



Blackstone

Inclusive
Entrepreneurship
Challenge

**DRIVING INCLUSIVE URBAN
ENTREPRENEURIAL ECOSYSTEMS**
INSIGHTS FROM YEAR ONE OF THE BLACKSTONE
CHALLENGE IN CHICAGO

APRIL 2019

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Project Team

- ChicagoNEXT, World Business Chicago
- Justice Informed, LLC
- Initiative for a Competitive Inner City (ICIC)

The views and opinions expressed in the report are those of the project team and do not necessarily reflect the views and opinions of the Blackstone Charitable Foundation or JPMorgan Chase or its affiliates.

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Executive Summary

In recent years, Chicago's entrepreneurial ecosystem has exploded with new organizations serving more entrepreneurs in more places. Yet, women, people of color, veterans, immigrants, and inner city residents remain underrepresented as entrepreneurs and are not getting the support they need to start and grow their businesses.

The Blackstone Challenge: A Model for Catalyzing Inclusive Entrepreneurship

To address the gaps in Chicago's entrepreneurial ecosystem and make it more inclusive, the Blackstone Charitable Foundation, in partnership with ChicagoNEXT of World Business Chicago, launched the Blackstone Challenge in June 2017. The \$3 million, three-year initiative funds a cohort of entrepreneurial support organizations (ESOs) committed to supporting underrepresented entrepreneurs.

ChicagoNEXT partnered with Justice Informed and the Initiative for a Competitive Inner City (ICIC) to collect quantitative and qualitative data and identify the barriers and opportunities for creating a more inclusive entrepreneurial ecosystem in Chicago. Insights from the evaluation can help all cities build more inclusive entrepreneurial ecosystems.



Recommendations for Catalyzing Inclusive Entrepreneurship

1. Address organizational barriers to inclusivity in ESOs:

- *Recruitment:* Hire diverse staff to expand organizational networks. Invest in new partnerships with organizations that specifically serve underrepresented entrepreneurs.
- *Application & Selection:* Streamline long, arduous application processes, which may deter underrepresented entrepreneurs. Ensure selection panels are diverse to reduce unconscious bias.
- *Location:* Consider establishing a location or offering programming in underserved neighborhoods to address transportation challenges and meet diverse entrepreneurs where they are.
- *Program Design:* Create tailored programming to meet the unique challenges faced by underrepresented entrepreneurs. Expand program hours and build in flexible or virtual access points.
- *Culture:* Build a supportive, rather than hyper-competitive, culture. Increase the visibility of successful entrepreneurs from diverse backgrounds.

2. Invest in partnership-building and ecosystem mapping:

To address fragmentation in the entrepreneurial ecosystem, more structured opportunities like the Blackstone Challenge need to be developed to provide a foundation of credibility and trust for meaningful partnerships among ESOs. Cities should also consider conducting “ecosystem mapping” to provide a data-driven resource for entrepreneurs to help them efficiently connect to the resource providers they need.

3. **Provide sustainable, long-term funding for inclusive entrepreneurship:** Improving access to capital for entrepreneurs from diverse backgrounds may include initiatives that help investors change how they evaluate diverse entrepreneurs. There is a critical need for long-term, multi-year investments in organizations that not only provide programming, but capital to underrepresented entrepreneurs.

The Important Role of Inclusive Entrepreneurial Support Organizations

In cities across the U.S., including Chicago, cultivating entrepreneurial ecosystems is a strategy for creating economic opportunity and building wealth, especially in marginalized urban communities that need it the most. In order to achieve real economic gains, entrepreneurial ecosystems need to be inclusive and support those entrepreneurs that are currently underrepresented and not getting the support they need to start and grow their businesses—women, people of color, veterans, immigrants, and inner city residents.¹ Structural biases have a real dollar effect on the bottom line of businesses run by underrepresented entrepreneurs: minority-owned firms earn only 48 percent of the revenue of nonminority-owned firms.²

Given that people of color comprise nearly 70 percent of Chicago’s population, and 41 percent of Chicago’s residents are living in the inner city (Table 1), there is a clear economic imperative for supporting

entrepreneurs who identify as minorities or inner city residents. In Chicago, the share of minority-owned businesses is not keeping pace with the growth of the minority population, which is consistent with national trends. While minorities represent 68 percent of Chicago’s population, just slightly more than one quarter (27 percent) of businesses in the city are minority-owned. Only about five percent of businesses in Chicago are African American-owned.³

Women also continue to be underrepresented as entrepreneurs in Chicago, with only 22 percent of businesses in the city owned by women. Further, while veterans are more likely than non-veterans to

Table 1. Demographic and Business Overview, Chicago and the U.S.

	Chicago	United States
Inner City Residents	41%	10%
Minority Population	68%	38%
Minority-Owned Businesses	27%	18%
Minority-Owned Businesses in Inner City	22%	36%
Women-Owned Businesses	22%	20%
Veteran-Owned Businesses	6%	9%

Notes: Minority population is defined by the Census and includes all race and ethnicities except “White Alone, Not Hispanic or Latino.” National statistics for the inner city is the average percentage of the 328 cities with an inner city. Minority-owned businesses, women-owned businesses and veteran-owned businesses use company/firm level data. All other business data is for business establishments (defined as a single physical location where business is conducted). Minority-owned businesses in the inner city are share of minority-owned businesses located in inner city.

Sources: U.S. Census Bureau American Community Survey 5-Year Estimates (2015); U.S. Census Bureau Survey of Business Owners (2012); U.S. Census Bureau County Business Patterns (2015); and U.S. Census Bureau ZIP Business Patterns (2015).

be self-employed, only six percent of the businesses in the city are owned by veterans, which is less than the national average.⁴

Entrepreneurship is particularly important to inner city economies. Approximately one quarter (22 percent) of minority-owned businesses in Chicago are located in the inner city.⁵ An 18 percent increase in small business employment in Chicago, or just over one job per small business, could create enough employment opportunities for all of the approximately 103,000 unemployed inner city residents in Chicago.⁶

However, without adequate, intentional support, women, people of color, veterans, immigrants, and inner city residents will continue to be underrepresented as entrepreneurs.

