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Best Practices for Technical Assistance Programs Serving Black and Hispanic Entrepreneurs and Small-Business Owners

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ACCESS TO
CAPITAL

EXECUTIVE SUMMARY

Technical assistance (TA) refers to the education and guidance provided to entrepreneurs and small business owners to help them start and grow businesses.

As it builds the capacity of organizations to operate effectively, technical assistance positions entrepreneurs and small businesses to access capital.

TA products and services provide entrepreneurs with strategies, tools, and a network to support their success and help navigate their challenges. Yet, Blacks and Hispanics face a legacy of poverty, inequality, and bias that negatively affects their relationship with financial products and services, including a wariness to engage with banks, other financial institutions, and potential mentors and consultants. To effectively reach and support Black and Hispanic small business owners, TA needs to be culturally competent. I.e., service providers need to recognize how race and ethnicity shape a population's relationship to financial products and services, and build TA programs so they are responsive to these populations.

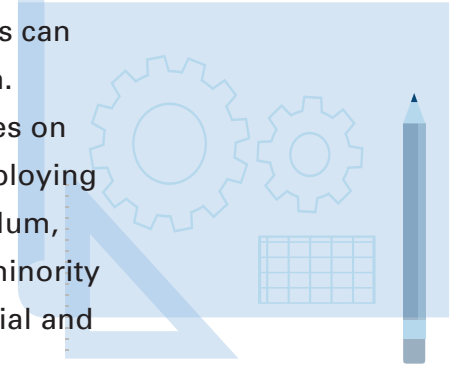
To effectively reach and support Black and Hispanic small business owners, TA needs to be culturally competent.

In conjunction with the Partnership for Lending in Underserved Markets (PLUM), a Milken Institute and U.S. Small Business Administration (SBA) initiative to develop actionable solutions to long-standing barriers that constrain minority entrepreneurs from accessing capital, the PLUM Los Angeles Technical Assistance Working Group spent considerable time exploring what culturally competent TA looks like and identifying best practices around program design, service delivery, curriculum, and marketing and outreach.

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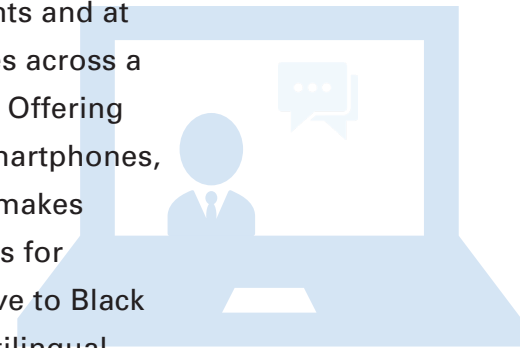
PROGRAM DESIGN

Whether a technical assistance provider wants to focus on high-growth tech startups or scaling established manufacturers, organizations can design their programs to be culturally responsive from inception. Including leadership from Black and Latino business communities on the boards or advisory committees of service organizations, employing Black and Hispanic teachers and specialists to deliver TA curriculum, and partnering with local community colleges, nonprofits, and minority business associations demonstrate a sincere commitment to racial and ethnic understanding and community engagement.



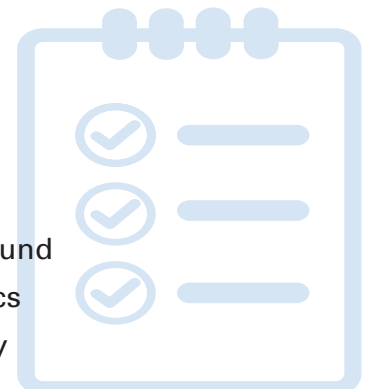
SERVICE DELIVERY

Convenience is key, and most providers will strive to hold workshops and events in places that are geographically accessible to their clients and at times that are convenient for them. Likewise, delivering services across a range of platforms increases accessibility for all entrepreneurs. Offering trainings in person and online, formatting online content for smartphones, and offering scheduled courses as well as on-demand content makes sense for any 21st century TA provider. Still, there are rationales for emphasizing certain delivery modes in an effort to be responsive to Black and Hispanic business owners. Two examples are offering multilingual programming and instruction and co-locating TA programs in proximity to other entrepreneurial activity to maximize convenience and opportunities for networking for early stage startups. For established businesses, bringing programming to the business (mostly via online methods) would be most responsive to their busy schedules and need to remain onsite at their place of work.



CURRICULUM

Most small business technical assistance programs will include coursework on general business topics including writing a business plan, marketing, and accounting, as well as some specialty topics (e.g., cybersecurity or e-commerce). An entire TA program could be built around one industry, though will still include the general business topics. Topics that may be universally helpful, but are particularly relevant to minority



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entrepreneurs and business owners include promote the benefits of registering as a minority- and women-owned business enterprise (MWBE) and/or disadvantaged business enterprise (DBE) and providing leadership and management training including decision-making, multi-tasking, and communication skills. Specific courses on presentation skills—summarizing information, preparing a visually appealing and organized presentation, and projecting confidence—are also recommended to compensate for possible lack of education or management experience.

