

BALTIMORE

Research Summary
2020



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Introduction

PURPOSE

The research brief is a synthesis of the most recent publicly available data on the community's entrepreneurial ecosystem paired with additional survey data collected by Forward Cities, the implementation partner of the ESHIP Communities initiative. This document is intended to inform ESHIP Communities' stakeholders as they develop localized efforts to strengthen their entrepreneurial ecosystem. A synthesis of this brief will be made available to the public.

DESIGN

The framework for the brief is inspired by the Indicators of Entrepreneurial Determinants by the Organisation for Economic Co-operation and Development (OECD),¹ and adapted to fit a city context. The structure considers the various parts of an ecosystem, both from the perspective of entrepreneurs and from those who seek to support them (e.g. mentors, government-run or community-based entrepreneurial support organizations (ESOs)).

METAPHOR

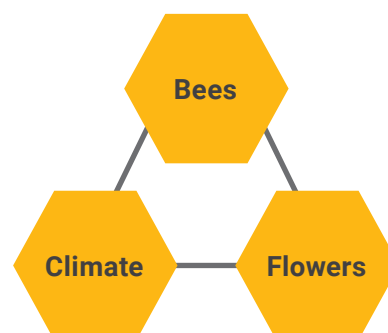
The OECD indicators are restructured to fit an ecosystem metaphor, containing the bee (entrepreneur), flowers (supporters) and climate (larger factors). The bees represent the entrepreneurs, who work to build something new. The flowers are all those that support and sustain them such as mentors, officials, and organizations. The climate describes any external factors that influence the entrepreneurial ecosystem. Ecosystem builders, similar to bees, work across the system.

Exhibit 1. Entrepreneurial Ecosystem Framework

OECD Indicators

1. Regulatory Framework
2. Market Conditions
3. Access to Finances
4. Creation and Diffusion of Knowledge (Innovation)
5. Entrepreneurial Capabilities (Preparedness)
6. Entrepreneurial Culture

Entrepreneurial Ecosystem Framework



¹ Indicators of entrepreneurial determinants. OECD. Viewed 19 Feb 2020.
<https://www.oecd.org/sdd/business-stats/indicatorsofentrepreneurialdeterminants.htm>



Population Data²

Exhibit 2. Population, Income, Education Data
(2017, unless otherwise noted)

	United States	Maryland	Baltimore City	Baltimore-Columbia-Towson, MD Metro Area
2017 Population	321,004,407	6,052,177	611,648	2,808,175
2010 Population	303,965,272	5,696,423	620,538	–
Change in population size (2010-2017)	17,039,135	355,754	-8,890	–
% of State population (if applicable)	–	–	10.1%	46.4%
% Change (all population)	5.6%	6.2%	-1.4%	–
Median family income	73,891	98,393	58,613	97,982
Median household income	60,336	80,776	47,131	77,394
% of Individuals in poverty	13.4%	9.3%	22.2%	–
Unemployment rate	5.3%	5.2%	7.6%	–
% with Bachelor's Degree or higher	32.0%	39.7%	30.6%	39.5%
% with High School education or higher	88.0%	89.9%	84.3%	90.5%

Family income: Two or more people related by birth or marriage.

Household income: Those residing in the same household, not necessarily married or in a family. Can be a single resident.

² For a list of data sources, see the appendix



Exhibit 3. Population subgroup data

	United States	Baltimore City	Maryland
Hispanic	18.1%	5.3%	10.1%
Not Hispanic	81.9%	94.7%	89.9%
White	72.3%	30.1%	54.9%
Black	12.7%	62.7%	29.9%
Asian	5.6%	2.7%	6.5%
Foreign born	13.7%	8.7%	15.3%
Language other than English spoken at home	21.8%	10.3%	19.1%

NON-CENSUS DATA

Percent of jobs in the city, held by people living in the city (2017)³

- Baltimore City: 33.0%

Percent of businesses operating after 1 year (survival rate) (2018)⁴

- United States: 79.4%
- Maryland: 77.6%

Percent of businesses owned by residents (2017)⁵

- United States: 83.1%
- Maryland: 83.9%
- Baltimore City: 86.7%

Percent of workers who live in the city, who work in the city (2017)⁶

- Baltimore City: 45.5%

Percent of the total number of new entrepreneurs who were not unemployed and not looking for a job⁷ as they started the new business (2018)⁸

- United States: 86.2%
- Maryland: 76.5%
- Baltimore City: 81.0%

³ LODES On the Map (2017). <https://onthemap.ces.census.gov/>

⁴ Kauffman Indicators of Entrepreneurship (2018). <https://indicators.kauffman.org/>

⁵ Your Economy (2018). <https://youreconomy.org/profile/index.lasso>

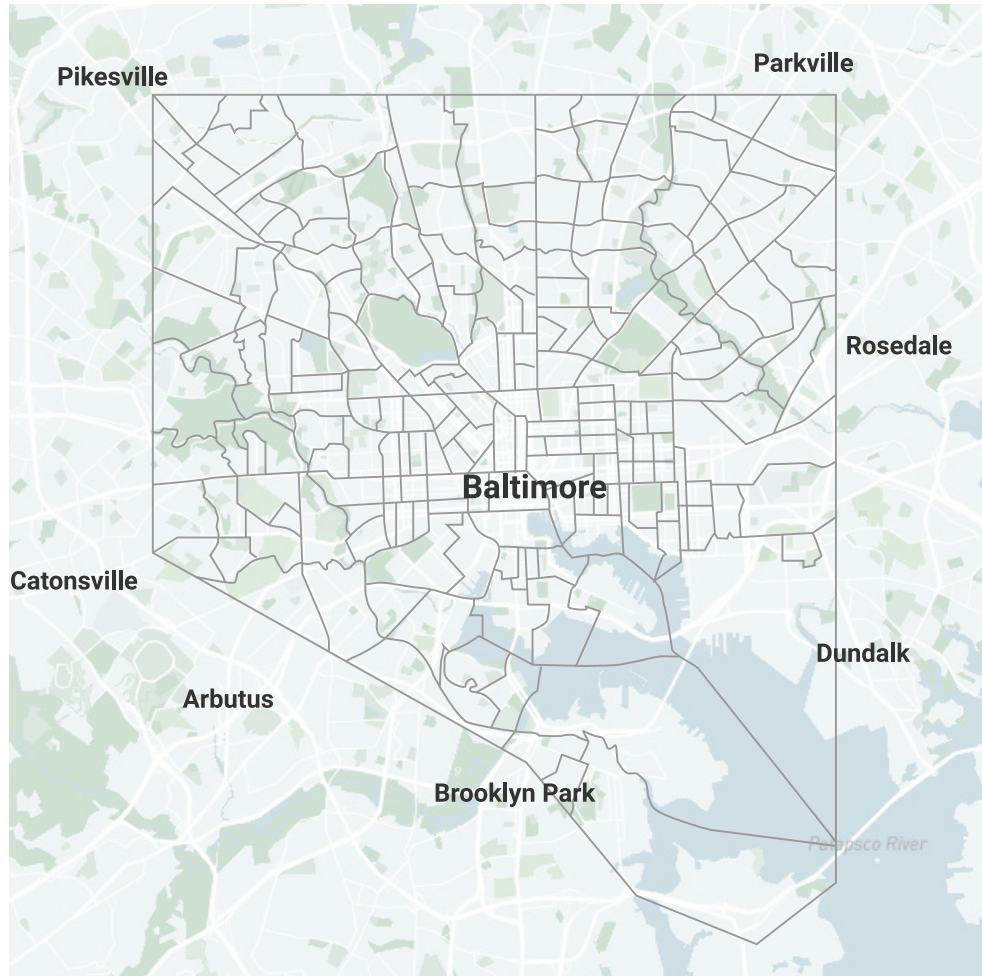
⁶ LODES On the Map (2017). <https://onthemap.ces.census.gov/>

⁷ We interpret this to mean entrepreneurs are not in the labor force and can spend all of their time starting their business rather than looking for work.

⁸ Kauffman Indicators of Entrepreneurship (2018). <https://indicators.kauffman.org/>



Exhibit 4. Location Map



Entrepreneur and Business Owner Survey Sample Statistics

Forward Cities, in partnership with the Kauffman Foundation and the National Opinion Research Center (NORC) surveyed entrepreneurs and current business owners in Baltimore. The survey sought to understand barriers and supports to entrepreneurial success that respondents experience. It also inquired about interactions with local mentors, organizations, and government services. Findings from the survey are included in different sections of the brief.

Exhibit 5. Survey Sample Characteristics
(2020)

	n (%)
Total	84 (100%)
Current business owners	35 (47%)
Aspiring or side business	49 (58%)
Female	40 (48%)
African-American/Black	50 (60%)
Asian	5 (6%)
Hispanic/Latinx	2 (2%)
White, non-Hispanic	27 (32%)
Current business owners	
Business <5 years old	19 (56%)
Full time employees (median)	0 (33 respondents have full time employees)
Zero employees reported	19 respondents (54%)
Revenue	
<\$25K	17 (49%)
\$25-\$50K	5 (14%)
\$50-\$100K	5 (14%)
>\$100K	4 (11%)
	4 respondents didn't answer (11%)
Most common industries for Current Owners	
Professional, Scientific, and Technical Services	8 (24%)
Other Services (except Public Administration)	5 (15%)
Health Care and Social Assistance	4 (12%)
Administrative, Support, Waste, Remediation	4 (12%)





SECTION 1

The Bees: The Entrepreneurs

THE BEES, EXPLAINED

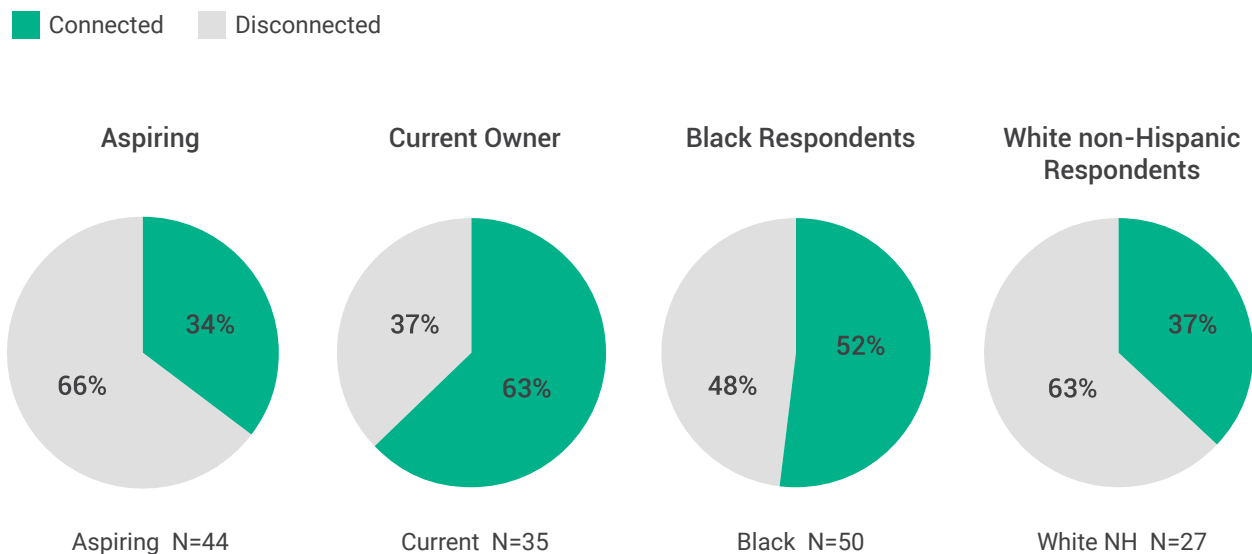
The entrepreneurs and established business owners in an entrepreneurial ecosystem are the bees. They travel great lengths, across their community and others, connecting with peers and resources to refine, establish and grow their idea into a thriving business. The bees need pollen to produce honey, just as entrepreneurs need support to thrive.

What follows is a set of indicators that speak to the entrepreneur and established business owner's experience.

Connection to the Ecosystem

Thriving entrepreneurial ecosystems facilitate, invite and enable connection between entrepreneurs and the support available. As a part of ESHIP Communities Initiative, Forward Cities and NORC conducted a survey to current and aspiring business owners in Baltimore City. Current owners are more connected than aspiring owners (63% vs. 34%), meaning they reported more interaction with at least one formal entrepreneurial support organization or a community resource. Black respondents are more connected than White Non-Hispanic respondents (52% vs 37%).

Exhibit 6. Current and Aspiring Owner Connectedness to Resources (2020)



Connected: Using ESO(s), community resources, and/or mentors
Disconnected: Not using or aware of ESOs, community resources, or mentors

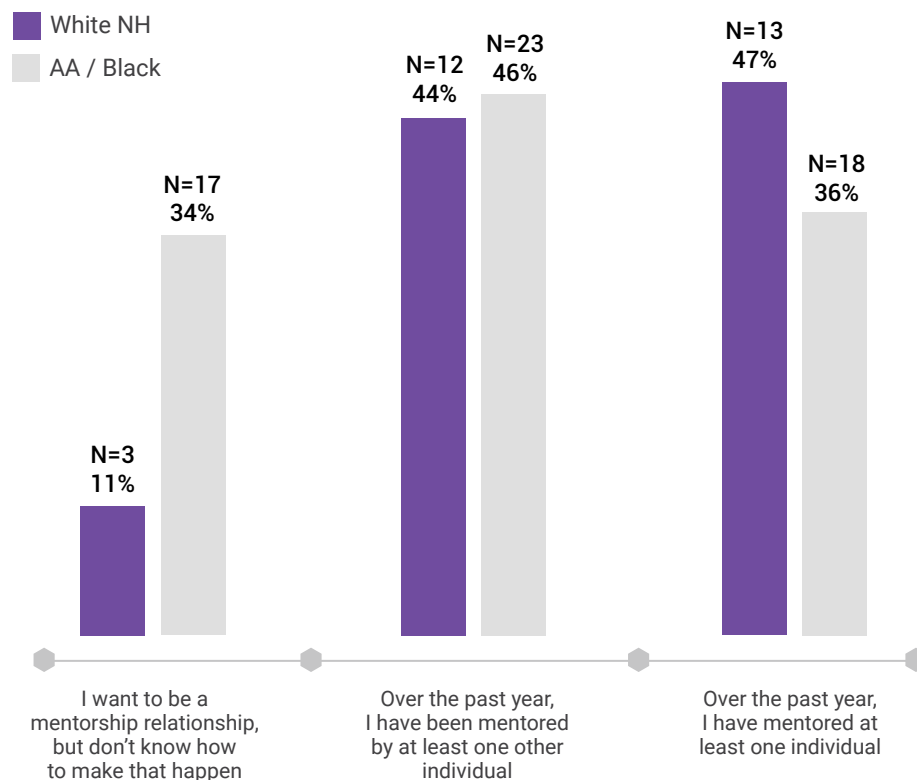


Business Mentorship

Based on the sample of entrepreneurs and business owners surveyed in Baltimore, Black respondents are interested in mentorship but unsure how to enter one more often than White non-Hispanic respondents. Participation rates in mentorship were about the same between the groups. A greater proportion of White owners and entrepreneurs mentored than Black owners and entrepreneurs.

Exhibit 7. Business Mentorship in Baltimore (2020)

AA/Black N=50 White NH N=27





Entrepreneur & Current Business Owner Diversity

What is it? The entrepreneur diversity indicator communicates whether entrepreneurs reflect their communities in terms of race, ethnicity, and gender. Entrepreneur diversity examines the number of businesses under 2 years old per 1,000 residents in 2016. Current business owner diversity, however, seeks to understand the diversity of all business owners regardless of business age, but otherwise mimics the former indicator.

Historical Context: Historically, business ownership is either not an option or considerably difficult for African Americans,⁹ Hispanic Americans,¹⁰ women of all groups,¹¹ and other subsets of the population. Entrepreneurial ecosystems throughout history prioritize non-minority, male owners into the present. In a recent study examining the impact of being Black while seeking a business loan, applicants that were more qualified than White applicants were asked more questions and offered less help.¹² African American clients were asked about the employment status of their spouse 23% of the time, whereas White clients received the question just 4% of the time. Bankers offered to help White clients complete an application twice as often as they offered to Black clients. Persistent bias that distracts people from true potential and strength of Black entrepreneurs limits business opportunity and over-prioritizes White entrepreneurs.

