



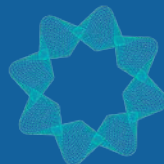
Supporting Small Businesses through Business Advising

A Whitepaper Collaboration between the Detroit Development Fund and Pacific Community Ventures

Outcomes, learnings, and recommendations from offering business advising to Detroit's small business entrepreneurs



Entrepreneurs
of Color Fund



DETROIT
DEVELOPMENT
FUND

Helping You Get There

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Supporting Small Businesses through Business Advising

Reader comments and ideas are welcome. Please direct correspondence to:

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About the Authors

Pacific Community Ventures (PCV), is a 501c3 nonprofit impact investor that envisions a world of thriving, sustainable communities. Our mission is to invest in small businesses, create good jobs that address racial and gender wealth gaps, and make markets work for the common good. We achieve our mission through a “Good Jobs, Good Business” model that combines restorative capital small business loans with pro bono business advising; policy and advocacy; and tools, innovations, and grants to create good-quality jobs for business owners and their workers.

Sarah Anderson is a MPP-MBA degree candidate at the Harvard Kennedy School and Stanford Graduate School of Business who performed research with Pacific Community Ventures’ Good Jobs Innovation Lab in 2022. Prior to her time with PCV, Sarah served in roles at the United Nations and McKinsey & Company. Her academic and professional interests are centered on impact measurement and performance management, with a focus on public sector applications. Originally from Singapore, she is now based in Palo Alto, CA.

Charles Fisher-Post is Associate Director of Pacific Community Ventures’ Good Jobs Innovation Lab. In this role, he leads strategic projects leveraging data analytics and qualitative research techniques to surface innovation triggers that center the voices of entrepreneurs in PCV’s lending and advising services.

Casey J. Bell is Chief Impact Officer for Pacific Community Ventures, Casey spearheads applied economic research and data analytics initiatives identifying best practices for building an economy that works for everyone. Casey helms PCV’s new Good Jobs Innovation Lab. She is an impact-focused applied economist with 15+ years’ experience driving capacity building initiatives at the nexus of financial wellbeing and just climate & energy solutions.

We also thank PCV staff including Daniel Wada, Beverly Zambrano and Jimena Pacora for their contributions to this report.

Acknowledgments

This evaluation has been a collective effort and would not have been possible without the support of the Local Initiatives Support Corporation (LISC) and the Detroit Development Fund (DDF).

We would also like to thank the referred entrepreneurs for generously sharing their time and experiences with PCV during the evaluation by completing our impact surveys and participating in our interviews.

ABOUT THE RESEARCH COHORT

Of the small business owners engaged in this study:



74%

received PCV
Business Advising



69%

identify as female



92%

identify as BIPOC; 82%
identify as African-American

10%

identify as disabled;
5% identify as
immigrants; 13%
identify as veterans;

13%

identify as LGBTQIA; 20%
are over the age of 50

18%

are solopreneurs; of
employers, average
number of employees is 6



**Retail, food & beverage,
and construction** were the
top 3 sectors represented



**Mean annual revenue is
\$103,000**; median annual
revenue is \$40,000

About this Report

Starting in 2019, Pacific Community Ventures (PCV) partnered with the Detroit Development Fund (DDF) to offer business advising services to small businesses in the Detroit Metropolitan Area. In 2022, PCV and DDF undertook this case-based research study to understand the impact of our partnership. 50 Detroit-based small businesses were surveyed and/or interviewed in focus groups to reflect on the value proposition of business advising in addressing the challenges of small business owners, including business sustainability, job growth, and job quality. Responses and quotes are kept anonymous to protect participants' privacy.

The Power of Partnership

In 2019

With grant support from JP Morgan Chase, Pacific Community Ventures launched the Partnership with Entrepreneurs of Color Fund CDFIs to Support Quality Jobs project with Detroit Development Fund, Pursuit (formerly: Excelsior Growth Fund), and Working Solutions. The initial goal of this partnership was provide these three CDFI members of JPMorgan Chase's Entrepreneurs of Color Fund (EoCF) with the tools and resources to embed considerations of job quality in their work with small businesses, as well as to work directly with small business owner clients of these three CDFIs by matching them with PCV pro bono advisors for one-on-one mentoring around improving job quality for workers. When COVID-19 hit, the partnership pivoted to supporting small businesses from the CDFIs in surviving and maintaining worker health.