MARKETING AND OUTREACH

With a culturally responsive program and curriculum in place, there are best practices to ensure marketing efforts reach Black and Hispanic audiences. Representing Blacks and Hispanics in promotional images, videos, and testimonials, offering promotional information in Spanish and other languages, and including minority alumni success stories on the website and across social media platforms makes the content more relatable and helps build the TA provider's credibility to minority audiences, which in turn increases their engagement and interest in the offering. Another important best practice is creating strong relationships with bank lenders, particularly within branches located in Black and Hispanic neighborhoods. When applicants do not meet the criteria for a small business loan, lenders can refer declinations to TA providers.

Additionally, while in this report we refer to the education and guidance provided to entrepreneurs and small business owners as “technical assistance,” as it is widely understood within the financial services and community development industries, terminology such as “strategic guidance” or “business advisory services” may be more appropriate for marketing purposes as it is more personable, relatable, and easily understood.

Developing cultural competence is a dynamic and complex process requiring ongoing assessment and feedback, but it is necessary to building trust between TA providers and Black and Hispanic entrepreneurs and small business owners. By implementing culturally competent best practices around program design, service delivery, curriculum, and marketing and outreach, TA providers can more effectively reach and support these populations.

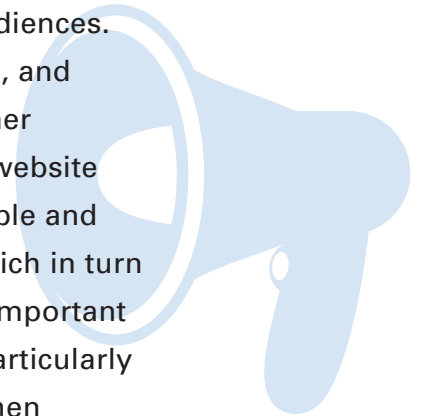


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INTRODUCTION

Minority-owned small businesses play an important role in the nation's economic health by driving job creation, raising wages, and elevating better standards of living in communities throughout the United States. Business ownership is also a critical pathway for Blacks and Hispanics to close the racial wealth gap—an increase in entrepreneurship among people of color can create income for both entrepreneurs and the people of color who work at the businesses. Yet starting a new firm or growing an established business requires capital, and Black and Hispanic businesses are reported to have higher barriers to capital access. The most oft-cited reasons banks decline Black and Hispanic borrowers from loans are lower credit scores and lower net worth and lack of assets.¹ The average minority small-business owner has a credit score of about 707—15 points lower than the average U.S. small-business owner.² Wealth levels among Hispanics and Blacks are roughly 10 times lower than for whites, which reduces their ability to self-fund businesses or draw financial support from friends and family.³ Multiple studies have shown that inequalities in the personal wealth of disadvantaged communities translate into disparities in their relative business creation and ownership.^{4,5,6}

As it builds the capacity of organizations to operate effectively, TA positions entrepreneurs and small businesses to access capital.

Technical assistance (TA) refers to the education and guidance provided to entrepreneurs and small-business owners to help them start and grow businesses. As it builds the capacity of organizations to operate effectively, TA positions entrepreneurs and small businesses to access capital. TA products and services provide entrepreneurs with strategies, tools, and a network to support their success and help navigate their challenges.

INTRODUCTION

Yet to effectively reach and support Black and Hispanic small-business owners, TA needs to be culturally competent. In other words, service providers need to recognize how race and ethnicity shape a population's relationship to financial products and services.

To effectively reach and support Black and Hispanic entrepreneurs and small business owners, TA providers need to recognize how race and ethnicity have shaped these populations' relationship to financial products and services.

This report provides best practices for designing programs, curriculum, and marketing and for delivering TA services to Black and Hispanic entrepreneurs and small-business owners. It is a product of the Partnership for Lending in Underserved Markets (PLUM), a Milken Institute and Small Business Administration (SBA) initiative to develop actionable solutions to long-standing barriers that constrain minority entrepreneurs from accessing capital to start and grow businesses. The objective is to increase not only the amount of capital reaching minority-owned businesses, but also the number of successful (growing) small businesses in Black and Hispanic communities employing Black and Hispanic workers.

In addition to national research and policy activities, the Milken Institute and the SBA initiated two-year local pilot programs in Baltimore and Los Angeles. The PLUM Los Angeles Technical Assistance Working Groups (one for startups and one for established businesses—see Acknowledgments) spent considerable time exploring what culturally competent TA looks like; here we summarize the discussion, lay out best practices, and share examples of organizations doing it right.

ABOUT TECHNICAL ASSISTANCE

Small-business technical assistance (TA) refers to the education and guidance provided to entrepreneurs and small-business owners to support starting and growing businesses. Examples include business planning, operations, marketing, access to capital, employee recruitment, and specialty training (e.g., e-commerce). The type of assistance provided depends on several factors such as the growth stage of the organization, its scale and size, capital requirements, industry, and geography.

TA providers may deliver services via one-on-one consultations, in-person workshops or courses, or online on-demand or scheduled webinars. Structured courses can range from months to years, with the potential to receive financing when entrepreneurs complete the program. TA programs can be free or fee-based, and providers of TA include government agencies, private organizations, nonprofits, and community development financial institutions.