Despite the deeply embedded racism and sexism in the United States, some entrepreneurs of color and women of all backgrounds manage to make significant contributions to the economy. This holds true for entrepreneurs of color overcoming obstacles even in the antebellum South, such as for Madame Cecee McCarty. After gaining her freedom, she had more than \$155,000 in the early 19th century due to her successful and self-made merchandising of imported goods.¹³ That is about 4 million dollars today after accounting for inflation.¹⁴ McCarty was part of a larger vibrant Black business community in New Orleans struggling to overcome the legal and societal barriers to entrepreneurship. A visitor to the city noticed as early as 1802 the “great number” of “free mulattoes” who had specialized skills.¹⁵

In the mid-20th century, Henry Parks Jr. was a successful Baltimore-based Black entrepreneur.¹⁶ Having overcome the White-held view that business ownership was not a ‘proper job’ for a Black person,

⁹ Walker, J.E., 1983. *Black entrepreneurship: An historical inquiry*. Business and Economic History, pp.37-55.

¹⁰ Jensen, B. 2019. A Different Kind of Funding Bias. *Insights by Stanford Business*. Graduate School of Business, Stanford University. <https://www.gsb.stanford.edu/insights/different-kind-funding-bias>

¹¹ Deborah Sweeney 2018. “How HR 5050 Changed Entrepreneurship For Women” *Forbes Magazine*.

<https://www.forbes.com/sites/deborahsweeney/2018/08/21/how-hr-5050-changed-entrepreneurship-for-women/#38829e7911a5>

¹² Bone, S., Christensen, G., Williams, J., Adams, S., Lederer, A. and Lubin, P., 2017. *Shaping Small Business Lending Policy Through Matched-Paired Mystery Shopping*. Available at SSRN 3035972.

¹³ Juliet E. K. Walker 1986, “Racism, Slavery, and Free Enterprise: Black Entrepreneurship in the United States before the Civil War”, *The Business History Review*, vol. 60, no. 3, pp. 343-382.

¹⁴ Inflation Calculator. Visited 20 Feb 2020. <https://www.officialdata.org/us/inflation/1830?amount=155000>

¹⁵ Schwenger, L. 1989, “Black-Owned Businesses in the South, 1790–1880”, *Business History Review*, vol. 63, no. 1, pp. 22-60.

¹⁶ Clinton, B & Lewis, R. Honor Henry Parks; Our view: The founder of Parks Sausage helped Black entrepreneurs flourish in Baltimore and deserves to be recognized with a memorial at M&T Bank Stadium (2019), *The Baltimore Sun*, Baltimore, Md.





Henry Parks Jr. leveraged the support of the Black community to establish one of the nation's largest Black-owned businesses: Parks Sausage Company. Parks overcame several hurdles: banks that wouldn't give him a loan, patrons that wouldn't support a Black-owned business, White grocers who would let his product spoil, and White workers who were told to quit due to Parks' race. Overcoming these challenges, he became an inspiration to other Black entrepreneurs in Baltimore in the late 20th century.

Racial and gender biases are pervasive, and business ownership is one of the many areas that it influences. Substantial gaps exist today because of the various barriers that limit the potential of Black entrepreneurs. The examples above highlight the perseverance and ingenuity of Black entrepreneurs. The data that follows shows notable disparities in business ownership. While explicitly racist policies and practices expire on paper, the effects of both the past and current systems of racial, ethnic and gender bias continue to frame who is and can succeed as an entrepreneur¹⁷, despite the vast potential of those oppressed.

This historical context and the ones to follow in this section of the brief are designed to highlight societal and structural forces that have held vast proportions of our population back from accessing economic opportunity on their own terms.

¹⁷ Mangum, V.E. 2020, "What Does Political Economy Tell Us About the Dearth of Black Entrepreneurs?", *The American Economist*, vol. 65, no. 1, pp. 131-143.

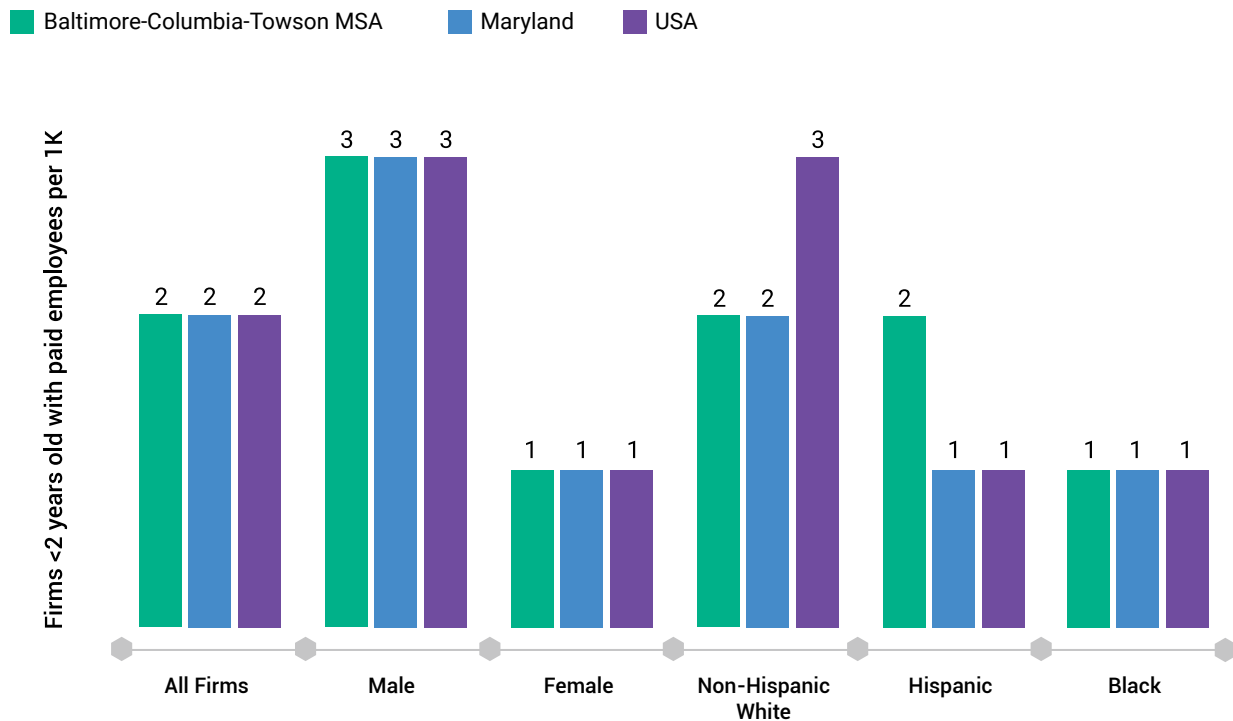


Entrepreneur Diversity

In 2016, there were 2 firms less than 2 years old with paid employees for every 1,000 working-aged residents in the Baltimore - Columbia - Towson Metro Area.

- For every 1,000 White non-Hispanic working-aged residents of the Baltimore - Columbia - Towson Metro Area, 2 owned firms less than 2 years old with paid employees.
- For every 1,000 Black working-aged residents of the Baltimore - Columbia - Towson Metro Area, 1 owned firms less than 2 years old with paid employees.
- For every 1,000 male working-age residents of the Baltimore - Columbia - Towson Metro Area, 3 owned firms less than 2 years old with paid employees.
- For every 1,000 female working-aged residents of the Baltimore - Columbia - Towson Metro Area, 1 owned firms less than 2 years old with paid employees.

Exhibit 8. Firms Under 2 years old with Paid Employees per 1k of the Population Subgroup (2016)



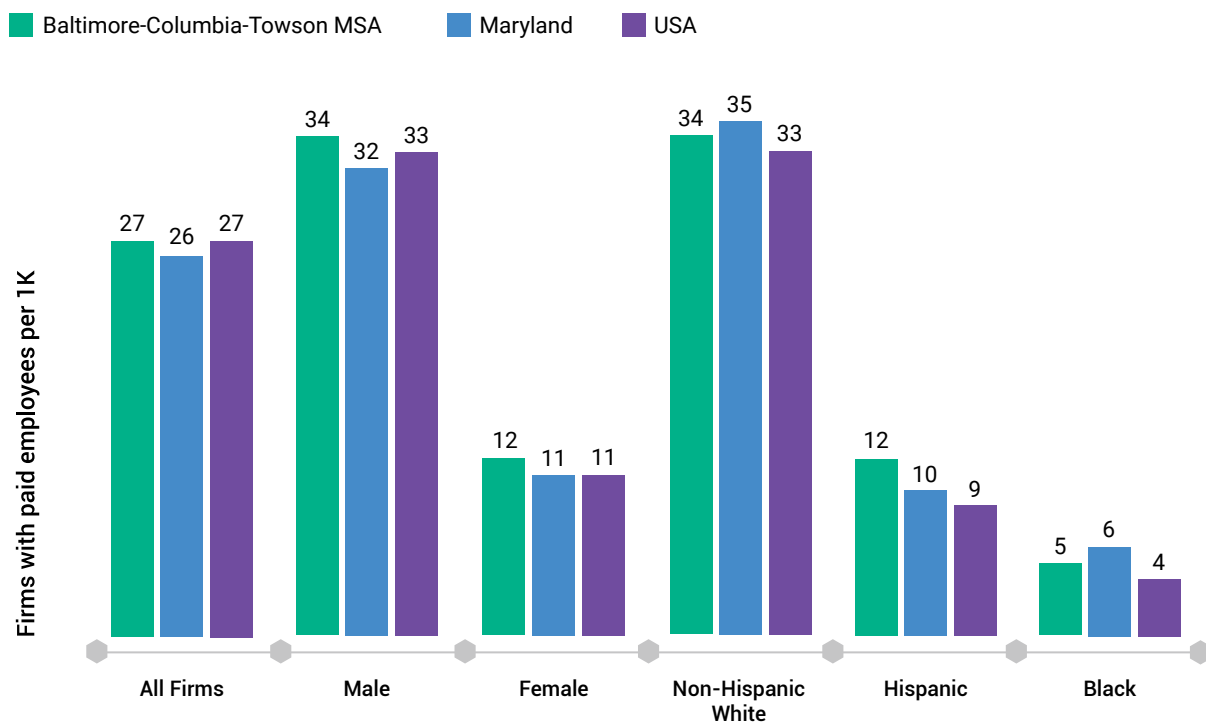
Populations 10% or less of the total population were excluded from this chart.

Business Owner Diversity

In 2016, there were 27 firms with paid employees for every 1,000 working-aged residents in the metro area.¹⁸

- A total of 34 White non-Hispanic business owners with paid employees exist for every 1,000 working-aged White residents of the metro area.
- A total of 5 Black business owners with paid employees exist for every 1,000 working-aged Black residents of the metro area.
- A total of 34 male business owners with paid employees exist for every 1,000 male working-aged residents of the metro area.
- A total of 12 female business owners with paid employees exist for every 1,000 female working-aged residents of the metro area.

Exhibit 9. Firms with Paid Employees per 1k of Population Subgroup (2016)



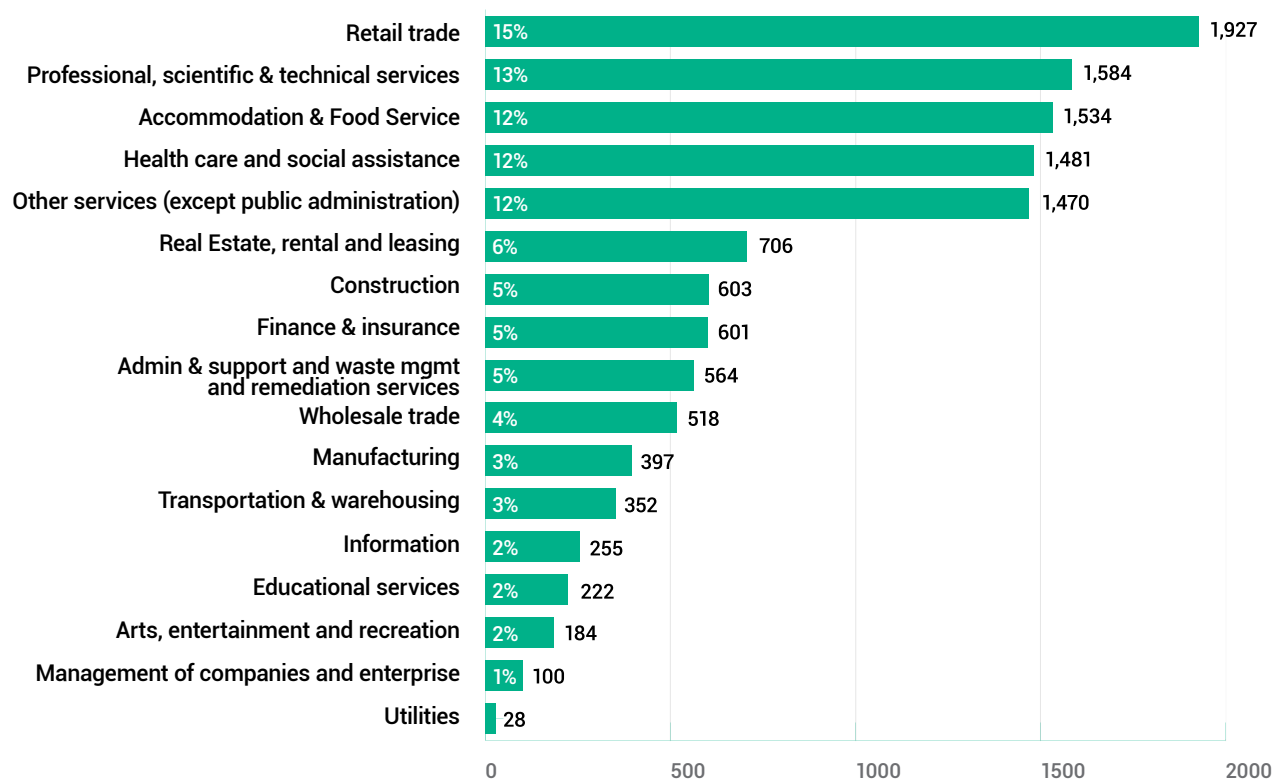
Populations 10% or less of the population were excluded from this chart.

¹⁸ U.S. Census Bureau; Annual Survey of Entrepreneurs, 2016

Businesses by Industry

The three largest industries in Baltimore City in 2016 by percent of total establishments were Retail Trade (15%), Professional, Scientific, and Technical Services (13%) and Accommodation and Food Services (12%). Combined, these industries made up roughly 40% of the total number of establishments in Baltimore City.

Exhibit 10. Total Establishments by Industry, Baltimore City (2016)



Nonemployer Businesses

Business owners that operate without employees are either new owners looking to grow, or self-employed, who are stable in the size of their business. Nationally, four in five businesses are nonemployers, but account for only 3% of the annual receipts of US businesses¹⁹. Between 2012 and 2016, the number of nonemployers in the US grew by 9.1 percent (2,077,133 businesses). For the state and city, the growth amounted to 10.2% and 0.7% respectively, indicating a notable discrepancy. In 2016, there were 9 non-employers per 1,000 city residents aged 15-64. That is lower than the state (12) and nation (11). These numbers indicate slow change and slightly lower entrepreneurial concentration.

