY REPRESENTATION

INDUSTRIES	OWNED BY PERSON OF COLOR	BLACK OWNED	HISPANIC OWNED	WHITE OWNED	INSIDE TARGET ZIPS	OUTSIDE TARGET ZIPS	WOMEN OWNED	TOTAL
Construction	27 (17%)	18 (15%)	7 (28%)	14 (12%)	8 (8%)	33 (17%)	17 (11%)	41 (14%)
Other Services (except Public Administration)	18 (11%)	15 (12%)	3 (12%)	21 (17%)	9 (9%)	28 (15%)	25 (16%)	37 (13%)
Professional, Scientific, and Technical Services	22 (14%)	17 (14%)	5 (20%)	14 (12%)	10 (10%)	27 (14%)	20 (13%)	37 (13%)
Accommodation and Food Services	16 (10%)	10 (8%)	3 (12%)	9 (7%)	12 (12%)	12 (6%)	11 (7%)	24 (8%)
Retail Trade	11 (7%)	10 (8%)	-	9 (7%)	10 (10%)	10 (5%)	15 (10%)	20 (7%)
Real Estate Rental and Leasing	8 (5%)	7 (6%)	1 (4%)	11 (9%)	6 (6%)	13 (7%)	6 (4%)	19 (7%)
Manufacturing	8 (5%)	4 (3%)	1 (4%)	10 (8%)	8 (8%)	10 (5%)	11 (7%)	18 (6%)
Arts, Entertainment, and Recreation	7 (4%)	6 (5%)	1 (4%)	8 (7%)	7 (7%)	10 (5%)	8 (5%)	17 (6%)
Educational Services	10 (6%)	7 (6%)	1 (4%)	3 (2%)	6 (6%)	9 (5%)	11 (7%)	15 (5%)
Finance and Insurance	10 (6%)	7 (6%)	-	4 (3%)	5 (5%)	10 (5%)	8 (5%)	15 (5%)
Healthcare and Social Assistance	10 (6%)	8 (7%)	2 (8%)	5 (4%)	6 (6%)	9 (5%)	6 (4%)	15 (5%)
Information	5 (3%)	3 (2%)	-	5 (4%)	2 (2%)	8 (4%)	5 (3%)	10 (3%)
Wholesale Trade	1 (1%)	-	1 (4%)	4 (3%)	2 (2%)	3 (2%)	3 (2%)	5 (2%)
Transportation and Warehousing	4 (2%)	4 (3%)	-	-	2 (2%)	2 (1%)	1 (1%)	4 (1%)
Other Industries (less than 1% each)	6 (3%)	6 (5%)	-	5 (5%)	5 (5%)	7 (4%)	6 (5%)	12 (5%)
Total	163 (100%)	122 (100%)	25 (100%)	122 (100%)	98 (100%)	191 (100%)	153 (100%)	289 (100%)

Source:
CRF-proctored survey issued to Chicago Area SMBs; see stand-alone survey results document for additional detail

Appendix III: Additional Survey Detail - Continued

WAGES ACROSS TARGET INDUSTRIES

FULL-TIME WORKERS		ALL WORKERS WAGES	BLACK WORKERS WAGES		LATINX WORKERS WAGES	
		Average Wage	Average Wage	% Diff. from All Workers Average	Average Wage	% Diff. from All Workers Average
Construction – Build	Construction	\$55,895	\$46,762	-16%	\$39,509	-29%
Construction – Design	Architectural, engineering, and related services	\$83,457	\$73,051	-12%	\$60,546	-27%
	Interior design services	\$63,678	\$52,143	-18%	\$33,471	-47%
	Industrial design services	\$63,678	\$52,143	-18%	\$33,471	-47%
Food / Bev – Manufacturing	Food Manufacturing	\$42,253	\$25,700	-39%	\$30,242	-28%
	Beverage manufacturing	\$72,411	\$37,821	-48%	\$50,553	-30%
Food / Bev – Retail	Food and beverage stores	\$36,124	\$33,832	-6%	\$27,570	-24%
	Food services and drinking places	\$30,207	\$29,479	-2%	\$24,466	-19%
Arts, Entertainment, and Media	Media / media culture producers	\$58,012	\$50,000	-14%	\$50,500	-13%
	Performance / visual culture producers	\$60,216	\$24,029	-60%	\$44,143	-27%
	Fitness culture producers	\$40,202	\$35,702	-11%	\$26,506	-34%
Logistics, Warehousing, and Delivery	Truck transportation	\$46,241	\$43,294	-6%	\$36,896	-20%
	Couriers and messengers	\$45,938	\$39,455	-14%	\$45,013	-2%
	Warehousing and storage	\$37,091	\$35,688	-4%	\$31,739	-14%
Social Assistance and Home Care	Nursing and residential care facilities	\$38,455	\$28,201	-27%	\$30,574	-20%
	Social assistance	\$36,825	\$34,390	-7%	\$30,114	-18%
All industries (MSA)		\$65,336	\$46,779	-28%	\$39,439	-40%

