Insight Report

Building Ventures and Expanding Community Ties:

The Case of InnerCity Entrepreneurs

Candida Brush, D.B.A.
Professor of Entrepreneurship
Babson College

Daniel Monti, Ph.D.
Professor of Sociology
Boston University

Amy Gannon, M.B.A.
Doctoral Student in Organizational Behavior
Boston University

Andrea Ryan, M.S.
Doctoral Candidate in Sociology
Boston University

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Insight Report Executive Summary

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Background: We don't know much about inner-city entrepreneurs or the minorities and women who often struggle to build successful ventures in often difficult urban environments. Speaking both theoretically and practically, this is a serious omission. Inasmuch as minority and woman-led enterprises are the key to economic prosperity in urban areas, learning more about who they are, how they grow their ventures, and how they relate to their communities has special significance—not just for them but for all of us.

There is extensive research on new ventures and how they survive. This work shows that a variety of factors affect their growth, ranging from individual motivations and aspirations to firm resource availability and strategy. Most of it, however, uses as a model firms owned or operated by white males whose ventures aren't affected by the conditions faced by inner-city entrepreneurs. This leaves us with little or no insight into how these same factors affect the growth of women and minority-led enterprises in urban communities. Our ability to identify the similarities and differences between these ventures and those run by white males tells us a great deal about how we can foster entrepreneurship and enhance this essential building block toward building economically and socially stronger inner cities.

The Research: Our study will be the first to explore how well current theories about entrepreneurs and firm growth are supported when applied to minority and female-run entrepreneurial ventures inside urban settings. Taking the perspective that entrepreneurial ventures are socially embedded, this study investigates dozens of entrepreneurs in Boston and surrounding urban communities. We adopt a multi-disciplinary, multi-method panel study designed to track cohorts participating in a local Boston area development initiative called InnerCity Entrepreneurs (ICE). ICE is a technical assistance program designed to fill a gap in the small business economic development field by focusing not on start-ups but on existing ventures whose owners or managers are preparing to "take them to the next level." ICE uses an asset-based approach to learning and provides a range of services to participants. These include classroom instruction, peer-to-peer learning, and professional networking.

For this report, we draw from data collected on the first two cohorts of 29 entrepreneurs. Specifically, we examine individual, firm and community factors that influence growth, drawing on expertise from both sociology and business management principles. We employ a mix of survey and personal interview data collection methods, and intend to follow our initial sample over the next three to five years. This will result in a total sample of over than 100 entrepreneurial ventures.

Results: This study shows the relative importance of individual, firm and community factors in driving the growth of inner-city enterprises. We find that the entrepreneur's involvement in the community is tied to his or her values, motives and strategic actions. In these ways, community involvement has an impact on the growth of the venture. These insights highlight the gap in our thinking about economically and socially driven ventures. Most of the ICE entrepreneurs do not fit the classic profiles of "traditional" businessmen and women who are primarily, perhaps even exclusively, focused on the bottom line or social entrepreneurs who use good business practices explicitly to do more social good. Their ventures are best described as "hybrids" or "business-and-community ventures" in that they reflect *both* the entrepreneur's need to focus on the bottom line and the socially-minded activist's desire to make the community better. In this report, we begin to describe these people and the enterprises they own and manage for the first time.

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Revitalizing the Inner City

President Bush made special mention of entrepreneurs in September 2005 when he pledged to re-build the Gulf Coast after Hurricane Katrina struck, saying that the federal government would "take the side of entrepreneurs as they lead the economic revival of the Gulf region." He might just as well have pointed out that these same men and women will help lead the *social* re-building effort in the region, too. That is because entrepreneurs and the ventures they run have always been central players in all kinds of extraordinary and run-of-the-mill community building campaigns throughout history in the United States. They aren't just business leaders. They are community leaders.[1]

In this report, we begin to tell the story of a particularly important and under-studied segment of the American entrepreneurial population: inner-city entrepreneurs. Today, the revitalization of economies in places like New Orleans is widely commented on and studied by social scientists. But with few exceptions, their attention is not focused on the role that individual entrepreneurs or their ventures participation in community revitalization efforts. Rather**,** research tends to focus on either specific populations of entrepreneurs (e.g., minorities or women) or the transformation of particular places (i.e., cities). **Most of the work overlooks the important connections between people and the places where they do business.**

This significant gap in our knowledge means that we cannot begin to address that fact that American cities have higher poverty rates or that their household median incomes are lower and unemployment rates higher than places that are not cities.[2] Nor can we hope to put a dent in the differences between central city and suburban economies. For instance, while there are nearly 12.7 million jobs in America's inner cities – representing about 8 percent of the country's private sector employment base – the average annual salary for these jobs of $38,000 is lower than that of jobs found in the areas surrounding cities.[3]

One unheralded yet potentially attractive path to reviving inner-city economies is entrepreneurship. While entrepreneurship and small-business development are the subjects of significant research, the lessons from this work are only sparingly applied to those entrepreneurs doing business in the inner cities. Our study will show how entrepreneurs accomplish all the important tasks of building and growing businesses from three points of view: the individual's motivations, the organization of the business, and the relationship between the venture and the community.

This is not to say that the important role of inner-city businesses and other ventures has been ignored. This subject first drew special public attention following the publication of Michael Porter's article "The Competitive Advantage of the Inner City." In it, he argued that business development could accelerate the revitalization of inner-city economies.[4] He was hardly the first person to make this argument, but owing to the publication of this article he was able to bring the idea new energy, a fresh voice, and organizational muscle in the form of the Initiative for a Competitive Inner City (ICIC).

ICIC was founded in order to raise awareness about the economic potential of American's inner cities. ICIC also provided resources and services to transform thinking on this subject and to encourage economic development.[5] This increased attention on the importance of business development to inner-city economies sparked other such initiatives or drew renewed attention to existing initiatives.

For instance, the Urban Land Institute draws on the expertise of executives and brings together advisors from a variety of sectors to recommend good land use and real estate practices. Legislative changes like the New Market Tax Credit (NMTC) launched programs for inner-city business investments. Public pension funds committed more than $1 billion; and new financing instruments have been created to encourage inner-city revitalization and development.

Cities like Cleveland have engaged in significant public-private partnerships in order to increase new business start-ups, the creation of new jobs, and the expansion of existing companies and job retention.[6] St. Louis, Detroit, and Milwaukee also have major efforts to revitalize inner-city areas. Commercial zones, or so called "empowerment zones" such as Boston Connects offer tax benefits to encourage revitalization. In some, agencies can access technical assistance that helps foster employment as a means of developing core urban areas.[7]

The fact is that our inner cities look and function differently from other types of places. Many of the entrepreneurs there are minorities; and many of these men and women face particularly difficult challenges. But it is critical that they succeed. In Massachusetts alone there are nearly 40,000 firms, one in four companies, headed by low-income urban entrepreneurs.[8] Many of these firms are micro-enterprises and sole proprietorships that could add significant wealth and jobs in inner-city communities, if they succeed and especially if they grow.

The unique ecology of urban areas may make such places particularly vulnerable to job loss and economic decline, if they are not bolstered by a strong local economy of their own. For example, between 1999 and 2004, the four-county Milwaukee region lost 29,800 non-farm jobs, a 3.5 percent decline. Many suburban areas were hit hard, but the city and metropolitan regions were hit the hardest.[9] Further, many of the jobs lost had belonged to African-Americans and other minorities. The chances are good that when they are re-hired it will be a small business or enterprise that hires them. It is important to make sure that this economic stability exists.

It is not news that having a strong local economy is important. However, while we seem to know this well, we haven't backed up our talk with actions that will keep urban economies strong. Much of the technical assistance provided to business people, for instance, goes to new business start-ups, particularly those in declining neighborhoods. Many of these fail. We provide little or no assistance to entrepreneurial ventures that have managed to survive and now are ready to grow. Our research, and the ICE program, fills this gap in both knowledge and practice.