Exhibit 11. Nonemployer Firms by Industry, Baltimore City (2012-2016)

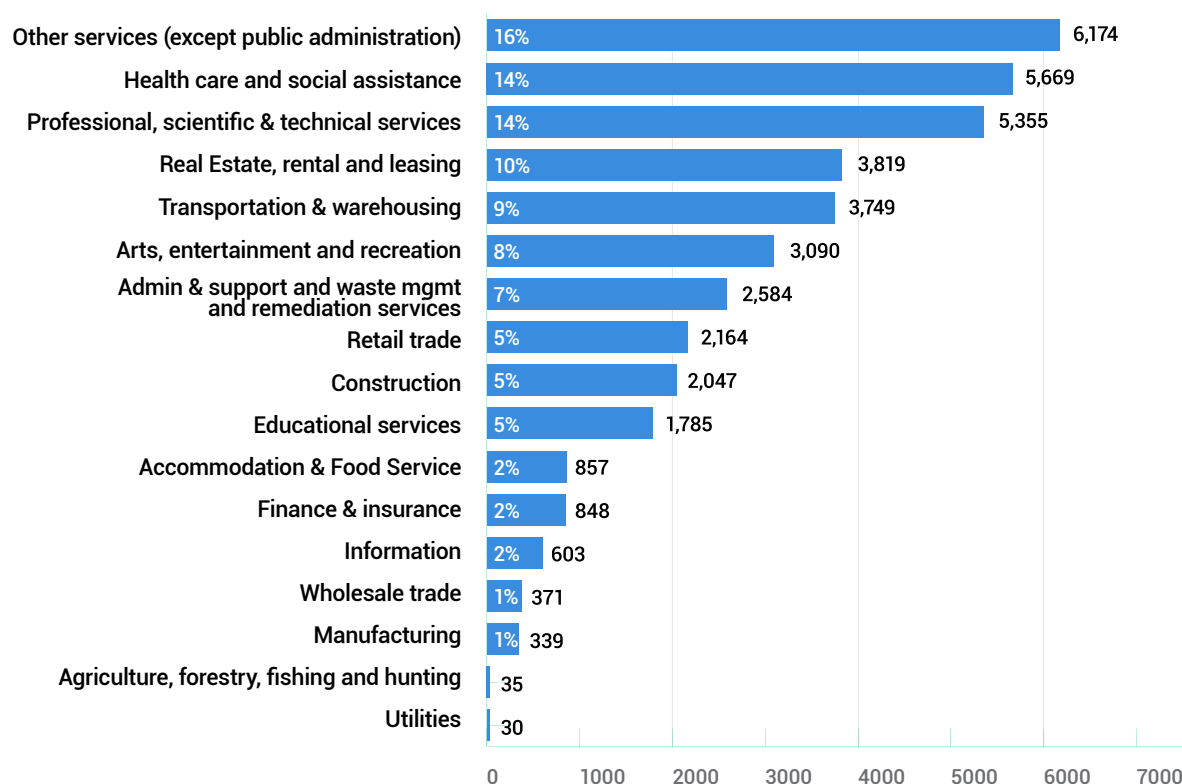


Exhibit 11 shows the amount of nonemployers by industry in Baltimore. “Other services,” followed by health care and social assistance, are the top industries. “Other services” includes a wide range of services, such as “equipment and machinery repairing, promoting or administering religious activities, grantmaking, advocacy, and providing drycleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services.”²⁰

¹⁹ US Small Business Administration (2018). A Look at Nonemployer Businesses. <https://www.sba.gov/sites/default/files/advocacy/Nonemployer-Fact-Sheet.pdf>

²⁰ “Other Services (except Public Administration): NAICS 81” (2020) U.S. Bureau of Labor Statistics. <https://www.bls.gov/iag/tgs/iag81.htm>



Average Employees

What is it? The average number of employees for firms with paid employees (2016).

Context: Workers are crucial when growing businesses and are often cited as an easy-to-observe measure of business success.²¹ ‘Success’ is defined in a variety of ways, all with their own set of justifications and merit. Business owners with strong access to the ecosystem and its talent pool can find employees and more easily grow than entrepreneurs that are overlooked by the ecosystem’s mentors, support organizations, current business owners, and others holding power.

Minority entrepreneurs face barriers that affect industry choice and business size. African American entrepreneurs are often steered toward industries that have lower barriers to entry, lower average sales, and fewer employees.²² A majority (63.5%) of African American businesses are within just five of 22 industry sectors “due to relatively low barriers of entry and (with the exception of the Professional/Scientific/Technical Services sector) relatively low capital demands for wages and cost per employee.”²³ Latino individuals, both immigrant and U.S. born, generally work in the same industries as non-Latino White individuals, but aren’t growing their businesses or selling at the same rates.²⁴ Social networks can also play a key role. Research indicates that performance and employment size discrepancies may be due to limited access to families and friends with business experience, which influence one’s ability to navigate business ownership.²⁵

²¹ Székely, F. and Knirsch, M., 2005. Responsible leadership and corporate social responsibility: Metrics for sustainable performance. *European Management Journal*, 23(6), pp.628-647.

²² Gorman, I., 2017. The Tapestry of Black Business Ownership in America: Untapped Opportunities for Business Success. https://aeoworks.org/images/uploads/fact_sheets/AEO_Black_Owned_Business_Report_02_16_17_FOR_WEB.pdf

²³ Reuben, L.J. & Queen, P.E. 2015, “Capital Constraints and Industry Mix Implications for African-American Business Success”, *Review of Black Political Economy*, vol. 42, no. 4, pp. 355-378.

²⁴ Fairlie, R. (2018), *Latino Business Ownership: Contributions and Barriers for U.S.-Born and Immigrant Latino Entrepreneurs* : Small Business Administration Research Summary; 2018 ASI 9766-3.119; Small Business Research Summary No. 438.

²⁵ Fairlie, R.W. and Robb, A.M., 2007. Why are Black-owned businesses less successful than White-owned businesses? The role of families, inheritances, and business human capital. *Journal of Labor Economics*, 25(2), pp.289-323.



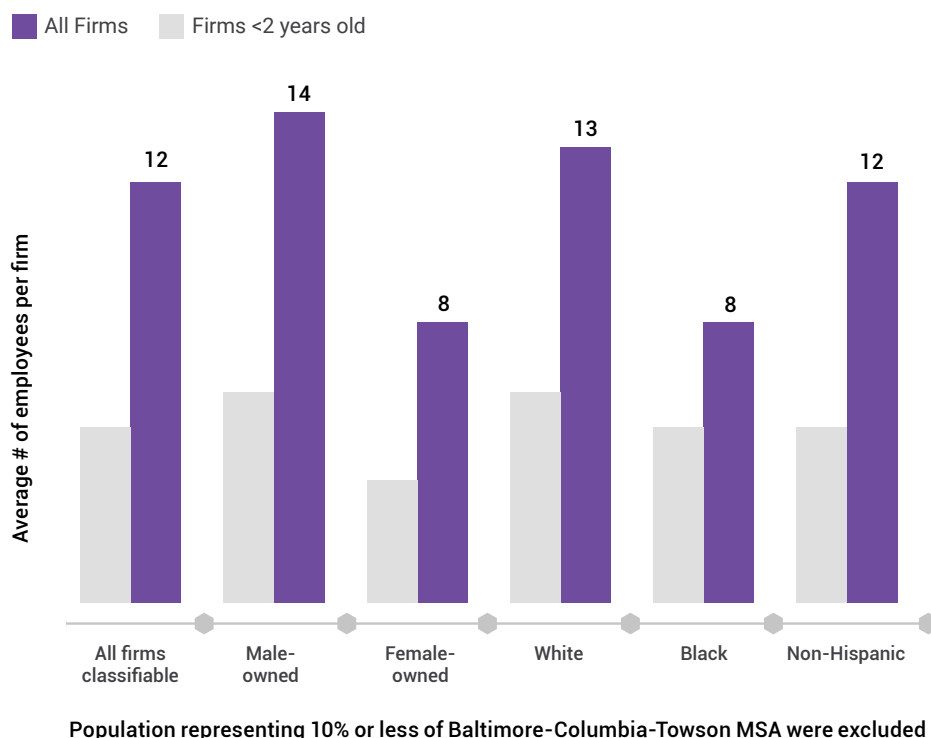
YOUNG FIRMS

- Firms less than 2 years old in the Baltimore - Columbia - Towson metro area had an average of 5 employees in 2016. This is on par with the state average (5 employees) and US average (5 employees).²⁶
- Black-owned firms less than 2 years old in Baltimore - Columbia - Towson metro area had an average of 5 employees. This is higher than the state average (4 employees) and US average (4 employees).
- White-owned firms less than 2 years old in Baltimore - Columbia - Towson metro area had an average of 6 employees. This is on par with the state average (6 employees) and more than the US average (5 employees).

ALL FIRMS

- Firms of all ages classifiable by race and sex in the Baltimore - Columbia - Towson metro area had an average of 12 employees in 2016, the same average as the state and close to the nation (11).
- Black-owned firms in Baltimore - Columbia - Towson metro area had an average of 8 employees. (State: 11, Nation: 8)
- White-owned firms in Baltimore - Columbia - Towson metro area had an average of 13 employees. (State: 13, Nation: 11)

Exhibit 12. Average Number of Employees for Firms in the Baltimore Metro Area (2016)



²⁶ U.S. Census Bureau; Annual Survey of Entrepreneurs, 2016



Access to Finance

What is it? The 'Access to Finance' section contains a set of indicators and background research examining variation in startup capital and financial wealth (a key determinant of business financing)²⁷ by population subgroup. The indicators draw on data between years 2010 and 2017.

Context: Given that personal savings and wealth significantly increases the odds of someone starting a business, entrepreneurship is not equally accessible to everyone.

The roots of this disparity run deep. Enslaved people were used as collateral to allow White men to start businesses.²⁸ After slavery ended, White settlers continued to steal economic value and exploit redistribution policies intended for all, to their benefit.²⁹ Centuries of inequity-producing policies and individual actions produce extreme wealth inequality between racial groups, given the nature of intergenerational wealth accumulation. Today, White non-Hispanic households in America have over 10 times the median wealth of Black Households (\$143,600 vs \$12,920), and seven times the average wealth of Hispanic households is \$21,420.³⁰

The United States' history of stealing economic value from African Americans, Hispanic Americans, and women of all groups has deep-rooted impacts on present day economic ecosystems.³¹ Personal savings and assets are by far the most common source of startup capital, according to the Census Bureau.³² Given that wealth accumulates over generations, White people often have access to capital and personal financing. Racial minorities and women of all groups have generally not had the privilege to amass wealth at the same rates, impacting what they can draw from to start a business. Non-minority entrepreneurs can transition from idea to business start and beyond much more easily than minority entrepreneurs largely due to this stark gap in financial resources.

²⁷ 2016 Annual Survey of Entrepreneurs.

²⁸ González, F., Marshall, G. and Naidu, S., 2017. Start-up nation? Slave wealth and entrepreneurship in Civil War Maryland. *The Journal of Economic History*, 77(2), pp.373-405.

²⁹ Hamilton, D., Logan, T., 2020. This is why the wealth gap between Black and White Americans persists. https://www.fastcompany.com/90461708/why-wealth-equality-remains-out-of-reach-for-black-americans?utm_campaign=eem524%3A524%3As00%3A20200208_fc&utm_medium=Compass&utm_source=newsletter

³⁰ US Census Bureau (2016). *Wealth and Asset Ownership for Households, by Type of Asset and Selected Characteristics*.

³¹ The 1619 Project from the New York Times explores the myriad ways this has impacted African Americans specifically. To start, see: Lee, Trymaine.

"A vast wealth gap, driven by segregation, redlining, evictions and exclusion, separates Black and White America." *New York Times Magazine*. AUG. 14, 2019

³² 2016 Annual Survey of Entrepreneurs.





Homeownership is one intergenerational avenue for generating such inequity. Lawrence Brown, a professor in the School of Community Health and Policy at Morgan State University in Baltimore, told Brakkton Booker at National Public Radio: “People in Black communities, in these redlined areas, have not been able to accumulate the wealth and resources oftentimes to be able to purchase those homes. And then, oftentimes when they do, they get hit with the predatory loan. So they’re redlined on the front end, subprimed on the back end.” Brown speaks to the various forces keeping Black and Brown people from wealth accumulation. Racist housing policies have historically barred non-White Americans from accessing mortgages and neighborhoods with home equity appreciation.³³ Black and other minority loan seekers are denied loans more often than White loan seekers with similar business and personal profiles.³⁴

Non-White families in Baltimore and elsewhere in the U.S. were pushed into risky situations when buying homes. Wells Fargo reached a landmark \$175 million dollar settlement with the U.S. Department of Justice in 2012 after steering minorities toward riskier loans.³⁵ The settlement was initiated from a lawsuit filed by the City of Baltimore over violations in fair lending laws.”³⁶

Looking beyond personal wealth, minorities consistently face greater barriers to accessing grants, loans, and other types of external funding due to racial biases. From the discouragement of completing financing applications,³⁷ unjustifiable denials,³⁸ long waits even for wealthier applicants,³⁹ and beyond, the financial loan market historically prioritizes non-minority applicants and entrepreneurs. Empirical evidence demonstrates market biases in the financial market, and that removing them has powerful impacts on the economy. Once the extra cost of connecting to financial capital was removed, businesses began to grow beyond their White counterparts.⁴⁰

These factors position minority entrepreneurs with less opportunity to start a business, and less cash available for pursuing their idea, on average, than their White non-Hispanic counterparts. This cycle often orients minority entrepreneurs toward industries that require less startup capital, which are often less profitable than other industry sectors.⁴¹ Companies with higher returns generally require more start up capital,⁴² and thus are riskier investments.⁴³ Those with greater wealth networks can absorb failure much more easily than those without these networks.

³³ Rothstein, R. (2017). *The Color of Law: A Forgotten History of How Our Government Segregated America*, Liveright Publishing Corporation, a division of W.W. Norton & Company, New York.

³⁴ Cavalluzzo, K., & Wolken, J. (2005). Small Business Loan Turndowns, Personal Wealth, and Discrimination. *The Journal of Business*, 78(6), 2153-2178. doi:10.1086/497045

³⁵ Broadwater, L. (2012) Wells Fargo agrees to pay \$175M settlement in pricing discrimination suit. *The Baltimore Sun*. <https://www.baltimoresun.com/news/bs-xpm-2012-07-12-bs-md-ci-wells-fargo-20120712-story.html>

³⁶ Booker, B. (2018). In Baltimore, The Gap Between White And Black Homeownership Persists. *National Public Radio*. <https://www.npr.org/2018/08/07/632497683/in-baltimore-the-gap-between-white-and-black-homeownership-persists>

³⁷ Simms, Margaret. 2017. Lending practices leave entrepreneurs of color on the starting block. *The Urban Institute*. <https://www.urban.org/urban-wire/lending-practices-leave-entrepreneurs-color-starting-block>

³⁸ Blanchflower, D.G., Levine, P.B. and Zimmerman, D.J., 2003. Discrimination in the small-business credit market. *Review of Economics and Statistics*, 85(4), pp.930-943. <https://www.nber.org/papers/w6840.pdf>

³⁹ Simms, Margaret. 2017.

⁴⁰ Bates, T., Bradford, W.D. and Jackson, W.E., 2018. Are minority-owned businesses underserved by financial markets? Evidence from the private-equity industry. *Small Business Economics*, 50(3), pp.445-461.

⁴¹ Kym, C. (2014). Access to Capital for Women and Minority-owned Businesses: Revisiting Key Variables

⁴² Fairlie, R.W. and Robb, A.M., 2009. Gender differences in business performance: evidence from the Characteristics of Business Owners survey. *Small Business Economics*, 33(4), p.375.

⁴³ Musso, P. and Schiavo, S., 2008. The impact of financial constraints on firm survival and growth. *Journal of Evolutionary Economics*, 18(2), pp.135-149.



ACCESS TO FINANCE OVERVIEW

- In the Baltimore area (MSA), 64.1% of business owners utilize personal or family savings to start their business; about the same as the state (64.8%) and nation (64.4%).⁴⁴
- These numbers mirrored the local Baltimore entrepreneur and business owner survey: 68% of business owners (either as their full time work or a side business) used personal savings to fund their business. Family and friends was the next prominent source at 30% of respondents.
- A higher percentage of business owners have no more than 5,000 to start with (MSA: 16.7% | State: 16.5% | Nation: 15.3%).
- If personal financing is important in entrepreneurship, so is income and wealth. We use earnings and homeownership data to point to inequity in access to finance.
- The earnings gap between both male and female Black individuals and White non-Hispanic men grew by two cents in Baltimore. However, for every dollar a White non-Hispanic man makes, a Black woman makes 57 cents, and a Black man makes 63 cents.⁴⁵
- Relative to the state and nation, Baltimore has a low wealth gap between White and Black individuals. While the homeownership rate is 18.7% for Baltimore City, it is 25.7% for the state and 29.7% for the nation. Regardless, this is still a substantial gap.