To Drive Inclusive Growth, Invest in Inclusive ESOs

Recognizing the capacity that entrepreneurs have to drive economic growth, Chicago has witnessed a proliferation of ESOs over the last several decades. ESOs—which include incubators, accelerators, and other entrepreneurial hubs—are designed to address the business education, capital challenges, and market access issues that all entrepreneurs face, but which are most acute for underrepresented entrepreneurs (especially those operating in the inner city). Oftentimes, ESOs are the primary access point, or the *only* access point, to the entrepreneurial ecosystem for underrepresented groups. Hence, when ESOs are not inclusive of diverse entrepreneurs, underrepresented groups face even greater barriers to starting or scaling their business.

To truly maximize economic growth in Chicago and build wealth and opportunity in the communities that need it most, the entrepreneurial ecosystem needs to be strengthened on two levels: (1) internally within individual ESOs, and (2) structurally, across the entire infrastructure of entrepreneurial support in Chicago. At an individual level, ESOs

need to scale their impact and become more inclusive by developing strategies for reaching and supporting underrepresented entrepreneurs. At a structural level, ESOs need to build strong connections with one another, and develop platforms to share resources and information. Building on the findings from this report, additional research needs to be conducted to better understand gaps in the ecosystem and the structural barriers that underrepresented entrepreneurs face.

The Blackstone Challenge Model: An Example

To address these gaps for underrepresented entrepreneurs, the Blackstone Charitable Foundation launched a \$3 million, three-year initiative in 2017 aimed at supporting and building a more inclusive entrepreneurial ecosystem in Chicago. This coordinated philanthropic investment, the Blackstone Challenge, leverages the expertise and network at ChicagoNEXT of World Business Chicago to identify and fund a cohort of Chicago-based ESOs that are committed to supporting underrepresented entrepreneurs. To maximize its impact, the Blackstone Challenge model was designed to build the capacity of individual ESOs as well as the entire structure and ecosystem of entrepreneurial support in Chicago.

While the Blackstone Challenge model represents an exciting new process and model for inclusive economic development, by no means does the organization or partners feel that they have “solved” the myriad of issues that have left underrepresented entrepreneurs behind. However, it has made important progress towards this goal by building the capacity of organizations delivering programming and resources to new groups of entrepreneurs,

strengthening partnerships across the entrepreneurial ecosystem, and catalyzing a broader conversation around inclusive entrepreneurship and growth in Chicago. In this section, we share some of the learnings that have happened along the way to support the growth of similar efforts in other cities.

Building Individual ESO Capacity

In June 2017, the Blackstone Charitable Foundation and ChicagoNEXT selected eight innovative ESOs (including one ESO partnership) (Figure 1) to participate in the first year of the Blackstone Challenge. Blackstone Charitable Foundation granted a total of \$1 million to these organizations to develop or strengthen existing entrepreneurial training and management education to underrepresented entrepreneurs. In most cases, the ESOs do not solely depend on Blackstone Challenge funding. It is being used to supplement, and as leverage for, other sources of funding. See the Appendix for descriptions of each of the Blackstone Challenge ESOs.

Three of the cohort organizations (1871, Bunker Labs, and the Women's Business Development Center) received funding to develop online platforms or applications to help connect entrepreneurs to resources and/or to each other. Bethel New Life received support to establish a physical space, the Business Innovation Technology (BIT) Lab, a maker lab, co-working space and technology hub in the Austin community. Two organizations (Colony 5 and Future Founders) are directly providing capital to entrepreneurs, ranging from \$1,200 to \$4,000 and \$1,500 to \$2,000, respectively.

Four of the eight original organizations (Bethel New Life, BLUE1647, Bunker Labs, and Future Founders) are now participating in the second year of the Blackstone Challenge.

The Blackstone Challenge's unique cohort model allows the ESOs to share resources, expertise, and best practices, particularly as it relates to serving underrepresented entrepreneurs. Throughout

Figure 1
Blackstone Challenge's First ESO Cohort

1871

Demographic Focus

All underrepresented entrepreneurs



Demographic Focus

African-American and female entrepreneurs

BLUE | 1647

Demographic Focus

African-American and Latinx entrepreneurs



Demographic Focus

Veteran entrepreneurs



Demographic Focus

African-American entrepreneurs



Demographic Focus

Millennial underrepresented entrepreneurs

i.c.stars | *

Demographic Focus

Inner city entrepreneurs and entrepreneurs of color



Demographic Focus

Female entrepreneurs

the first year of the Blackstone Challenge, all of the organizations were engaged in various capacity-building initiatives, including quarterly networking events among ESO leadership and monthly office hours with ChicagoNEXT staff to continually assess progress and iterate programming to address any challenges that surfaced. World Business Chicago brought on Jimmy Odom as the Director of Inclusive Entrepreneurship at ChicagoNEXT to support these ecosystem-building efforts and the Blackstone Challenge more broadly.

Strengthening Structural Entrepreneurial Ecosystem Capacity

A core objective of the Blackstone Challenge is to facilitate new partnerships among the cohort of ESOs it supports. The cohort model provides natural opportunities to partner on recruitment, marketing and cross-promotion. These partnerships would maximize the individual and collective impact of participating ESOs, thereby multiplying the gains for the Chicago entrepreneurial ecosystem overall. Many of the ESOs did not previously have established partnerships, either formal or informal.

By supporting a critical mass of organizations that are investing in inclusive entrepreneurship, the Blackstone Challenge also sends signals to the broader entrepreneurial ecosystem that inclusion is a priority and encourages other ESOs to think intentionally about diversity and inclusion.

Year One of the Blackstone Challenge: Outcomes and Impact

In the last year, Blackstone Challenge has made great strides in building a stronger entrepreneurial support system for underrepresented entrepreneurs in the Chicago. To better understand the impact of the first year, ChicagoNEXT collected self-reported data from the eight Blackstone Challenge ESOs on a quarterly basis. To account for the unique goals of each program, ChicagoNEXT

worked with the ESOs to identify and track unique metrics of success for each organization. We aggregated the metrics that cut across the cohort to demonstrate the impact the Blackstone Challenge has had to date (Table 2).