Minority Entrepreneurs

Not all urban entrepreneurs are minorities, even in the inner cities. But demographics suggest that there should be substantially more minority entrepreneurs than there are. A recent survey shows that minorities will soon account for more than 40 percent of the US population.[10] Yet, minority business development is rising at an average annual growth rate of only 10 percent, going from just under 7 percent in 1992 to just over 15 percent in 1997. Further, although minority-run establishments had higher expansion rates and lower contraction rates than nonminority-owned establishments between 1997 and 2001, minority-owned establishments still have lower survival rates than those run by whites.[11]

Overall, minority-owned firms account for only 2.7 percent of total US gross revenues. They provide only 4.3 percent of all US employment and constitute only 9 percent of all US firms with $500,000 or more in revenue. Minorities own only 5 percent of US firms with more than 100 employees.[12] In fact, data suggests that the larger, better established firms make a proportionally larger contribution. Minority-owned firms with more than $500,000 annual revenues, approximately 171,000 businesses, accounted for 76 percent of the revenue generated and 70 percent of all employment by minority-owned firms.[13]

These data illustrate the gap between the existence and growth of minority-owned and white-owned businesses. In our predominantly minority inner cities, this is particularly problematic.

Female Entrepreneurs

If we are to build a strong local economy, we need to consider all types of business owners that are underrepresented and underserved. That means we should look closely at populations of minorities and women located in the inner city. Both the people and the places have assets that can be tapped and grown.

The number and importance of female-led ventures has grown substantially over the past two decades; yet women are majority owners of only 30 percent of all privately held firms in the United States. Most of these firms are smaller than average with only 16 percent achieving revenues of more than $500,000.[14] In 2000, while 44 percent of all firms had less than $500,000 in revenue, 60 percent of women-led businesses did.[15] Further, while all U.S. firms have an average of nine employees, women-led firms average only six.[16] It is in our best interest to know more about this continued disparity, especially since the firms that do exist are clearly making an important economic contribution. According to the Center for Women's Business Research (CWBR) women-led firms boast $1.2 trillion in revenues and employ 19.1 million people.

Technical Assistance for Small Business

These figures demonstrate the need for minority and female entrepreneurs located in the inner city to get more and better assistance in developing their enterprises. It happens that there are scores of public, private and non-profit programs providing assistance and support to minority businesses. Government-subsidized financing was made available through the SBA's micro-loan program (the "7 (M)" program), which provides funds to non-profit intermediaries that then make small loans to qualified female entrepreneurs, and the SBA's loan guarantee programs, which increase incentives to financiers to lend to riskier businesses, including some that have no credit track record. Debt financing opportunities are further expanded by government initiatives (like the Women's Pre-qualification Loan Program), private banking programs (such as the Wells Fargo Bank and BankBoston programs for women business owners), and women's business organizations (like Women Inc.). In addition, the Small Business Investment Company (SBIC) program and its minority counterpart (MESBIC) attempt to foster investment in early stage businesses.

At the state level, there are some programs that provide minorities with access to government contracts. For instance, New York State's Division of Minority and Women's Business assists state agencies in awarding a "fair share" of contracts to minority and women's business enterprises. In Florida, state agencies must submit plans that increase spending with companies certified as minority business enterprises (MBE) in certain sectors. New Jersey and Maryland have a stated goal of awarding 25 percent total state contract dollars to qualified minority and women business owners.[17]

Several other organizations assist women and minorities including the Federal Reserve Bank, the Minority Business Roundtable and the Kauffman Foundation. For instance non-profit organizations like the Center for Women in Enterprise in Massachusetts also provide an array of training, workshops and mentoring programs to low-income women seeking to open a business.

While many of these technical assistance programs are successful, often they are designed as most technical assistance programs are — to help people start brand-new enterprises. Few are intended to provide technical assistance for businesses that have been in operation for several years and are preparing to take their venture "to the next level." The ICE program is designed for just these kinds of businesses. It fills a real gap in the technical assistance field. (See Appendix A for a detailed description of the ICE program.)

The Gaps: Research and Practice

Operating under a growth-oriented model, ICE provides entrepreneurs with a variety of tools and experiences that help them examine more closely who they are, what they hope to achieve, and how they go about making it happen. ICE builds on what these entrepreneurs are already doing well, and encourages them to look at what they need to change. In doing so, ICE provides participants with practical insights, tools, and professional networks to make it happen.

This model offers a unique opportunity to learn more about these urban entrepreneurs and follow their ventures over time. We already know many success stories of individual entrepreneurs, both minorities and women. And these often "against all odds" stories are both encouraging and important. However, we know less about the how their inner-city location, values, community ties, and way or organizing their business affects the growth of their ventures and their ability to expand into larger markets.[18] Comparative studies that track and examine numerous businesses in urban communities over time simply do not exist. Thus, while inner-city revitalization is deemed to be very important, we do not know what makes inner-city minority and female entrepreneurs successful or how they organize their ventures so that they can grow.

This research is the first of its kind, examining as it does the way that entrepreneurs' personal goals, values and experiences, ways of organizing their business, and connection to the larger community influence business growth. We explore the simultaneous impact of community and neighborhood (place) effects, minority entrepreneur characteristics (people) effects, and business organization (process and structure) effects on the growth of small businesses and other ventures in urban areas. Our research is designed as a five-year program and will eventually test many theories about entrepreneurship in America. In this phase of the study, however, we will address only four questions. These are highlighted below.

1. *<u>Who are the InnerCity Entrepreneurs?</u>*

   Entrepreneurs in the ICE program provide everything from advice to coffee cakes, the news and the means to print or publicize it, caterers, florists and balloonists, food providers and people that help children, limo services and the people who can repair automobiles after they've been dinged or damaged. In short, this sample of entrepreneurs provides a variety of goods and services for individuals and other companies inside Boston and some of the suburbs surrounding it.

The 29 entrepreneurs in the first two cohorts come from a variety of backgrounds. They are black (seven men and five women) and white (nine men and five women). Three are Hispanic. Almost two-thirds of them are 45 years-old or younger. Nearly 80 percent of them have at least four years of college to their credit.

Most of the entrepreneurs (62%) started their ventures from scratch. More than half had done this at least once before. Another 25 percent of the entrepreneurs have owned two or more ventures. Minority entrepreneurs were more likely to be running their first venture (60%). Only 23 percent of the white entrepreneurs were running their first venture.

Sixty percent of entrepreneurs indicated that they had always wanted to be business owners. The inspiration for their ventures was likely to come from their special skills and talents or from their families. Ethnic values also play a role. **Entrepreneurs who say that their ethnic group values business ownership were significantly more likely to say they always wanted to be business owners.**

It is these men and women who may be particularly important to the communities where they live and do business. Those who felt they had always wanted to be business owners were significantly more likely to describe themselves as both business and community leaders. In all, 72 percent of the entrepreneurs described themselves as business leaders, while 55 percent described themselves as community leaders. We will see later that connecting their business and social missions can be rewarding. However, it is hard to do and can throw roadblocks in front of their own plans to grow their venture.

These entrepreneurs work hard. Approximately 80 percent of them spend anywhere from 9 to 11 hours a day on the job, and nearly half of them work at least six days per week. Those who started their businesses from scratch work significantly more days per week than those who did not. As a group, they also are not disposed to taking too much time away from work, regardless of the reason. The majority of our sample had not taken more than four consecutive weeks off in the past five years for illness, education, unemployment, or personal or family responsibilities.

There are also some differences in the ways that minority entrepreneurs spend their time as compared to their white counterparts. **Interestingly, minority entrepreneurs spend significantly more time on community activities. Further, those who are deeply involved with their ethnic communities spend more time on community activities than those who are not.**

Personal values were related to the decision of 80 percent of our entrepreneurs to start an enterprise. Most of the entrepreneurs (86%) felt that they had more opportunity to live by their values when running their own business than by working for someone else. More than half (59%) indicated that they learned their values from other members of their race or ethnic group, yet most did not feel that their values were different from other ethnic or racial groups (86%). Minority entrepreneurs were significantly more likely to be involved with their racial or ethnic community (80%) than their white counterparts (31%). **But even given these differences, virtually all of the entrepreneurs indicated that they felt a personal obligation to give something back to the community (93%).**

For most of the entrepreneurs (90%), the opportunity to reach their goals was an important factor in their decisions to run their own ventures. Most entrepreneurs indicated that they had clearly defined business and personal goals. However, female entrepreneurs more often had clearly defined *personal* goals than their male counterparts.