GOVERNMENT PROVIDERS

The SBA is the main federal government agency that funds and provides technical assistance to small-business owners. They do so through a variety of programs including the SBA Centers (SBDC), Women’s Business Centers (WBC), U.S. Export Assistance Centers (USEAC), Veteran’s Business Outreach Centers, Procurement Technical Assistance Centers, Regional Innovation Centers, ScaleUp America, and SCORE Business Mentors.⁷

The SBA has developed public-private partnerships to create 63 lead SBDCs—one in every state (Texas has four, California has six), the District of Columbia, Guam, Puerto Rico, Samoa, and the U.S. Virgin Islands.⁸ SBDC advisors help entrepreneurs and small-business owners with free business consulting and low-cost training

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including help with creating a business plan, learning how to manufacture, lending and financing, exporting and importing, disaster recovery, contracting and procuring services, market research, and more.⁹ In each state, there is a lead organization that sponsors the SBDC and coordinates program services offered to small businesses through a network of subcenters and satellite locations in each state. Subcenters are located at colleges, universities, community colleges, vocational schools, chambers of commerce, and economic development corporations.¹⁰

States also offer TA programs. For example, in California, the Governor's Office of Business and Economic Development (GO-Biz) provides fee-based technical assistance and business training and free mentoring. The agency works as a single point of contact for economic development and job creation efforts.¹¹ GO-Biz offers a range of services to business owners including attraction, retention, and expansion services, site selection, permit assistance, regulatory guidance, small-business assistance, international trade development, and more.

Locally, economic development departments within cities have started funding incubators to stimulate economic growth through entrepreneurship and enterprise development. For instance, the City of Los Angeles Economic and Workforce Development Department (EWDD) funds the LA Business Source Center System (LABSC System), which is operated by nine community partners in strategic locations throughout Los Angeles.¹² They provide an array of technical assistance to aspiring entrepreneurs and small businesses in underserved communities. LABSCs adapt their services to meet the evolving needs of the hundreds of small-business communities in which they are situated. Services vary by center and include assistance with business plan development, filing taxes, financial packaging and lending, exporting and importing, procurement and contracting, and market research. Services are delivered through professional business advisers.¹³

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COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFIS)

Community Development Financial Institutions (CDFIs) are private financial institutions dedicated to delivering responsible, affordable lending to help low-income, low-wealth, and other disadvantaged people and communities join the economic mainstream.¹⁴ The U.S. Department of the Treasury's CDFI Fund certifies regulated institutions (e.g., community development banks and credit unions), and nonregulated institutions (e.g., loan and venture capital funds) as CDFIs. Once certified, they can apply for CDFI funds and awards through programs including New Markets Tax Credits, the Bank Enterprise Award Program, and the Capital Management Fund.¹⁵ CDFIs finance local small businesses, microenterprises, nonprofit organizations, commercial real estate, and affordable housing projects. They are profitable but not profit maximizing.

CDFIs use technical assistance to build an organization's capacity to operate effectively so that they are more qualified for financing. The CDFI Fund provides a variety of training and direct TA opportunities to CDFIs looking to strengthen their organizations.¹⁶ CDFI services are free and fee-based, depending on the provider organization.

Los Angeles Local Development Corporation (LDC) is a nonprofit CDFI that provides capital and advisory services to foster positive community development impacts in distressed neighborhoods by aligning the needs of borrowers and investors.¹⁷ Their borrowers range from startup, emerging, and dynamic mid-size businesses and nonprofit organizations and investors include commercial banks, community development loan funds, socially responsible investors, government programs, and faith-based organizations.¹⁸

CORPORATE INITIATIVES

There are also many corporate initiatives to help small businesses. The Goldman Sachs 10,000 Small Businesses program is an investment to help entrepreneurs create jobs and economic opportunity by providing greater access to education, capital, and business support services. To date, more than 6,700 business owners have graduated from the program—at no cost to themselves—across all 50 states in the U.S., Puerto Rico, and Washington, D.C.¹⁹

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Blackstone LaunchPad is a free campus-based entrepreneurship program accessible by over 500,000 students globally. It is designed to support and mentor students, staff, and alumni regardless of major, experience, or discipline. The initiative has helped launch 15,000 ventures, over 8,500 companies, and create more than 21,000 jobs.²⁰

CONSULTING SERVICES

There are private consulting services dedicated to helping entrepreneurs start their ventures and assist more established small-business owners scale up by providing broad planning and strategic guidance and more specific, specialized services as subcontractors. These services can either be in person or online depending on the approach of the consulting firm. GoSmallBiz.com is a firm that provides resources and support to entrepreneurs and small-business owners through online learning, business consultation, and assistance with sales and marketing, human resources, legal resources, and taxes and accounting.²¹ Users pay a flat monthly fee for unlimited access to services (e.g., business consultations, a website builder, a transaction tracker) which generates revenue for the business.²² Entrepreneurs and small-business owners can use the services for as long as needed.

Corporate Value Metrics is a national consulting firm that provides guidance to established small businesses with revenues from \$5M to \$300M using their Value Opportunity Profile (VOP) tool which helps companies better understand their relative strengths and weaknesses, which weaknesses are constraining growth and profitability, and what impact they could make on the overall value of the company by eliminating the weaknesses in a methodical manner.²³ They do their consulting in person to help clients understand how to address the needs identified in the VOP assessment. They also license the VOP tool and train and certify other consulting organizations including government agencies that seek the expertise to help their clients.