According to data collected by ChicagoNEXT from the Blackstone Challenge ESOs, more than 2,900 entrepreneurs participated in over 1,700 courses and workshops held across the eight organizations during the first year of the Blackstone Challenge, and over 16,600 potential entrepreneurs were engaged by the participating ESOs in some way, including as program invitees or applicants, workshop attendees, entrepreneur cohort members, etc. The ESOs also report that the entrepreneurs being supported are already driving economic growth in the city by creating 48 new businesses and creating over 200 jobs. This impressive return on investment suggests that investing in diverse business owners can maximize job creation. For a summary of each ESO’s impact data, please see the Appendix.

Table 2. Year One of the Blackstone Challenge

Key Performance Indicator	
Potential Entrepreneurs Engaged by Cohort Programs	16,684
Entrepreneurs in Cohort Programs	2,967
Courses/Workshops Held	1,756
Companies Generating Revenue	106
New Companies Formed	48
Total Revenue Generated	\$116,721
Total Capital Raised	\$253,500
Jobs Created	227
Notes: All data was self-reported by the eight Blackstone Challenge ESOs for the period of July 2017 to June 2018 and not all ESOs provided data for each KPI.	

Building Organizational Capacity to Create More Inclusive ESOs

A number of organizational barriers prevent underrepresented entrepreneurs from participating in ESOs. In Chicago, like in many other cities, there has been an increase in ESOs that target a particular demographic group (e.g., African-American entrepreneurs, female entrepreneurs, etc.) to fill gaps in support for these entrepreneurs and provide programming to address the unique challenges they may face. However, to fully support underrepresented entrepreneurs in the city, *all* ESOs need to become more inclusive.

In this section, we identify five areas in which organizational barriers prevent most ESOs from being more inclusive. We also present examples of innovative approaches ESOs are taking to address these challenges. Our insights were informed by previous ICIC research (see *Creating Inclusive High-Tech Incubators and Accelerators*) and interviews with Chicago-based ESOs, including the eight Blackstone Challenge ESOs, and the entrepreneurs they serve.

ESO Barriers and Solutions from the Blackstone Challenge Cohort

1. Recruitment: ESOs, particularly those in the high-tech sector, often take a passive approach to recruiting entrepreneurs, with outreach relying heavily on the existing networks of leadership. There is a tendency for one's networks to resemble one's own race and gender, so if the leadership or staff of an ESO is not diverse, this may limit recruitment of diverse entrepreneurs.

Investing in new partnerships with organizations that specifically serve underrepresented entrepreneurs is critical for ESOs to reach new populations of entrepreneurs. For example, in implementing its ScaleUp program, the Women's Business Development Center (WBDC) partners with local community based organizations in the neighborhoods that they serve, both to host their program and source local participants. This allows the WBDC to recruit a more diverse group of entrepreneurs, and also to benefit from the trust a local partner brings to the table.

To address long-term pipeline issues, i.c.stars' Enterprise Next program and Future Founders Residency program support the development of young adult entrepreneurs from underserved backgrounds in Chicago through entrepreneurship-training cohort programs. Both programs emphasize intensive, individualized one-on-one mentoring and coaching as well as the development of a collaborative peer community to build entrepreneurial confidence.

2. Application and Selection: Long, arduous application processes may prevent underrepresented entrepreneurs from applying to ESOs. Additionally, selection panels can create biased outcomes if they are not diverse. Unconscious bias or ingrained cultural ideas about what an entrepreneur looks like may lead to lower acceptance rates for underrepresented entrepreneurs into ESO programs.

Most of the Blackstone Challenge ESOs have very short application processes that do not involve a selection panel. For those organizations that had a selection panel or pitch event as part of their application process (e.g., i.c.stars and Future Founders), intentional efforts were made to ensure panelists were representative of the populations the ESOs were trying to recruit.

3. Location: For many ESOs, there is a disconnect between the organization's physical location and diverse populations. While there are nearly 130 accelerator, incubator, and co-working spaces in Chicago, most

are located in the central and northern parts of the city with only a few located south and west of downtown in more diverse and inner city neighborhoods (Map 1).⁷ Co-working spaces, to which entrepreneurs increasingly look to launch their ventures, tend to be located in the central business district or in more affluent communities. For underrepresented entrepreneurs, particularly those who live in inner city neighborhoods, the location of many ESOs may be prohibitive because it would require costly transportation or too much travel time, a challenge that was often cited in interviews by entrepreneurs with children and families.

AUTUMN WILLIAMS

Women's Business Development Center

Autumn Williams is the founder and Chief Empowerment Officer of Urban Tables, a Chicago-based catering business that offers multi-cultural home-style meals, prepared by Chicago chefs who have immigrated from countries all over the world. Autumn started Urban Tables from her home kitchen in 2010, moved her operations to a church kitchen in 2015 and is in the final stages of a commercial kitchen build-out, slated to open this fall. She joined the Women's Business Development Center (WBDC), one of the BX Challenge ESOs, in 2017. Currently, Autumn employs eight part-time chefs and an event staff of over a dozen people. When asked what sort of contribution WBDC has made to her business, Autumn responded, "The quality of the educators and subject matter experts (at WBDC) has been far and above (what) I have gotten from other programs. I thought what I had gotten from other programs was helpful, what I got from the ScaleUp program was inspirational. I can ... feel the motivation that I got."

