What COVID-19 reveals about Small Business and Entrepreneurship

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July 2, 2020 Jägerhof in Weißenfels, Germany
home of Johann Sebastian Bach's Hunting Cantata
Social entrepreneurship has a primary, strategic focus on social or environmental outcomes rather than shareholder profit maximization.
Where are you coming from?

POLL

- small business owner
- small business staff
- government worker
- investment community
- philanthropic community
- financial empowerment agency / CDFI / banking
- Brown School student
- prospective WASHU student
- other - let us know in the chat
COVID-19 and small businesses in USA
Vulnerability and resiliency
Preserving small businesses in St. Louis
Rebuild. Rebuild Better.
COVID-19 and Small Business
COVID-19: Existential Threat to Small Businesses

- 1.7 million small businesses hit by COVID-19
  - Employed 20 million workers, and contributed 12% of US business revenue.
- Firms with less than 100 employees hit hardest by COVID-19
- 58% of small businesses are “extremely” or “very concerned” about the financial viability of their business.
- Many questions still open about who is getting access to PPP funds and if the amounts are sufficient. As of July 1, deadline extended.
Vulnerability of small businesses, by sector, to financial risk and to the effect of COVID-19

Source: Census Bureau Small Business Pulse Survey, 2020, Labor CUBE
COVID-19 and Black owned Small Businesses
COVID-19 Impact on Small Businesses in the United States disproportionately affect minority business owners

55% of black-owned small businesses in the U.S. are more likely to have conducted layoffs or furloughs or to have shut down their business vs. 48% for all respondents.

The share of minority-owned businesses and minority employment is highest in the industries most directly affected by COVID-19.
Minority-Owned Small Businesses Vulnerability Prior to Covid-19

- Start off in poorer financial health
  - profitability, credit score, and likelihood to use retained earnings as a primary funding source.
  - less access to liquid assets than white businesses
  - average 30% smaller than mature non-minority businesses in revenue and staff
- Limited access to credit (60% load approval for white small business owners by large banks; 29% for Black owners).
- Less early investment compared to white small businesses
- Minority-owned businesses are concentrated in the industries most impacted by COVID-19
Challenges minority Small Businesses are facing now

- More susceptible to bankruptcy from drop in demand due to social distancing guidelines
- Restricted access to capital and support services, tightening credit, less savings
- Black employers are also less likely to seek advice from professionals, possibly reflecting the cost of accessing such services
- Loss of income for small businesses will increase structural disadvantages Black communities already face.
  - Inadequate healthcare
  - Reduced/Low number of essential business services in low-income neighborhoods
  - Reduced tax base
What Can We Do Now?
Owners and managers please share your ideas and strategies in the chat for how you are keeping your business afloat.

also any web resources ...
What for you is most important for small business owners to get on top of right now:

- Cash Flow
- Pivoting like mad to meet customer needs
- Providing new Online services
- Health and Safety adaption
- Sorry no “All of the above”!
Short-Term

For Business Owners:

- Communication with customers
- Create business products or services for new problems that customers are facing
- Consider technology pivots
- Reduce spending
- Negotiate with lenders and landlords
- Reduce executive pay
- Network with and support other small businesses
- Visit St. Louis Regional Chamber Website
Business Financial Assistance

SBA Small Businesses Disaster Assistance Loans

The U.S. Small Business Administration (SBA) is offering designated states and territories low-interest federal disaster loans for working capital to small businesses suffering substantial economic injury as a result of the novel coronavirus COVID-19. To apply, click the link below, click “apply online,” register/login, and follow the step-by-step guide on the SBA’s website.

Note: when applying for COVID-19 disaster declarations, select “Economic Injury” when inquiring about your business losses.

Learn more about SBA Disaster Loan Assistance.

Apply for SBA Disaster Loan Assistance.

Small Business Resource Fund

The St. Louis Economic Development Partnership and the St. Louis Development Corporation are offering a zero percent interest loan program for small businesses in the city of St. Louis and St. Louis County that have sustained economic damage due to the COVID-19 crisis. Loan details can be found here.
Visit Justine Petersen

Small Business

START UP BUSINESSES

Click here to Apply for a Micro-Loan!