The majority of entrepreneurs felt that they were more likely to reach their goals through business ownership than by working for someone else. This was particularly true for minority entrepreneurs. They were significantly more likely than their white counterparts to agree that they would reach their *professional* goals through business ownership (69%). The alignment of community values and professional goals seems to be at play here. **Those entrepreneurs who are deeply involved in their ethnic or racial community and/or feel obligated to give back to the community were also significantly more likely to think business ownership provided more opportunity to reach professional goals.**

2. How do the InnerCity Entrepreneurs organize and grow their ventures?

Regardless of what it produces or sells, there probably is a point at which a venture grows large enough for it to begin looking and acting like other large firms. It takes on a more hierarchical shape and develops distinctive departments or branches that run more autonomously. Its mission becomes clearer and its operating procedures and goals are re-tooled until they complement each other. Whatever that hypothetical point is, the ICE entrepreneurs and the ventures they run aren't close to reaching it yet.

This collection of entrepreneurs and ventures has its own peculiar ways of acting and organizing. The values and goals of any two ventures, while conventional by any reasonable standard, didn't line up the same way. In short, there was no single pattern to how they were set up and run, or in the way their owners or managers made some bigger sense of what they were doing.

In one sense, we shouldn't have been surprised. They are, after all, *entrepreneurs*. And entrepreneurs have a habit of doing things their own way or at least finding novel ways of doing things that other people either ignore or never imagine putting together in the way entrepreneurs do.

The questions we asked that deal with the way entrepreneurs organize and manage their ventures cover three main topics: how responsibilities are distributed within the organization; how decisions are made; and how managers are found. The following represents our best attempt to lay out the ways in which our ventures are similar and different.

The overwhelming majority of ventures run by ICE participants are small, with 70 percent having fewer than 10 employees. They do not have large staffs and, as a result, the lead people in the organization do most of the jobs. Of the businesses, 44 percent had annual sales of more than $500,000, while over 25 percent posted revenues of more than $1,000,000. These businesses were on average four years-old.

Seventy percent of our entrepreneurs stated that they or their partners carry out most of the management responsibilities. However, this doesn't mean that they do each other's jobs. Up to half of the ventures have a division of labor in which different people assume the lion's share of responsibility for certain tasks. Between 50 and 60 percent of the ventures have individuals responsible for sales, finance, daily operations and strategic leadership. Human resources and product development are least likely to be someone's primary responsibility.

These ventures also tend to be governed more informally. Most have advisors (65%) and mentors (41%) rather than some sort of governing board (14%) that meets often and makes important decisions. Everyday decisions, too, are made with varying degrees of formality. However, virtually all owners and managers believe that they are accessible to their employees.

Our sample of entrepreneurs has a collaborative management style. Nearly 80 percent state that they share sensitive information with employees, and 96 percent say they have a flat administrative hierarchy. Surprisingly, as it was with organizational goals, the various ways of dividing responsibilities, making decisions, or seeking outside advice and support were *not* connected in a predictable or consistent way.

Openly sharing information, for example, may or may not be associated with how much or little an entrepreneur relies on his/her "instincts" when making decisions. And just because entrepreneurs rely heavily on "gut checks" (75%) doesn't mean that they won't do research before making a decision (82%). Similarly, having some person that handles the accounting responsibilities doesn't mean that an entrepreneur won't make decisions about new products on his/her own.

In other words, entrepreneurs will use a variety of strategies in planning for growth, but they don't "package" them in the same ways. **There is no one pattern to how entrepreneurs describe how they set up and execute their operations, find resources and advisors to help them out as they move their ventures ahead, and talk about what's important to them.** They can connect the way they organize and run their ventures to the way they divide up responsibilities among their employees and seek outside advice or assistance. But no two entrepreneurs seem to do these things in the same way.

The one time that entrepreneurs use the *same* strategies appears to be when they search for someone to manage their organization. At one time or another, entrepreneurs have used a combination of the following strategies to find a manager: friends (38%); advertisements (28%); other business owners (7%); consultants (14%); conferences (3%); and neighborhood groups (7%). Interestingly, 41 percent of our entrepreneurs indicated that the people they chose as managers had "found them."

When it comes to making sales or providing their services, some of the ICE ventures (20%) serve a predominantly local customer base. However, almost as many (18%) have a customer base that reaches far outside the immediate area. Most inner-city ventures fall between these two extremes, with somewhere between 11 percent and 80 percent of their customers and clients coming from the immediate area or neighborhood.

These entrepreneurs express fairly strong sentiments about serving a predominantly racial or ethnic clientele. **Minority entrepreneurs (66%) in this sample are significantly more likely to market their products to their racial or ethnic group than their white counterparts.** Nearly 33 percent indicate that their customers are primarily from their ethnic or racial group. Interestingly, this doesn't seem to have any bearing on the geographic breadth of their market.

There is no relationship between the percentage of their customers that come from the immediate neighborhood and their stated commitment to serving a predominantly racial or ethnic clientele. ICE entrepreneurs are “reaching out” for customers beyond the borders of their immediate neighborhoods. They may have an “ethnic” focus; but their clients don’t come from just one part of town. ICE entrepreneurs are already reaching out *geographically*. It remains to be seen how quickly and well they will expand the *ethnic* or *racial* focus of their market.

Like most entrepreneurs, this sample of inner-city entrepreneurs believes their ventures are different, perhaps even unique. They have a better business model (39%) or they have better technology and better products (39%). What may very well be unique to this sample, however, is that **nearly 20 percent believe that having a broader social mission or “social consciousness” distinguished them from the competition.**

Their business goals and market strategies were very similar to those of other owners and managers in that 96 percent desired more sales and 100 percent wished that their market were more stable. Earning more money was a significant goal for 90 percent, while 83 percent wanted to give something back to the community through their ventures. **Being an industry leader, creating jobs and having a favorable work environment were goals for more than 80 percent of the sample.**

Not all their goals were consistent. While 93 percent want to expand, 52 percent indicated they planned to keep their business the same or would consider acquiring an unrelated business. A good portion (47%) stated they would entertain the idea of merging with another venture. Only 34 percent, however, had set a goal of selling their current business and start a completely different venture.

What emerges most clearly from these early findings, then, is that while entrepreneurs may share some goals, they do not connect these goals in any clear or consistent manner. The desire to create more jobs, for instance, is mentioned in connection with wanting to expand the current business, become a leader in that industry, and create a good work environment. This is one of the few times when the stated goals of our entrepreneurs fell together into something resembling a pattern.

Far more often the “pattern” looks like this: the entrepreneurs mention three different ways in which they might build their current venture or to branch off into other ventures like it. But they differ in that each of these ways of growth is connected to different ways of organizing and running their ventures.

The most striking pattern in these early surveys is the way in which several goals, most notably the idea of getting out of their current venture, actually *detracts* from ways they might otherwise organize and run their enterprise. Their wish to find another and quite different venture to run leads them *not* to do certain things that people do when they want to keep and grow their ventures, most notably finding managers and doling out responsibilities to other persons.

3. <u>How are the InnerCity Entrepreneurs connected to their communities?</u>

Most of the ventures were not focused exclusively on "the bottom line." Nor were they "social enterprises" in the sense that they were a bunch of do-gooders that decided they had to market themselves more aggressively if they wanted to keep doing good. They combined a bottom-line mentality with a broader social mission in ways we had not seen before.

We know that what's going on in the Boston area isn't unique. But we cannot say with any certainty that the odd mixing of business and social goals we see in this sample is an agreeable mutation that many more businesses are going to adopt in the future. What we can say with confidence is that this collection of ventures and entrepreneurs didn't get this way as a result of taking the ICE program. They were already acting this way before they entered it. If anything, the program helped them to sharpen their focus and come up with better plans for how they can combine "doing good" with "doing well" in the future.

What follows is our first attempt to make sense of how entrepreneurs combine a bottom-line focus with a broader social mission.

The survey addresses two aspects of community involvement. The first consists of a detailed assessment of the kinds of organizations that entrepreneurs belong to and whether they are officers in any of these organizations. The second consists of an assessment of the ways that ventures "give something back" to the larger community.