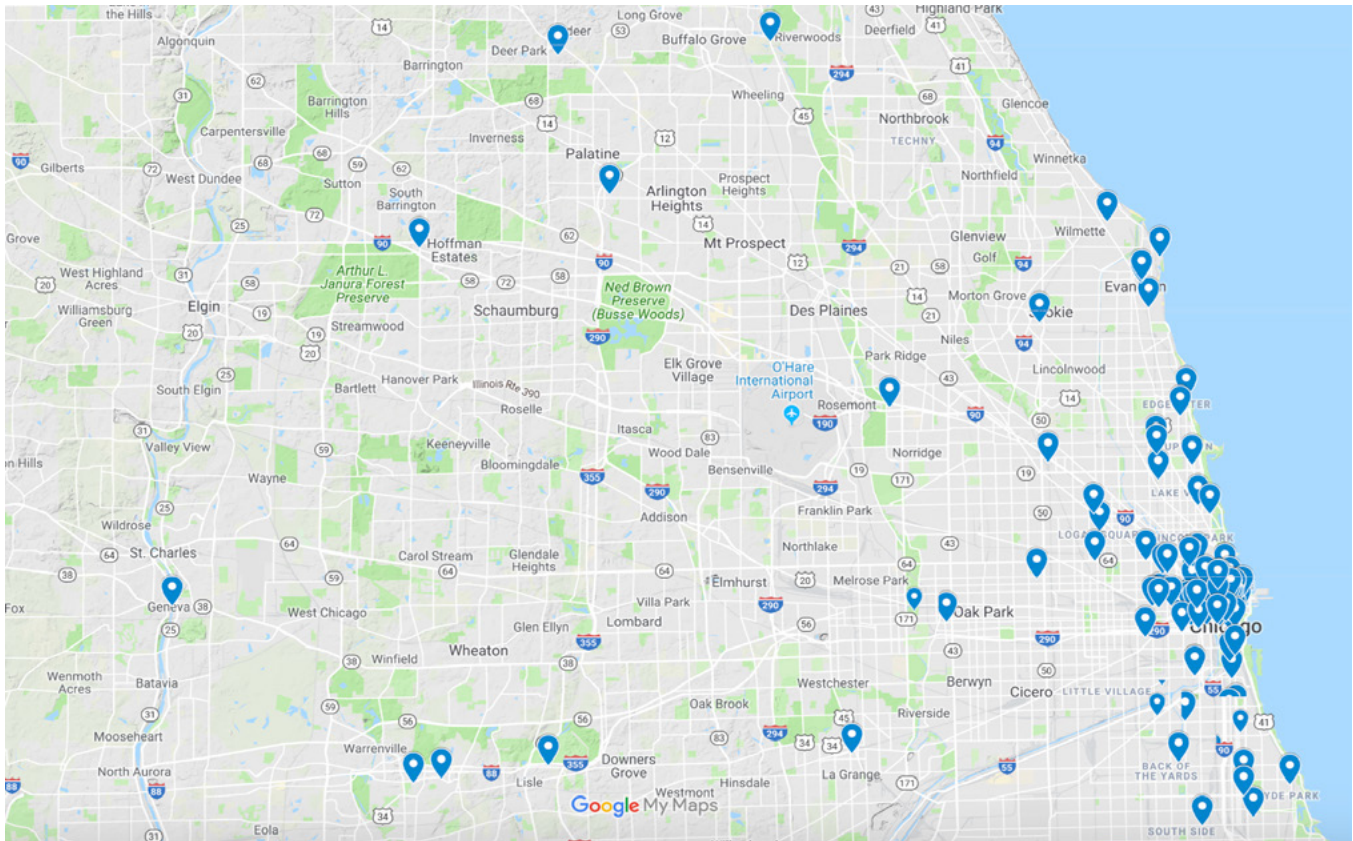
In Chicago, a growing number of organizations, including Bethel New Life, BLUE1647, Englewood Accelerator, and Sunshine Enterprises have intentionally set up locations or programs in underserved neighborhoods on the south and west sides of the city, which allows them to more easily reach entrepreneurs in these communities. Geographic diversification of Chicago's entrepreneurial resources is critical to create access points for many groups of underrepresented entrepreneurs.

4. Program Design: Many ESOs, especially those that are not proximate to the entrepreneurs that they serve, have to be very attentive to program design. Programs may not be tailored to meet the unique challenges faced by underrepresented entrepreneurs, making the organizations less attractive and causing these individuals, even when they are accepted, to not take full advantage of programming. Limited program hours and/or requirements to attend programming in-person may make participation difficult for many entrepreneurs. In these instances, flexible, virtual programming helps "de-risk" entrepreneurship so entrepreneurs can maintain steady income or work around other commitments. Remote access to programming addresses barriers associated with transportation, disability, or geographic distance, especially for entrepreneurs that are not geographically proximate to their ESO.

Bunker Labs Launch Lab Online virtual cohort program allows new communities of veteran entrepreneurs that may experience some of these barriers to receive an entrepreneurship curriculum and participate in networking opportunities remotely. Similarly, with 1871's 1871Live platform, entrepreneurs across Chicago are able to stream live and recorded content on-demand at their convenience.

Program delivery staff, mentors, or panelists that are not diverse may also deter underrepresented entrepreneurs from participating fully in programming. Most of the Blackstone Challenge ESOs are making intentional efforts to identify mentors and

Map 1. ESOs in Chicago



coaches from diverse backgrounds, yet some, especially those whose own personal and professional networks may not be diverse, may have difficulty with this task. A diverse mentor and speaker directory could be developed in Chicago to help organizations identify diverse individuals outside of their network.

5. Culture: In some ESOs, particularly those in high-tech sectors, organizational culture may be centered around whiteness and maleness. Women and people of color may not feel they will fit in or receive the right type of support in this environment.

Creating supportive, rather than hyper-competitive, organizational cultures is important particularly for underrepresented entrepreneurs, who may experience different social or economic challenges than their peers do. All of the Blackstone Challenge ESOs offer dedicated programs, spaces, or peer communities to make underrepresented entrepreneurs more comfortable. For example,

Future Founders incorporates Masterminds, or “entrepreneurial therapy” groups into its cohorts. The Masterminds, based on methodology created by the Junto Institute, help founders to cultivate trust with one another, to develop emotional intelligence skills, and to use their peers to gain advice on the personal and business challenges entrepreneurs face daily.

Increasing the visibility of and communicating stories of successful entrepreneurs from diverse backgrounds sends an important message about what successful entrepreneurs looks like. Media representation of entrepreneurs from diverse backgrounds works to normalize entrepreneurship for communities where it may not be typical, thus creating greater access and awareness. For example, Bunker Labs leverages platforms like Facebook Live to share stories of veteran entrepreneurs from their programs, creating greater awareness of entrepreneurship as a viable career path across the veteran community.

Building Ecosystem Capacity to Drive More Inclusivity—Lessons from Chicago

“An inclusive entrepreneurial ecosystem is the interconnected network of human, social, financial, political, and institutional support for lesser-served, excluded, or disparately treated persons or communities who seek to grow their personal, familial, and community resources through engagement in enterprises and market opportunities, particularly small business development.”