Appendix IV: Peer City Comparison¹

To contribute to our understanding of the Chicago SMB ecosystem, we conducted research on three “peer” cities that have developed concerted strategies to support entrepreneurship and small business expansion. We aimed to glean key lessons learned that could be applied in the context of Chicago and identify strategies that could accelerate specific objectives related to business growth for women and people of color.

PEER CITY COMPARISON

	CHICAGO, IL	KANSAS CITY, MO	NEW YORK, NY	DETROIT, MI
Ecosystem Leader	In Development	KCSOURCELINK	NYC Department of Small Business Services (SBS)	New Economy Initiative (NEI) & City of Detroit
Notable Aspects	Specific focus to be determined	Focus on inclusiveness, success measures in place, using SOURCELINK	Centralized business support via city-funded centers enables efficiency in delivery	Similar city program as Chicago, increased CDFI collaboration, development of targeted investment funds
Population (2016)	2,714,017	471,767	8,461,961	683,443
Population Change (2000-2016)	-6.3%	6.8%	5.7%	-28.1%
Unemployment Rate (2016)	10.9%	6.8%	8.6%	22.1%
SMB Annual Growth Rate (2016)	0.8%	1.9%	0.9%	0.5%
Median Family Income (2016)	\$58,388	\$61,826	\$61,343	\$31,621
% with BA Degree (2016)	36.5%	33.0%	36.2%	13.8%
% Businesses Owned by People of Color (2012)	32%	15%	39%	27%
% Businesses Owned by Women (2012)	38%	34%	36%	39%

LESSONS LEARNED FROM PEER CITIES

- While there is no one single best practice structure for organizing and coordinating ecosystem-wide efforts, it is critical for governance and decision-making to be clearly defined to avoid duplicative efforts
- It is important to have the City government at the table as an active partner to ensure resources are deployed in concert with other entities across the ecosystem; without the City as a key partner, there is a risk of gaps in both service delivery and coordination
- Successful ecosystem efforts require a dedicated organization or third party, whose sole focus is aggregating and coordinating resources to make sure that efforts are streamlined and the ecosystem is held accountable to its stated goals and objectives
- Local multi-funder collaboratives help catalyze and sustain ecosystem initiatives by providing a steady flow of resources and leveraging brand and reputation to gather support from additional funders
- An explicit focus on inclusion and creating ownership and employment opportunities for women and people of color helps focus direction of energy and resources
- Ecosystem-wide impact measurement efforts require sufficient resources, dedicated staff, and coordination; while historical efforts have tended to focus on outputs, all stakeholders recognize the need to measure outcomes in order to understand the true impact of initiatives – cities with dedicated resources have shown early signs of success (e.g., KCSOURCELINK in Kansas City)



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ENDNOTES

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⁷Census Bureau County Business Patterns, Chicago-Naperville-Elgin, IL-IN-WI Metro Area (2012-2015); American Communities Survey Public Use Microdata Sample, Chicago-Naperville-Elgin, IL-IN-WI Metro Area (2014-2016 Average); Chicago Tribune; Dodge Data & Analytics; IBI World reports; Construction Dive (Online); US Chamber of Commerce, Commercial Construction Index Report 2017.

Figure 3.1

¹US Census Bureau, Survey of Business Owners (2012).

Figure 3.2

¹Federal Financial Institution Examination Council. 2016 CRA MSA Aggregate Reports for Cook County.

²Freedom of Information Act (FOIA) Small Business Administration 504 and 7(a) lending data.

³CDFI loan data from a non-exhaustive list of CDFIs in Chicago.

⁴PricewaterCoopers and National Venture Capital Association 2016 Moneytree Report.

⁵City of Chicago.

Figure 3.3 & Figure 3.4

¹Freedom of Information Act (FOIA) Small Business Administration 504 and 7(a) lending data. 2016 County Business Patterns.

Figure 3.5

¹Custom dataset built by Next Street of 135 BSOs in Chicago, IL; US Census Bureau American Community Survey, Chicago-Naperville-Elgin, IL-IN-WI Metro Area (5-Year Estimates 2012-2016).

Figure 3.6

¹Custom dataset built by Next Street of 135 BSOs in Chicago, IL.

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Appendix IV: Peer City Sources

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