As noted earlier, over half of the entrepreneurs in our sample described themselves as "community leaders." What exactly this means is not easy to pin down. One might think that the number and variety of ways in which individual entrepreneurs become involved in the community – a little or a lot – would tell us how engaged their venture is in "giving something back" to the larger community. This proves not to be the case.

The connection between the ways individual entrepreneurs participate in voluntary organizations and the ways their ventures "give something back" to the community is complex. Membership in only two kinds of organizations (i.e., professional and community or neighborhood based) is strongly associated with the entrepreneur's venture "giving something back" to the community. On the other hand, when the manager or owner becomes deeply involved in a school service organization or a group that works with young people, his or her enterprise does *less* in the community. It is interesting to note that ventures give more back to the community when they are owned or managed by entrepreneurs who become an officer in one or more civic associations.

These entrepreneurs are like anybody else. They cannot be all things to all people; and there are just so many things they can concentrate on any given day. Not surprisingly, some of our entrepreneurs join more voluntary organizations than do others. Some may not join any voluntary organizations at all. Furthermore, those that do join groups are not indiscriminate joiners. As we will see, they are drawn to some kinds of organizations more than they are to others.

The same can be said of the number and variety of ways in which their ventures "give something back" to the community. Some kinds of giving back are quite popular, while other ways of contributing to the community are virtually ignored. **In general, however, it seems that our entrepreneurs are much more likely to "give something back" to the community through their venture than through the organizations they join away from their venture.**

These points are elaborated upon below.

ICE's entrepreneurs are selective in the kinds of organizations they join. Americans in recent decades have reduced the number of voluntary organizations to which they belong. The decrease hasn't been precipitous (i.e., dropping from around 4 to 3.5 or thereabouts); but it is real. Some people have argued that this is a very bad sign and shows that our nation's stock of social capital is depleting rapidly. Other commentators have argued that Americans are volunteering more and finding new kinds of groups to join, groups that aren't included in social surveys that track these kinds of things.[19] Information acquired from our sample of entrepreneurs cannot be used to confirm or refute the validity of these observations but does bear on the issues they raise.

These entrepreneurs belong to anywhere from zero to nine organizations. About one-quarter belong to two or fewer organizations. Another third are members of three or four organizations. The rest belong to more than four organizations. In general, they probably are no better or worse joiners than the majority of Americans. But given how hard they work at growing their ventures and how little time they spend everyday on community activities, they probably would be wise to cut back on the number of associations they join.

Of course, just because a person joins an organization doesn't mean that he or she is an active member. Still, the sheer number of organizations that our entrepreneurs say they belong to is striking.

ICE's entrepreneurs have little involvement with 9 of the 14 types of voluntary organizations identified in the survey. Typically, no more than 14 to 20 percent have joined a lodge or sorority, a service organization like the Red Cross, a veterans organization, a union, sports team or club, youth-oriented group, school service organization like the PTA, a hobby club, or a literary or arts group. Larger numbers, somewhere between 25 and 50 percent, belong to a political or special interest group, an organization dedicated to a particular racial or ethnic population, a professional association, a religious organization, or some kind of community group or neighborhood association. Not quite half are officers in at least one of the organizations to which they belong.

There is no strong pattern of overlapping memberships in different kinds of groups. Entrepreneurs that join professional associations tend not to join sororities or lodges. Those that are members of some kind of religious organization tend not to join neighborhood or community groups. However, there is some association between being a member of a group that is interested in a particular racial or ethnic population and joining a religious or service organization.

As we said at the outset of this section of the report, this collection of entrepreneurs is serious about "giving something back" to the community. What follows is our first analysis of how their ventures accomplish this.

We actually track 33 different ways in which ventures give something back. What we discovered was that the venture that does the least amount of “giving back” still makes five different kinds of contributions to the larger community. The most active contributor gives back in 25 different ways. The remaining entrepreneurs in our sample spread themselves out pretty uniformly between these two extremes.

The more popular ways of “giving back” to the community include providing jobs to local people; offering in-kind contributions, free services and donations; making referrals for people looking for assistance; letting their business be used for meetings and as a site for public announcements; and participating in neighborhood initiatives and celebrations. Somewhere between 28 percent and 50 percent of the ventures in our sample give back in these ways. This collection of entrepreneurs also thinks that these kinds of activities garner their business more recognition from local people and the media.

Other forms of “giving back” are much less common among the entrepreneurs. Included in this list are offering credit or help to customers and knowing them on a first-name basis; sponsoring teams or having employees form their own sports team; giving employees time off for different activities; providing scholarships; putting up a website or conducting a community survey; promoting outside speakers, local celebrities or just the neighborhood generally; and letting their space be used by other organizations wishing to raise funds.

Ventures that give something back in one way tend to give back in other ways. The statistical associations among different kinds of giving by the ventures are also stronger than the associations between organizational membership and different kinds of giving. Only one kind of “giving back” (i.e., employee ownership) is consistently associated with less giving in other kinds of ways.

There are many combinations of ways that “giving back” plays out in the relationship between these businesses and the community. For example, ventures that donate funds or help raise funds to support “good causes” are more likely to refer their customers to other businesses that can help them, mentor young people, provide space for other groups to do fundraising, and do some other kinds of unspecified community service.

Ventures that make referrals for their customers tend to mentor young people and help other groups raise funds, too. But they also provide free services, post community announcements, support local trade fairs, and help customers who have personal problems. These activities garner good public attention in the media.

The ventures that provide free services also post community announcements and provide space for other organizations to raise funds for their own projects. However, they also make in-kind contributions to other groups, sponsor education programs, promote the neighborhood, provide more scholarships and even extend credit to their customers more often that ventures that don’t provide free services.

The list of ways in which one kind of “giving back” is associated with other kinds of “giving back” seems to go on and on. In general, however, ventures that make in-kind contributions, sponsor neighborhood activities and celebrations, and post community announcements seem to be more likely to do other things that can be construed as "giving back" to the community.

Notwithstanding all the "giving back" that their ventures do, we found no relationship between the number of organizations our entrepreneurs join and the number of ways their ventures "give back" to the community. Some entrepreneurs join few if any voluntary associations. Others join a goodly number. Some of the good joiners do a lot of "giving back" through their venture. Others don't. The same thing can be said of entrepreneurs that don't join many organizations, however. On the other hand, the ventures of entrepreneurs that join community or neighborhood-based groups or organizations dedicated to advancing the cause of a particular minority or ethnic population do seem to give more back to the community.

Finally, the "payoff" to entrepreneurs for being better joiners is not clear. Entrepreneurs that are officers in one or more of the groups they join outside of work report that their ventures get attention by the media. However, merely being the member of an organization doesn't seem to increase the amount of attention the media gives his/her venture or the recognition the venture gets from people in the immediate neighborhood.

4. *How do these InnerCity Entrepreneurs position their ventures for growth?*

At the time they finished their year-long training, each ICE participant completed a report card that talked about the progress they had made and changes they had introduced to their organization. Their answers touched on several important topics including any new capital they might have secured or planned to secure for their enterprise, the skills they had acquired, and the professional networks they had been able to access as a result of their involvement in the program.

Here's what we learned from the report cards.

Nearly all of the entrepreneurs believed they had increased their knowledge in the vital areas of management skills (86%) and marketing (93%). All of them reported that they had increased their knowledge in leadership. Further, 86% reported that they had increased their knowledge in networking. In particular, more than 80 percent made use of the Private Sector Network, an extensive network of business experts that serve as professional resources and provide advice to participants. They spent a total of 722 hours consulting with its volunteer experts.

This trend is significant because survey data collected at the beginning of the program showed that many of the participants lacked professional contacts and suggested that their professional networks were relatively weak. Upon entering the program, more than 75 percent did not have a board of advisors or regular board meetings; and more than 80 percent did not make use of mentors, conferences, trade associations or consultants to locate new employees.

Perhaps as a result of these increased contacts and a more formal focus on business growth and the skills required to make it happen, **most participants (93%) stated that they are following the growth plans they developed for their businesses** during the year-long program. Certainly, this is a sign of progress.