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INCUBATORS AND ACCELERATORS

Incubators and accelerators are TA programs that tend to focus on science and technology industries. Incubators help create and grow young businesses by providing them with the necessary support, office space, and financial and technical services for anywhere between one and five years.^{24,25,26} New York University (NYU) Tandon Future Labs are a public-private partnership with New York City to provide guidance, expertise, and resources to entrepreneurs while attracting talent and resources to the NYU School of Engineering.²⁷

In Baltimore, Betamore is an award-winning coworking space, incubator, and campus for technology and entrepreneurship. Betamore has been home to more than 146 companies that have collectively raised more than \$103 million in venture capital and in 2017 alone contributed \$28.5 million to the City of Baltimore's economy.²⁸ Incubators earn money by retaining a percent of equity in a company's venture over many years, and generally use the profits from their investments to fund operations and seed new projects.

Business accelerators help small- and medium-sized organizations focus on rapid growth and navigate organizational, operational, and strategic difficulties that might be facing the business. Programs are often fixed-term, cohort-based, include mentorship and educational components, and culminate in a public pitch event or demo day.^{29,30} Accelerators earn revenue through sponsorships from public and private organizations, events, entrepreneur-in-residence programs, grants, research reports, and a variety of consulting services.^{31,32}

Incubators and accelerators may co-locate to create hubs of innovation and entrepreneurship. In Chicago, the technology and entrepreneurship center 1871 houses more than 400 early stage, high-growth digital startups.³³ Located in The Merchandise Mart, this 150,000-square-foot facility is also the headquarters of nationally recognized accelerators; industry-specific incubators; tech talent

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schools; the Illinois Science and Technology Coalition (the state's leading technology advocate); a number of Chicago-based venture capitalists; and satellite offices for Northwestern University, University of Illinois, University of Chicago, Loyola University Chicago, Illinois Institute of Technology, DeVry University, and DePaul University.

TA is one of the most effective methods for building the capacity of entrepreneurs and small-business owners. It can help participants learn how to position themselves for business opportunities and accessing capital. The tools that entrepreneurs and small-business owners learn through TA also help them to develop credibility and legitimacy with potential customers, clients, and partners, as well as network with service and capital providers and other small businesses.

CULTURALLY COMPETENT TECHNICAL ASSISTANCE

In the context of capital access, cultural competence refers to an institution or organization's ability to understand how race, ethnicity, gender, age, national origin, language, religion, disability, and other variables shape a population's relationship to financial products and services. The lack of understanding and recognition of cultural factors can limit the effectiveness of TA programs targeted to Black and Hispanic entrepreneurs and small-business owners as cultural competency is important to building trust between providers and clients and increases the likelihood that products and services reach their target audiences.

CULTURAL BARRIERS

Entrepreneurs who are well-educated, professionally experienced, and (most importantly) have access to social and capital networks are best-positioned to succeed. Yet Blacks and Hispanics face a legacy of poverty, inequality, and bias. They are at a disadvantage before even getting started. Below, we identify specific cultural barriers that impede minority entrepreneurship and access to capital.

Generational Poverty

As of 2017, white households' median wealth is 10-times larger than Black households' and eight-times larger than Hispanic households.³⁴ Intergenerational wealth transfers enable opportunities such as financing a college education, making a down payment on a first home, and providing capital to start and grow a business.^{35,36} Nearly a quarter of all entrepreneurs worked in a family business before acquiring it or starting one of their own.³⁷ Multiple studies have shown that inequalities in the personal wealth of disadvantaged communities translate into disparities in their relative business creation and ownership rates.^{38,39,40,41}

The Great Recession of 2007-09 triggered a sharp, prolonged decline in the wealth of all Americans, but it had a particularly negative impact on Black and Hispanic groups, wiping out decades of slow and steady gains. Blacks and Hispanics had a higher proportion of their wealth tied up in their homes compared to whites and Asians, which exacerbated their losses when the housing market collapsed.⁴² While whites had—and continue to have—higher homeownership rates compared to Blacks and Hispanics, between 2006 and 2012 homeownership rates among Blacks and Hispanics fell by 8.4 and 7.2 percent, respectively, compared to 3 percent for white homeowners.⁴³

Lower homeownership rates translate to lower eligibility for secured small-business loans as real-estate assets and home equity are the most common type of collateral used by borrowers.⁴⁴

Educational Attainment

Educational opportunities for minority children remain unequal due to a lack of key educational resources including skilled teachers and quality curriculum.⁴⁵ Even though high school graduation and college graduation rates have increased, Black and Hispanic youth remain more likely to not complete their high school and bachelor's degrees compared to their white and Asian counterparts.⁴⁶

Also, youth may come from families and communities with low levels of educational attainment, which influences their experience and desire to excel in schools.⁴⁷ A study based on interviews and focus groups with students who grew up in generational poverty found that communication about education in the home was limited. Ninety-six percent reported their educational goals were to do “just a little better” than their parents (who often had not graduated high school). The majority could “not envision completing school.”⁴⁸

Multiple studies have reported that the education level of a business owner is strongly associated with entrepreneurship and entrepreneurial success. Businesses with highly educated owners

have higher sales, profits, and survival rates, and hire more employees than businesses with less-educated owners.⁴⁹ Completing high school and college reinforces critical thinking and problem-solving skills and provides students with credentials to build their reputation and access to peer and professional networks including mentoring opportunities.⁵⁰

Professional Training and Management Deficits

Despite historically low unemployment rates, Blacks and Hispanics continue to experience higher unemployment (5.9 and 4.9 percent) compared to whites (3.5 percent).⁵¹ And while employment for minorities has improved, the growth has not translated into higher-paying jobs in more senior roles.⁵² Blacks and Hispanics continue to have lower earnings compared to whites. The median usual weekly earnings of full-time wage and salary workers in 2016 were \$678 for Blacks, \$624 for Hispanics, and \$862 for whites. The disparity held for men across nearly all major occupational groups.

