

LONG BEACH

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

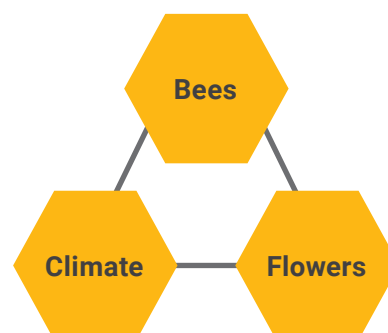
The OECD indicators are restructured to fit an ecosystem metaphor, containing the bee (entrepreneur), flowers (supporters) and climate (larger factors). The bees represent the entrepreneurs, who work to build something new. The flowers are all those that support and sustain them such as mentors, officials, 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 Finance
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 Data⁶

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

	United States	California	Long Beach	Los Angeles-Long Beach-Anaheim, CA Metro Area
2017 Population	321,004,407	39,536,653	470,489	13,353,907
2010 Population	303,965,272	36,637,290	461,823	—
Change in population size (2010-2017)	17,039,135	2,899,363	8,666	—
Percent of State population (if applicable)	—	—	1.2%	33.8%
% Change (2010-2017)	5.6%	7.9%	1.9%	—
Median family income	\$73,891	\$82,009	\$67,882	\$78,465
Median household income	\$60,336	\$71,805	\$60,557	\$69,992
% of Individuals in poverty	13.4%	13.3%	16.6%	—
Unemployment rate	5.3%	5.9%	6.5%	—
% with Bachelor's Degree or higher	32.0%	33.6%	31.1%	34.2%
% with High School education or higher	88.0%	83.3%	79.8%	80.7%

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

	Long Beach	Los Angeles- Long Beach-Anaheim, CA Metro Area	California	United States
Hispanic	43.2%	45.2%	39.1%	18.1%
Non Hispanic	56.8%	54.8%	60.9%	81.9%
White Non Hispanic	28.1%	29.4%	37.0%	60.6%
White	50.9%	52.0%	58.6%	72.3%
Black	12.7%	6.6%	5.7%	12.7%
Asian	13.5%	16.2%	14.6%	5.6%
Foreign-born	25.4%	33.3%	26.9%	13.7%
Language other than English spoken at home	48.2%	54.3%	44.4%	21.8%

Asian does not include Pacific Islanders. Pacific Islanders are less than 1% of the Long Beach Population

NON-CENSUS DATA

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

- Long Beach: 24.8%

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

- United States: 79.4%
- California: 81.1%

Percent of businesses owned by residents (2017)⁵

- United States: 83.1%
- California: 88.0%
- Long Beach: 90.3%

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

- Long Beach: 21.4%

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%
- California: 87.9%
- Long Beach: 80.0%

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>

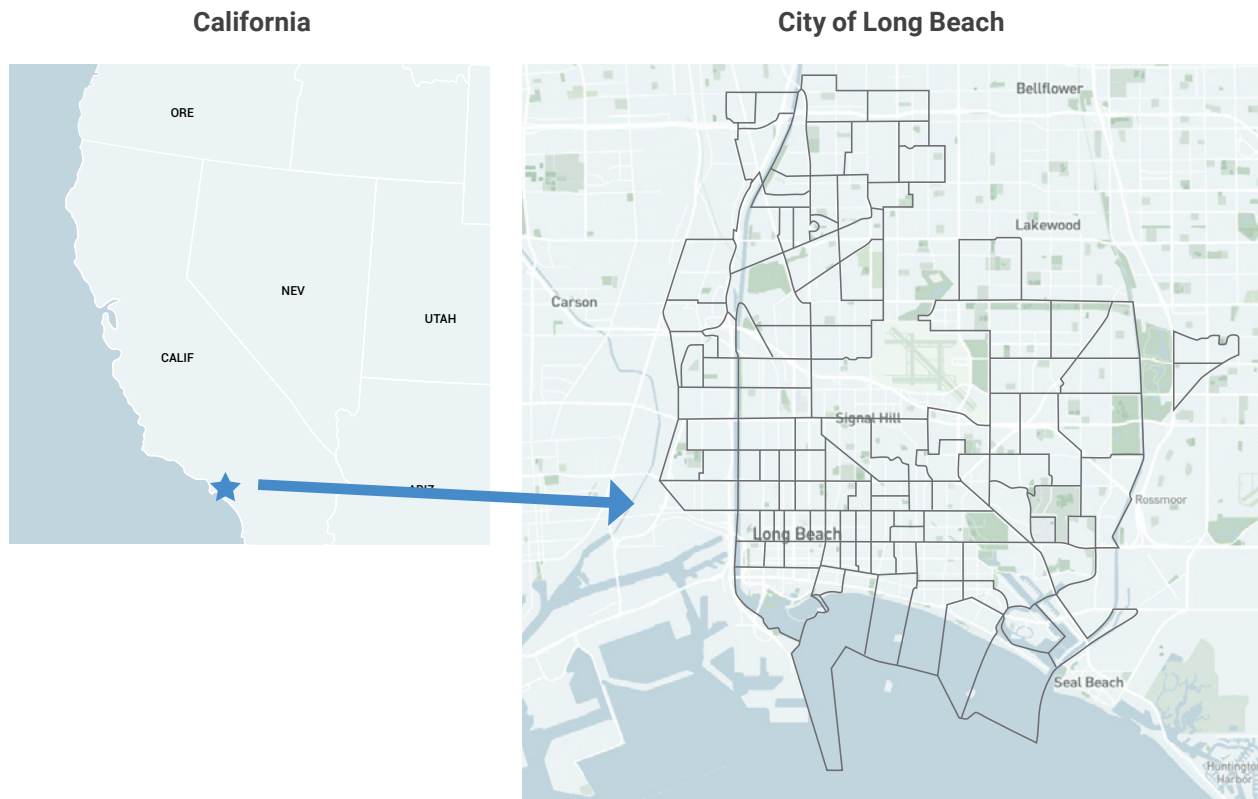
⁶ LODES On the Map (2017). <https://onthemap.ces.census.gov/>

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 Long Beach. 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	101 (100%)
Current business owners	39 (38.6%)
Aspiring or side business	62 (61.5%)
Female	44 (43.6%)
African-American/Black	8 (7.9%)
Asian	27 (26.7%)
Hispanic/Latinx	20 (19.8%)
White, non-Hispanic	39 (38.6%)
Current business owners	
Business <5 years old	20 (55.6%)
Full time employees (median)	1 (39 respondents have full time employees)
Zero employees reported	14 (35.9%)
Revenue	(3 people or 7.7% didn't report revenue)
<\$25K	11 (28.2%)
\$25-\$50K	6 (15.4%)
\$50-\$100K	7 (17.9%)
>\$100K	12 (30.8%)
Most common industries for Current Owners	
Professional, Scientific, and Technical Services	8 (22%)
Retail Trade	6 (16.7%)
Other Services (except Public Administration)	6 (16.7%)



SECTION 1

The Bees: The Entrepreneurs

THE BEES, EXPLAINED

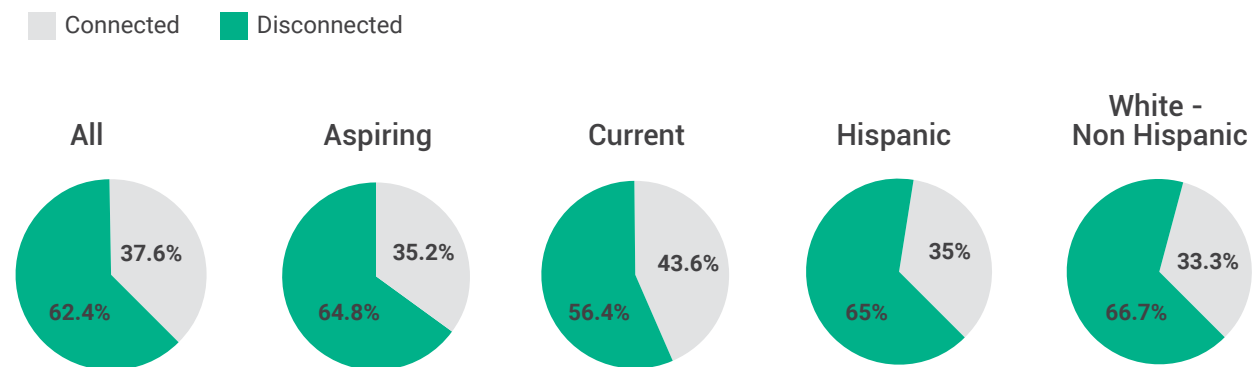
The entrepreneurs and established business owners in an entrepreneurial ecosystem are the bees. They travel great lengths, across their community and others, connecting with peers and resources to refine, establish and grow their idea into a thriving business. The bees need pollen to produce honey, just 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 Long Beach. The majority of those who took the survey are not connected to resources in the community, such as ESOs. Current business owners are the most connected group (44%), meaning they interacted with at least one formal entrepreneurial support organization or a community resource. White Non-Hispanic respondents were the least connected group (33%).