The entrepreneurs also indicated they were now doing more business with each other as well as with the businessmen and women in the Private Sector Network. There were other positive signs, too. Nearly two-thirds of the participants increased the number of people they employ by nearly 20 percent. And, the majority of participants increased revenues by an average of $4,000 per business during the program

Their access to capital illustrates a similar story. Typical of most ventures, 55 percent of these entrepreneurs secured initial start-up capital from family members and friends. But as of the beginning of the program, more than 60 percent believed they did not have adequate capital access for growth. Market access was less of a barrier. Sixty-eight percent indicated that they had access to the markets needed for growth.

Nonetheless, it seems that their efforts to expand their networks and increase their access to knowledge, skills and capital are paying off**.** These ventures increased their sales over 10 percent during the first two years of the program, exceeding $37 million. At the completion of the program, this sample of entrepreneurs indicated that due to their involvement with the private sector network, their access to new financing similarly increased by an average of $64,000 per business. Furthermore, some 40 percent of participants saw their personal wealth grow.

Overall, it seems that these entrepreneurs are acting very much like one would expect. They work long hours, grow their ventures, and aren't especially picky about how they do it. On the other hand, they defy most of our assumptions about how an entrepreneur is supposed to act when it comes to the way they put the business and socially-conscious halves of their vision together.

New Ways to Understand the InnerCity Entrepreneurs and their Ventures

Because the premise of our study was to understand inner-city entrepreneurs and the growth of their ventures, the analyses focused on the broad context of entrepreneurship: the motivations of the entrepreneurs, the mission, goals, and business practices of the ventures, and the influences of values and their communities. Yet, even given these complexities, **most of the research to date tends to split ventures into one of two main categories — economic or social.** "Traditional" economic ventures are guided by a profit motivation, follow business strategy and practices, and focus on obtaining resources to achieve competitive superiority.[20] Social ventures are usually thought of as non-profits, or sometimes as for-profit ventures led by socially motivated entrepreneurs whose core mission is to bring about social change or innovation. [21]

While our sample did reflect ventures at these ends of the spectrum, our preliminary findings showed that majority of our ventures were in fact quite mixed, but not mixed in any single pattern. The complex variations of individual motives, values, goals, mission, business practices and community involvement varied widely. We labeled these ventures "*hybrid ventures*."

These ventures often have dual missions that even their owners or managers don't acknowledge. Recall that only 20 percent said their "social mission" distinguished them from the competition. What this tells us is that they aren't self-conscious about all the ways they give back to the community. It's just something they do as a matter of course.

Instead of having either a bottom-line focus or a “do-gooding” focus, they *blend* business and community improvement goals in a variety of creative ways. The good they do is sometimes by design and sometimes not. But the fact is that they’re a great deal more self-conscious about their money-making and money-raising.

Be that as it may, although the good they do may be coincidental with them being successful entrepreneurs, it is no accident. Doing good is a natural by-product or elaboration of their business dealings, if not an explicit part of their business plan. **In these hybrid ventures, then, profits do not have meaning without mission, and mission does not have meaning without profit.**

To begin, here are examples of the classic “economic” and “social” venture.

Traditional Economic Ventures:

Traditional ventures emphasize the quality and growth of the business. They articulate no explicit social mission beyond running a good and profitable business and/or taking advantage of a market need.[22]

Latino News Source (LNS)

> Latino News Source, a news media business started by three Venezuelan immigrants, provides a good example of the traditional economic model. These entrepreneurs used their personal and professional expertise in public relations and journalism to fill a gap in the growing Hispanic media market. Their approach was more “standard” than not. They began by drawing up a business plan and securing venture capital funds to get things going. Their goal is to become recognized as the “go to” place for major companies who want to access the Hispanic and Latin American markets.
>
> Although they are mostly involved in newspaper publications and radio at present, they hope to branch into TV in the future. LNS even named its business with this future in mind, giving it a three-letter abbreviation similar to other major news media outlets (e.g. NBC, CNN). This team of entrepreneurs wants to do well — very well. They want to position their business as a leader in the marketplace and secure a better living for themselves.
>
> Latino News Source has no explicit social or community mission. It is not located in a Hispanic neighborhood, but in a predominantly upper-class and largely white Boston community. Their core focus is on running a profitable business, not connecting with local folks.
>
> Even so, while they clearly have an economic mission it could be argued that they are still promoting a larger social good, even if only by “default.” That is, they are creating a media opportunity that will serve and represent the largely underserved Hispanic population in the U.S. Further, these minority entrepreneurs illustrate that white men are not the only ones who develop “traditional economic ventures.”

Traditional Social Ventures:

The clearest examples of traditional social ventures are non-profit organizations. Bringing about a "social good" is their core mission or agenda. However, many of the non-profit founders *and leaders who are considered "entrepreneurial" are increasingly relying on business-development tools, as funding has become more difficult to secure and maintain for long periods. Just like any other venture, reliable income is an essential part of stabilizing and growing a non-profit organization as well. Organizations like these sometimes may be called "social enterprises," and the people that run them may be called "social entrepreneurs."*[23]

The Arts Therapy Institute

The Arts Therapy Institute is a non-profit organization dedicated to using the creative arts to facilitate growth, learning, healing and hope among children and families who are challenged emotionally, physically and developmentally. Much of their support comes from grants and donations, but they also have fee-for-service programs. The executive director is working to grow the resources of the organization. That is, he is interested in developing the "business" side of this non-profit venture, to do a better job of marketing, cost/benefit analyzing and maintaining steady income. This venture's goal is to grow and provide more and better services to a wider clientele.

It's not hard to see how the "hybrid" venture combines elements of these more traditional types of ventures.

Hybrid Ventures: Social and Economic Missions are Mixed

Hybrid ventures have both economic and social missions. Their entrepreneurs combine these goals in a variety of ways. However, the common characteristic is that these ventures engage in "good making" almost as much as they do profit-making. They may do good by doing well or do well by doing good. But, they are always seeking out different and better ways to do more of both. In this sense they are "business-and-community enterprises."

The Building Supply and Repair Co-Op (BSRC)

The BSRC is located in the heart of Boston's predominantly black neighborhood. It has many unique features that make it easy to classify as a hybrid. It has a cooperative ownership structure, a sister non-profit organization, and a social mission that is dedicated to the local community as well as the global environment. The BSRC was started by what we would now call a "social entrepreneur" — someone who saw both the community need and the business opportunity to meet that need. In the face of the 1970s energy crisis, he created an organization dedicated to providing energy conservation products and assistance to local homeowners. In the years since, the BSRC has developed into a cooperative building supply and homeowner training center — a business owned by its diverse membership. They have a "home supplies" store and a kitchen design center. They also offer regularly scheduled home repair workshops,

BSRC's inventory of building supplies is similar to a small hardware store. Care is taken to provide high quality, environmentally-conscious supplies. For example, their fertilizers are organic, and they sell energy conservation kits and rainwater collection barrels. The wood moldings they sell have been remanufactured from recycled and scrap wood. Further, the BSRC is contracted by the City of Boston to sell garbage composters and child-safe window guards.

This is technically a "for-profit" venture. However, given its unique co-op form, profits are funneled into two places. First, profits benefit the many members in that they can continue to access high quality, unique home supplies and building services at prices below what they would cost on the "open market."

Second, profits help to fund their non-profit sister organization, the Homeowner Resource Center. The center sells donated building supplies such as drywall, wood, floor tile and paving bricks as well as salvaged materials such as old kitchen cabinets and sinks. While anyone can buy these goods, low and moderate income buyers get them at cheaper prices.

By operating both a for-profit and a non-profit venture, the BSRC is uniquely equipped to meet a variety of social goals. And, in the nine years under its current executive director, the BSRC has seen annual sales rise from $375,000 to $1.2 million.

Fresh Foods, Inc.

Fresh Foods, Inc. is located in an inner-city neighborhood that has seen its share of business disinvestment and disinterest. The entrepreneur saw a need and opportunity to "do well by doing good" by, for and with this community. Built around a strong social mission, this hybrid venture illustrates how emphasizing equity, fairness and "social justice" are not incompatible with running an effective and profitable business. In fact, for Fresh Foods, it is exactly this combination that makes them a powerful vehicle for economic development.