Regarding occupations, 40 percent of whites were employed in management and professional positions compared to 30.1 percent of Blacks and 22.0 percent of Hispanics.⁵³

Across the corporate pipeline, women of color are the most underrepresented group. Despite accounting for 20 percent of the U.S. population, they hold 17 percent of entry-level positions and only three percent at the C-Suite level.⁵⁴

Without the same experience-based financial and organizational management skills as white entrepreneurs, Black and Hispanic entrepreneurs enter small-business ownership at a disadvantage.

Country of Origin and Immigration Status

For Hispanics, awareness of U.S. laws and regulations when emigrating from their country of origin, immigration status, and language issues can all act as barriers to obtaining capital. Many new immigrants are unfamiliar with U.S. incorporation laws and

regulations, making the process of starting their own entrepreneurial venture difficult. The challenge is compounded when TA providers provide marketing materials and TA in English only.

Undocumented workers in particular face limited financing options, though some financial organizations will accept an Individual Taxpayer Identification Number (ITIN)—a tax-processing number issued by the Internal Revenue Service (IRS) to help individuals who do not have and are not eligible to obtain a social security number.

Discrimination

Despite government interventions to prevent discrimination against minorities and low- and moderate-income borrowers—including through fair lending laws (the Equal Credit Opportunity Act and the Fair Housing Act), the Home Mortgage Disclosure Act, and the Community Reinvestment Act—Black and Hispanic firms continue to experience higher loan denial probabilities and pay higher interest rates than white-owned businesses—even after controlling for differences in creditworthiness.⁵⁵

Research also indicates that loan officers treat minority consumers differently and more poorly when researching financing options in the information provided to them, the information required from them to apply for a loan, and the encouragement and assistance demonstrated to them.⁵⁶

CULTURALLY COMPETENT TECHNICAL ASSISTANCE

Table 1: How Loan Officers Treat Minority Customers

		Frequency	
		White (%)	Minority (%)
Provide less information	Loan fees	59.1	25.9
	Loan terms	52.5	27.5
	Interest rates	82.4	61.5
Request more information	Financial statements	50.0	82.8
	Tax returns	52.4	86.2
	Bank account information	0.0	25.0
	Personal savings and investments	21.7	60.5
	Credit card debt	13.0	42.5
	Auto loan debt	8.7	32.5
Provide less assistance	Help completing a loan application	59.1	18.2
	Offered a business credit card	81.8	42.9
	Offered help with future banking needs	68.2	42.9

Source: Bone, Sterling, Christensen, Glenn, Williams, Jerome. Rejected, Shackled, and Alone: The Impact of Systemic Restricted Choice on Minority Consumers’ Construction of Self. Journal of Consumer Research, Volume 41, Issue 2, 1 August 2014, Pages 451–474

Geography matters, too. One study reported that applicants from white neighborhoods received approximately \$7,000 in additional credit compared to applicants from Black neighborhoods with identical risk profiles and credit histories.⁵⁷

Inequities extend to equity financing. For example—per an oft-cited 2010 analysis by CB Insights—among venture capitalists, all-Black founding teams raised the smallest rounds of national internet seed and series A funding (\$1.3 million) compared to mixed (\$2.2 million), all-white (\$2.3 million), and all-Asian-Pacific (\$4.0 million).⁵⁸ In 2016, minority angels accounted for 4.9 percent of the angel population and minority-owned firms represented 15.3 percent of the entrepreneurs that presented their business concept to angels. The yield rate for these minority-owned firms was 12.3 percent (lower than the 19.7 percent of overall investment opportunities brought to the attention of investors that resulted in an investment).⁵⁹

A recent report from digitalundivided's ProjectDiane—a biennial demographic study that provides a snapshot of the state of U.S. Black women founders and the startups they lead—found that between 2009 and 2017, Black women-led startups raised \$289 million in venture and angel funding (the majority of which was raised in 2017 alone). The nine-year total represents 0.0006 percent of the \$424.7 billion in total tech venture funding raised.⁶⁰

Trust Gap

The culmination of the above cultural barriers has created a trust gap—minorities are weary of banks, other financial institutions, and potential mentors and consultants.⁶¹ The experience and expectation of bias discourages small-business owners from engaging in financing in the first place. For minority women, the double negative bias is the added pressure an entrepreneur of color, who also is female, bears to prove herself and the value of her work and ideas.⁶²

BEST PRACTICES

Developing cultural competence among TA service providers is critical to building trust between providers and Black and Hispanic entrepreneurs and small-business owners and to increasing the likelihood that products and services reach and support clients. Outside the scope of this report are general best practices that can make any TA program more effective (e.g., assessments that evaluate growth stage, size, and industry to inform appropriate pathways). However, in the service of tailoring program design, service delivery, curriculum, and marketing and outreach for Black and Hispanic audiences, we do reference some of these universal concepts.