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



Connected: Using ESO(s), community resources, and/or mentors to start or run their business

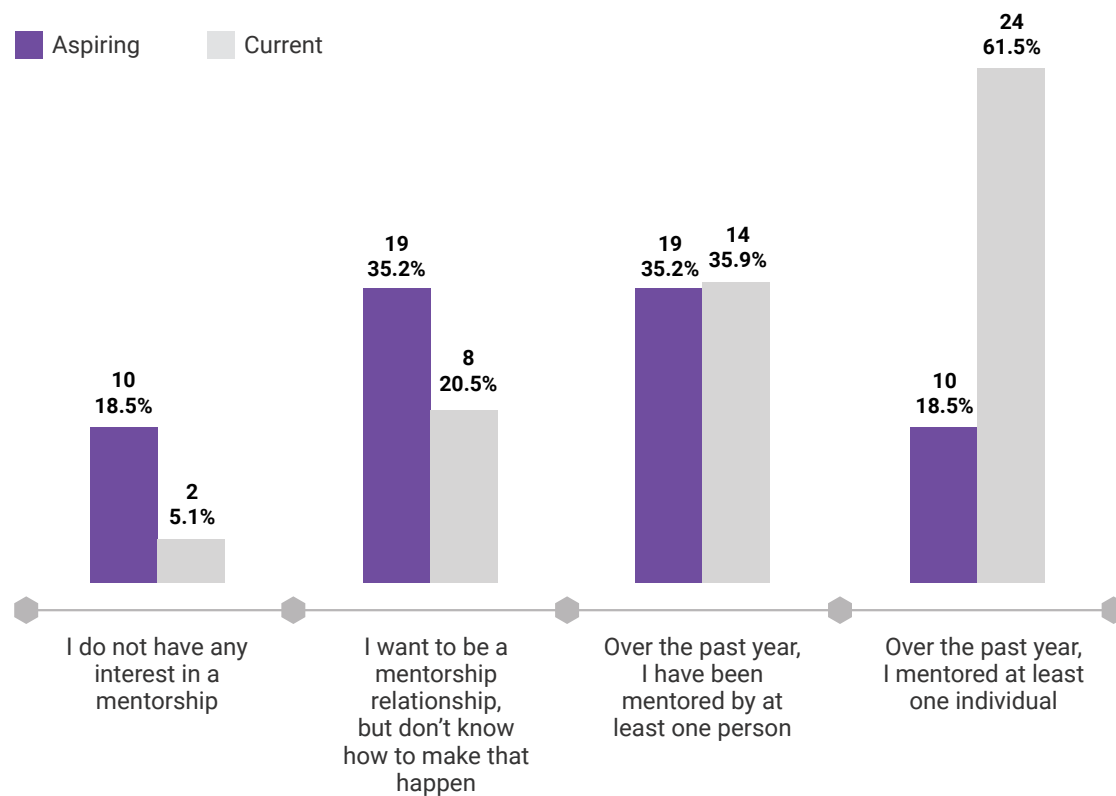
Disconnected: Not using or aware of ESOs, community resources, or individual mentors to start or run their business



Business Mentorship

Based on the sample of entrepreneurs and business owners surveyed in Long Beach, current business owners have much more experience with mentorship than aspiring entrepreneurs (62% vs 19%). This may be from an imbalance between the number of folks interested in starting a business in an ecosystem and those that currently own one. The responses also indicate that aspiring entrepreneurs would like to be in a mentoring relationship but are unsure how they can enter one.

Exhibit 7. Business Mentorship in Long Beach (2020)
N = 39 Current Owners and 54 Aspiring Owners





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.

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.

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 have prioritized non-minority, male owners. One of the many ways this prioritization takes place is through implicit bias. In a recent interview, Long Beach entrepreneur De'Sha Bridges said, "It's tough to be taken seriously [as a Black woman]. When I go to business events, people often ask me if I'm in the right place. It's clear that when they look at me, they don't always see a person who could have a thriving business."¹² Racial and gender biases are pervasive, and business ownership is one of the many areas in which they create barriers to accessing economic opportunities on equal terms.

Despite the deeply embedded racism and sexism in this country, some entrepreneurs of color and women 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 Cecce 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 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 entrepreneur,¹⁶ despite the vast potential of those oppressed.

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

¹⁰ Jenson, 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 Rani, R.S., (2019) *Overlooked by Venture Capitalists, Underserved Entrepreneurs Find Support from Local Governments*. *Next City*. <https://nextcity.org/daily/entry/overlooked-by-venture-capitalists-underserved-entrepreneurs-find-support>

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 Schweninger, L. 1989, "Black-Owned Businesses in the South, 1790-1880", *Business History Review*, vol. 63, no. 1, pp. 22-60.

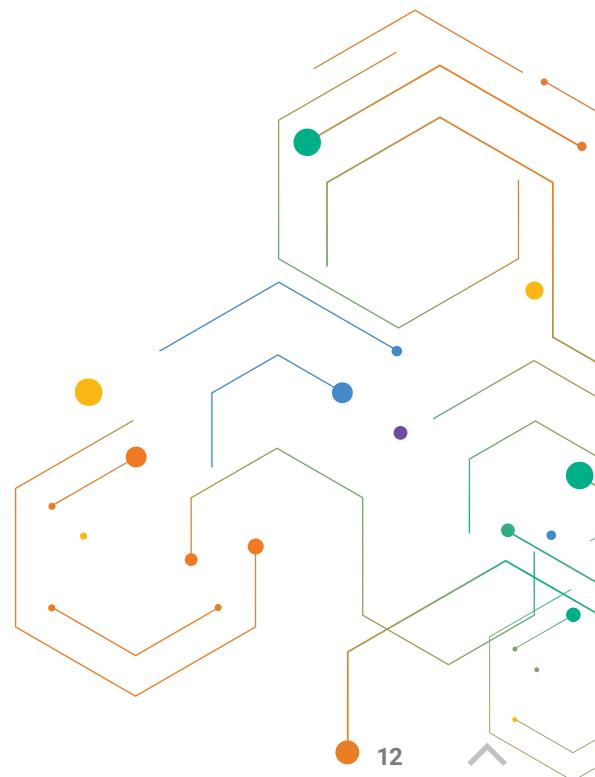
¹⁶ Mangum, V.E. 2020, "What Does Political Economy Tell Us About the Dearth of Black Entrepreneurs?", *The American Economist*, vol. 65, no. 1, pp. 131-143.



ENTREPRENEUR DIVERSITY

In 2016, there were 4 firms less than 2 years old with paid employees for every 1,000 working-aged residents in the Los Angeles-Long Beach-Anaheim Metro Area. This is higher than for the state (3) and for the country (2).