In 2021

Steve Hall of LISC, which had partnered with JP Morgan Chase to manage the nationwide scale-up of the Entrepreneurs of Color Fund, requested that PCV produce a white paper on the efficacy of our Business Advising program as he was championing the inclusion of PCV's Business Advising as a partner in the EoCF scale-up. Steve had seen research produced by the Initiative for a Competitive Inner City (ICIC), a long-time referral partner of PCV's, which demonstrated that entrepreneurs from their Inner City Capital Connections (ICCC) who had worked with a PCV pro bono advisor experienced better outcomes than ICCC entrepreneurs that did not. Among our CDFI partners that are members of the EoCF, Steve recommended that PCV partner with Detroit Development Fund (DDF) on this research, as DDF had made notable progress in serving entrepreneurs of color.

Impact of Advising

DDF referred 89 of its small business clients to PCV's pro bono BusinessAdvising.org business coaching platform. Of these 89 clients, 41 ultimately received PCV business advising. The platform paired each small business owner with an expert advisor for cost-free business guidance. Coaching topics were determined on a case-by-case basis based on needs identified by each small business owner. Advising participants were also encouraged to use PCV's Good Jobs Good Business toolkit to integrate considerations of job quality in their small business operations resource.

OVERVIEW OF THE BUSINESS ADVISING EXPERIENCE

Of respondents who participated in PCV Business Advising:



89%

were able to meet at least one of their goals for the advising partnership



85%

rated their advising experience as fair or better



63%

were able to acquire the support, knowledge, and tools to improve or grow their business



82%

were connected by their PCV Advisor to important resources, including technical support resources, COVID-related funding, grant funding, and informal connections

Insight 1: Business advising has the potential to unlock much-needed capital for small businesses.

Several business advising recipients reported that they were able to receive critical funding through the assistance of their advisor, including COVID-related emergency funding and grants. One focus group participant was only able to unlock grant funding through developing a *pro forma* projection, which her advisor assisted her with. This potential impact of business advising is especially important in the context of recipient needs: **65% of respondents cited financing as their biggest challenge as a small business.** Another key consideration is the cost-free nature of PCV's business advising service, which represents an essentially unlimited ROI to small business owners who are able to raise funds. As one small business owner described it, "You pay me to help me - it doesn't get better than that."

Insight 2: A key success factor for small business advising is a high-touch, personalized approach.

Focus group participants emphasized the “fit” of the advisor as being critical to the success of the relationship. An aforementioned small business owner worked with her advisor to learn how to construct a *pro forma*, noting that other advisors and online resources lacked the hands-on support that her PCV advisor provided: “[My advisor’s] patience is amazing, he made sure I understood, we didn’t move on until I got it.” Another small business owner felt that she was “on an island on [her] own” before establishing a relationship with her PCV advisor. Although she participated in small business support programs, she felt that they just “read a book” to her. On the other hand, her PCV advisor “gave [her] something invaluable, something you wish you could pay for,” through highly flexible and responsive advising, coupled with empathy and understanding. Of the **27% of respondents who were not able to acquire the support needed to grow their business, a majority attributed this setback to a lack of engagement with their advisor.** This reflects a need for more frequent touchpoints and proactive scheduling.

“For you to help me blossom, you need to know who I am.”

Focus group participant

Insight 3: Many small business owners prefer holistic business advice over specialized technical assistance.

Commonly requested attributes of an ideal advisor included “someone who listens and understands,” “open and resourceful,” “thought partner,” “has a good heart,” “jack of all trades.” Advisors who received particularly high ratings tended to be able to cater to their clients’ needs as their businesses evolved, rather than offering one specific area of expertise. One small business owner described her advisor as being her “LeBron James - just throw him the ball [and he would deliver].” The need for advising flexibility was particularly relevant during the recent pandemic: **75% of surveyed advising recipients reported that PCV advising helped them sustain their business through supporting operational pivoting in light of COVID-19.** Ultimately, business sustainability seems to be the top priority for small business advisors in seeking support, with the goal of achieving a stable flow of income. One interviewed entrepreneur framed her wealth-building goals in the following way: “If I can support the entity, it can support me.” Another small business owner concurred: “[It’s] not so much about the money, more so about the longevity and keeping the service going so it can be relied upon in years to come.”