⁴⁴ U.S. Census Bureau; Annual Survey of Entrepreneurs, 2016

⁴⁵ U.S. Census Bureau; 2016 American Community Survey (5 year estimates)



Amount and Sources of Startup Capital

Exhibit 13. Most Common Forms of Startup Capital in the Baltimore Metro Area (2016)

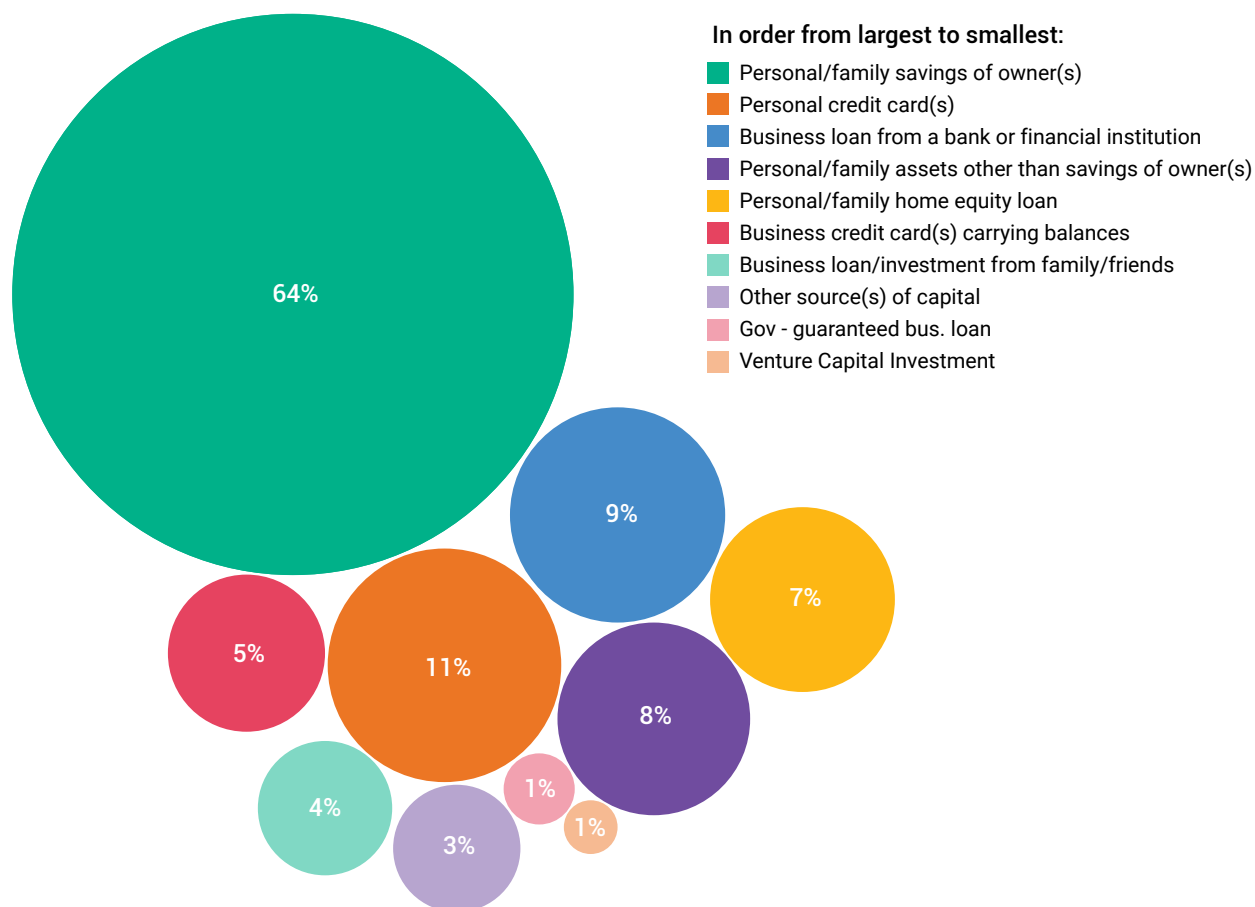



Exhibit 13 shows the sources of capital used to start businesses in the Baltimore metro area in 2016.⁴⁶ The largest bubble is personal or family savings of the owner(s). Owners could select multiple sources of capital. Leaning on personal financing is not unique to the metro area - both the state and nation had comparable levels of use for that category (65% and 64%, respectively). This trend is even more pronounced for young businesses nationally: 70% of businesses under two years old utilize personal or family savings, which is over six times as common as a business loan from a financial institution (11.4%).

⁴⁶ Respondents could select more than 1 category. Owners of businesses of all ages were asked to recall what source of capital they used when they started.





This echoes a trend in the city and nationally, that is even stronger for businesses under two years old. Seventy percent of young businesses across the country utilize personal or family savings, which is over six times as common as a business loan from a financial institution (11.4%). The small business owner and entrepreneur survey administered by Forward Cities and NORC asked business owners which sources of capital they used. Just as in the metro area, personal savings was the top source of capital (see Exhibit 14 below).

Exhibit 14: Top Sources of Startup Capital in Baltimore (2020)
Current and Side Business Owners. Respondent can select multiple, N=40

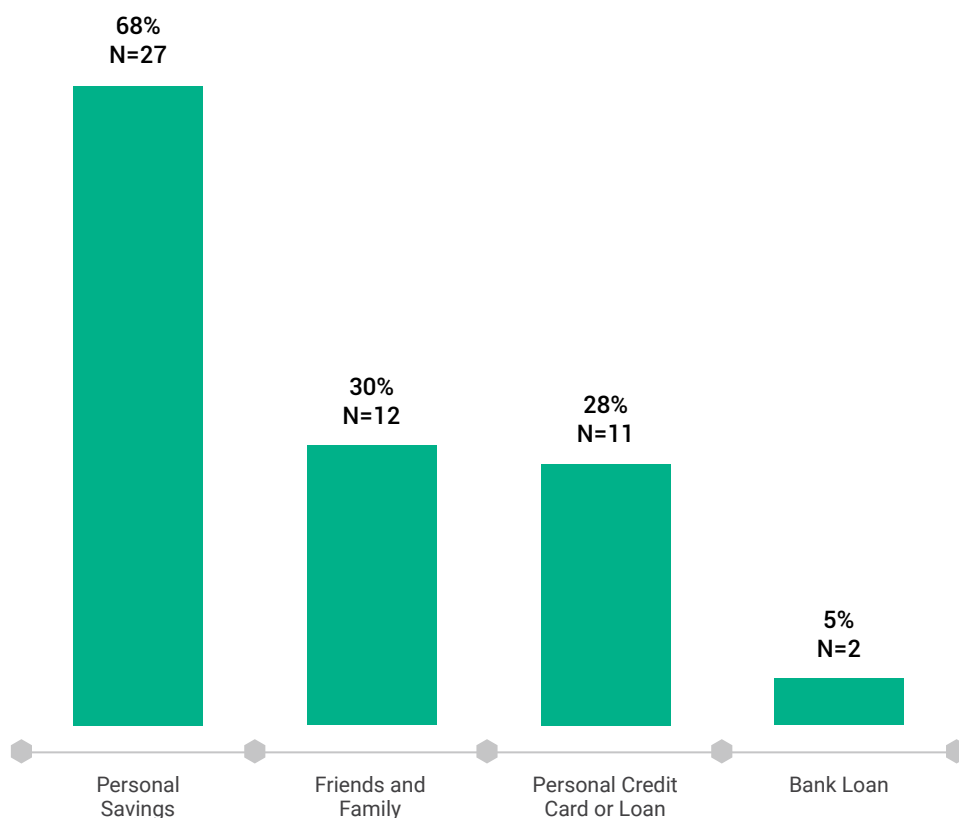
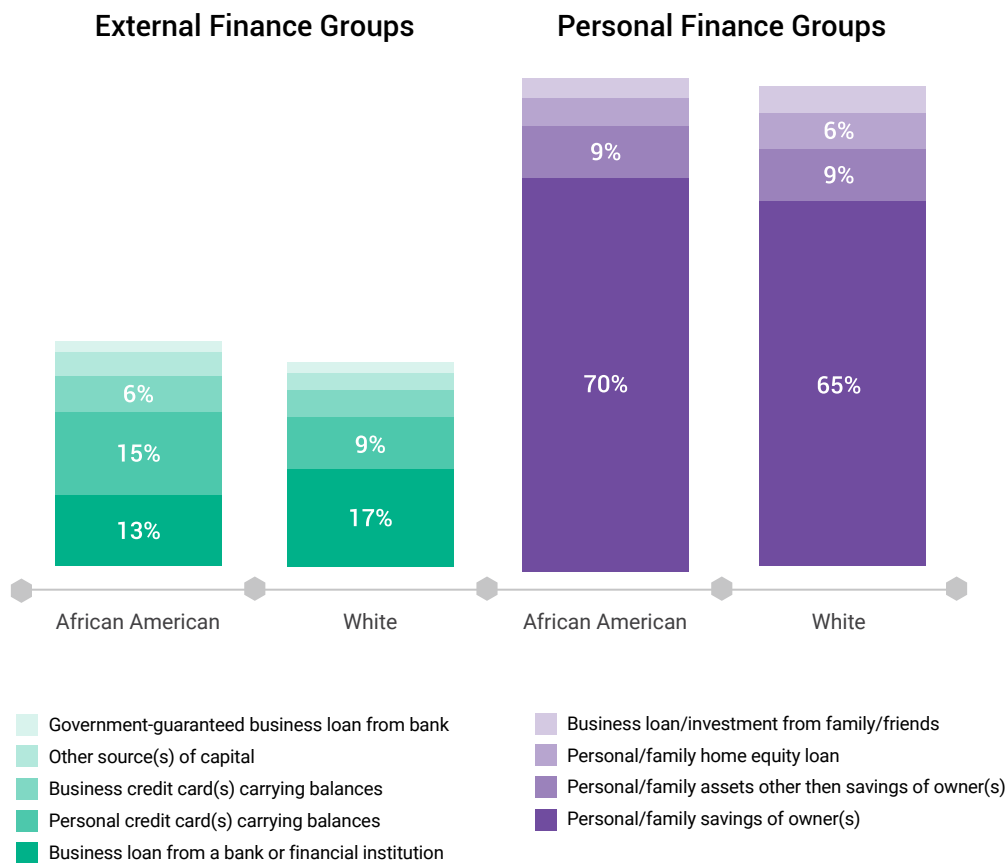




Exhibit 15 shows that regardless of race, entrepreneurs across the country lean on family networks for support much more than external funding sources (local data was unavailable). When we group capital sources by personal sources (own assets or assets from family or friends) versus external support, it is clear that personal networks are highly influential to starting a business. Given that business owners were able to report multiple sources of start up financing, the stacked chart shows how different socio-demographic groups have different capital mixes.⁴⁷ These data show that a greater proportion of White owners have used business loans from a bank than African Americans (17% vs 13% respectively.) A greater proportion of African Americans recall pulling from personal savings than White Americans (70% vs. 65%, respectively).

Exhibit 15. Use of Personal vs. External Startup Capital for Business Owners in the United States by Subgroup (2016)



⁴⁷ Note: The stack cannot be summed for this reason.



A 2019 report on the racial disparities in pathways to entrepreneurship in the United States indicates that access to capital is limited for African American and other non-White groups. The authors point to research by Bates (1997)⁴⁸ to show that even while controlling for variation between the two groups, African Americans are less likely to have loans approved, and the amount approved tends to be smaller compared to what their White counterparts receive. This research points to a racial bias that limits opportunity for some (often Black residents), regardless of their ability to start a business.

Exhibit 16. Amount of Startup Capital Used by Business Owners in the Baltimore Metro Area (2016)

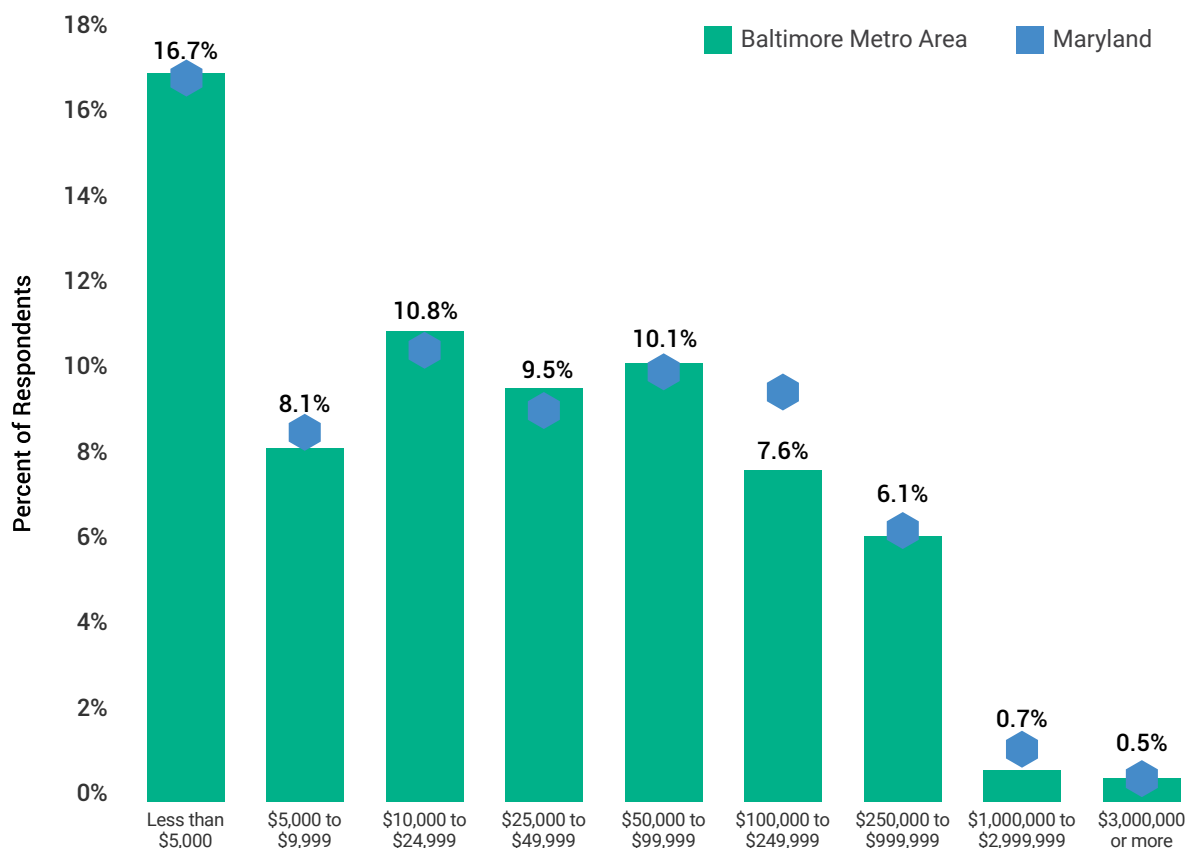
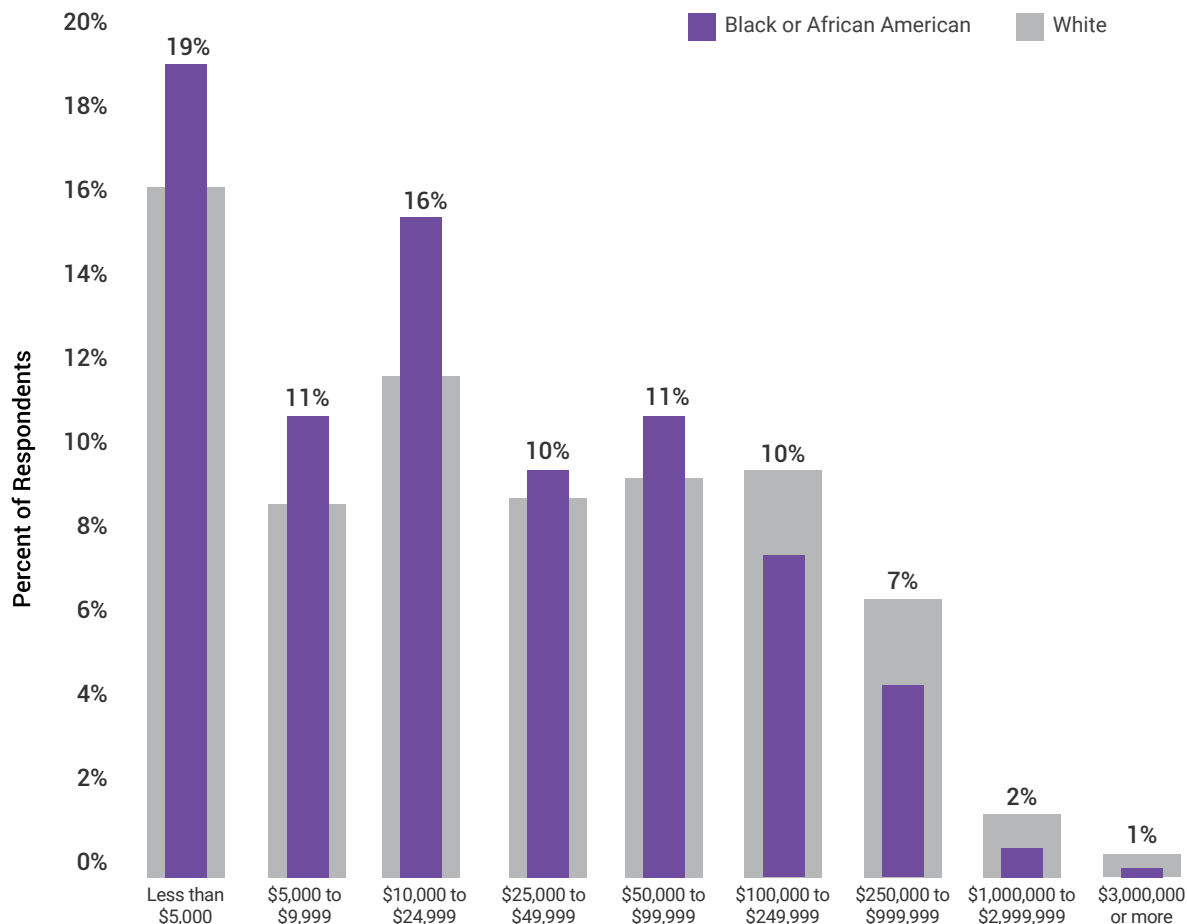


Exhibit 16 shows that business owners most often start with less than 5,000 dollars, both in the Baltimore metro area and in the state. Very few start with over 1 million dollars.