- For every 1,000 White working-aged residents of the Los Angeles - Long Beach - Anaheim Metro Area, 4 owned firms less than 2 years old with paid employees, higher than for the rest of the state (3) and country (3).
- For every 1,000 Black working-aged residents of the Long Angeles-Long Beach-Anaheim Metro Area, 1 owned a firm less than 2 years old with paid employees. This is comparable to the state (1) and country (1). Black people are less than 10% of the MSA but over 10% of the city.
- For every 1,000 Hispanic working-aged residents of the Long Angeles-Long Beach-Anaheim Metro Area, 1 owned a firm less than 2 years old with paid employees. This is comparable to the state (1) and country (1).
- For every 1,000 Asian working-aged residents of the Long Angeles-Long Beach-Anaheim Metro Area, 7 owned a firm less than 2 years old with paid employees. This is higher than for the state (5) and country (6).
- For every 1,000 male working-age residents of the Long Angeles - Long Beach - Anaheim metro area, 4 owned firms less than 2 years old with paid employees, higher than for the state (3) and country (3).
- For every 1,000 female working-aged residents of the Los Angeles-Long Beach-Anaheim Metro area, 2 owned firms less than 2 years old with paid employees, higher than in the state (1) and country (1).

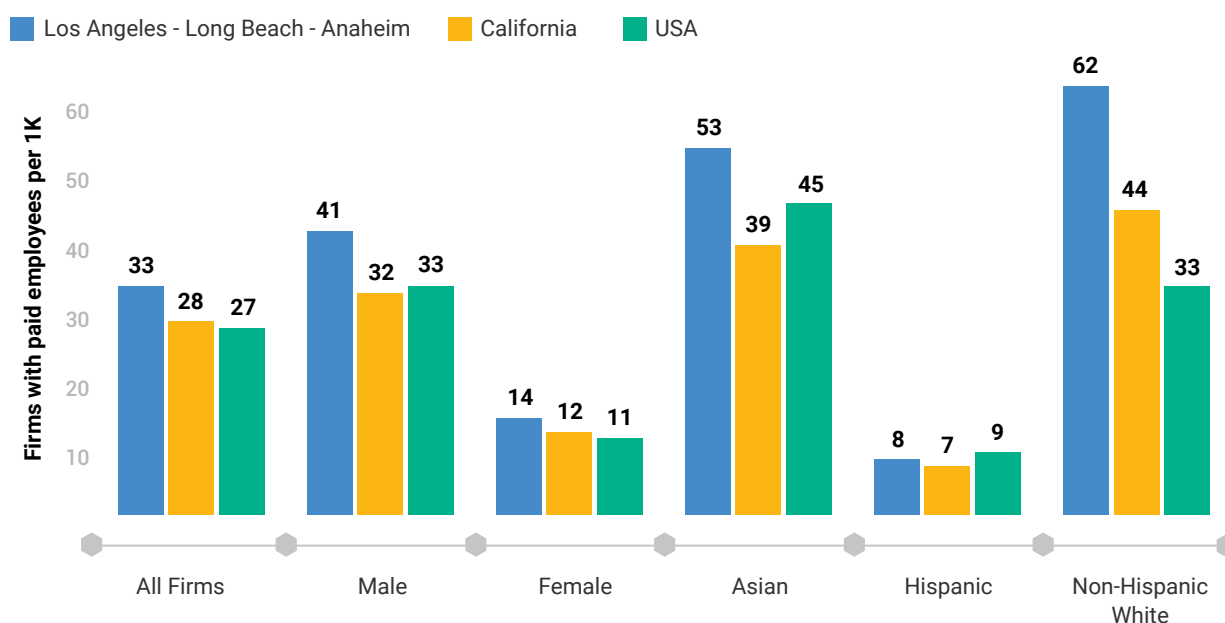


BUSINESS OWNER DIVERSITY

In 2016, there were 33 firms of all ages with paid employees for every 1,000 working aged residents in the Los Angeles - Anaheim - Long Beach metro area, which was also higher than the rest of the state (28) and the country (27).¹⁷

- A total of 62 Non-Hispanic White business owners with paid employees exist for every 1,000 working-aged White residents of the metro area, considerably higher than the state (44) and country (33).
- A total of 7 Black business owners with paid employees exist for every 1,000 working-aged Black residents of the metro area, higher than for the state (6) and country (4). Black people are less than 10% of the MSA but over 10% of the city.
- A total of 8 Hispanic business owners with paid employees exist for every 1,000 Hispanic working-aged residents of the metro area, higher than the state (7) and lower than the country (9).
- A total of 53 Asian business owners with paid employees exist for every 1,000 Asian working-aged residents of the metro area, higher than the state (39) and the country (45).
- A total of 41 male business owners with paid employees exist for every 1,000 male working-aged residents of the metro area, considerably higher than in the state (32) and the country (33).
- A total of 14 female business owners with paid employees exist for every 1,000 female working-aged residents of the metro area, also higher than the state (12) and country (11).

Exhibit 8. Firms with Paid Employees per 1k of Population Subgroup (2016)



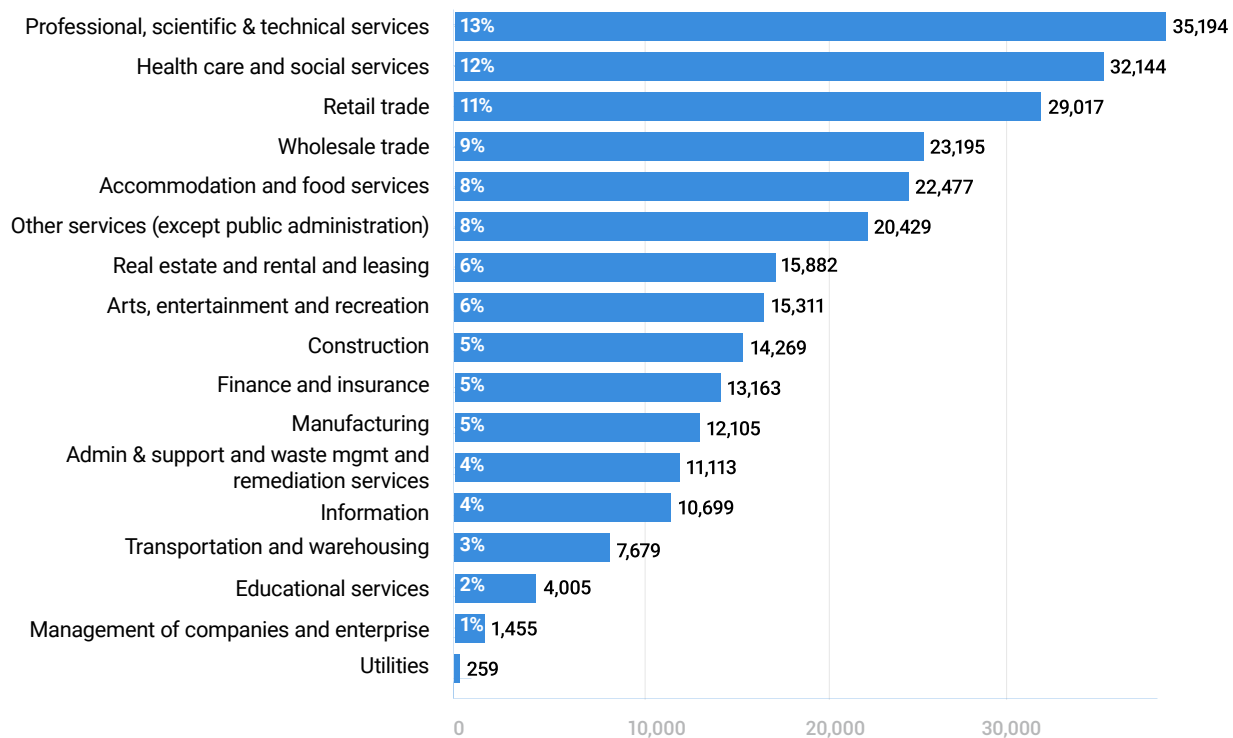
Population 10% or less of the total population were excluded from this chart.