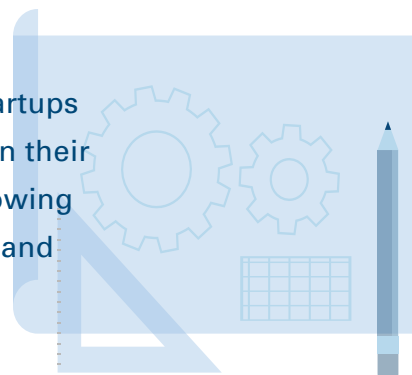
Also important to recognize are the many programs and mission-driven organizations across the U.S. who already effectively serve minority and low-income entrepreneurs and business owners and employ many of the best practices outlined below. We feature these organizations to provide real-world examples of best practices in action and hope that they inspire more providers to adopt their strategies and tactics

PROGRAM DESIGN

Whether a TA provider wants to focus on high-growth tech startups or scaling established manufacturers, organizations can design their programs to be culturally responsive from inception. The following components can demonstrate a sincere commitment to racial and ethnic understanding and community engagement.

Advisory Committees

Include leadership from Black and Latino business communities on the boards or advisory committees of service organizations to promote inclusive programming.



BEST PRACTICES

Local and community leaders can help providers design, market, and deliver TA that is responsive to, and will resonate most with, their own communities.

Staffing

Employ Black and Hispanic teachers and specialists to deliver TA curriculum. Teachers of color may serve as successful role models and better connect with minority entrepreneurs, motivating them and inspiring confidence in their future ventures.

Strategic Partnerships

TA providers can team up with local nonprofits, universities, and community colleges to leverage resources (professors, facilities, funding) and access their populations. Community colleges in particular may be appropriate as they serve the largest proportion of minority and first-generation students. Per College Board analysis of 2014 U.S. Department of Education data, 44 percent of Black undergraduates enrolled in public two-year institutions (community colleges) compared to 29 percent in public four-year institutions and 13 percent in private nonprofit four-year schools (the remaining 14 percent enrolled at for-profit institutions). Among Hispanic undergraduates, 56 percent enrolled in public two-year colleges, 29 percent in public four-year schools, and 8 percent in private nonprofit four-year schools.⁶³ At community colleges, TA providers can tap minority students from various fields who are interested in entrepreneurship, and co-locate their courses to increase the accessibility and convenience of their services.

Partnerships with banks, CDFIs, government agencies, and minority business associations can provide TA clients with capital networks and access to business opportunities including procurement and contracting opportunities and lender referral financing. Here there is an opportunity to engage mission-driven CDFIs and minority depository institutions, which both tend to maintain offices in underserved communities that often have a higher concentration of low- or moderate-income census tracts and a higher share of minority populations.⁶⁴

Likewise, providers can work with industries (via trade associations, for example) and individual companies that are strategic to Black and Hispanic populations to structure internship and apprenticeship programs and position clients for business opportunities. Maximum opportunity lies in the overlap among industries in which Blacks and Hispanics are strong (i.e., own businesses and are employed), in the industries that are growing regionally, and the communities in which Blacks and Hispanics live and work. For example, in Los Angeles County, Latinos are more likely to be employed in manufacturing and construction firms than the average LA County worker, and construction and selected manufacturing are growth industries in the county.^{65,66} TA providers can support impactful connections among Hispanic students, entrepreneurs, and business owners and the engineering, logistics, procurement, learning, and business opportunities around major LA-area development projects including overhauling Los Angeles International Airport (LAX), building the new National Football League (NFL) stadium in Inglewood, and preparing the city for the 2028 Olympics. These are opportunities that both build on existing competitive advantages and promote entry into high-growth fields.

Mentors

Mentors are individuals with prior business experience and sufficient connections to facilitate progress for TA program participants. They provide guidance and knowledge to mentees throughout the program, help keep them accountable for their work, and help them make connections and build relationships by leveraging their own industry and personal networks. Recent research indicates that the development of entrepreneurial self-efficacy (ESE)—a construct that measures a person’s belief in their own abilities to perform on the various skill requirements necessary to pursue a new venture opportunity—is optimal when mentees are earlier in their entrepreneurial journey and perceive high similarities between their mentor and themselves.⁶⁷

BEST PRACTICES

Anecdotal evidence confirms that making Black and Hispanic mentors available to Black and Hispanic entrepreneurs can ease their wariness to engage in TA services and promote confidence, motivation, and inspiration to mentees.⁶⁸

Experts Network

To complement the one-on-one support provided by mentors, a TA program can make an entire network of experts available to their participants. Experts may specialize in any aspect of entrepreneurship and small-business training covered in the curriculum (e.g., marketing, alternative financing, accounting, and legal, etc.). Programming could include topic-specific workshops, a roundtable, or panel discussions to capture multiple points of view. Ideally mentors could refer participants to experts for one-time meetings or phone calls when specialized knowledge is needed.

The **Milken Institute** New to Export 101 (NTE 101) program, for example, is a multistep, export-enabling platform designed to ensure that NTEs have the knowledge, training, and support that they need to succeed. Program “clients” are assigned a mentor to see them through the entire export-enabling journey, while a network of experts provide specialized training and assistance on an as-needed basis.

Assessment and Feedback Loop

Initial assessments can measure the business acumen of an entrepreneur and the business-readiness of an organization, both of which will then inform appropriate curriculum. A “right fit” or “just-in-time” program is more likely to be effective (keep clients engaged and increase the likelihood that they complete the program) if programming aligns with, and demonstrates relevance to, client needs. This is particularly true for minority entrepreneurs trying to overcome education, training, and management deficits and who may not know what information and instruction they lack in the first place.