⁴⁸ Bates, T. (1997). *Race, self-employment, and upward mobility: An illusive American dream*. Woodrow Wilson Center Press.



Exhibit 17. Amount of Startup Capital Used Nationally, by Race (2016)



Results are in response to the following question: "For the owner(s) you reported, what was the total amount of capital used to start or initially acquire this business? (Capital includes savings, other assets, and borrowed funds of owner(s).)" (Survey of Business Owners, 2016)

Exhibit 17 shows that nationally, African Americans tend to use less capital compared to their White peers. Black business owners recall using less than 1 million dollars more often than White business owners. A greater proportion of White business owners recall using over 1 million.

Women and men at the national level (local data were unavailable) generally use the same types of capital to start their businesses. Men use business loans from financial institutions more than women (M: 16.6% vs. F: 14.3%). Women and men are about equally likely to use personal financial networks such as family assets (M: 8.1% vs. F: 8.8%), as well as credit cards (M: 4.7% vs. F: 5.7%). Interestingly, they also indicated that no capital was needed more often than men (M: 8.7% vs. F: 10.5%).⁴⁹

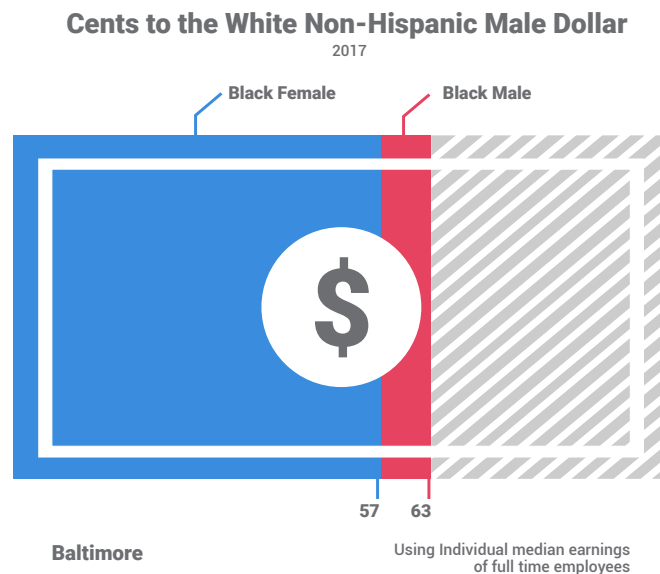
⁴⁹ 2016 Annual Survey of Entrepreneurs

EARNINGS GAP

We determine the earnings gap (across all occupations) by calculating how much women and men of different racial and ethnic backgrounds make for every dollar a Non-Hispanic male made in 2017. We also track how these differentials changed between 2010 and 2017.⁵⁰

- In 2017, all women made 86 cents to the male dollar in Baltimore. (State: 0.85 Nation: 0.80)
- The above number masks the compounding impacts of race and sex. For every dollar that a White Non-Hispanic male made in 2017, Black women made 57 cents, and Black men made 63 cents in Baltimore.
- In the city, these gaps were largely unchanged or grew slightly between 2010 and 2017.

Exhibit 18. Cents to the White Non-Hispanic Male Dollar (2017)



WEALTH GAP

We interpret the share of residents that own their residence as a proxy for wealth, and calculate the percentage point gap between different population subgroups.⁵¹

- In 2017, Non-Hispanic (NH) White residents in Baltimore owned homes at a rate that was 18.7 percentage points higher than Black residents.
- Nationally, the gap is 29.7% points between White Non-Hispanic residents and Black residents. At the state level, 25.7 percentage points.
- These gaps are growing in the city, state, and nation.

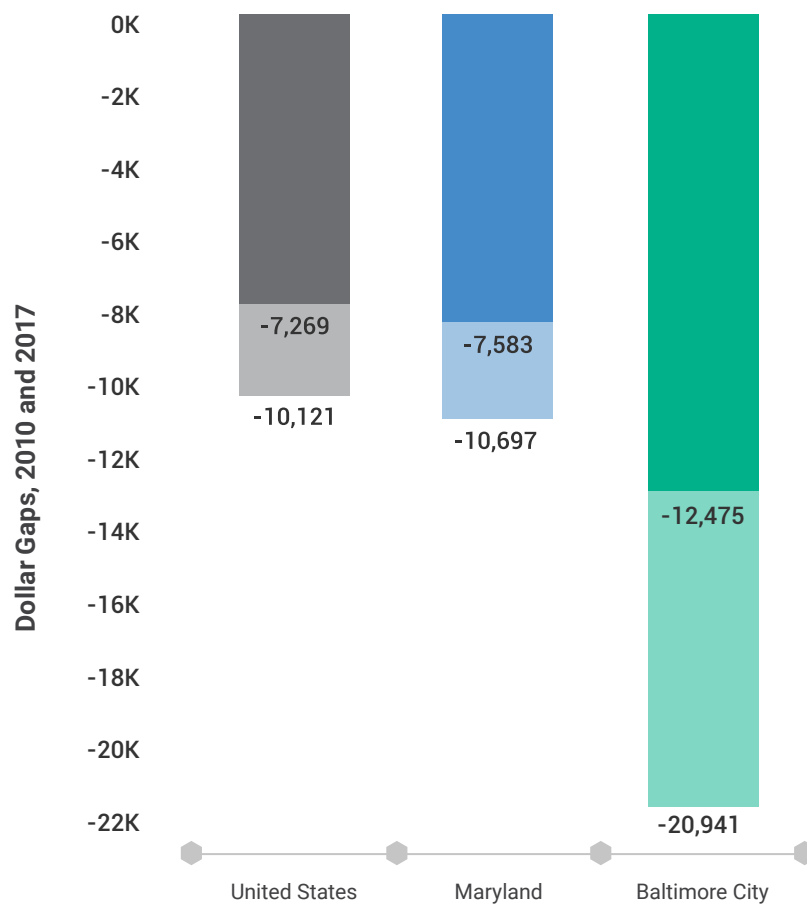
⁵⁰ U.S. Census Bureau; American Community Survey (5 year estimates), 2012, 2017

⁵¹ U.S. Census Bureau; American Community Survey (5 year estimates), 2012, 2017



Exhibit 19. Earnings Gaps between Black and Non-Hispanic White Full Time Workers, 2010 & 2017

Darker bar is the 2010 dollar gap between groups, and the lighter bar underneath is the 2017 dollar gap.



Education

In the Baltimore metro area, a majority of business owners had a Bachelor's degree or higher (57.5%) in 2016. That number is 55.9% for the state, and 51.4% for the nation.

Exhibit 20. Education of Current Business Owners in Maryland and the Metro Area (2016)

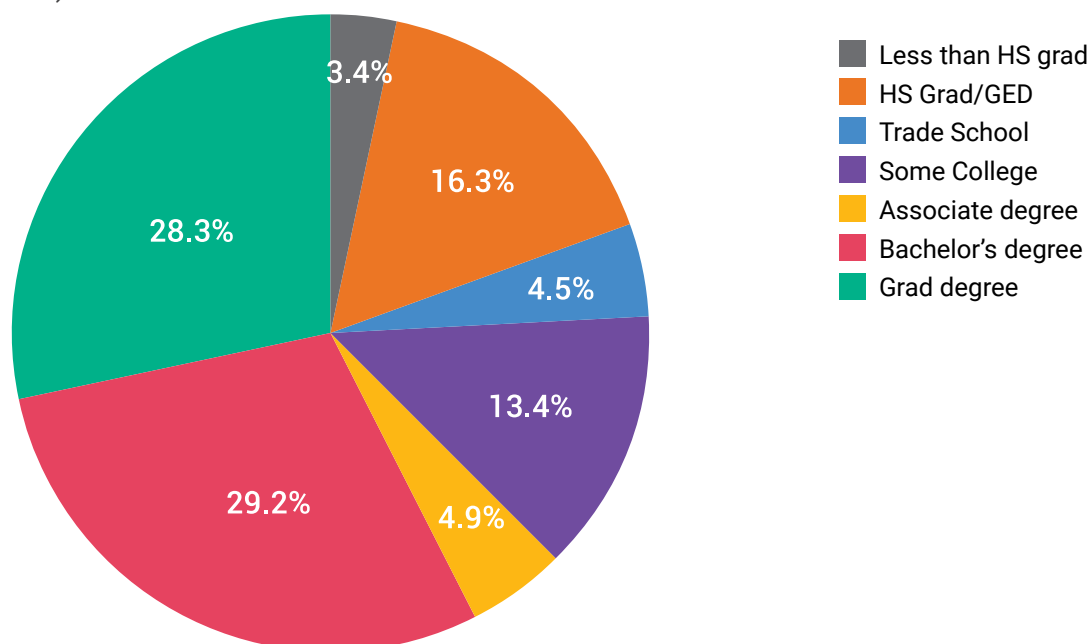


Exhibit 21 shows the estimated percentages of individuals at the specified education level by race and ethnicity that owned businesses in 2016 at the national level.⁵² We divided the number of firms at that specified education level by the number of graduates of a specified background to roughly estimate the proportion that start businesses. For example, the table shows that an estimated 2.65% of all women with graduate and post-graduate education credentials owned a business in 2016. Generally, those with more formal education tend to start businesses more often than those with less. However, those with more education tend to participate in the labor often than those who do not, so this relationship may not indicate something unique to entrepreneurship.⁵³ We calculated this using the number of firms and the number of graduates at a certain education level, indicating that these numbers may have notable bias, and do not indicate more recent shifts in business interest nor reflect unsuccessful efforts to start a business. The table shows that the greatest proportion that start a business are men with graduate degrees (7.08%).

⁵² Levels of education between 'Less than a High School Degree' and 'Associate Degree' were omitted due to discrepancies in how data were categorized.

⁵³ "Barriers to Work: Low-Income, Unemployed, and Dislocated Workers" 2018. National Conference of State Legislatures.



Exhibit 21. Percent of People at Specified Education Level Over 25 that Own Businesses, US

Group name	Less than high school graduate	Associate degree	Bachelor's degree	Graduate degree
All	0.58%	1.51%	3.49%	4.75%
Female	0.32%	1.18%	2.18%	2.65%
Male	1.00%	2.27%	5.47%	7.08%
Hispanic	0.37%	0.83%	1.69%	3.28%
White	0.77%	1.80%	3.98%	4.94%
Black or African American	0.06%	0.25%	0.64%	1.32%
Asian	2.12%	2.93%	3.97%	4.92%

Bates et al. (2018)⁵⁴ highlight more recent interest in starting a business, which shows that African Americans of various education levels have some of the highest entrepreneurial interest compared to White Americans. While these data show two different phenomena: rates of owning businesses vs. actively starting one, and come from different datasets, both show business interest is more often an option for the higher-educated.

⁵⁴ Bates, T., Bradford, W.D., & Seamans, R. 2018, "Minority entrepreneurship in twenty-first century America", *Small Business Economics*, vol. 50, no. 3, pp. 415-427



Exhibit 22. Table 2 From Bates et al. (2018): Rates of Actively Starting a Business

Percent Nascent Entrepreneurs

	White, Non-Minority	African American / Black	Hispanic
All Adults	5.7%	9.5%	7.1%
Adult Males	8.6%	13.6%	10.3%
Adult Females	5.1%	8.3%	5.1%
Male with Bachelor's	9.8%	15.2%	11.0%
Male with Graduate Degree	11.1%	23.4%	19.9%
Female with Bachelor's	5.6%	12.7%	n
Female with Graduate Degree	7.6%	15.6%	n

Source: panel study of entrepreneurial dynamics, national longitudinal sample

Nascent, by definition, responded affirmatively when asked, "are you, alone or with others, now trying to start a new business?" and met additional criteria—(1) they are currently active in the startup effort and (2) anticipate full or part ownership of the new venture

n - Small sample size





Entrepreneurial Preparedness

What prepares an ecosystem for entrepreneurship? Research often looks at individual skills, experiences, and networks, while the ESHIP Communities work seeks to understand systems-level factors. ESHIP Communities “believe[s] the tighter the link between a community’s entrepreneurs and its support system, the more economically vibrant that community will be – and its entrepreneurs will ultimately be more successful.”⁵⁵ Generally, the literature seeking to understand what factors enable a community to look toward and succeed at business ownership is inconclusive. For this reason, we do not include this indicator area to mirror the OECD determinants of entrepreneurship.

To look into how connected the system of Entrepreneurial Support Organizations or government agencies are, see their respective sections below.

⁵⁵ “ESHIP Communities.” *Forward Cities*. <https://forwardcities.org/eship-communities/>





SECTION 2

The Flowers: The Entrepreneurial Support Organizations (ESOs)

THE FLOWERS, EXPLAINED

Organizations and individuals can fuel the entrepreneurial process. They can assist people with a business idea, with accessing funds and other resources, and with certifying a business. These supporters can also help established business owners grow or keep up with changing regulations. As supporters to individuals, they are similar to how flowers are essential to bees. The bees gather pollen from the flowers to make their honey. If the flowers are accessible for a lot of bees, then making honey will be possible for a wide array of bees.





Entrepreneur Support Organization (ESO) Questionnaire Results

A questionnaire for entrepreneur support organizations (ESOs) in Baltimore City was used to assess connectivity and collaboration within the local entrepreneurial support ecosystem. Two groups of organizations were invited to participate:

Primary ESOs: organizations with a primary goal, and 100% of our efforts, go towards serving small business owners and aspiring entrepreneurs

Secondary ESOs: organizations with a goal of providing provide services to a broad population, but we have 1 or more programs that specifically serve small business owners and aspiring entrepreneurs (e.g., business leadership program)

Ancillary support organizations, defined as organizations providing services to a broad population, but no programs or services tailored for aspiring entrepreneurs or current business owners, were not included in the questionnaire.