Good Jobs, Good Business

Pacific Community Ventures’ Good Jobs, Good Business [toolkit](#) features resources for small businesses to create and improve upon job quality. The toolkit covers Quality Job Dimensions across five core areas of job quality: Wealth-Building Opportunities, Fair and Engaging Workplace, Basic Benefits, Career-Building Opportunities, and Living Wage. Fulfillment of the Quality Job Dimensions can deliver short and long-term cost savings to small businesses, while improving quality of life, financial security, personal and career success, and long-term prosperity for entrepreneurs and employees.

FIGURE 1

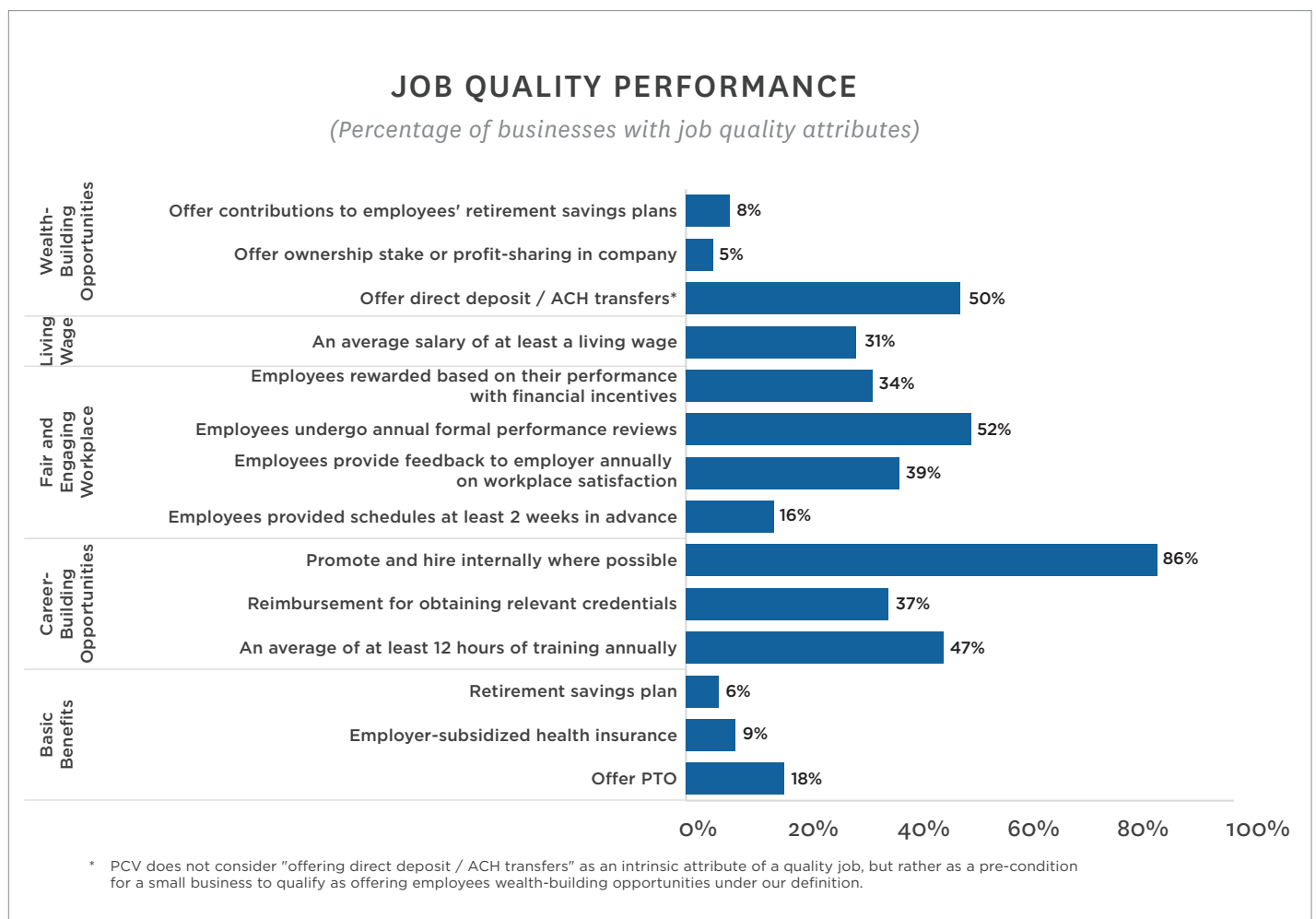
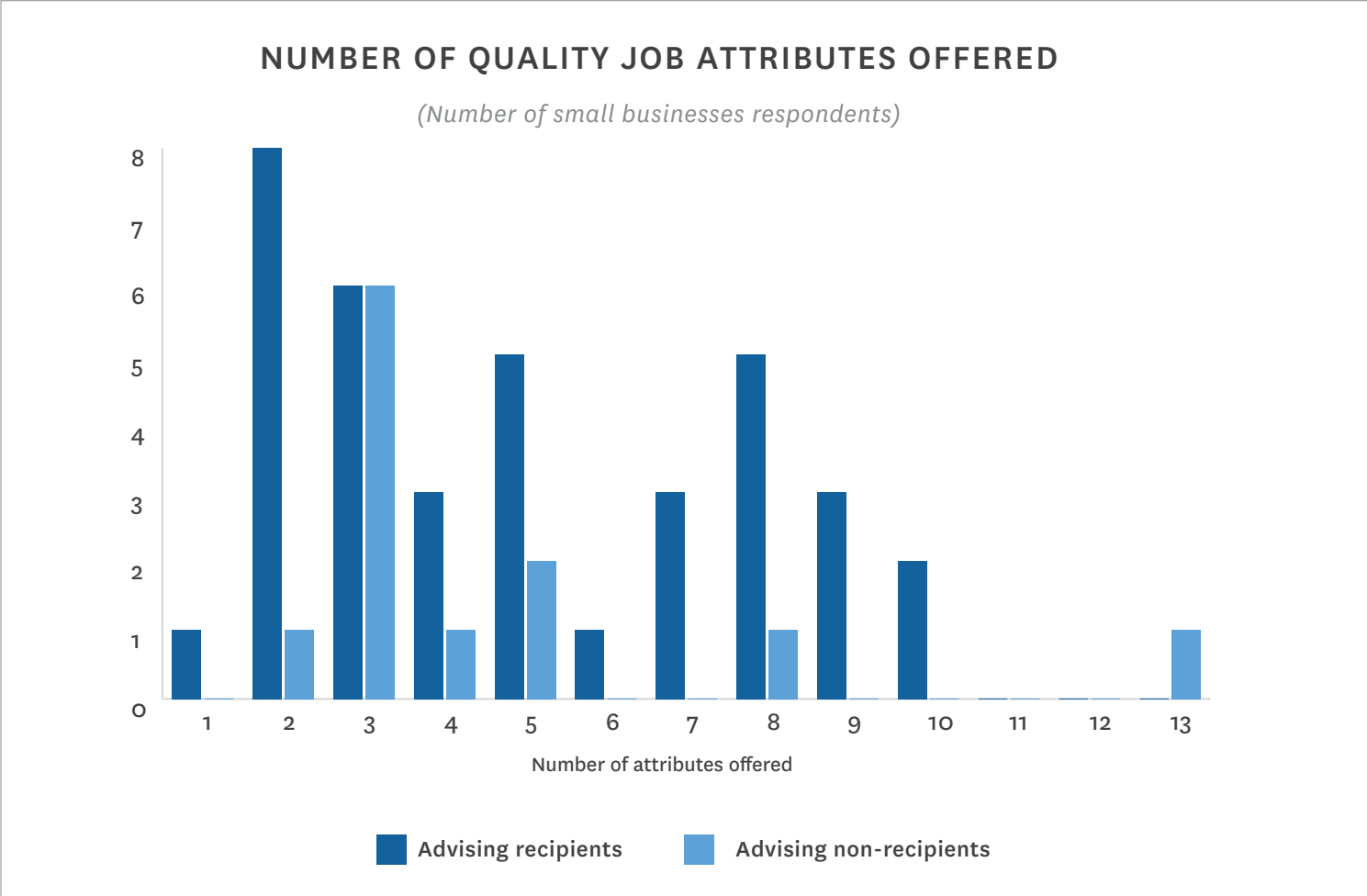