¹⁷ U.S. Census Bureau; Annual Survey of Entrepreneurs, 2016

All Businesses by Industry

The three largest industries in Los Angeles County in 2016 by percent of total establishments were Professional, Scientific, and Technical Services (13%), Health Care and Social Assistance (12%) and Retail Trade (11%). Combined, these industries made up roughly 36% of the total number of establishments in Los Angeles County.

Exhibit 9. Total Establishments by Industry, Los Angeles County (2016)



Nonemployer Businesses

Business owners that operate without employees are either new owners looking to grow, or self-employed, who are stable in their self-operated businesses. Nationally, four in five businesses are nonemployers, but account for only 3% of the annual receipts of U.S. businesses.¹⁸ Between 2012 and 2016, the number of nonemployers in the U.S. grew by 9 percent (2,077,133 businesses). During that period, the growth within California was 12 percent in four years, and within Los Angeles county, 14 percent. In 2016, there were 15 nonemployers for every 1,000 Los Angeles county residents aged 15-64. That is a higher concentration of nonemployer businesses within the county economy than the nation (11 per 1,000 residents) and the state (12 per 1,000 residents).

Exhibit 10. Nonemployer Firms by Industry, Los Angeles County (2016)

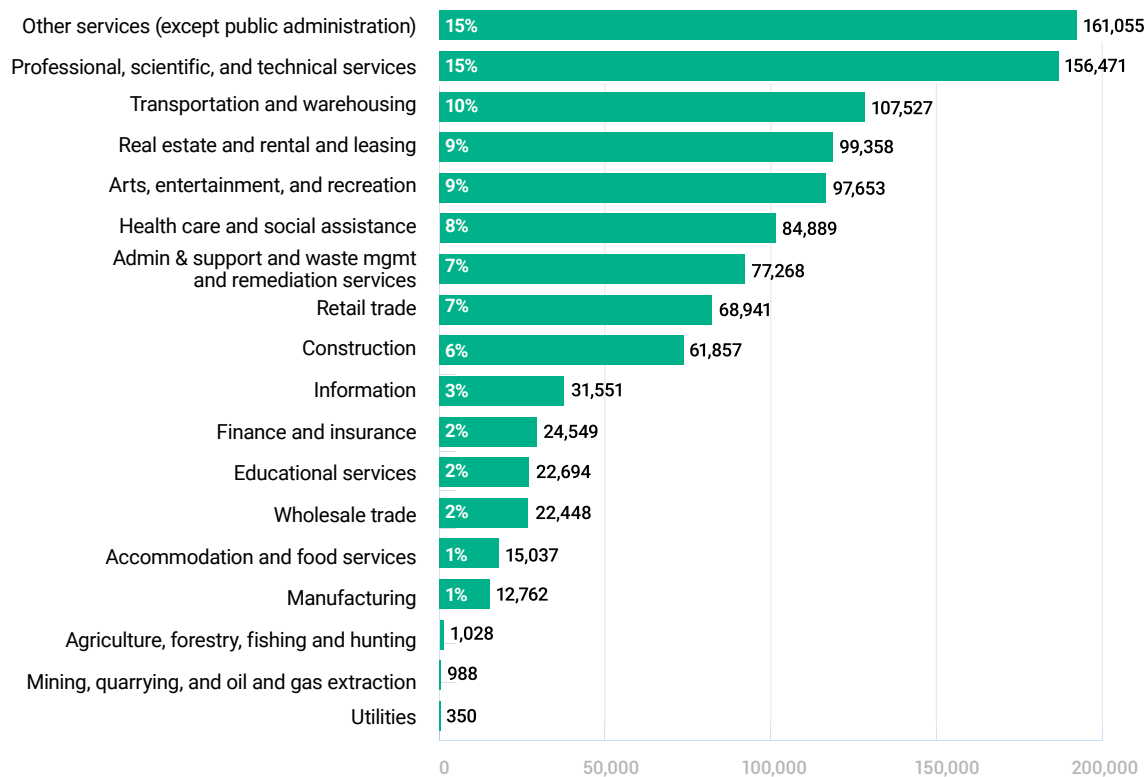


Exhibit 10 shows the amount of nonemployers by industry in LA County. Other services, followed by professional, scientific, and technical services, are the top industries. Other services includes a wide range of services, such as “equipment and machinery repairing, promoting or administering religious 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.”¹⁹

¹⁸ US Small Business Administration (2018). A Look at Nonemployer Businesses. <https://www.sba.gov/sites/default/files/advocacy/Nonemployer-Fact-Sheet.pdf>

¹⁹ “Other Services (except Public Administration): NAICS 81” (2020) U.S. Bureau of Labor Statistics. <https://www.bls.gov/iag/tgs/iag81.htm>



Average Number of 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.²⁰ ‘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.²¹ 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.”²² 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.²³ 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.²⁴

²⁰ Székely, F. and Knirsch, M., 2005. Responsible leadership and corporate social responsibility: Metrics for sustainable performance. *European Management Journal*, 23(6), pp.628-647.

²¹ 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

²² 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.

²³ 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.

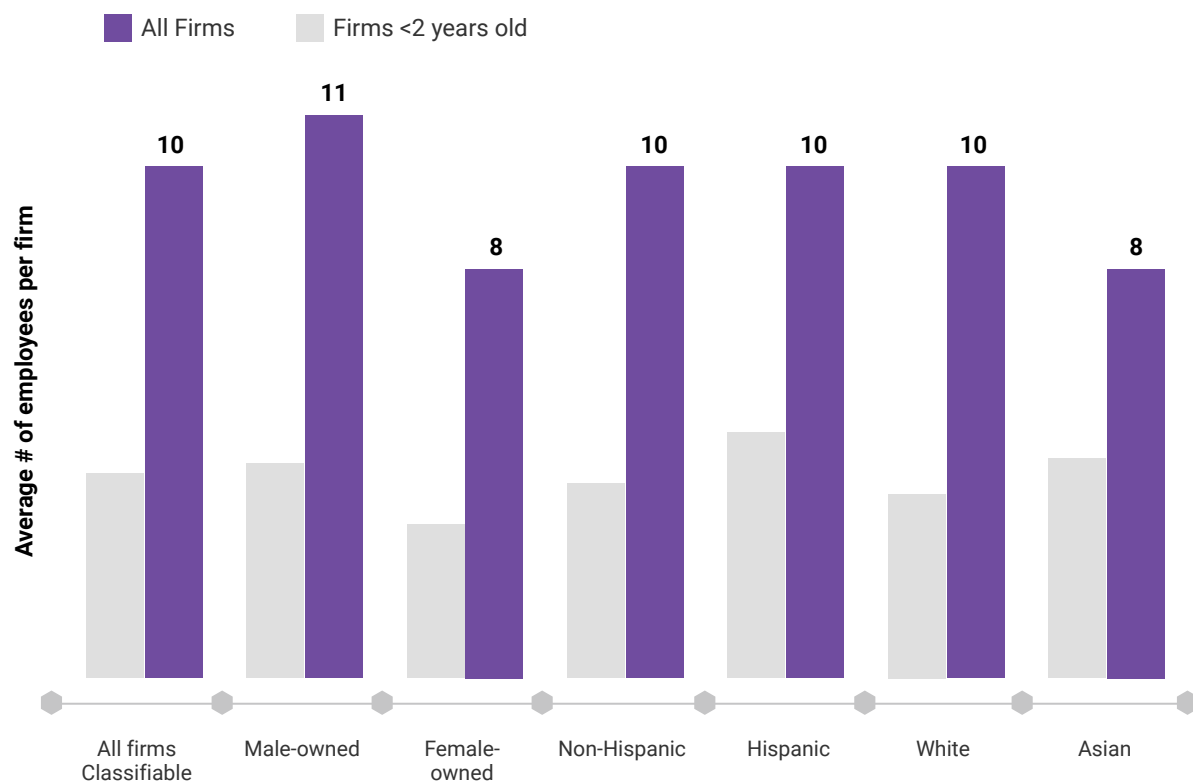
²⁴ Fairlie, R.W. and Robb, A.M., 2007. Why are black-owned businesses less successful than white-owned businesses? The role of families, inheritances, and business human capital. *Journal of Labor Economics*, 25(2), pp.289-323.