Fresh Foods was founded in 1994 as a take-out lunch operation that utilized local talent to deliver fresh, home-style ethnic foods. Soon after start-up, the entrepreneurs were asked to provide ethnic meals to the growing population of homebound seniors in the local ethnic community. They now have a well-respected and thriving business that produces more than 4,000 meals a day for homebound elders and school children. The company has experienced steady growth, with revenues exceeding $2 million. Fresh Foods currently employs approximately 50 people.

Fresh Foods operates on the principle that people should not be forced to leave their communities to find decent jobs and quality goods and services. Their commitment to hiring and developing local talent is seen as one important way to help build the economic capacity of the community. As the CEO describes, "*We want everyone to think like an owner"* so that they can eventually manage Fresh Foods or start their own ventures. His ultimate goal is to build financial, human and social capital within the community so that the business and surrounding neighborhood can be locally sustained.

Tech Specialists

Founded in 1994, this woman-owned company is a technology service provider for local small businesses, non-profits, and educational institutions. Tech Specialists provides on-site technical support services, and they sell and repair computer hardware. The organization strives to help clients build their technology capabilities by bringing in more cost-effective technology. Tech Specialists employs 10 full-time staff and has revenues of more than $1 million.

Unlike Fresh Foods, which is driven by a dual organizational mission, the social mission at Tech Specialists reflects more about the entrepreneur's desire to have a *personal* impact, rather than organizational impact. She views business ownership as a means of attaining a position of influence and creating a setting that gives voice to her values. In this way, she uses her business as a vehicle for advancing her social agenda, which, at times may or may not be related to the actual day to day work being done in her business. For example, Tech Specialists donates three percent of before-tax profit to charities, most of which focus on animal welfare and protection of the environment.

This doesn't mean, however, that the owner's personal stamp doesn't come out in the structure of the business itself. Tech Specialists provides discounts for non-profit customers, supports a website where local non-profits can advertise events and is environmentally conscious by using either public transportation or a hybrid car to commute to customer sites. Further, the founder intentionally located the business in an underserved area to support the economic development in the community. However, as it turns out, most of her customers and employees are from outside of the neighborhood.

At this point in the organization's evolution the social and economic missions overlap. For this entrepreneur, the purposes of running a profitable business are to fill a customer need, to create professional opportunities for herself and her employees, and to have the personal or organizational means to support non-profit organizations that have social agendas she cares about.

<u>Creation Catering and Events</u>

Creation Catering is an off-premise catering and event planning business that specializes in gourmet Caribbean, Southern and vegetarian cuisines. Owned by a Haitian man and his wife, the business collects revenues of approximately $300,000 a year. Their primary business comes from weddings, but they also have corporate, non-profit and private clients. Many of these clients are Caribbean-American or African-American. Creation Catering also works closely with other businesses such as florists, photographers and entertainment companies to provide one-stop-shopping for their customers.

Creation Catering is an immigrant-owned business in an underserved, inner-city neighborhood. However, its founder and CEO takes care to serve a "higher-end" clientele than he might find living next door. This is a significant point of tension for him. He wants his business to do well, not only to benefit himself and his family, but also to serve as a model for other minority and immigrant businesses. He believes that by demonstrating that minority-owned businesses can provide high-end, quality services, he can dispel myths and stereotypes about what minority entrepreneurs can accomplish. In this way, his mission is clearly mixed. He is a businessman, yet he also considers himself a leader in his community and a role model for other immigrant and Black entrepreneurs.

The changes he hopes to make also reflect his community-oriented thinking. For example, he is currently working on transitioning from his off-site catering work to running an on-site business. He believes it will help him create a gathering place for the Black community; something he says is sorely missing. He sees this change as an opportunity to stabilize the business, raise his profile in the community, and even build a legacy establishment that provides connection and history in the Black community.

Challenges of the Hybrid Enterprise

The dual mission of a hybrid enterprise affects many decisions the entrepreneurs make. It can sometimes create special challenges as well. For example, the owner and CEO of Fresh Foods' admits that developing local talent, as opposed to hiring experienced talent from outside the community, has slowed the business's growth. Yet, his mission is clear, and he believes strongly that he is doing the "right thing." So, while he certainly wants to grow, he must constantly negotiate a balance between his complementary economic and social missions.

Ethnicity and culture also play a role. Sociology has provided many insights into the effects of ethnicity on entrepreneurship and business development, especially among immigrants or within predominantly ethnic communities.[24] Not surprisingly, ethnic entrepreneurship brings with it both advantages and disadvantages. For example, the owner of Creation Catering is a Haitian immigrant who strives to serve other minorities in the city. Yet, at the same time, he desperately wants to bridge out of his local community into a broader, wealthier market. He attempts to run his business in more formal ways than many of his co-ethnics are used to. So, although he is trying to serve a largely ethnic community, he is attempting to do it from a more "mainstream" business model. It doesn't always work well. This discrepancy, and the difficulties one can face when trying to bridge social and economic differences, creates a dilemma for the entrepreneur. *How does an entrepreneur bridge the gap between his or her ethnic community and the demands of the mainstream economy?*

It could be argued that business owners who are interested only in sustaining a modest income need not worry so much about these distinctions. However, those who want to grow a business in the inner city, particularly in communities with relatively weaker institutional infrastructures and more unstable economic situations, face a variety of challenges. For hybrid enterprises, a poor balance of social and economic missions can put the business at risk. Balancing them well can make the business thrive. Yet, as a business grows, the entrepreneur becomes less involved in every decision, perhaps making it more difficult to manage both missions well. Given these challenges, *how does a venture ensure that the dual social and economic missions are held by the organization itself and not simply part of the owner's approach?*

These two questions cannot be answered here, but will be explored in more detail as the ICE research continues.

Conclusions and Implications

We argued at the beginning of this report that research and programs target either specific locations (e.g., the inner city) or populations. Less research focuses on the intersection of minorities in inner cities and the complex challenges they face in growing ventures. Our research posed the question: *How do the ICE entrepreneurs grow their ventures*?

For this phase of our research, we studied two cohorts of entrepreneurs who participated in a program designed to help them plan and execute the growth of their ventures. Using a variety of entry and follow-up surveys, in depth interviews and a report card, we presented initial findings that address four main questions:

> *Who are these inner-city entrepreneurs?*
>
> *How do they organize and grow their ventures?*

What are the connections between them and their communities?

How do they position their ventures for growth?

Our findings present a profile of these entrepreneurs and their ventures that do not fit neatly into previous descriptions of either mainstream traditional economic ventures or social enterprises. Preliminary results show that indeed some of these ventures fit these defined ends of the venture continuum, but the majority of ventures in our study are what we refer to as “hybrids” or, perhaps, “business-and-community enterprises.” We find these entrepreneurs are motivated not only by a desire to start a profitable venture, but also are inspired by their family, ethnic values and an obligation to give back to their community. Entrepreneurs with a “socially-conscious” approach believe this differentiates their ventures from competitors. At the same time, it’s clear from this collection of entrepreneurs that not all entrepreneurs who practice being “socially conscious” preach it.

These businesses may be structured differently also. Many of them have flat organizational structures, or even operate as formal “co-operatives.” Several have a variety of informal communication channels in place, and sometimes offer employee-ownership programs. Each of these approaches is designed to maximize employee involvement and commitment to the venture. Our findings indicate that ventures that consider some kind of employee ownership or put this kind of plan into place may do less “giving back” to the community in many other ways.

ICE entrepreneurs often reflect a preference for social engagement at the local level. They view participation in local community affairs as more important than participation in national organizations such as sororities or lodges. Local community participation seems to have economic benefits. It can foster a positive reputation for the business and the entrepreneur as a business leader.

Yet, the complexity of their social and economic goals, organizational practices, and community activities creates dilemmas for these entrepreneurs, particularly as they grow. Our research shows that to date, many entrepreneurs have not made as much use of their professional and community networks to attract new employees or, for that matter, the capital and technological resources they need to make their ventures grow.

The minority entrepreneurs in our sample tend to have customers who are also minorities. Given the demographics of the inner city, this is not surprising. However, the combination of an ethnically limited market with a geographically limited market makes gaining access to a more diverse customer base that much more difficult. To the extent that they want to grow their ventures, however, it will be necessary to find ways to make either the ethnic or the geographic boundaries wider and more inclusive. This will require “bridging” what may be seen as two relatively different worlds. Luckily, most ICE entrepreneurs are not strangers to balancing acts and already have expanded the geographic focus of their market.