We invited leaders (i.e., executive and program directors) from 40 Primary and Secondary ESOs to complete the questionnaire. Of those invited, 68% (n=27) submitted data for analysis. Several participants did not complete the full questionnaire but are included where possible in the analysis.

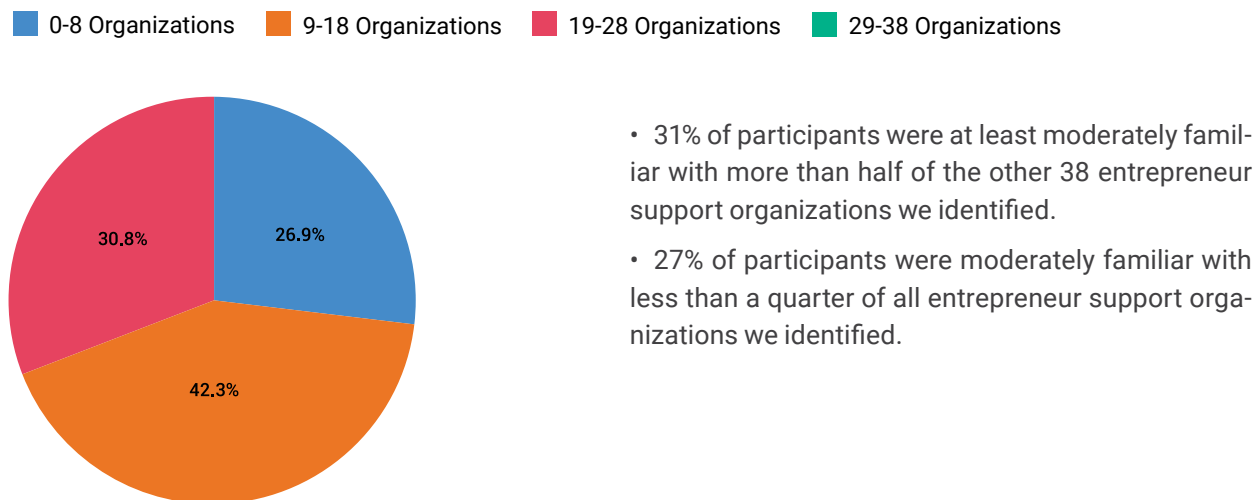
A subset of participants came from organizations that were affiliated with local institutions such as the government (26%) or colleges/universities (33%). The majority of participants (63%) were from ESOs that were led by individuals and teams who were from a racial or ethnic minority group.

Throughout the analysis, we conducted a stratified analysis by (1) ESO category (Primary vs. Secondary), (2) affiliation with local institutions, and (3) organization leadership by members of minority racial and ethnic populations. Because we had limited statistical power due to the small sample size, we used an a priori defined threshold of a 20% difference between groups for identifying meaningful differences.



Familiarity with services provided by other entrepreneur support organizations

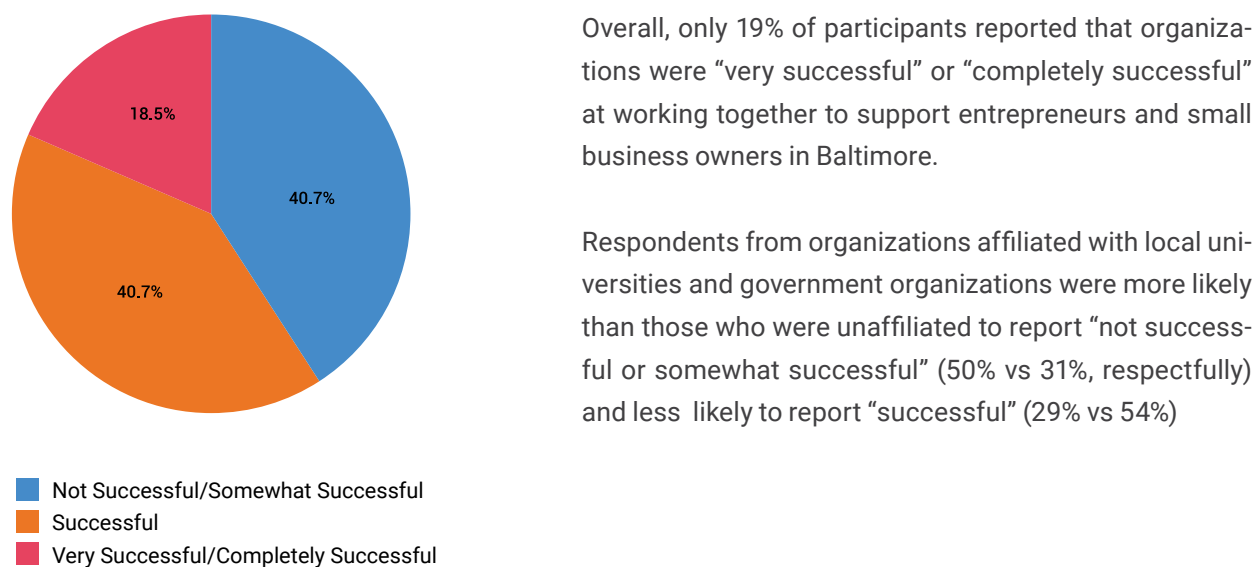
Exhibit 23. Number of ESOs with which Participant was at Least Moderately Familiar (2020)



Perceived collaboration between entrepreneur support organizations

Using a single question, we asked participants to describe how well organizations worked together to support entrepreneurs and small business owners in Baltimore City (Exhibit 24).

Exhibit 24. Participant Assessment of Collaboration Between ESOs (2020)



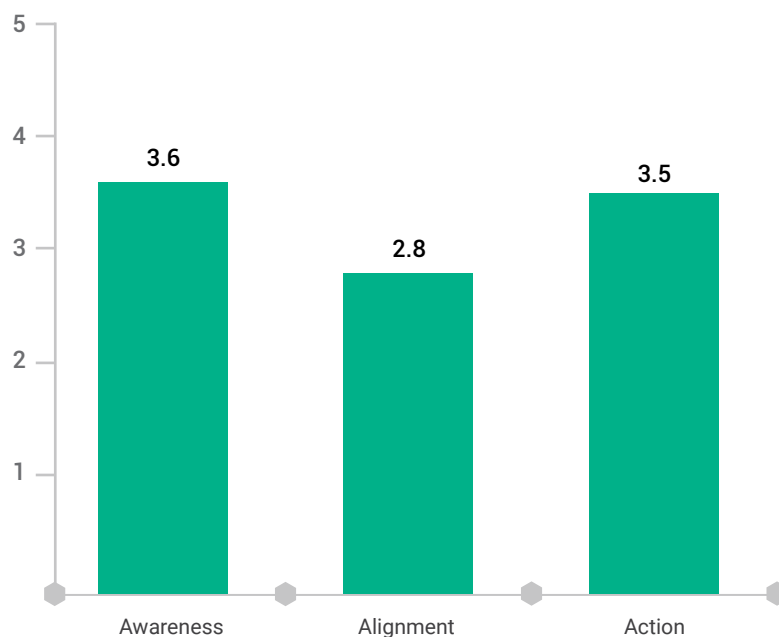
Differences across groups in the other stratified analyses were smaller (i.e., minority vs. Non-minority led, and affiliation with a local institution vs. unaffiliated).



SELF-ASSESSMENT OF ECOSYSTEM HEALTH

Using a series 12 questions (listed below), we invited participants to complete a self-assessment of their entrepreneurial ecosystem on three different areas of collaboration: **awareness** of the resources in the area, **alignment** of goals across organizations, and coordinated **action**. In Exhibit 23, each of these indices are presented on a 5 point scale ranging from “0” for poor awareness/alignment/action to “5” for excellent awareness/alignment/action respectively. Questions included in each of these indices are provided at the end of this section.

Exhibit 25. Average Scores on Awareness, Alignment and Action Indices (2020)



- For all aspects of collaboration in the self assessment, participants presented a moderate level of success:
 - 3.6 on the perceived awareness index (range: 1.3-5)
 - 2.8 on the perceived alignment index (range: 0.8-4.6)
 - 3.5 on the perceived action index (range: 2.2-5)
- Self-evaluation scores on all aspects of collaboration were similar across stratified analysis with only small (<1 point) differences in average scores (i.e., Primary vs. Secondary ESOs, minority vs. non-minority led, and institutional affiliation vs. unaffiliated).





AWARENESS INDEX

1. Please rate your familiarity with the strengths and weaknesses of other organizations providing similar entrepreneurial support services as you do across your city.
 2. Please rate your familiarity with the strengths and weaknesses of other organizations providing different entrepreneurial support services than you do across your city.
 3. Does your organization keep or contribute to a list, map or inventory of all organizations supporting entrepreneurs in your city?
 4. Please rate your familiarity with barriers and roadblocks that aspiring and established entrepreneurs encounter across your city as they start or grow their businesses. Try to answer this question for the total population of entrepreneurs, not only those that you interact with directly.
 - Aspiring entrepreneurs
 - Established entrepreneurs
-

ALIGNMENT INDEX

1. How would you describe the level of agreement among all stakeholders in your entrepreneurial ecosystem on the following ideas?
 - Shared goals
 - How to increase the number of business starts
 - How to support existing businesses further their goals
 2. How would you describe your entrepreneurial ecosystem (highly fragmented to highly collaborative)?
-

ACTION INDEX

1. How frequently do entrepreneurial support organizations in your city work together to achieve their missions?
2. How often are entrepreneurs involved in the design of programs or services that you are providing?
3. How often are other organizations in your ecosystem referring entrepreneurs to your organization?
4. How often does your organization refer entrepreneurs to other organizations in your ecosystem?
5. How often are entrepreneurial support organizations in your ecosystem jointly pursuing funding opportunities?
6. How regularly are you rigorously evaluating the impact of your organizations' programs or services?



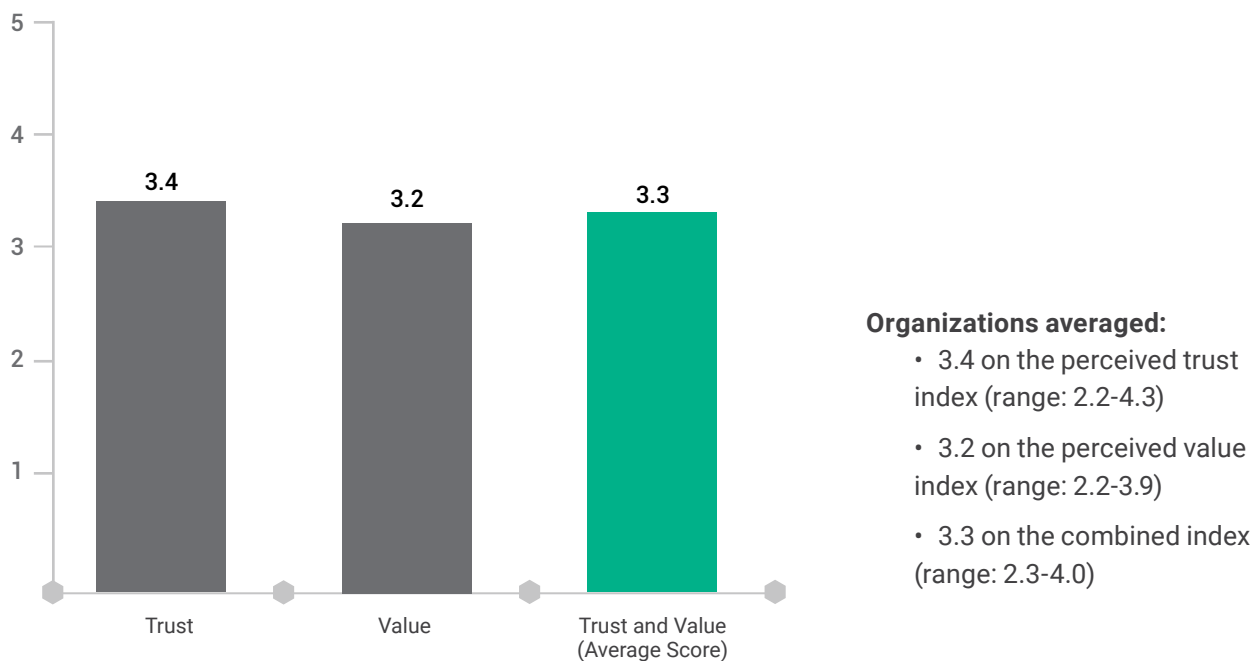


OBJECTIVE ASSESSMENT OF ECOSYSTEM HEALTH

For organizations which participants were at least moderately familiar, we asked a series of questions about local perceptions of their contributions to the ecosystem. Using two indices defined by Varda and colleagues (2008), we assessed the relationships between individual organizations. The **trust** index measured participants' perceptions of an organization's reliability, a shared vision of success, and openness to discussion when working with others in the entrepreneurial ecosystem. The **value** index measured participants' perceptions of an organization's power and influence, level of commitment, and resources contributed to the entrepreneurial ecosystem. Questions included in each of these indices are provided at the end of this section. Each of these indices are presented on a 5 point scale ranging from "0" low to "5" for high on that aspect.

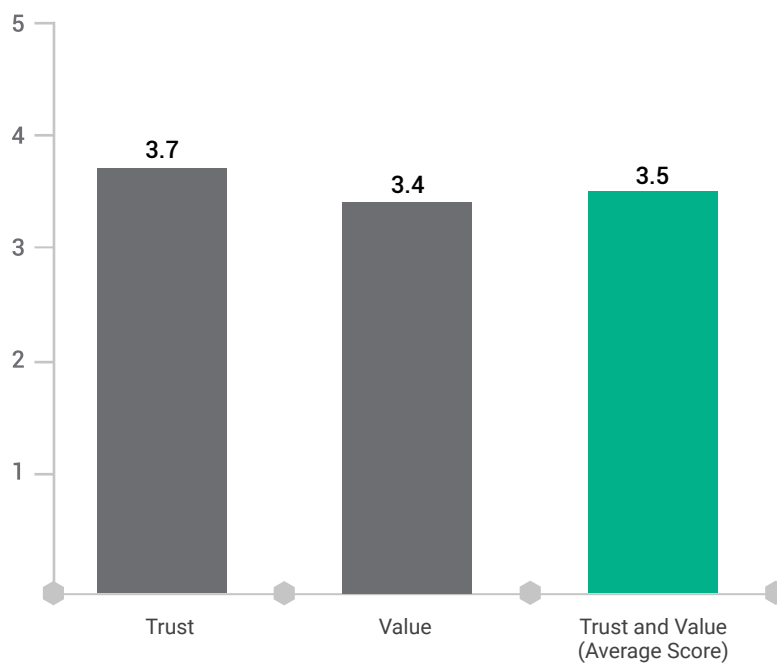
This set of questions was asked about organizations identified as Primary ESOs prior to survey distribution. Of these organizations, fourteen received the minimum number of peer reviews (3) to be included in this analysis. In Exhibit 26, we present the average scores on the trust index, the value index, and a summary score between the two indices.

Exhibit 26. Average Score Received on Trust and Value Indices, by Organization (2020)
(n=15)



For each participant, we averaged the scores provided for the organizations for which they provided data. In Exhibit 27, we present the average scores on the trust index, the value index, and the average score between the value index and trust index provided by the participants.

Exhibit 27. Average Score Provided on the Trust and Value Indices, by Participant (2020)
(n=22)



Participants average across organizations assessed:

- 3.7 on the perceived trust index (range: 1.7-4.8)
- 3.4 on the perceived value index (range: 1.7-4.7)
- 3.5 on the combined index (range: 1.7-4.7)

Differences between groups were small (<1 point).