—Justice Informed

In this section, we highlight the primary ecosystem gaps for supporting entrepreneurs of diverse backgrounds in Chicago, which are likely to be similar in many other cities. Our insights were informed by interviews with Chicago-based ESOs, including the eight Blackstone Challenge ESOs, and the entrepreneurs they serve. While the Blackstone Challenge is strengthening the entrepreneurial ecosystem in Chicago for underrepresented entrepreneurs through ESO partnerships, larger structural issues need to be addressed by policymakers and other city leaders.

1. Access to Capital: Access to capital remains a significant challenge for entrepreneurs of color. In the U.S., minority-owned businesses tend to pay higher interest rates and receive smaller loans than nonminority-owned businesses. They are also more likely to be denied credit and are less likely to apply for loans.⁸ New research supported by the U.S. Small Business Administration found that African Americans were most likely to report unmet credit needs across every financing category, with 53 percent of Black or African American business owners not receiving the full amount requested from banks

MONIQUE WINGARD

Colony 5

Monique Wingard is a digital media professional with more than 15 years of success across the public media and communications industries. Frustrated with the lack of civic technology coverage in the traditional media, Monique founded the Civic Tech Collective in 2015 to connect social entrepreneurs and help them share their ideas with the public. The Civic Tech Collective focuses specifically on serving those in the civic technology space, amplifying the voices of emerging or lesser-known founders who need to get the word out about their company and need a central location to stay up to date about the latest news in the civic tech space. Through the Blackstone Challenge and Colony 5's accelerator program, Monique has not only been able to raise awareness about the mission of her company, but connect with a number of entrepreneurs who are also on a mission to build businesses with social impact. She says that the experience further built her confidence in taking the road-less-traveled as a female founder.

or other financial institutions compared to 25 percent of White business owners.⁹ In the Chicago region, small businesses in communities of color and lower-income areas are getting disproportionately fewer loans and loans of smaller amounts.¹⁰

Venture capital funding is also skewed—minority entrepreneurs represent only about 20 percent of entrepreneurs funded by venture capitalists from 1990 to 2016.¹¹ While more than one billion in venture capital is being deployed annually to new and young companies of all types in Chicago, many entrepreneurs from diverse backgrounds may feel that it is more challenging for them to access these resources than it is for their white, male counterparts.¹² In 2017, only ten percent of the 145 funding rounds reported in Chicago went to female-founded or female-led companies.¹³ There is limited data on the share of investment going to entrepreneurs of color in Chicago, and how this stacks up to other cities. However, entrepreneurs of color supported by the eight ESOs in the Blackstone Challenge cohort consistently report that funding for their business ideas in Chicago is not as accessible as it needs to be. They feel that they face more aggressive vetting and higher denial rates than entrepreneurs who are white or male.

While Chicago has entrepreneurial resources for diverse entrepreneurs and communities in the form of programming and education, there are gaps related to accessing growth capital. ESOs receive funding from public and philanthropic sources to support programming, but in many cases, there are not enough resources to also provide capital to help launch entrepreneurs' business ventures. As a result, the support from ESOs for entrepreneurs may be exclusively through programming. Many of the entrepreneurs of color we interviewed stated that, even after doing everything their respective programs and their philanthropic or impact investing funders required, they rarely received funding. When funding was provided at the end of the program, it was minimal, and

rarely enough to fully launch an investable product or service. For example, one programmatic leader at one of the Blackstone Challenge cohort organizations estimates that the true cost of supporting a diverse entrepreneur who has a vetted business idea in that organization's programs, from training to seed funding, is roughly \$85,000.

“From my understanding...investors (in the Bay area) are more likely to fund a (diverse group) of founders, or at least all of the diverse founders I talk to (in Chicago) say ‘Build relationships on the coast.’ That is what they always say... if you really want to fundraise for your company, you have a better chance (on the coasts) ... (I haven't heard this from people that are white) ...I know two minority entrepreneurs specifically that moved outside of Chicago to get funding, (and they) are not coming back. And another one who is thinking about moving. The pool of capital in Chicago is so small. Once you have to start leaving your own city to find money, you will do it.”

– An 1871 entrepreneur

2. Limited Networks: Throughout the entrepreneurial ecosystem in Chicago, there is a sense that there are insufficient pathways and a lack of precedent for institutionally supporting entrepreneurs from diverse backgrounds. Current models do not consider the different issues that these founders may have, such as non-traditional experiences, family poverty, and lack of formal education. Furthermore, entrepreneurs from diverse backgrounds may lack the social and



professional networks (often acquired in collegiate environments, neighbor spaces, religious institutions, high-wage workplaces, and high-cost social events) that lead entrepreneurs to new ideas, business partners, clients, funding pipelines, and partnerships.

Furthermore, leadership of ESOs that are smaller and geographically farther from the wealthier social networks in the city center, or that have an executive team led by a person of color or non-cisgender male, note inequities in programmatic and operational funding. Their entrepreneurs also noticed inequities in funding and believe the organizations that can have the greatest impact on underrepresented entrepreneurs are not getting the level of support that is needed.

“In a lot of the situations I’ve seen, the higher ups or higher class or the esteemed organizations that do receive the funding don’t want to partner or don’t partner with the grassroots organizations, so now the funding is received by those who actually are educated enough to articulate the problem but not socially connected enough to the problem to solve it.”

- A Bethel New Life entrepreneur

3. Uncoordinated and Hard-to-Find Entrepreneurial Support: The large number of ESOs in Chicago (nearly 130) is an asset for entrepreneurs, but also reflects the fragmented and uncoordinated nature of the entrepreneurial ecosystem, which makes it difficult for entrepreneurs to navigate and access comprehensive and sustained support. In Chicago, like in many cities, the ecosystem can feel siloed and uncoordinated for entrepreneurs. Many of the Blackstone Challenge ESOs did not have even informal partnerships with each other prior to taking

part in the pilot cohort. More structured opportunities like the Blackstone Challenge need to be developed to provide a foundation of credibility and trust for meaningful partnerships. Formal partnership agreements are often a useful tool to ensure partnerships are institutionalized and sustainable. Structured partnership opportunities like the Blackstone Challenge can also support the development of centralized resources and platforms that can facilitate more effective information sharing. For demographic-focused ESOs, like many of those in the Blackstone Challenge, partnerships should be made with other types of ESOs that can offer access to industry-specific networks (e.g., in high-tech sectors). In return, the Blackstone Challenge ESOs can help other ESOs become more diverse and inclusive.