This study has given us a rich snapshot of some inner-city entrepreneurs and their ventures. However, we have yet to figure out exactly how the entrepreneurs’ unique personal goals, values and experiences, the ways they organize and run their ventures, and their community involvement can best be combined in order to promote their own growth or to grow other people and ventures like them. This is a next step for research.

The primary finding of this study – that many inner-city entrepreneurs create ventures that incorporate both an economic and social mission – has implications for public policy initiatives and management education. The findings seem to suggest that hybrids require creative and innovative strategies to manage growth in ways that support the complex nature of their dual missions. It is not just a matter of training inner-city entrepreneurs to be like their white, suburban counterparts. Our findings suggest that we must recognize the embedded nature of entrepreneurs and their ventures in the social environment. Future research on ICE entrepreneurs and the experiences of hybrid ventures may help us expand or redefine our notions about who these entrepreneurs are, why they do what they do, and how we can measure their success.

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APPENDIX A
Background on the ICE Program in Boston

Mission
InnerCity Entrepreneurs (ICE) through practice and applied research promotes job creation, wealth generation, and community building for ***existing*** inner-city small businesses and organizations interested in ***growth.*** ICE fulfills this mission by partnering with community-based organizations to offer advanced management training, peer-to-peer learning, one-on-one coaching, and networking opportunities to inner-city entrepreneurs who want access to new markets, capital, professional resources, and knowledge to grow their ventures significantly. Graduates of the ICE program continue to work together through the ICE Alumni Network.

ICE Goals
- Provide small inner-city business owners with the training, tools, and peer-to-peer support that will enable them to envision and fulfill their capacity to become community leaders
- Stimulate economic development in Boston's neighborhoods by delivering a high impact program to existing businesses with the potential to grow, create jobs, generate wealth and build capacity
- Establish a network of business professionals to provide the advice and one-on-one coaching that small inner-city business owners typically lack
- Provide small inner-city business owners with greater access to new markets, capital, and knowledge
- Improve understanding among small business owners of different ethnic and racial backgrounds and the wider business community about the challenges of working, living and building a successful business in the inner city
- Develop a body of research to inform the academic and economic development communities and influence the public policy debate over the allocation of public funds to start-up versus existing businesses with growth potential
- Create a replicable and scalable model
- Become the leading economic development program that works with existing inner-city businesses seeking growth
- Establish ICE as a self-sustaining, multi-year inner-city economic development initiative

Over a one year period, ICE provides business owners with an in-depth program that includes the training, tools, goal setting skills, and contacts they need to grow their ventures significantly in the coming years. Rather than seeking to reinvent the technical assistance wheel for small inner-city businesses, ICE complements existing community-based organizations that work with inner-city entrepreneurs and community leaders.

ICE's Unique Program Delivery Methodology
ICE's program methodology revolves around the concept that an entrepreneur will use their own business as the case from which they learn. Using four unique program delivery methods developed by Boston University professors at the Entrepreneurial Management Institute, participants will build skills, set personal and professional goals, and network with peers and professionals. The four methods are:

1. Peer-to-Peer: There will be 10 professionally facilitated peer-to-peer sessions. Emphasis will be placed on discussing important daily issues facing each business, topics that participants choose to discuss, and ways related to coursework to grow each business.

2. Coursework: The coursework consists of 14 three-hour classes that take place approximately every two weeks. This provides ample time for participants to 'learn by doing,' applying in-class skills to their businesses, and then coming back to class to report on the results. Rather than deliver a flood of information in lecture format, the instructor facilitates highly interactive sessions. The particular focus of the coursework is on setting overall personal and professional goals, financial analysis, marketing and sales, and resource needs. During the final class, each participant will present his or her three-year strategic growth plan to a panel of experts from the Private Sector Network.

3. Private Sector Network: In each location, ICE creates an extensive network of business experts to serve as professional resources and provide advice to participants. Members of the Private Sector Network agree to provide guest lectures in class, host at least six topic related networking events open only to ICE participants, and answer any questions a participant may have throughout the program. The Private Sector Network in Boston currently includes 40 business professionals, including lawyers, accountants, bankers, venture capitalists, human resource directors and public relations specialists.

4. Coaches: ICE offers participants the opportunity to select a coach based on their interests. As the program progresses, each participant will develop a growth plan and will determine if there is an appropriate coach in either the Private Sector Network or among previous contacts that can assist in executing it. ICE facilitates these matches and helps to guide the relationships.

Upon completion of the program, each participant will have set specific milestones, developed a three-year strategic plan to grow his or her business, and worked with peers, experts, and coaches to gain greater access to new sources of capital, markets, and knowledge. Each participant will receive a Certificate in Small Business Entrepreneurship during a special graduation ceremony.

ICE Today

InnerCity Entrepreneurs highlights the importance of focusing on existing businesses interested in growth. It has a unique approach of combining program, research, and policy efforts to create tangible outcomes for businesses and their communities. ICE formed its first partnership in 2003 to deliver its programming in Boston with Roxbury Community College, a community based organization. The program received a three-year $100,000 grant from Citizens Bank Foundation, which enabled ICE to design the four program components, select the first class of 14 businesses from an applicant pool of 27 through a competitive process, and launch the program on January 13, 2004. An initial survey of the participants indicates that 90 percent rate the program excellent, 100 percent rate the program materials excellent, and 100 percent rate the instruction excellent.

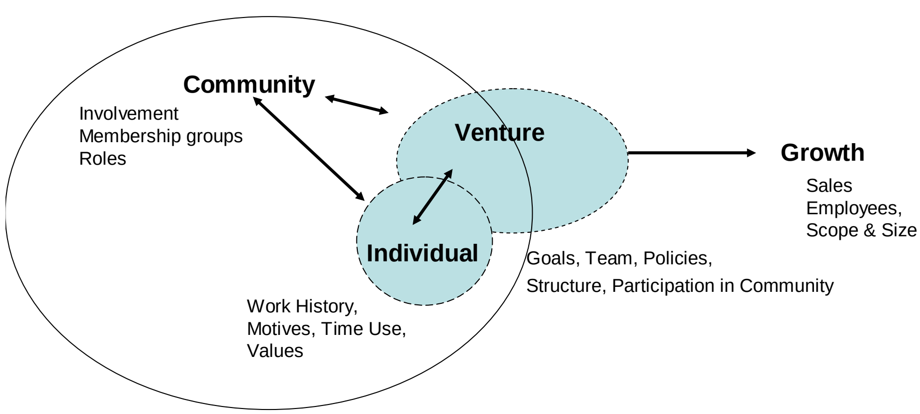
APPENDIX B
Research Methodology

Framework

Our research design has three levels of analysis: the individual entrepreneur (i.e., demographics, motivations, values); the firm (i.e., business structure and operations); and the relationship between business and the community (i.e., voluntary and organizational memberships, donations, and participation in community events). Based on the premise that entrepreneurs and their ventures are socially embedded, we expect to see many social influences on how the individual becomes an entrepreneur and how the venture survives and succeeds. We look at how the entrepreneur's work history, motives and values to impact the venture, the influence of group membership and roles, and the location and demographics of the employee, customer and geographic "communities." We expect that all of these factors influence venture growth. Given this, we crafted a series of research questions. These are also reflected in Figure #1 below.

- *How do inner-city ethnic and minority entrepreneurs grow their ventures?*
- *Are there personality differences among entrepreneurs that help or hurt them?*
- *How does the way they organize their ventures help or hurt their chances to grow?*
- *Does being embedded in the community make a big difference in their ability to grow their ventures?*

Figure #1 Conceptual Framework:
An Investigation of Community, Business and Individual Factors on the Growth of Inner City Entrepreneurial Ventures



Sample

The entrepreneurs from this study are all ICE participants. The data presented in this report represent the first phase of the research project and look at the first two cohorts of ICE participants. Once in the program and for up to five years afterward, participants are required to provide a variety of data for both program and research purposes. Much of what is reported here is exploratory. In this first phase, we are looking for trends and patterns that will allow us to ask better questions and formulate new hypotheses about entrepreneurs in urban areas.