Continuous feedback throughout the program benefits the service provider and the business owner alike. As the provider learns what does and does not work, clients appreciate the feedback and have a means of measuring their progress.

BEST PRACTICES

Success Stories

TA Providers can inspire and motivate participants by organizing events featuring stories of successful Black and Hispanic entrepreneurs and business owners. Ideally, program alumni can share their stories, including challenges they faced and how they overcame them. Non-alumni minority business owners can likewise speak to specific growing pains and solutions (e.g., incorporation, capital access, public contracting, etc.).

OmniWorks combines a data-driven tech platform with place-based incubators to deliver cost-effective business resources at scale to help underserved entrepreneurs succeed. OmniWorks has built strategic partnerships with capital providers (e.g., JP Morgan Chase, MUFG Union Bank) and local partner East Los Angeles College to fund and locate its first cohort of 15 minority business owners to a newly established business incubator on the community college campus. OmniWorks utilizes a customized technology platform to generate continuous feedback including real-time service evaluation (place based and virtual), rigorous reports on program effectiveness, upgrades throughout the business lifecycle, and a database and proprietary algorithm for equitable funding criteria. Clients have access to quality business training, data, and analytics as well as an active network of mentors and expert advisors.⁶⁹

SERVICE DELIVERY

Convenience is key and most providers will strive to hold workshops and events in places that are geographically accessible to their clients and at times that are convenient for them. Likewise, delivering services across a range of platforms increases accessibility for all entrepreneurs. Offering trainings in person and online, formatting online content for smartphones, and offering scheduled courses as well as on-demand content makes sense for any 21st century TA provider. Still, there are rationales for emphasizing certain delivery modes in an effort to be responsive to Black and Hispanic business owners.



Co-location

Locating technical assistance programs from where the majority of participants come (e.g., a college campus) or in proximity to other entrepreneurial activity (e.g., an incubator space) maximizes convenience and opportunities for networking for early stage startups.

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For established businesses, co-location is less important; in fact, bringing programming to the business (mostly via online methods) would be most responsive to their busy schedules and need to remain on site at their place of work.

The **California State University Dominguez Hills (CSUDH) Entrepreneurial Institute Sandbox (Ei-Sandbox)** is a short-term program designed to promote the growth and success of entrepreneurship among CSUDH students and within the South Bay community. The Ei-Sandbox offers mentoring, coaching, and support services such as business planning tools, legal advice, marketing strategies, business feasibility analysis, and networking opportunities. It also connects entrepreneurs to venture capitalists who may be interested in investing in their businesses.⁷⁰

Smartphones

A Pew research study found that mobile devices play an outsized role for Blacks and Hispanics when it comes to their online access options.⁷¹ Twenty-two percent of Hispanics and 15 percent of Blacks are “smartphone only” internet users—meaning they lack traditional home broadband service, but do own a smartphone. By comparison, 9 percent of whites fall into this category. Plus, Blacks and Hispanics are more likely than whites to rely on their smartphones for a number of activities such as looking up health information or looking for work. While formatting content for smartphones should certainly resonate with most millennial and Gen Z audiences, it is also an opportunity to provide TA services through a channel optimized for Black and Hispanic entrepreneurs.

Language

Perhaps the most culturally responsive design element for Hispanic and other immigrant populations is for TA providers to offer multilingual programming and instruction. Focusing on Spanish is understandable given that 13.1 percent of U.S. residents (40 million) speak Spanish.⁷² Hispanic entrepreneurs and business owners in rural areas in particular find it especially difficult to identify TA providers who cater to Spanish speakers outside of big cities.⁷³

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Get in Motion! is a nonprofit that seeks to eliminate poverty in Latino communities by helping them create businesses to support their families and have sustainable communities. The bilingual website features program information and testimonials from past clients. The organization holds webinars and classes in Spanish as well as Spanish-only business expo and networking events to help Latino entrepreneurs learn how to better manage their ventures.⁷⁴

CURRICULUM

Most small-business TA programs will include coursework on general business topics including writing a business plan, marketing, and accounting as well as some specialty topics (e.g., cybersecurity or e-commerce). An entire TA program could be built around one industry, while still including general business topics. Below are topics that may be universally helpful, but are particularly relevant to minority entrepreneurs and business owners.



Financial Literacy and Financing Education

Again, for minority entrepreneurs trying to overcome education, training, and management deficits, basic financial literacy will be an important component of their TA programs. Topics like budgeting, saving and investing, establishing and building credit, and tax planning are prerequisites to moving on to more advanced finance topics, in particular alternative financing (e.g., venture capital, crowdfunding, and microloans). For Blacks and Hispanics, lower credit scores and net worth and lack of assets mean that identifying financing beyond a traditional loan is necessary to accessing capital. Moreover, scaling businesses may be held back by misunderstanding of risk, limited market knowledge, or mismatch of appropriate capital opportunities. Strategic guidance, including information on more sophisticated capital structures, can support established firms in overcoming these growth hurdles.

Incorporation, Licensing, and Insurance

In addition to financial literacy and financing education, Black and Hispanic entrepreneurs moving from the informal to formal economy in particular will benefit from education about incorporation, licensing, and insurance.