Fragmented entrepreneurial ecosystems also make navigation difficult for entrepreneurs. Though resources may already exist, entrepreneurs need to be able to find and take advantage of these services. To ameliorate this problem, cities can conduct “ecosystem mapping” to provide a data-driven resource for entrepreneurs to help them efficiently connect to the resource providers they

need. These “maps” serve as a dynamic database that identifies ESOs, investors, city services, and other assets critical to underrepresented entrepreneurs who are dislocated from the networks and locations where entrepreneurial resources may be bottlenecked in their city.

4. Misaligned Entrepreneurial Support: To maximize the effectiveness of ESOs, they also need to be aligned with the specific competitive advantages of the market in which they operate. Every metro area in the U.S. has strong industry clusters that are readily identifiable and reflect the unique assets and core competencies of the region. The co-location of businesses in clusters increases the productivity of companies and job creation, drives innovation, stimulates the formation of new businesses, and supports the survival and growth of small businesses.¹⁴ Cluster-based small business growth tends to deliver outsized job growth.¹⁵ Yet, most ESOs have adopted a “let all flowers bloom” approach. More underrepresented entrepreneurs need to be supported in Chicago’s strong industrial clusters, which offer the greatest potential for job and wealth creation.



Insights for Driving Inclusive Entrepreneurship in Other Cities

Building a truly inclusive entrepreneurial ecosystem in Chicago will take decades and will require a coordinated response from leaders across the ecosystem, including policymakers, investors and other capital providers, philanthropy, and ESOs. The Blackstone Challenge is catalyzing this effort through building awareness of the gaps in support for underrepresented entrepreneurs in Chicago and presenting a new model for supporting inclusive entrepreneurship.

In its first year, the Blackstone Challenge has made important progress in connecting women, people of color, veterans, immigrants and inner city residents to the resources they need to start and grow their businesses. Blackstone Challenge partners are working with cohort organizations and others to incorporate important learnings to date and expand the impact of this initiative. These learnings and insights could also help other cities build more inclusive entrepreneurial ecosystems.

In its first year, the Blackstone Challenge has made important progress in connecting women, people of color, veterans, immigrants and inner city residents to the resources they need to start and grow their businesses.

Five Key Recommendations For Other Cities

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-  **Support innovative ESOs already actively focused on underrepresented entrepreneurs**
 -  **Find the most effective model for your city to address a fragmented ecosystem**
 -  **Address capital access challenges**
 -  **Catalyze inclusive philanthropic investment**
 -  **Support place-based policy initiatives**
-

1. Support innovative ESOs already actively focused on underrepresented entrepreneurs: For example, the Blackstone Challenge used a competitive process to identify innovative ESOs that already had a track record in supporting underrepresented entrepreneurs and provided them with much-needed capital to develop or strengthen existing entrepreneurial training and management education programs. Most cities have ESOs already working in this space, but they have limited capacity (see [*Helping Entrepreneurs of Color Grow their Business*](#)).

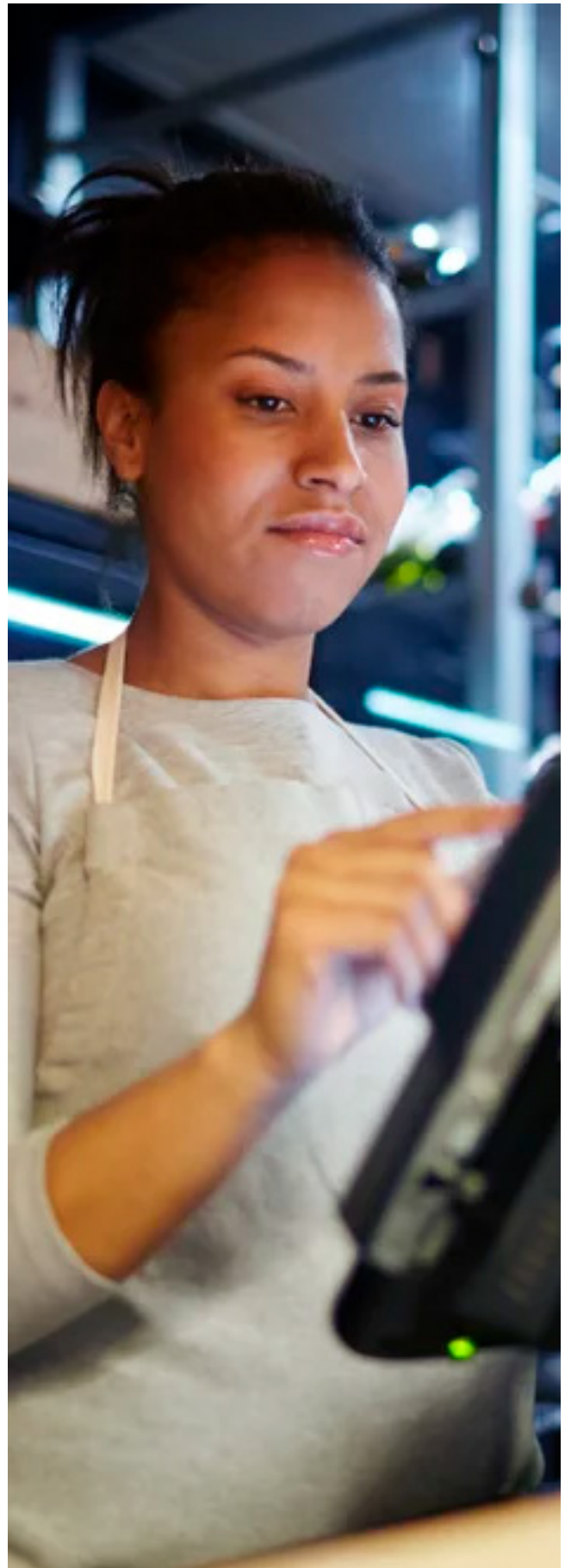
2. Find the most effective model for your city to address a fragmented ecosystem: The Blackstone Challenge cohort model offers an innovative, cohort-based approach to building a more inclusive entrepreneurial ecosystem. More research needs to be conducted in order to compare the effectiveness of this type of cohort model to discrete investments in individual ESOs. ESOs may be uncoordinated and fragmented, making navigation difficult for entrepreneurs. Access issues are often a matter of availability and information sharing. Cities may consider the value