FIGURE 2



Insight 4: Budget limitations are the primary barrier to quality job offerings.

Of respondents who were unable to implement Quality Job Attributes, **81% reported an insufficient budget as the primary barrier to implementation**. This trend is consistent across solopreneurs and employers. Indeed, performance tended to be stronger for Quality Job Attributes with a lesser budget impact: a majority of respondents met the performance criteria for direct deposits / ACH transfers, annual performance reviews, promotions, and internal hiring. Conversely, some of the most expensive Quality Job Attributes see the lowest uptake, including health benefits, retirement plans, retirement employer contributions, profit-sharing, and paid time off. This pain point has been further exacerbated by the COVID-19 pandemic, which simultaneously raised the bar for employees' wage expectations while restricting small businesses' profitability due to increasing supply costs. Focus group participants concurred that in order to increase wages to attract quality talent, they had to raise prices, which risked their competitiveness and ability to attract customers. Fortunately, there is no evidence that small business owners lack the understanding or willpower to offer quality jobs.

Insight 5: Technical support can improve job quality.

Of the Quality Jobs Attributes, the only respondents **providing schedules at least two weeks in advance and/or offering employee ownership / property-sharing opportunities** were in the PCV advising cohort. This suggests that implementation of these specific dimensions might be particularly helped by technical support.

“My employment priorities are pay[ing] at minimum a living wage, and more if we can, and hir[ing] folks that represent the community that we’re in.”

Focus group participant

Recommendations

Recommendations for small business advising:

Recruit empathetic, culturally competent, and well-rounded business advisors. Advisors who are able to understand and flexibly respond to small business' needs tend to be the most successful in supporting improved business and employment outcomes. Advising service providers should regularly assess advising clients' needs and align advisor pools accordingly. Advisors could additionally benefit from training on coaching, listening, cultural competency.

Infuse Good Jobs support into business advising. Cases from this partnership demonstrate the potential for business advising to facilitate job quality improvement, especially for job quality attributes where expertise, rather than funding, is the primary barrier to implementation. Advisors could be guided to encourage entrepreneurs to explore quality job offerings that they may not have been aware of before.

Connect small business owners with opportunities and resources for funding. As stated above, financing is the number one challenge faced by PCV and DDF-supported small business owners. Although one-on-one advising has demonstrated its use in facilitating entrepreneurial fundraising, more centralized resources (e.g. directories of grant opportunities) could help to supplement individual advisors' knowledge.

Recommendations for further research:

Analysis on a larger sample: This study provided qualitative and descriptive evidence for the potential of providing holistic one-on-one small business advising at greater scale, as well as opportunities to improve its delivery. Expanding the pool of respondents in both time and space could help to generate deeper generalizable insights on how to address small business challenges at scale. In particular, time-series analysis would help to disentangle persistent trends in small business outcomes from isolated effects of the COVID-19 pandemic.

Exploring further research questions: The analysis in this whitepaper uncovered broad trends and opportunities for supporting small businesses. Additional analysis could dig further to uncover actionable, targeted interventions. Potential research extensions could investigate:

- How do the needs of small businesses differ across demographic groups (e.g. race, gender)?
- How can the financing barrier for quality jobs attributes be sustainably overcome?
- What are the typical success factors for entrepreneurs who are able to obtain affordable start-up financing and growth capital? How could these factors be replicated across small businesses, especially those serving vulnerable communities?
- What are the follow-on impacts of job quality on employees and communities served by small businesses?



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