Micro-Enterprise Services

Justine Petersen provides comprehensive micro-enterprise lending and training.
Please add your ideas and strategies in the chat for how you are supporting small businesses in your area.

... links to useful resources etc
For Consumers:

- Patronize small businesses
- Provide social media support
- Promote favorite organizations on ratings platforms
- Consider buying subscriptions, gift certificates, memberships etc. for favorite small businesses
- Consider banking with a Community Development Financial Institution to put your savings to work for local small businesses
Visit Justine Petersen

**Impact in Our Community**

- **Total Amount Loaned**: $10,548,523
- **Total # of Loans**: 1,382
- **Counselors Trained**: 254

**Outstanding Loan Portfolio by Geography**

- 61.71% St. Louis MO
- 14.17% Kansas City MO
- 9.89% Metro East St. Louis
- 9.66% Southwest MO
- 3.78% Southeast MO
- 2.5% Central IL
- 1.76% Eastern Kansas
- 1.53% Other
- 0.2% Other

**Now Serving 18 States**

Justine Petersen has expanded its credit building work to serve the following 18 states:

- Hawaii
- Arizona
- California
- Illinois
- Indiana
- Massachusetts
- Michigan
- Minnesota
- Missouri
- New Jersey
- New York
- Ohio
- Pennsylvania
- Rhode Island
- Texas
- Virginia
- Wisconsin
- Maryland
Rebuild. Rebuild Better.
Rebuild.
Rebuild Better.

- Understand and dismantle systemic and structural barriers to entrepreneurial support and capital

- Build system resiliency to share/mitigate financial risk
  - Black families over proportionally lost assets in last recession
  - Higher risk to losing lives and livelihoods with COVID

- Improve responsiveness and equity from capital, banks and support organizations
  - Rethinking of Community Redevelopment Act, opportunity zones, SBA, incubators and accelerators
  - Invest in specific support for different populations, support a variety of ownership structures

Source: US Chamber of Commerce
WE Power’s Elevate Accelerator supports ready-to-scale companies by providing

- Access to capital
- Training on investment-readiness
- Advising from a business coach and mentors
- Office hours with attorneys, accountants, HR and marketing professionals
- Co-working space and community
Rebuild. Rebuild Better.

What does “Rebuild Better” mean to you?

What do we need to do in St. Louis to share risks, rewards and resources for optimal outcomes?
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Social Entrepreneurship and Innovation Lab
a joint venture of the
Brown School of Social Work, Policy and Public Health
and the Olin Business School
Additional Resources

- Why wealth equality remains out of reach for black Americans
- Mckinsey report on COVID-19: Investing in black lives and livelihoods
- Measuring the vulnerability of US small businesses during the COVID-19 crisis
- Access to Capital for Entrepreneurs: Removing Barriers
- Wealth and Asset Building Black Facts
- How Entrepreneurs Access Capital and Get Funded
- Venture capital for mom-and-pop shops
- A guide to helping small businesses navigate and recover from the COVID-19 crisis
- 10 ways to make sure small businesses weather the storm and can rebuild for the long term
- The economic impact of closing the racial wealth gap


Poll Questions to Be Reviewed

Poll 1

a) I am a small business Owner
b) I have family or friend or who is a small business owner
c) I want to be a small business owner
d) What is ‘small business owner’?

Poll 2

What do you think is the most serious issue small businesses face today? (Multiple choice)

a) Social Inequality
b) Restricted Access to Capital
c) COVID-19
d) Competition from Large Corporations
e) Regulatory Requirements
f) Others
Poll Questions to Be Reviewed

Poll 3

On a scale of 1-5, how optimistic are you that your business & finances will bounce back post COVID-19

1 - Very Optimistic, Have a Solid Plan
2 - Hopeful, Exploring Options
3 - Not Sure
4 - Not Optimistic
5 - Help!

Poll 4

How helpful was this session/webinar for you?

1 - Extremely helpful
2 - Somewhat helpful
3 - Not so helpful
4 - Not at all helpful
Long-Term Recommendations

Question the mantra of entrepreneurship beneficiaries

- Who benefits?
- What quality are the jobs?
- What happens to the profits, how can we imagine a greater group that benefits?

“The bootstraps some have pulled themselves up by came with the privilege of first having boots”.

- Kauffman Foundation