of investing in data-driven mapping and tracking the availability and performance of financial resources and ESOs that seek to or are specifically serving diverse entrepreneurs. For example, in Baltimore, Dallas, and Kansas City, ecosystem leaders work with SourceLink to develop and maintain online, searchable databases for entrepreneurs to identify available resources based on their business stage and need.¹⁶

3. Address capital access challenges: Improving access to capital for entrepreneurs from diverse backgrounds may include initiatives that help investors change how they evaluate diverse entrepreneurs, as well as increasing philanthropic support for capital funds for entrepreneurs (especially for those in the growth stage or high-growth sectors).

4. Catalyze inclusive philanthropic investment: As many of the Blackstone cohort organizations and entrepreneurs indicated, there is a lack of long-term, multi-year investment in entrepreneurship in marginalized communities. Furthermore, the money that is distributed is generally only allocated to programs and organizations, and rarely directly to entrepreneurs. Research that explores the efficacy of long-term investment and the allocation of funds directly to entrepreneurs would lead to a greater understanding of how best to support inclusive entrepreneurial ecosystems. Diverse teams should oversee the distribution of financial resources. In the case of the Blackstone Challenge, gender, racial, and vocational diversity were all present during investment decisions.

5. Support place-based policy initiatives: Cities should consider measures of accountability to promote inclusion that local governments can adopt to promote the flow of investments into diverse communities (leveraging models such as MBE spend requirements for government contracts, Community Reinvestment Act investments for banks, etc.). It is also critical to address transportation challenges to ensure that inner city neighborhoods are connected to city centers where social and financial networks drive prosperity.



Endnotes

1. ICIC defines an inner city as a set of contiguous census tracts in a city that have higher poverty and unemployment rates than the surrounding MSA and, in aggregate, represent at least five percent of a city's population. Each inner city census tract must meet either of two criteria: (1) an absolute poverty rate of at least 20 percent or (2) a relative poverty rate that is at least 150 percent or greater than that of the MSA, as long as the unemployment rate is at least 150 percent greater than that of the MSA and/or the median household income is 50 percent or less than that of the MSA. ICIC excludes student populations in its calculations. Applying ICIC's inner city definition to 2011 American Community Survey data for all U.S. cities with populations greater than 75,000, ICIC identifies 328 inner cities.
2. ICIC analysis of 2015 U.S. Census Bureau Annual Survey of Entrepreneurs data for privately held firms with paid employees.
3. ICIC analysis of 2012 U.S. Census Bureau Survey of Business Owners for privately-held businesses with paid employees (2012), 2015 U.S. Census Bureau County Business Patterns, and 2015 U.S. Census Bureau ZIP Business Patterns.
4. Steven F Hipple and Laurel A Hammond, "Self-Employment In The United States," U.S. Bureau of Labor Statistics Spotlight on Statistics (blog), March 2016, <https://www.bls.gov/spotlight/2016/self-employment-in-the-united-states/pdf/self-employment-in-the-united-states.pdf>.
5. Our analysis may underestimate the share of minority-owned businesses in the inner city. We compared the share of minority-owned businesses that are located in Chicago's inner city (22 percent) to two other data sources, the U.S. Small Business Administration (SBA) Dynamic Small Businesses Search database and Dun & Bradstreet's Hoovers Database. The SBA Dynamic Small Business Search database is for all active businesses registered in the federal System for Award Management database, which is used for pursuing contracting opportunities with the federal government. Minority-owned businesses in the SBA Dynamic Small Business Search database are self-identified. Dun & Bradstreet's Hoovers Database is for businesses operating in all industries. Minority-owned businesses in Dun & Bradstreet's Hoovers Database are classified by Dun & Bradstreet. The share of minority-owned businesses in Chicago located in Chicago's inner city was 38 percent for the SBA Dynamic Small Business Search database and 36 percent for Dun & Bradstreet's Hoovers Database.
6. This analysis only accounts for job share numbers and does not account for job creation dynamics or business dynamics. These factors would likely increase the number of jobs each small business would need to create to lead to this level of job creation. Additionally, ICIC's analysis assumes that each job created would be filled by an inner city resident.
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Appendix: Organizational Profiles of Blackstone Challenge's First ESO Cohort

1871

Demographic Focus for Recruitment: All underrepresented entrepreneurs

1871 is one of Chicago's largest entrepreneurial hubs created specifically to support the city's digital start-up community. As part of the Blackstone Challenge, 1871 launched the *1871Live* initiative, a digital sharing platform designed to connect diverse, early-stage startups with 1871's entrepreneurship curriculum and subject matter experts through remote offerings and online resources. Moreover, Blackstone's funding also supported 1871 in hiring a Community Connector, an individual who serves as an on-the-ground representative of 1871, manages the day-to-day operations of the program, and connects program participants to the resources at 1871 and around the city. According to data collected by ChicagoNEXT, in the first year of the Blackstone Challenge, 1871 has launched 9 host sites for *1871Live*, offered over 40 courses, and registered nearly 250 *1871Live* users.



Demographic Focus for Recruitment: African-American and female entrepreneurs

Bethel New Life is an organization on Chicago's West Side whose mission is to transform local communities by using regional resources to employ area-residents in skilled work, thereby decreasing concentrated poverty and improving residents' collective standard of living. As part of the Blackstone Challenge, Bethel New Life grew its small business development work by building its Business Innovation Technology (BIT) Lab, launching a 90-day BIT Entrepreneurship Course cohort program, and convening a series of BIT workshops for the public. According to data collected by ChicagoNEXT, in the first year of the Blackstone Challenge, Bethel New Life had 77 attendees for its BIT workshops, 13 participants for its BIT entrepreneurship classes, and 20 entrepreneurs that participated in over 100 BIT entrepreneurship coaching sessions.