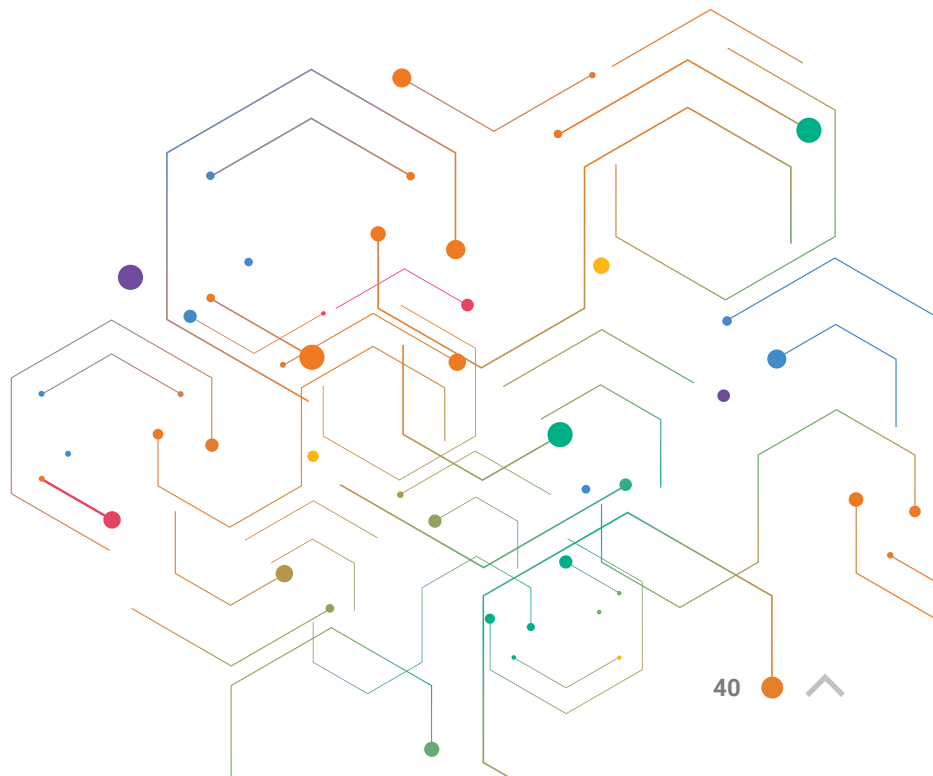
TRUST INDEX

1. How reliable is <Organization 1>? Reliable: This organization is reliable in terms of following through on commitments.
2. To what extent does <Organization 1> share a vision of collaboration with other organizations in the entrepreneurial ecosystem in <city>? Shared vision: this organization shares a common vision of the end goal of what working together should accomplish.
3. How open to discussion is <Organization 1>? Open to discussion: this organization is willing to engage in frank, open and civil discussion (especially when disagreement exists). The organization is willing to consider a variety of viewpoints and talk together (rather than at each other). You are able to communicate with this organization in an open, trusting manner.

ALIGNMENT INDEX

1. To what extent does <Organization 1> have power and influence to impact the entrepreneurial ecosystem in <City>? Power/Influence: The organization holds a prominent position in the ecosystem by being powerful, having influence, success as a change agent, and showing leadership.
2. What is <Organization 1> level of involvement in the entrepreneurial ecosystem in <City>? Level of Involvement: The organization is strongly committed and active in the ecosystem and gets things done.
3. To what extent does <Organization 1> contribute resources to the entrepreneurial ecosystem in <City>? Contributing Resources: The organization brings resources to the ecosystem like funding, information, or other resources.

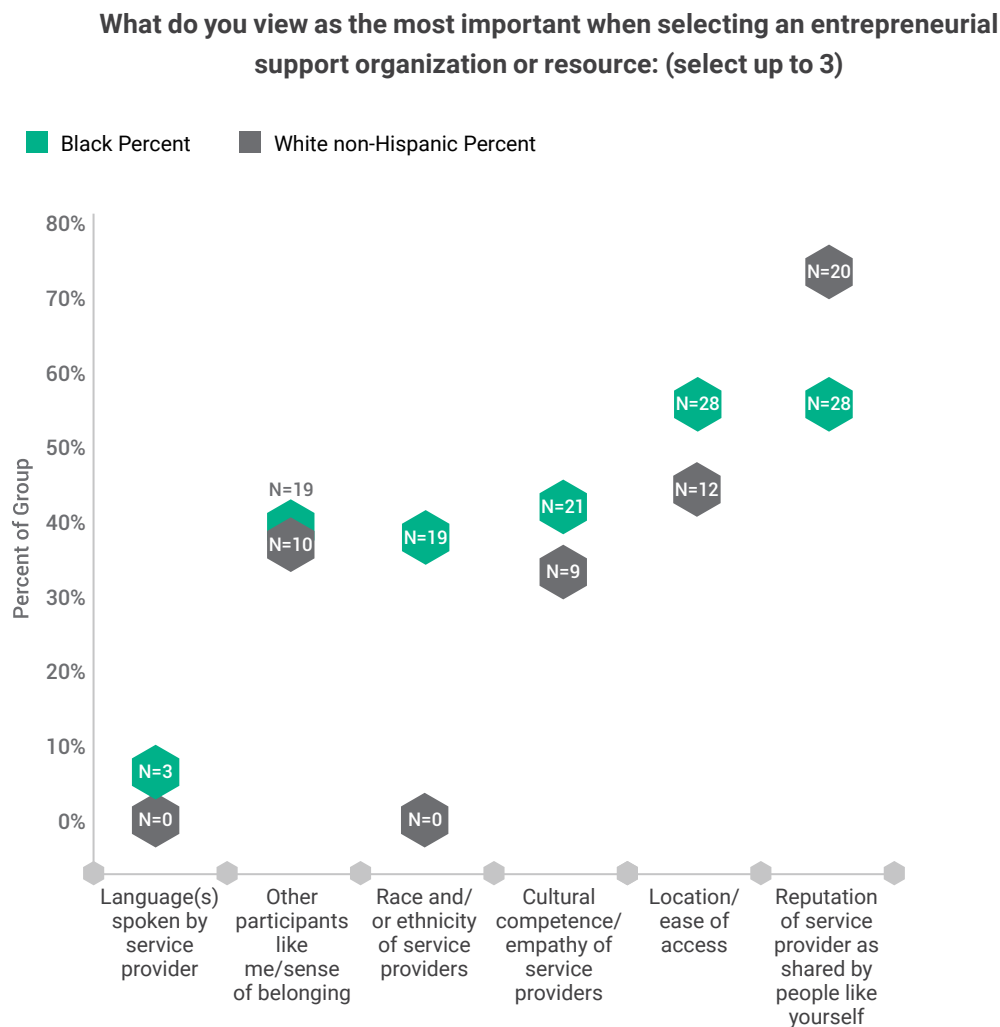
End of ESO Questionnaire Results



ESO User Preferences

The Forward Cities and NORC administered entrepreneur and small business owner survey asked what was most important to respondents when working with a support organization. Reputation was most important to White respondents. Accessibility and reputation were equally important to Black respondents. Race and ethnicity of service providers is more important to Black respondents than White non-Hispanic respondents.

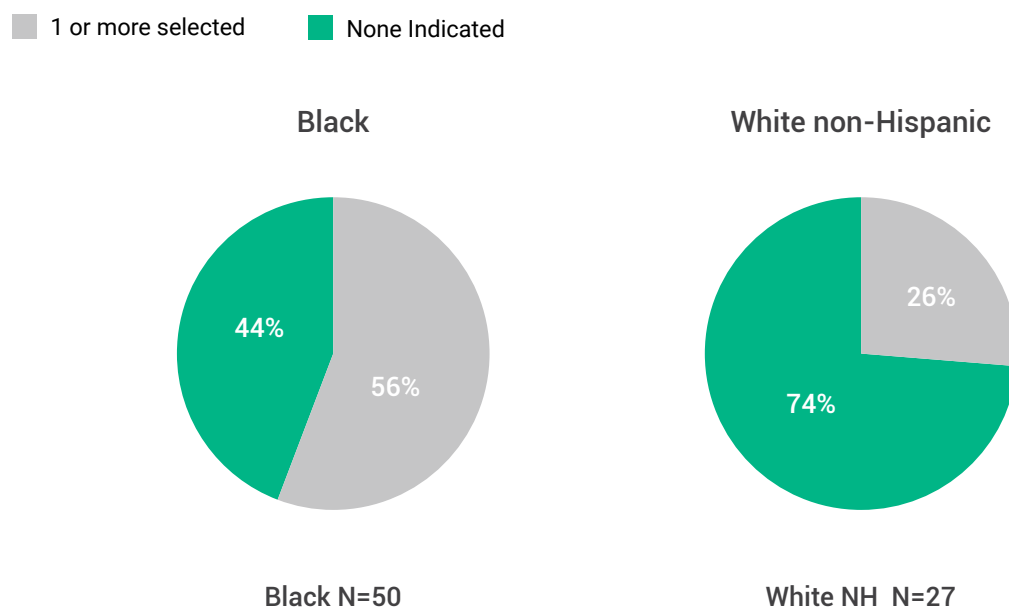
Exhibit 28. ESO Factors that are Important to Entrepreneurs and Business Owners (2020)



ESO Discrimination Felt By Entrepreneurs

As a part of the entrepreneur and current business owner survey administered by Forward Cities and NORC, respondents indicated if they experienced five different areas of discrimination.⁵⁶ In Exhibit 29, more than half of Black respondents (56%) indicated experiencing some type of discrimination. White non-Hispanic respondents experienced demonstrably less discrimination (26%).

Exhibit 29. Discrimination Experienced by Subgroup at ESOs in Baltimore (2020)



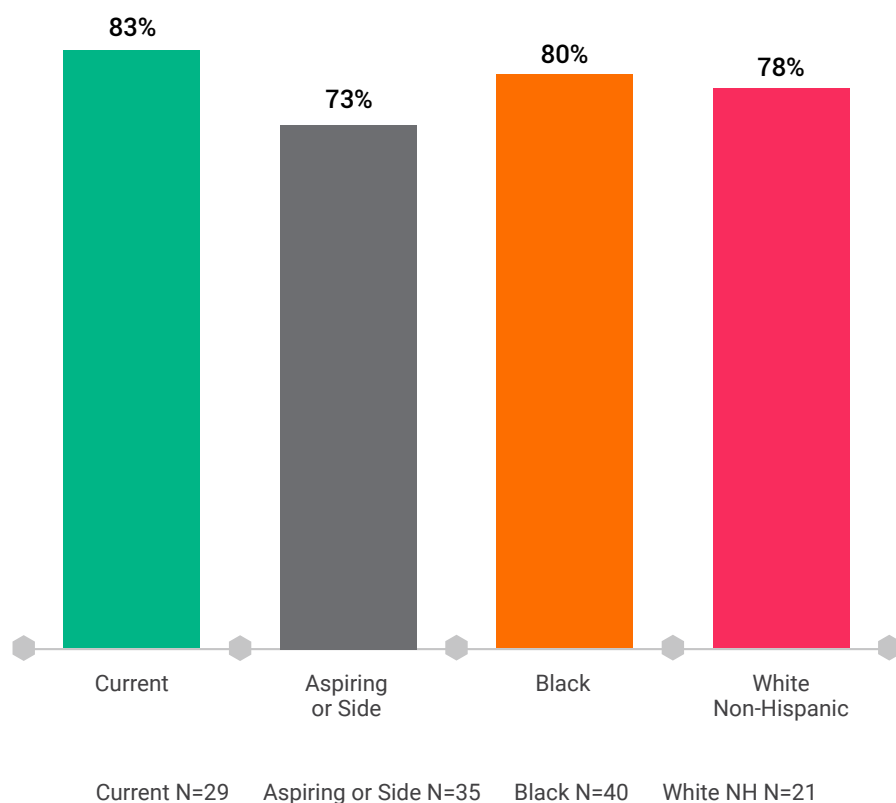
⁵⁶ "Unconscious bias/aggressions," "Blatant discrimination," "Racial profiling," "Racist epithets or verbal aggression," and/or "Denial of service/consideration"

Awareness of ESOs

As a part of the current and aspiring small business owner survey, Forward Cities and NORC asked about awareness of support organizations. Most respondents were aware, regardless of point in business start or racial identity. Current owners were more aware of aspiring or side business owners. Both Black and White non-Hispanic respondents were equally aware. See Exhibit 31.

Exhibit 30. ESO Awareness in Baltimore (2020)

I know of organizations in Baltimore that support people like me who are starting new businesses.





SECTION 3

The Climate / Other Factors

THE CLIMATE, EXPLAINED

Beyond the entrepreneurs, established business owners, ecosystem builders, and supporters, there are other components that affect the ecosystem's health. We subsume these population- or institutional-level phenomena under the term climate. Similar to the bees and the flowers, entrepreneurs and established business owners can thrive in an overall climate suited for business development. This could be idea sharing, low regulatory burden, positive market prospects and beyond. We cover those items in this section.



Entrepreneurial Interest

Google uses search frequencies to show search interest across the country. In an attempt to approximate the level of entrepreneurial interest across the country, we extracted data that describes how popular the keywords 'how to start a business' were in any area of interest in the 5 year timeframe from 2012 to 2017. Maryland ranked 83 out of 100. The lowest state ranking was 44. To interpret the index, see this provided explanation:

Values are calculated on a scale from 0 to 100, where 100 is the location with the most popularity as a fraction of total searches in that location, a value of 50 indicates a location which is half as popular. A value of 0 indicates a location where there was not enough data for this term.

Note: A higher value means a higher proportion of all queries, not a higher absolute query count. So a tiny country where 80% of the queries are for "bananas" will get twice the score of a giant country where only 40% of the queries are for "bananas".

- Google Trends, "Interest By Region"⁵⁷

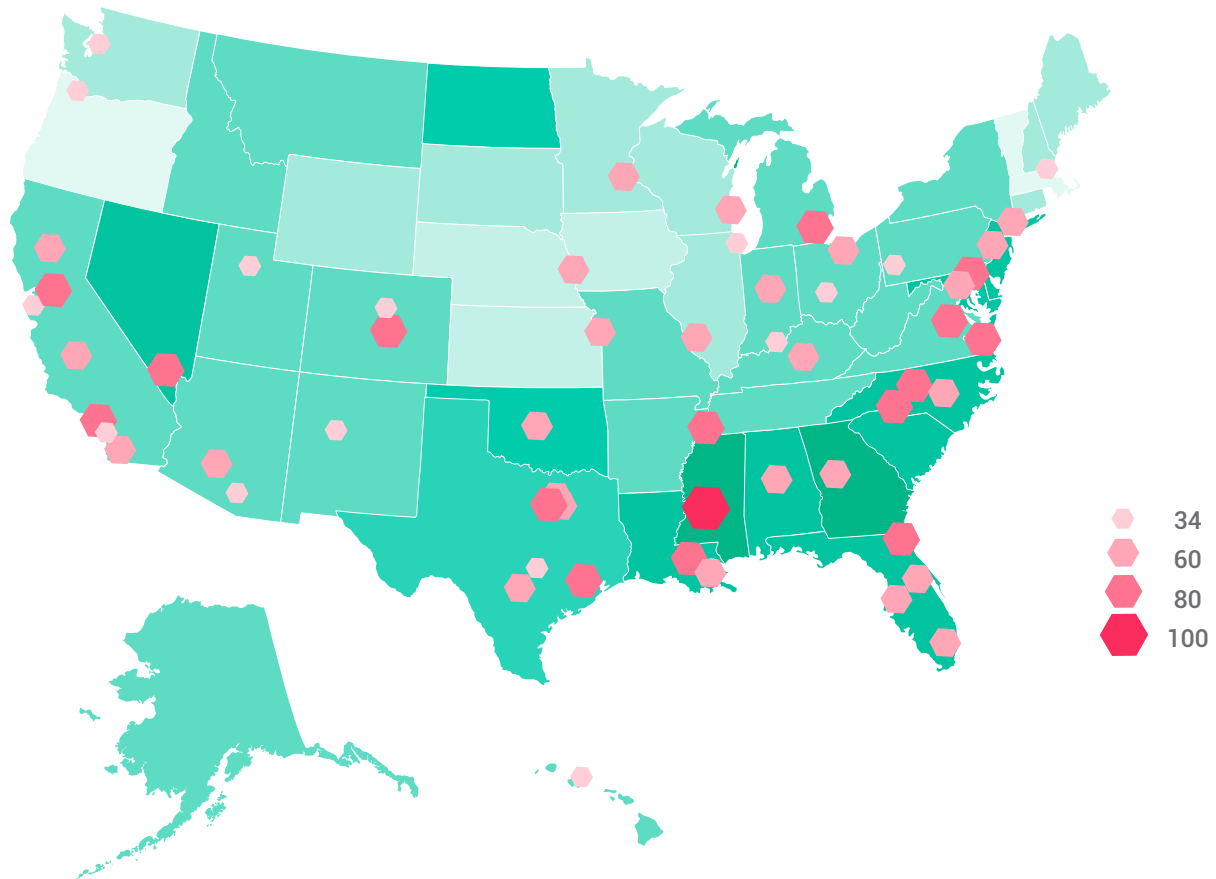
What this means is that relative to Mississippi, the highest ranked, Maryland's population was searching about 17% less, but more than 44 states (including DC). This indicates that the population is somewhat more interested in starting a business than other states. Regionally, Baltimore searched much more than nearby Salisbury and Hagerstown, even while considering the variation in population. Relative to those areas, searches were 2 to 4 times as much.