- The average number of employees for all firms in the Los Angeles - Anaheim - Long Beach metro area was 10 in 2016. This is close to the average for the state (10) and the country (11).²⁵
- Firms less than 2 years old in the Los Angeles - Anaheim - Long Beach metro area had an average of 4 employees. This is lower than the average for the state (5 employees) and the country (5 employees).
- Hispanic-owned firms of all ages in the Los Angeles - Anaheim - Long Beach metro area had an average of 10 employees. This is slightly higher than the average for the state (9 employees) and the US (8 employees). Notably, Hispanic firms under 2 years old had the highest average employees in the metro area (5 employees).
- Asian-owned firms of all ages in the Los Angeles- Anaheim- Long Beach metro area had an average of 4.6 employees. This is slightly lower than the average for the state (5) and for the country (5).
- African-American-owned firms of all ages in the Los Angeles - Anaheim - Long Beach metro area had an average of 8 employees. This is lower than the average for the state (11) and for the country (9).

Exhibit 11. Average Number of Employees for Firms in the Los Angeles - Anaheim - Long Beach Metro Area (2016)

Numbers are rounded to nearest whole number.



Populations that represented 10% or less of Los Angeles-Long Beach-Anaheim MSA were excluded from this chart

²⁵ 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)²⁶ by population subgroup. The indicators draw on data between years 2010 and 2018.

Context: Given that personal savings and wealth significantly increases the odds of someone starting a business, inequitable distribution of these resources depresses entrepreneurship rates across the country.

The roots of this disparity run deep. Enslaved people were used as collateral to allow White men to start businesses.²⁷ After slavery ended, White settlers continued to steal economic value and exploit redistribution policies intended for all, to their benefit.²⁸ Centuries of inequity-producing policies and individual actions produce extreme wealth inequality between racial groups, given the nature of intergenerational wealth accumulation. In 2016, White non-Hispanic households in America had over 10 times the median wealth of Black Households (\$143,600 vs \$12,920), and seven times the median wealth of Hispanic households (\$21,420).²⁹ Asian households had the greatest median wealth of all groups, at \$210,100,³⁰ although income data suggest wide variation within this group.³¹

The United States' history of stealing economic value from African Americans, Hispanic Americans, and women of all groups has left an important legacy for present day economic ecosystems.³² Personal savings and assets are by far the most common source of startup capital, according to the Census Bureau.³³ Given that wealth accumulates over generations, White people often have access to capital and personal financing that vastly exceeds the resources that other groups have at their disposal. 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 more easily than minority entrepreneurs largely due to this stark gap in financial resources.

²⁶ 2016 Annual Survey of Entrepreneurs.

²⁷ 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.

²⁸ 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

²⁹ US Census Bureau (2016). *Wealth and Asset Ownership for Households, by Type of Asset and Selected Characteristics*.

³⁰ Ibid.

³¹ Prosperity Now (2018). *Racial Wealth Snapshot: Asian Americans*. <https://prosperitynow.org/blog/racial-wealth-snapshot-asian-americans>

³² 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 <https://www.nytimes.com/interactive/2019/08/14/magazine/racial-wealth-gap.html>

³³ 2016 Annual Survey of Entrepreneurs.





Homeownership is one intergenerational avenue for generating such inequity. Historical data show that homeownership is a stronger investment than others in contributing to wealth accumulation. Meanwhile, racist housing policies have historically barred Black Americans from accessing mortgages and neighborhoods with home equity appreciation.³⁵

Loans in Long Beach are not distributed equitably: African American families and Hispanic families' proportion of home loans (7% and 22% respectively) were half their proportions in the population (14% and 44%). Asian residents in the population (13%) were the closest to the proportion of loans that went to Asian families (10%). Meanwhile, White people (29% of the population) received 47 percent of loans."³⁶

Historically, housing was not always readily available, and those who obtained a decent home tended to be White. In Long Beach, minority families bore the brunt of housing shortages during the early 20th century. In response, the local National Association for the Advancement of Colored People (NAACP) Chapter successfully pushed for fair housing legislation across the state.³⁷

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,³⁸ unjustifiable denials,³⁹ long waits even for wealthier applicants,⁴⁰ 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.⁴¹

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.⁴² Companies with higher returns generally require more startup capital,⁴³ and thus are riskier investments.⁴⁴ Those with greater wealth networks can absorb failure much more easily than those without these networks. These factors compound when one's race or ethnicity coincides with the resources on which they rely.

³⁴ Goodman, L.S. and Mayer, C., 2018. Homeownership and the American dream. *Journal of Economic Perspectives*, 32(1), pp.31-58.

³⁵ 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.

³⁶ P12: 'EVERYONE IN' ECONOMIC INCLUSION INITIATIVE Phase I Summary: Developing Solutions to Advance Economic Inclusion in Long Beach. (2019) https://www.lisc.org/media/filer_public/24/f3/24f31830-ef7e-473b-a205-8abe36e203ef/everyone_in_phase_1_report.pdf

³⁷ Addison, B. (2017) A History of Housing Practices in Long Beach. City Rising, KCET.

<https://www.kcet.org/shows/city-rising/a-history-of-housing-practices-in-long-beach>

³⁸ 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>.

³⁹ 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>

⁴⁰ Simms, Margaret. 2017.

⁴¹ 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.

⁴² Kym, C. (2014). Access to Capital for Women and Minority-owned Businesses: Revisiting Key Variables.

⁴³ 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.

⁴⁴ 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 Los Angeles - Long Beach - Anaheim metro area, 68% of business owners drew on personal and family savings when starting their business. This percentage is about the same for the state (68%) and slightly higher than the nation (64%).⁴⁵ See Exhibit 12.
- These numbers mirrored the local Long Beach entrepreneur survey: 77% of business owners (either as their full time work or a side business) used personal savings to fund their business. Personal credit card or loan was the next prominent source at 45% of respondents.
- Raising capital is a prominent concern for small business owners within the Long Beach city limits. The 2020 Long Beach Small Business Monitor, a survey conducted by California State University at Long Beach, found that 44% of small business owners said raising working capital was “somewhat/very much of a problem” for their small business today.⁴⁶ This is a four percentage point decrease from 2019 (48%), but a seven percentage point increase from 2018 (37%).
- While business owners start with different amounts of cash in the bank, about one in seven (15%) in the Los Angeles - Long Beach - Anaheim metro area reported in 2016 that they started out with less than \$5,000. This number is on par with the national (15%) and state (15%) statistics.
- Individual income and wealth of family and friends determine how much capital is at the disposal of someone starting a business. We examine how different groups in Long Beach have varying earnings and homeownership rates (a proxy for wealth).
 - For every \$1 a White non-Hispanic man made in Long Beach in 2017, a Hispanic woman made 43 cents, a Hispanic man made 45 cents, a Black woman made 61 cents, and a Black man made 70 cents.⁴⁷
 - The gap in homeownership rates between White non-Hispanic individuals and Black individuals was 29 percentage points in Long Beach for 2017. That gap was 26 points between White non-Hispanic and Hispanic individuals.

⁴⁵ U.S. Census Bureau; *Annual Survey of Entrepreneurs, 2016*

⁴⁶ California State University at Long Beach (2020). *Long Beach Small Business Monitor*.