BLUE|1647

Demographic Focus for Recruitment: African-American and Latinx entrepreneurs

BLUE1647 is an innovation center and co-working space for individuals in entrepreneurship and technology in the Chicagoland area. As part of the Blackstone Challenge, BLUE1647 was able to expand program offerings for BLUEINCUBATE, an accelerator that offers shared workspace and membership to start-ups, tech-enabled businesses and individuals, thereby allowing entrepreneurs to grow their businesses, integrate technology into their strategy, and network with stakeholders and investors. According to data collected by ChicagoNEXT, in the first year of the Blackstone Challenge, BLUE1647 engaged over 6,200 entrepreneurs, supported the formation of 33 new companies, and created 126 new jobs.

BUNKER LABS

Demographic Focus for Recruitment: Veteran entrepreneurs

Bunker Labs is a national organization headquartered in Chicago that serves veterans, active duty service members, and their spouses as they seek to start or grow small businesses. Through the Blackstone Challenge, Bunker Labs was able to expand to all fifty states its Launch Lab Online program, which allows Bunker Lab entrepreneurs to remotely access the resources that they need to grow their businesses. Moreover, Blackstone Funding supported Bunker Lab's CEOcircle, a cohort-based program that provides resources and support to later-stage founders. According to data collected by ChicagoNEXT, in the first year of the Blackstone Challenge, Launch Lab Online has engaged over 520 participants. Approximately 50 entrepreneurs participated in the CEOcircle program, and engaged in over 110 coaching sessions in the last year.

CityTech Collaborative



Demographic Focus for Recruitment: African-American entrepreneurs

Colony 5 and the City Tech Collaborative came together to focus on ecosystem-building activities for entrepreneurs, including hackathons, workshops and events. City Tech, which transforms cities into testbeds for new ideas, works with partners and people in the city of Chicago to design and deliver technology strategies that improve cities and city infrastructure. Colony 5 is an organization of smart city innovators dedicated to the science and benefit of launching colonies of tech-enabled businesses into distressed retail corridors of U.S. cities. Colony 5 produces entrepreneur tech-training for community business programs (i.e., SCORE and SBDC), app competitions to discover the best, and a business development accelerator. The Blackstone Challenge supported the inaugural cohort of Colony 5's accelerator program. City Tech supported Colony 5's program by providing space at its facility to entrepreneurs addressing urban infrastructure opportunities. According to data collected by ChicagoNEXT, in the first year of the Blackstone Challenge, Colony 5 and City Tech had over 800 entrepreneurs participating in meetups, over 700 entrepreneurs engaged in mentor sessions on business development, and 360 entrepreneurs engaged in training sessions on smart city tech.

Demographic Focus for Recruitment: Millennial underrepresented entrepreneurs



Future Founders is a Chicago-based organization that empowers youth to become the next generation of entrepreneurs. Through the Blackstone Challenge, Future Founders was able to create the Residency (formerly known as the Chicago Cohort), a program that fosters the development of millennial businesses founded by entrepreneurs of color, women, veterans and immigrants. The Residency pilot included one-on-one biweekly mentoring by seasoned entrepreneurs and staff, peer-to-peer support, monthly cohort workshops, and an intensive summit. According to data collected by ChicagoNEXT, in the first year of the Blackstone Challenge, the program generated 15 businesses and 19 jobs, and businesses collectively secured over \$22,000 in revenue. Future iterations of the Residency will include two components: (1) an entrepreneurship certificate program that trains founders on how to establish and build a business and (2) an invitation-only cohort that provides mentoring, peer-to-peer support, and stipends to help the most intentional founders grow their new businesses.

Demographic Focus for Recruitment: Inner city entrepreneurs and entrepreneurs of color



i.c.stars is a Chicago-based organization that provides technology-based workforce development and leadership training to individuals from diverse backgrounds. As part of the Blackstone Challenge, i.c.stars was able to build Enterprise Next, a no-cost lean startup training program for graduates of i.c.stars two-year business and technology training program, Enterprise Next consists of a three-month lean startup training for entrepreneurs of color culminating in a pitch night. According to data collected by ChicagoNEXT, in the first year of the Blackstone Challenge, i.c.stars engaged 185 entrepreneurs and aspiring entrepreneurs in the Blackstone Challenge, hosted 55 coaching sessions, and offered over 56 hours of classroom instruction.

Demographic Focus for Recruitment: Female entrepreneurs



The Women's Business Development Center is a Chicago-based organization whose mission is to support business development and growth for business owners of diverse backgrounds, especially women. Through the Blackstone Challenge, WBDC was able to expand ScaleUp, a program which provides entrepreneurial education and one-on-one support and mentoring, to two neighborhoods (Rogers Park and South Chicago). According to data collected by ChicagoNEXT, in the first year of the Blackstone Challenge, ScaleUp enrolled 18 students in the two cohort programs, established 16 mentoring relationships, and supported the creation or modification of 22 business plans.



World Business Chicago is a public-private, non-profit partnership that drives inclusive economic growth and job creation, supports business, and promotes Chicago as a leading global city.

ChicagoNEXT is a dedicated effort to drive growth and opportunity in Chicago's technology community, governed by a council of industry leaders. For more information about World Business Chicago, please visit www.worldbusinesschicago.com.



Justice Informed LLC is a social impact consulting firm with four strategic service areas: diversity, equity and inclusion (DEI); community engagement; public policy-informed corporate social responsibility; and equity-focused philanthropy. With its historical lens and accountable approach, Justice Informed builds customized, human-centered strategies that increase the positive workplace and community impact of its clients. Justice Informed works with corporations, nonprofits, activism groups, universities, startups, government offices, philanthropic organizations, and more. For more information about Justice Informed, please visit www.justiceinformed.com.



ICIC is a national, nonprofit research and advisory organization founded in 1994. Its mission is to drive economic prosperity in America's inner cities through private sector investment. For more information about ICIC, please visit www.icic.org.