Topics such as types of business ownership (e.g., sole proprietor, corporation, or partnership), filing requirements, liability, legal and operational requirements, etc. are the building blocks of a legal entity positioned to access capital and market opportunities including certification as a minority or disadvantaged business.

Minority- and Women-Owned Business Enterprise and Disadvantaged Business Enterprise Certifications

There are hundreds of programs across the country to encourage government or private sector contracting with minority- and women-owned business enterprises (MWBEs) and disadvantaged business enterprises (DBEs). MWBEs acknowledge a historical social disadvantage, while DBEs seek evidence of social and economic hardship. Knowledge of, and access to, these programs can provide substantial opportunities to Black and Hispanic business owners, but identifying which certification(s) are appropriate and navigating the various jurisdictions (federal, state, county, city) offering certifications can be challenging. When teaching clients about MWBE certification, it is helpful to include the following topics:

- The benefits of registering
- Identifying the most strategic locations and jurisdictions in which to register
- Building expertise or time to plan, market, and implement a new sales strategy (including hiring marketing staff to find new contract opportunities and developing and submitting sales proposals and bids)
- Finding appropriate legal resources to structure joint ventures and partner on contracts
- Building relationships or access to contacts to win new business

Management and Presentation Skills

Good ideas and a smart business plan require sound management and execution in order for an entrepreneur to succeed. Given the training and management gaps, providing leadership and

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management training is particularly important for Black and Hispanic business owners. Decision-making, multitasking, and communication skills are necessary to manage an organization effectively.

In addition, given the trust gap, minority entrepreneurs may find it challenging to clearly and persuasively communicate their personal narratives. For example, when seeking capital, a business owner must be able to articulate lessons learned from past challenges and steps taken to remediate or explain a poor credit history or education gap. Specific courses on presentation skills—summarizing information, preparing a visually appealing and organized presentation, and projecting confidence—can be an invaluable component of a Black or Hispanic entrepreneur’s TA curriculum.

Valley Economic Development Center (VEDC) is a certified CDFI serving small businesses in California, New York, and Illinois. In addition to their lending activities, VEDC partners with government agencies, nonprofits, and corporations to provide a host of online and local courses and workshops covering general business topics, industry-specific programming (e.g., merchant services for restaurants or licensing for fashion manufacturers) and specialty events (e.g. Spanish Toastmasters).⁷⁵

MARKETING AND OUTREACH

With a culturally responsive program and curriculum in place, there are best practices to ensure that marketing efforts reach Black and Hispanic audiences.

We do not delve into the many equally relevant demographic characteristics that inform a marketing strategy (e.g., gender, age, education, etc.) and general marketing concepts such as “know your customer” also apply—their values; where they live, work, play, and pray; how they consume information; their preferences (music, food, entertainment); etc. Universally, we recommend that all TA providers conduct market research (surveys, one-on-one interviews, and focus groups) to hone in on their specific target audiences (e.g., Black-owned startups in the media and entertainment industry or Hispanic entrepreneurs transitioning from the informal to formal economy).



Additionally, small businesses want a trusted partner, not a technocrat. Communicating that “we’ll be with you every step of the way helping, advising, coaching, and getting you through the hard parts of starting and running your business” is far more descriptive and meaningful to a small-business owner than “we offer technical assistance.” Throughout this report, we refer to the education and guidance provided to entrepreneurs and small-business owners to support starting and growing their businesses as “TA” (as it is widely understood within the financial services and community development industries), but for marketing purposes, terminology such as “strategic guidance” or “business advisory services” may be more appropriate.

Small businesses want a trusted partner, not a technocrat.

Promotional Materials

Targeted marketing makes content more relatable and helps build the TA provider’s credibility to minority audiences, which in turn increases their engagement and interest in the offering. For instance, represent Blacks and Hispanics in promotional images, videos, and testimonials and offer promotional information in Spanish and other languages, both online and in hard copies. Include minority alumni success stories on the website and generate new media (e.g., blog posts and podcasts) featuring longer stories.

Recruiting

The same organizations that can make for effective programmatic partners are worth engaging from a recruiting standpoint as well. Community colleges, minority business associations, and trade associations offer large populations of Black and Hispanic students and professionals who may be interested in services to help them start and grow businesses.

Lender Referrals

Sometimes banks decline entrepreneurs and small-business owners a loan because the borrower is simply not lender ready. They may not have an adequate business plan prepared or their financial and legal documents may not be in order. In these cases, banks may refer the borrower to a TA organization for assistance.

Creating strong relationships with bank lenders—particularly within branches located in Black and Hispanic neighborhoods—can facilitate an ongoing pipeline of potential participants for TA providers.

CONCLUSION

TA builds the capacity of organizations to operate effectively and positions entrepreneurs and small-business owners to access capital to start and grow. Yet Blacks and Hispanics face a legacy of poverty, inequality, and bias that negatively affects their relationship with financial products and services—including a wariness to engage with banks, other financial institutions, and potential mentors and consultants. Developing cultural competence is a dynamic and complex process that requires ongoing assessment and feedback, but it is extremely necessary to build trust between TA providers and Black and Hispanic entrepreneurs and small-business owners. TA providers can more effectively reach and support these populations by implementing culturally competent best practices around program design, service delivery, curriculum, marketing, and outreach.

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ABOUT US

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