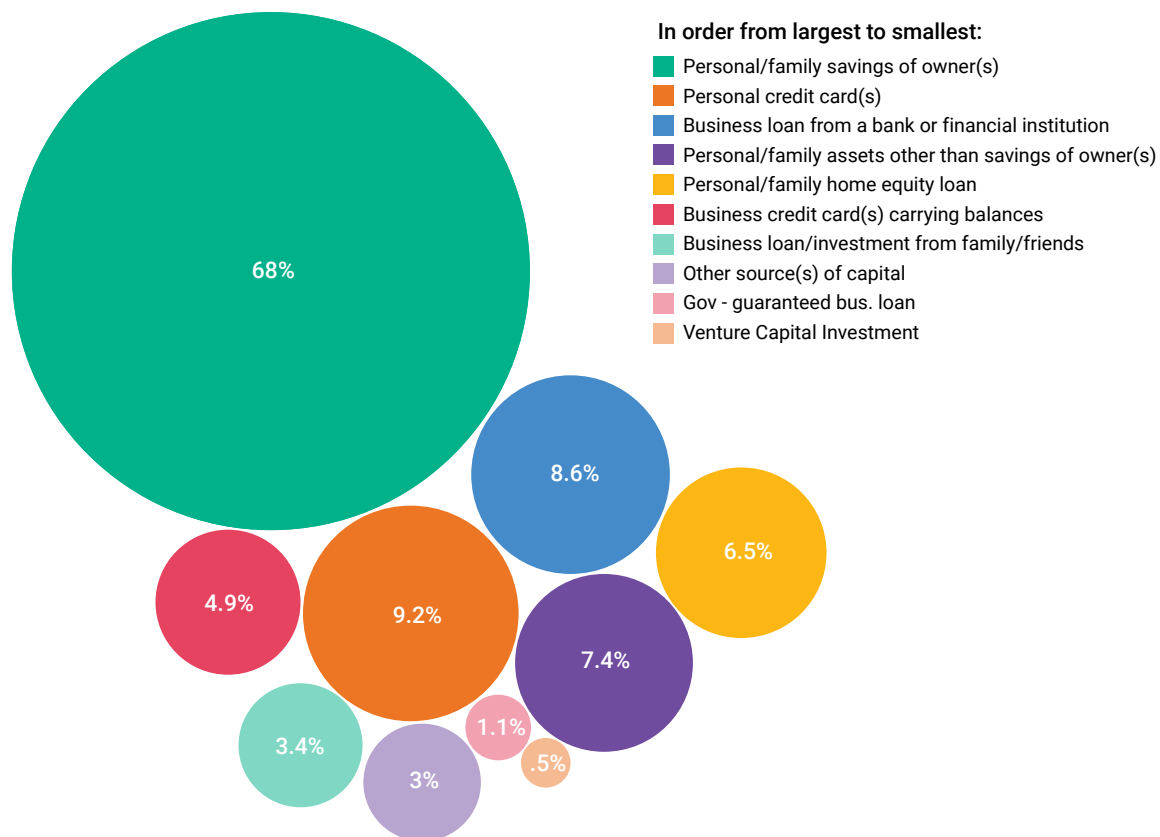
⁴⁷ Note: These estimates use individual median earnings and do not factor in type of work for each group



SOURCES AND AMOUNT OF STARTUP CAPITAL

Exhibit 12 shows which sources of capital were most common for business owners in the metro area.⁴⁸ Personal savings is the most common component of funding for businesses, and outpaces all other categories. At both the state level and metro level, close to 70% of all business owners recall using some personal savings.

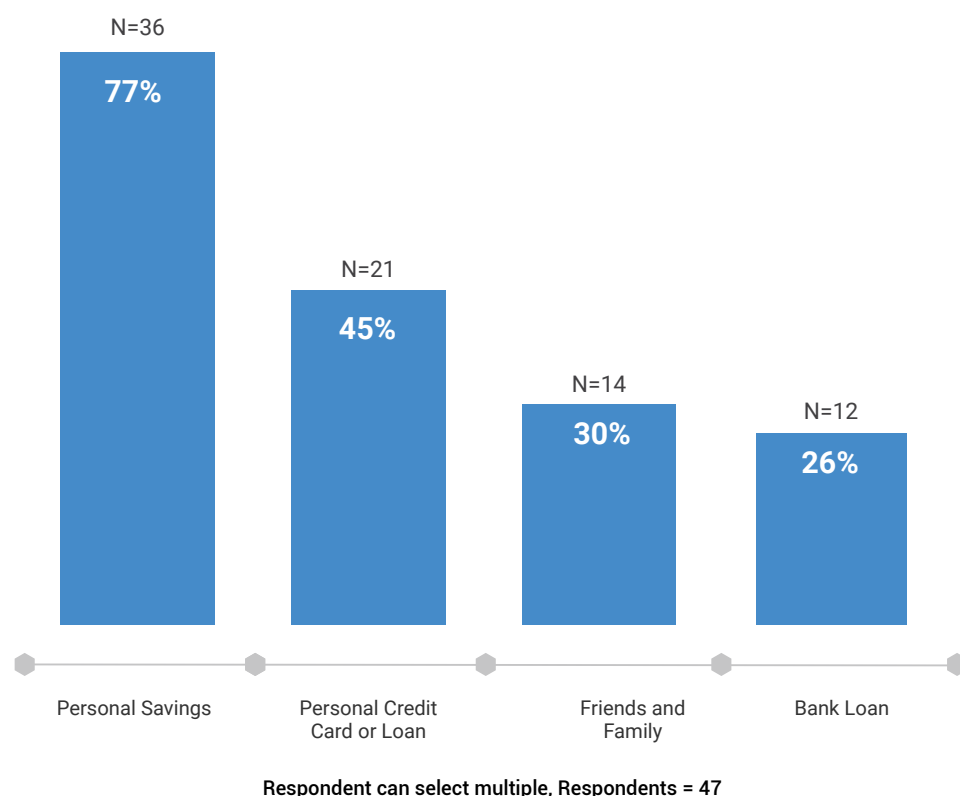
Exhibit 12. Most Common Forms of Startup Capital in the Los Angeles - Anaheim - Long Beach Metro Area, CA (2016)



This echoes a trend both 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 and credit cards were the top two sources of capital (see Exhibit 13 below to see the top four categories).

⁴⁸ 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.

Exhibit 13. Top Four Sources of Capital in Long Beach (2020)



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.⁴⁹ The authors point to research by Bates (1997)⁵⁰ 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.