⁵⁷ For more information on Google Trends data and its interpretation, please read here: <https://support.google.com/trends/answer/4365533?hl=en>

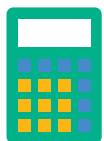


Exhibit 31.

Where are real people searching “How to Start a Business”?
2017



Most interested city has the largest, darkest bubble (Jackson, MS)
Most interested state: Darkest green (Mississippi)



Google takes a representative sample and “normalizes” it, to make it comparable across states and cities.



Result: “Values are calculated on a scale from 0 to 100 is the location with the most popularity as a fraction of total searches in that location, a value of 50 indicates a location which is half as popular.”
- Google Trends





Regulatory Framework

The level of difficulty in starting a business due to regulatory or other government expectations can influence an entrepreneur's success in opening their doors. A recently published report from Arizona State University seeks to understand how easy it is to start a business in various cities in North America.⁵⁸ Baltimore received an "Ease of Doing Business" score of 73.7 out of a range from 41.31 to 85.22. It takes an estimated 28 days to start a business, five procedures, and 1.5% of per capita income of \$28,488, or about 424 dollars. Baltimore ranked 49 out of the 115 cities included in the report. While this is not generalizable to all types of businesses (the study was limited to 100% domestically owned businesses with two times the per capita income in startup capital, for example) it can indicate how and why business is easy or difficult in a specific place.

⁵⁸ Arizona State University (2019). Data by City. <https://dbna.asu.edu/city-data/2019/baltimore>



An abstract graphic design featuring a network of orange, green, and blue lines and dots on a white background. The lines are thin and connect various colored dots, creating a complex, interconnected pattern. The dots are small circles in shades of orange, green, and blue. The lines are thin and connect various colored dots, creating a complex, interconnected pattern. The dots are small circles in shades of orange, green, and blue. The lines are thin and connect various colored dots, creating a complex, interconnected pattern. The dots are small circles in shades of orange, green, and blue.

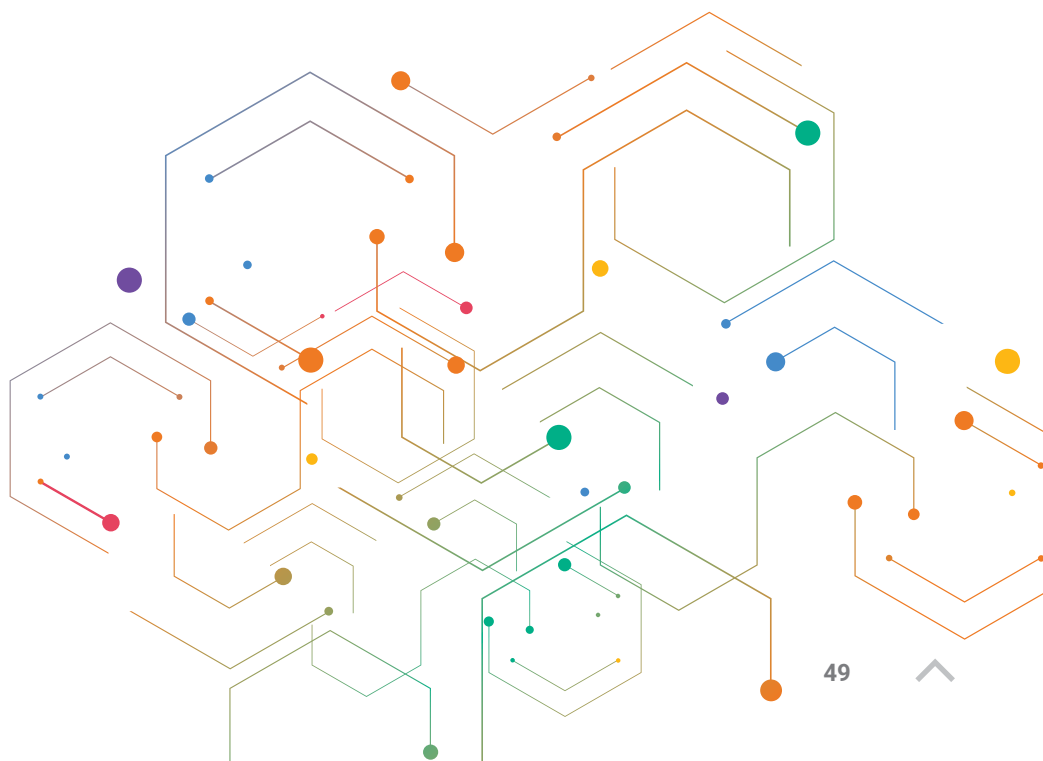
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Citizen Satisfaction

The Baltimore City Satisfaction Summary surveyed 802 residents of the City of Baltimore on the Mayor's seven Priority Outcomes; Better Schools, Safer Streets, Stronger Neighborhoods, A Growing Economy, Innovative Government, A Cleaner City, and A Healthier City. The survey was conducted from June 15, 2015 through July 31, 2015. Respondents were reached through random digit dialing and cell phone dialing. Interviews were conducted over the phone and lasted approximately 25 minutes. All respondents are over the age of 18 and live in the City of Baltimore. The demographics of the surveys were compared to census data of Baltimore, and responses from people in groups underrepresented in the survey data were weighted to match the demographics reported by the census.

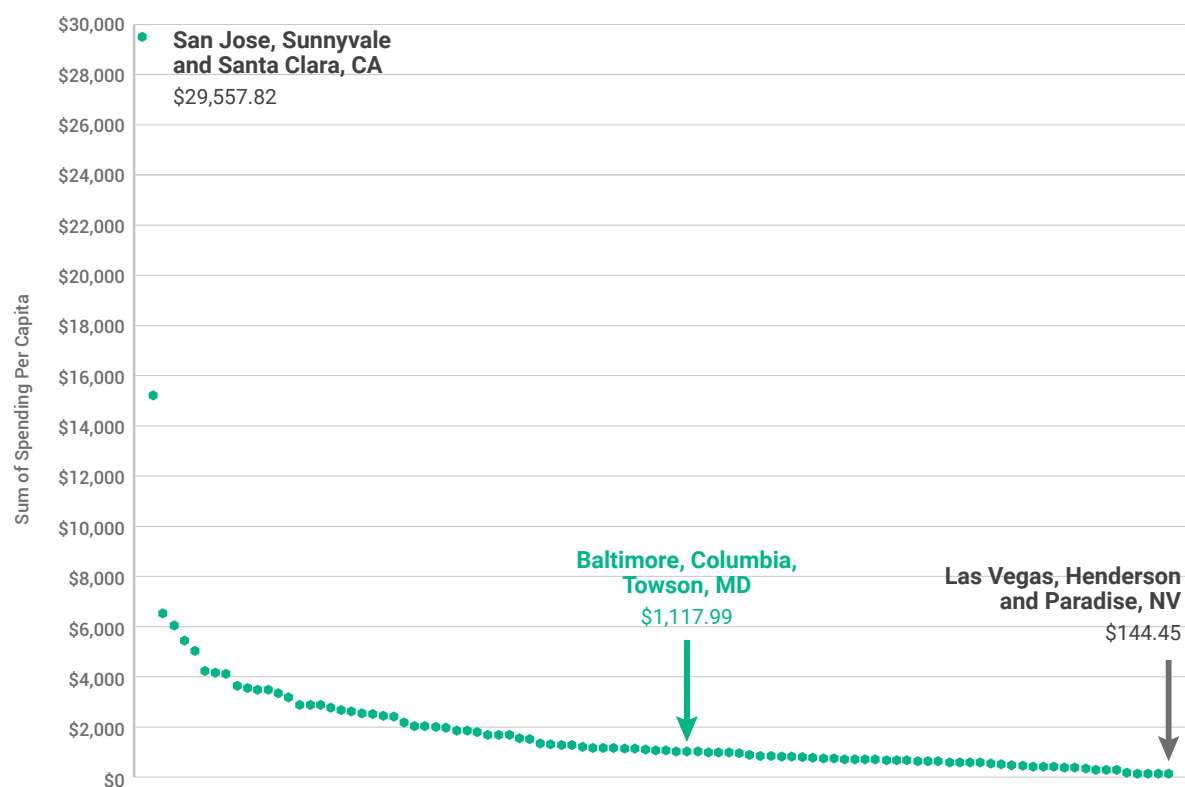
Responses stayed generally similar to the same survey conducted in 2014. Overall, 44% of citizens say they are satisfied with the city's services. Notably, White residents report higher rates of satisfaction than Black residents and residents ages 35-54 report significantly lower rates of satisfaction (around 30% satisfaction) than other age groups (around 50% satisfaction). Especially for Black residents, the availability of good jobs remains a concern. The survey identifies K-12 education and violent crime as key issues, with high importance and low satisfaction rates. Residents report higher levels of satisfaction with their neighborhoods than with the City of Baltimore as a whole. Most residents feel safe in their own neighborhoods during the day (86%), and 64% would recommend living in their neighborhood to a friend.



Innovation

In 2014, business owners with payroll were asked about innovation and product improvement activities.⁶² The percent of firms that has “sold a new good or service no other business has offered before” was 5% for the state of Maryland and 5% for the Baltimore metro area, indicating a parity. Nationally, the proportion was 5 percent. The percent of businesses that have “upgraded technique, equipment, or software to significantly improve a good or service” was about the same, each about 36%, and about 34% for the nation. The percent that have “made a significant improvement in a technique or process by increasing automation, decreasing energy consumption, or using better software” was 23% for both state and MSA after rounding and 20% for the nation.

Exhibit 33. Per Capita Expenditure on Research and Development by For-Profit Firms (2016)



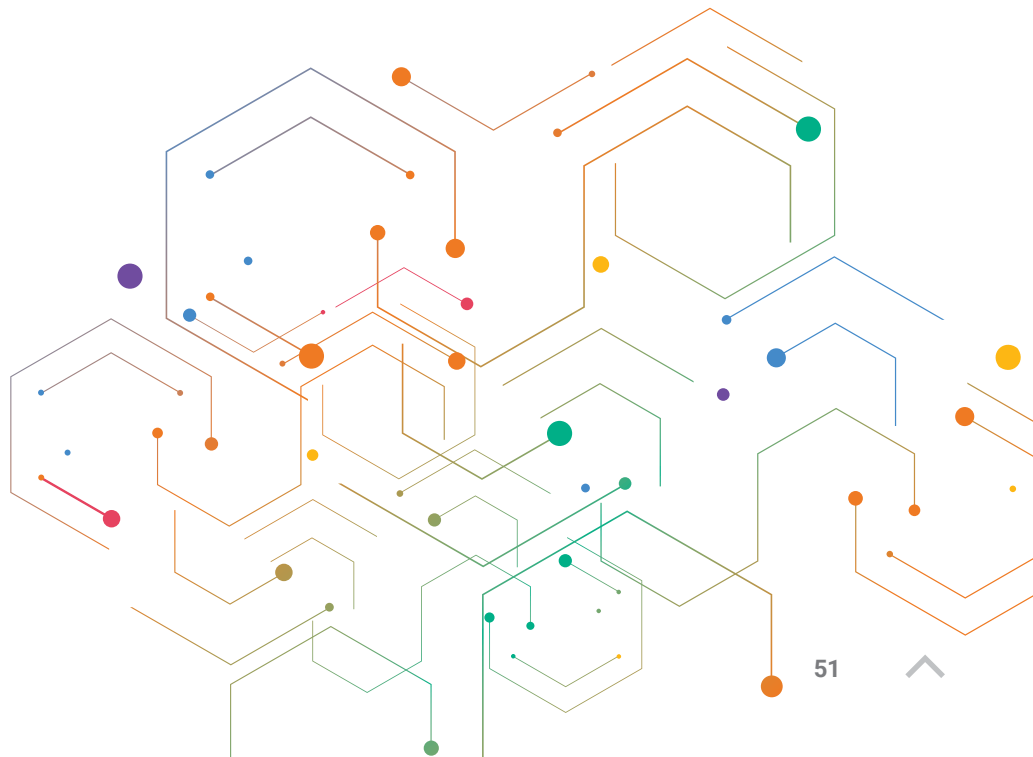
A separate survey⁶³ collected data on research and development spending. In 2016, the Baltimore metro area spent 3.1 billion in research and development. A minority - 1.5 billion - was spent by the company receiving the improvements. 1.6 billion was outsourced to another company to complete for the client.

⁶² U.S Census Bureau; Annual Survey of Entrepreneurs, 2014

⁶³ National Science Foundation (2016), Business Research and Development and Innovation: 2016
<https://ncses.nsf.gov/pubs/nsf19318/#technical-tables&>



When considering the population size of these areas, that total is 1,117.99 dollars spent per person, which is also the median of the metro areas in the dataset. The highest spent was 29,557.82 per person in the San Jose area, and the least spent was in the Las Vegas area, at 144.43 per person. See Exhibit 34 to see spending by MSA. The high expenditure in San Jose, part of Silicon Valley, may have to do with the large tech industry located there, where global companies such as Apple and Facebook are headquartered.



Appendix

Indicator	Description	Survey Name
Average Employees	The average number of employees per firm, broken down by owner population subgroups, at firms less than 2 years old and all firms.	2016 Annual Survey of Entrepreneurs
Business Ownership	Business owners per 1k of working age population, by population subgroup	2016 American Survey of Entrepreneurs
Business Survival Rates	The percentage of firms in operation throughout their first 5 years.	2017 Kauffman Index of Startup Activity 2016 Kaufman Index Mainstreet Entrepreneurs
Business Owner by Residents	Percent of business owned by residents.	2018 Your Economy
Early Stat Up Survival Rate	Percent of startups that are still active after one year.	2018 Kauffman Indicators of Entrepreneurship calculated from 2018 BLS's Business Employment Dynamics
Earnings Gap	Comparing the earnings of population subgroups to the earnings of a White non-Hispanic male.	2016 American Community Survey (5 year estimates), United States Census Bureau 2012 American Community Survey (5 year estimates), United States Census Bureau
Education	Highest level of education achieved by business owner, broken down by population subgroup.	2016 Annual Survey of Entrepreneurs
Employment Demographics	Percent of workers living and employed in the selection area and percent of workers employed and living in the selection area.	2017 LODS on the Map
Entrepreneurship Rate	Business owners of firms <2 years old per 1k of working age population, by population subgroup	2016 American Survey of Entrepreneurs
Innovation	Percent of businesses with a payroll that have "sold a new good or service no other business has offered before," "has upgraded a technique, equipment, or software to significantly improved a good or service," and/or "has made a significant improvement in a technique or process by increasing automation, decreasing energy consumption, or using better software"	2014 Annual Survey of Entrepreneurs
Nonemployer firms by industry	Shows the gross change and percent change in nonemployer firms, by industry, from 2012-2016.	2012-16 Geographic Area Series
Opportunity Share	The percent of the total number of new entrepreneurs who were not unemployed and not looking for a job as they started the new business.	2018 Kauffman Indicators of Entrepreneurship, calculated from 2018 Census/Bureau of Labor Statistics-administered Current Population Survey
Research and Development Budget	Amount of money spent on research and development by local for-profit companies, per capita.	2016 Business R&D and Innovation Survey
Source of Start Up Capital	Source of start up capital for all firms, broken down by sex, race, and ethnicity.	2016 Annual Survey of Entrepreneurs
Wealth Gap	Homeownership is used as a proxy for wealth. This indicator was found by comparing the percentage point differences in homeownership rates between population subgroups.	2016 American Community Survey (5 year estimates), United States Census Bureau 2012 American Community Survey (5 year estimates), United States Census Bureau