Design and Data Collection

This longitudinal panel study employs a variety of data collection methods, including surveys, personal interviews and observations, as well as secondary data analysis. We compiled archival background data and information about minority and female entrepreneurs and inner-city economic development. We followed this with a review of academic literature and studies from both management and sociology.

Within the first month in the program, participants completed a two-part survey interview. These surveys were completed on a one-on-one basis with a program staff person, and included questions addressing all three levels of analysis—the individual, the business, and the community. The "Report Card" component asks questions most pertinent to the economic approach and goals of the business. It asks a mix of open and closed ended questions. The social survey component asks about the goals, practices, and relationships of the entrepreneur and his or her venture. This 160 question survey asks scaled and yes/no questions. Responses that could be quantified were entered into a statistical database for analysis. Open-ended responses were analyzed separately using qualitative coding techniques.

These surveys are taken at other points as the participant progresses. The Report Cards are administered again at the mid-point of the ICE course. Then, at the one year mark, and for up to five years afterward, the entrepreneurs again complete the two-part survey. These longitudinal data will allow us to examine the changes and progress of these entrepreneurs and their ventures over time.

In-depth interviews conducted by graduate students for their own related research provided deeper insight into one or more of our three areas of analysis. Interview data were compiled into transcripts and were analyzed using qualitative data analysis techniques. Other data is also captured during the course of the program. For example, each participant completes a self-assessment of their business, the people in it, and the skills and resources needed to make it successful. They also develop and write growth plans for their ventures. While these projects are designed to be used as learning tools for the ICE program, the data they provide will be very helpful in providing a broader context over the long term.

Biographies of Principal Investigators:

Candida Brush: Professor of Entrepreneurship, Babson College
Dr. Brush is Professor of Entrepreneurship, Chair of the Entrepreneurship Division and holds the President's Endowed Chair in Entrepreneurship at Babson College. She was formerly the Research Director for the Entrepreneurial Management Institute and Director of the Council for Women's Entrepreneurship and Leadership at Boston University. She has authored four books and 80 scholarly articles and book chapters. Her research investigates the ways women start and grow businesses, and resource acquisition strategies of emerging ventures. With four other researchers, she is studying women's access to growth capital, referred to as *The Diana Project*. This international research project includes scholars from 18 countries and will publish a book on financing fast growth women-led ventures internationally in 2005. Her most recent book, *Clearing the Hurdles: Women Building High Growth Businesses,* Prentice Hall-Financial Times, was released in May 2004.

Daniel Monti: ICE Founder and Director of Research, Boston University
Dr. Monti is Professor of Sociology at Boston University. He has written six books and is the recipient of a Woodrow Wilson Fellowship. His most recent book, *The American City: A Social and Cultural History*, spans 300 years of American history and touches on cities in all 50 states. It is a detailed description of the civic culture not just of cities, but of the entire nation and the role business plays in a city's development. His next book, *Civic Capitalists: How Everyday People Make America Work* will explore the role of business as America's first and foremost civic association.

Research Associates:

Amy Gannon, M.B.A
Ms. Gannon is a second-year DBA student in the Organizational Behavior Department at Boston University's School of Management. Her research interests include exploring motivations for business ownership as a career choice, how those motivations influence and are influenced by social networks, and how they impact the strategy, structure and success of businesses. Other key interests include diversity and leadership. Prior to starting her doctoral studies, she spent 10 years managing projects in corporate, not-for-profit and government settings.

Andrea Ryan, M.S.
Ms. Ryan is a Ph.D. candidate and teaching fellow in the Sociology Department at Boston University. She is currently conducting an inventory of small businesses in the predominantly Hispanic city of Lawrence, Massachusetts, where she is also engaged in a number of projects related to ethnic economies, entrepreneurship, and community revitalization. Among these is her investigation of the ways that business and family asset building can help persons move from the informal to the formal economy. Her dissertation is preliminarily entitled *Ethnicity and Entrepreneurship in a Majority-Minority City: Small Businesses as Economic Engines and Civic Actors.* Her professional background includes higher education teaching and administration and non-profit program management.

Program Advisor:

Andrew M. Wolk: ICE Director
Mr. Wolk is a faculty member at Boston University's Graduate School of Management. He teaches in the Entrepreneurial Management Institute and has developed several course curriculums. He has worked extensively in small business economic development including Neighborhood Business Builders, a division of Jewish Vocational Services, and the Jamaica Plain Neighborhood Development Corporation. Before receiving his MBA in nonprofit management and entrepreneurship from Boston University, Wolk started, built and sold his own small business.

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[1] Monti, 1999.
[2] Inner cities are defined as core urban areas that have higher unemployment, poverty rates and lower median income that surrounding Metropolitan Statistical areas (MSA). Using Census Data, ICIC estimates that Inner cities have 20percent poverty rate or higher or two of the following three criteria
- poverty rate of 1.5 times or more that of their MSAs;
- median household income of 1/2 or less that of their MSAs;
- unemployment rate of 1.5 or more that of their MSAs from ICIC.org
http://www.icic.org/vsm/bin/smRenderFS.php?PHPSESSID=81d945280bfa8de8bc46806d113a053f&cerror=
[3] http://www.riverwestcurrents.org/2004/December/002309.html
[4] Porter 1995
[5] http://www.uli.org/Content/NavigationMenu/MyCommunity/UrbanRevitalization/InnerCityAdvisors/Inner_City_Advisors.htm
[6] http://www.brookings.edu/metro/publications/murphyexec.htm
[7] Boston Connects, http://www.bostonez.org
[8] http://www.pioneerinstitute.org/entre/legup.cfm.
[9] Still, Tom, Wisconsin Technology Network, 4/20/05 http://wistechnology.comn/printarticle.php?id=1736,
[10] Lowrey, J. 2005
[11] Lowrey, J. 2005. ibid.
[12] Lowrey, J. 2005. ibid
[13] Lowrey, J. 2005. ibid.
[14] Brush et al., 2004
[15] CWBR, 2001. Center for Women's Business Research (CWBR) Removing the Boundaries, Baltimore, MD; CWBR
[16] CWBR, 2001
[17] Lowrey, J. 2005. ibid.
[18] Past research in entrepreneurship examines factors influencing growth of entrepreneurial ventures (Carter et al., 1994; McDougall et al., 1994; Kirchhoff, 1994; Cooper et al., 1994; Brush & Chaganti, 1998; Bhide, 2000; Delmar, et al, 2003). Collectively, this research shows that industry contextual, individual motives and firm strategies combine to determine extent and scope of growth. But, nearly all of this research investigates firms founded and run by populations of white men, rarely considering possible differences by race, sex and ethnicity (Bates, 1993; Fairlie; 1999; Greene & Butler, 1996). At the same time, the vast majority of research examining growth most often applies theoretical lenses rooted in industrial economics or strategy (McDougall et al., 1994; Kirchhoff, 1994; Cooper et al., 1994; Brush & Chaganti, 1998; Bhide, 2000). Sociological research on entrepreneurs and how well businesses are embedded in their community is also limited. There are good studies about the way business people in ethnic enclaves are tied to their neighborhood (Light & Bonacich, 1988; Butler, 1991; McDougal, 1993; Light & Gold, 2000). But there is little or no research on how minority businesses grow, expand their market, or contribute to the larger community in which they operate (Silverman, 1999; Jones & Conway, 2000; Chaganti & Greene, 2002). At the same time, the influence of community factors, individual aspirations and values, as well venture goals, policies and team building on minority business growth are not well understood.
[19] One of the more prominent voices urging us to be concerned about declining civic participation and "joining" is Robert Putnam in Bowling Alone (2000). Those who argue against this include the following: Monti 2005, Lappe,

and DuBois, 1997, Lemann, 1996, Paxton, 1999.
[20] Lumpkin & Dess, 1996.
[21] There are a wide variety of terms that characterize intersection of entrepreneurship and social issues. These include social purpose businesses, sustainable ventures, eco-preneurship, environmental entrepreneurship and others (Gerlach, 2003)
[22] Kirzner, 1973; Shane, 2003.
[23] Roberts and Woods, 2005, Leadbetter, 1997.
[24] Light and Bonacich, 1988, Light and Gold, 2000.