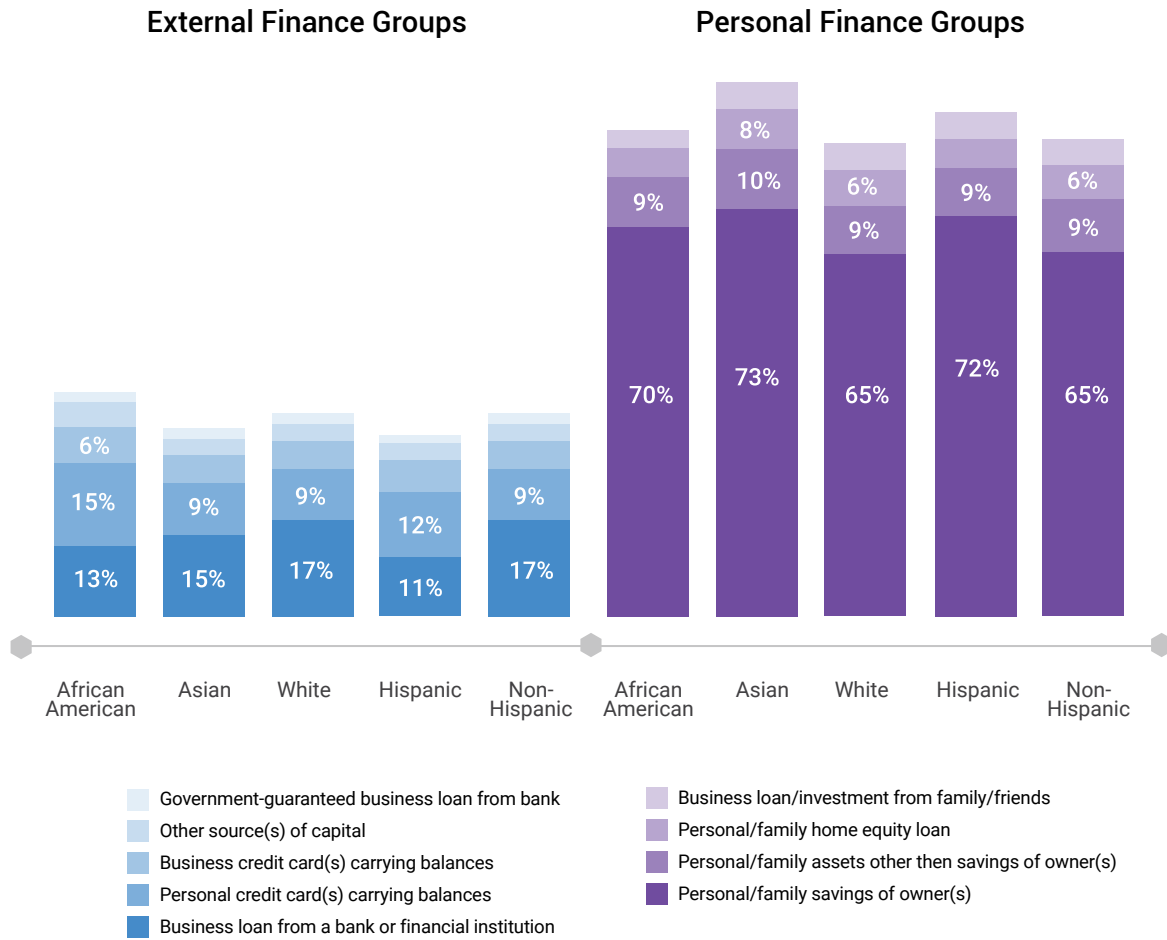
The following graph (Exhibit 14) shows that regardless of race or ethnicity, entrepreneurs across the country lean on family networks for support much more than external funding sources (local data was unavailable). When we group capital sources by personal sources (own assets or assets from family or 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.⁵¹ These data show that a greater proportion of Hispanic business owners recall using personal or family savings (7 percentage points more than non-Hispanic owners). Inversely, more non-Hispanic owners recall using bank loans than Hispanic owners (6 percentage points higher).

⁴⁹ M'Balou Camara, K.Z., Hamilton, D. and Darity Jr, W., 2019. *Entering Entrepreneurship: Racial Disparities in the Pathways into Business Ownership*.

⁵⁰ Bates, T. (1997). *Race, self-employment, and upward mobility: An illusive American dream*. Woodrow Wilson Center Press.

⁵¹ Note: The stack cannot be summed for this reason.

Exhibit 14. Personal vs. External Sources of Startup Capital in the US by Subgroup (2016)



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%).⁵²

⁵² 2016 Annual Survey of Entrepreneurs

Exhibit 15 shows that among all business owners in the Los Angeles - Anaheim - Long Beach metro area, the greatest proportion remember starting with less than \$5,000 dollars when asked the question in 2016.

Exhibit 15. Amount of Startup Capital Used by Current Business Owners in the Area (2016)

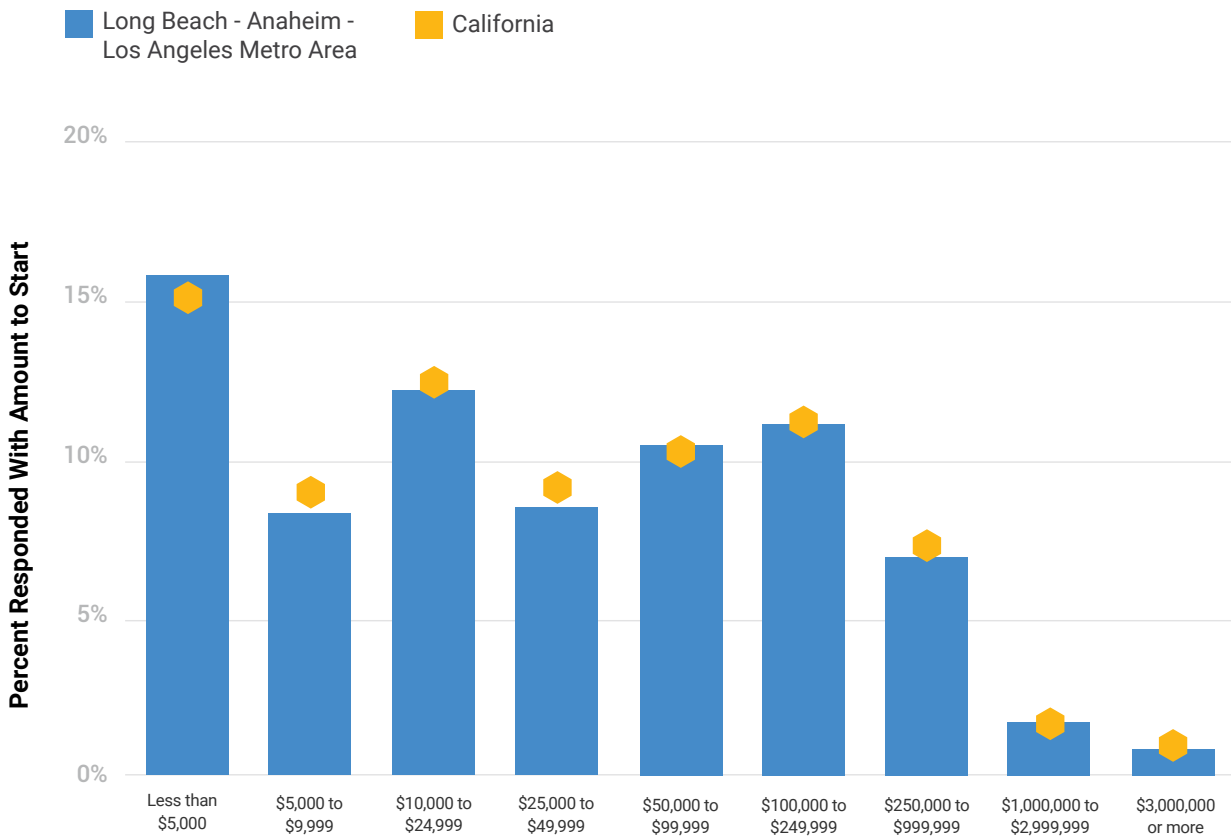
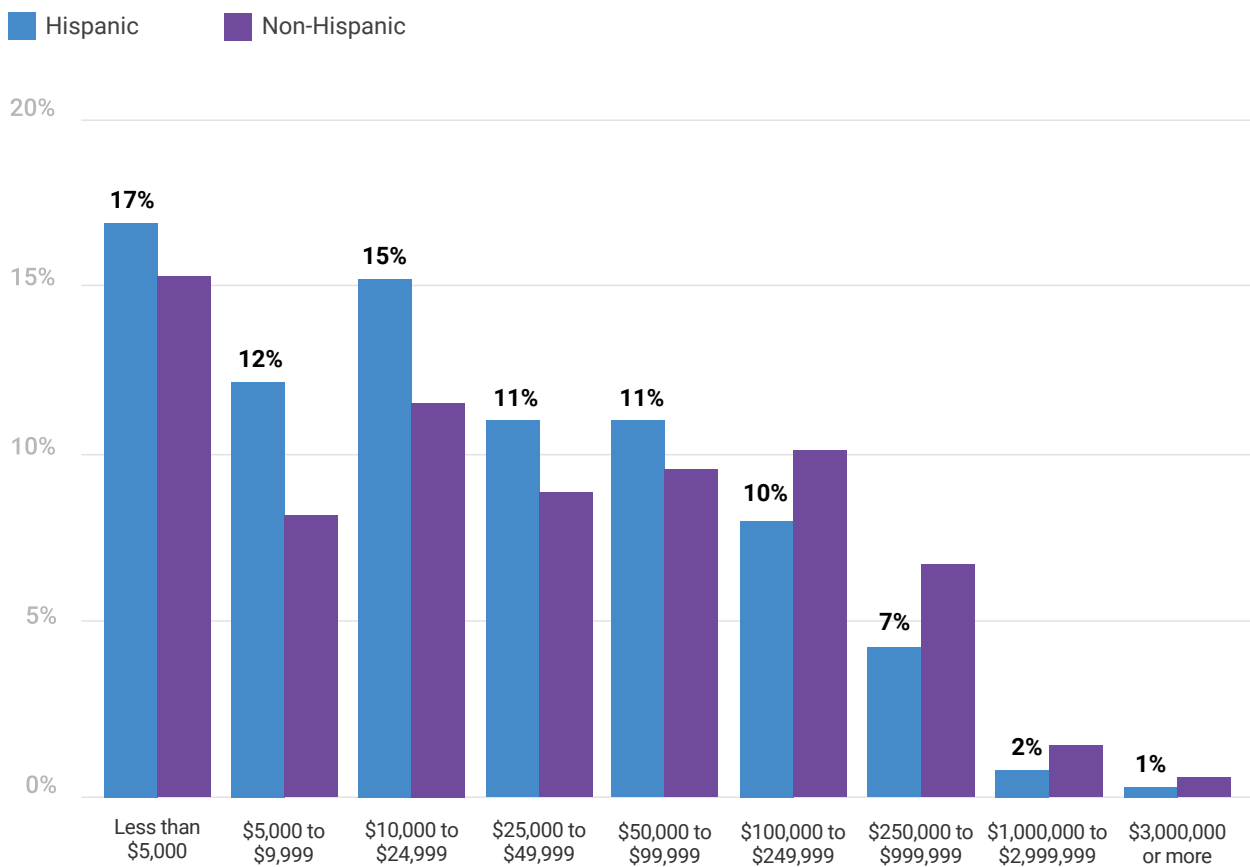


Exhibit 16 shows that Hispanic business owners across the country are more often starting with lower amounts of capital relative to their non-Hispanic peers. A greater proportion of Hispanic owners have under a million to work with than non-Hispanic owners. Owners with over a million dollars in the U.S. tend to be non-Hispanic. (Local specified data was unavailable.)

Exhibit 16. Amount of Startup Capital in the United States: Hispanic vs. Non Hispanic (2016)



Results are in response to the following questions: “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)

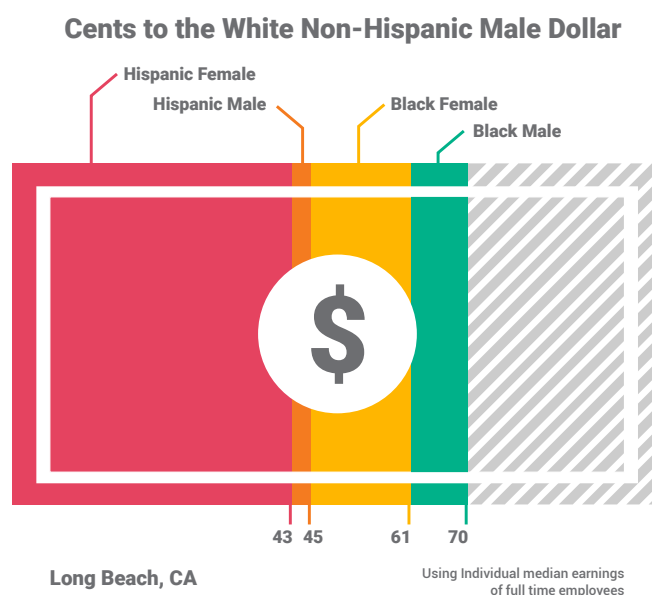


EARNINGS GAP

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.

- For every dollar a White non-Hispanic man made in 2017, a Black woman made 61 cents, a Black man made 70 cents, a Hispanic woman made 43 cents, and a Hispanic man made 45 cents. See Exhibit 17.
- The gap between men and women of all backgrounds shrank more in California and Long Beach (both by 5 cents) than the nation (3 cents) from 2010 to 2017. Median incomes are also higher in these areas.
- Change in gaps for Hispanic groups from White, Non-Hispanic men is widely stagnant for Long Beach, the state of California, and the nation between 2010 and 2017. In aggregate, gaps are widening between 2010 and 2017. See Exhibit 18.

Exhibit 17. Cents to the White Non-Hispanic Male Dollar (2017)



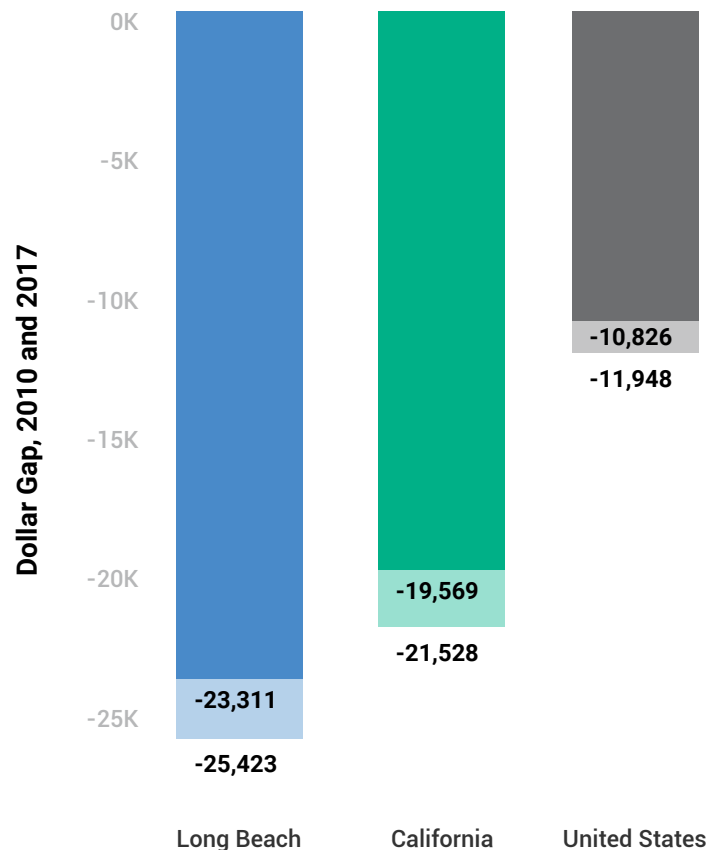
- Between 2010 and 2017, Black women and Black men in Long Beach saw the largest gains in parity out of the groups examined (8 cents and 13 cents closer, respectively).

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.

- In Long Beach, the proportion of White non-Hispanic residents that owned their homes rather than rent is 26 percentage points larger than the percent of Hispanic residents who owned their homes in 2017 (State: 20 percentage points higher | Nation: 25 percentage points higher). The proportion for White non-Hispanic residents was 28.8 percentage points higher than Black residents (State: 29.1 percentage points higher | Nation: 29.7 percentage points higher).
- The gaps between Hispanic residents and non-Hispanic White residents grew slightly. Long Beach and California disparities grew by 1 percentage point, and in the United States by about half a percentage point (0.4).
- Non-Hispanic White residents at all geographic levels have greater access to wealth than Black residents. While gaps grew in the state and nation between Black and White non-Hispanic residents, Long Beach saw gaps shrink between 2010 and 2017. That gap went from 31% to 29%, where the proportion of non-Hispanic White residents accessing homeownership was 2 percentage points closer to the proportion for Black residents. Meanwhile, California saw the gap grow from 27% to 29%, and the United States saw it grow from 28% to 30%.

Exhibit 18. Hispanic / Non-Hispanic Earnings Gaps in 2010 (darker) and 2017 (lighter)⁵³



⁵³ Earnings gaps are calculated using median full time year round incomes and do not consider variation in type of employment.

Education

In the Los Angeles - Long Beach - Anaheim metro area, a majority of business owners had a Bachelor's degree or higher (60%) in 2016. That number is 55% for the state, and 51% for the nation. The state and metro area breakdowns are in Exhibit 19.

Exhibit 19. Education Level of Business Owners in California and the Metro Area (2016)

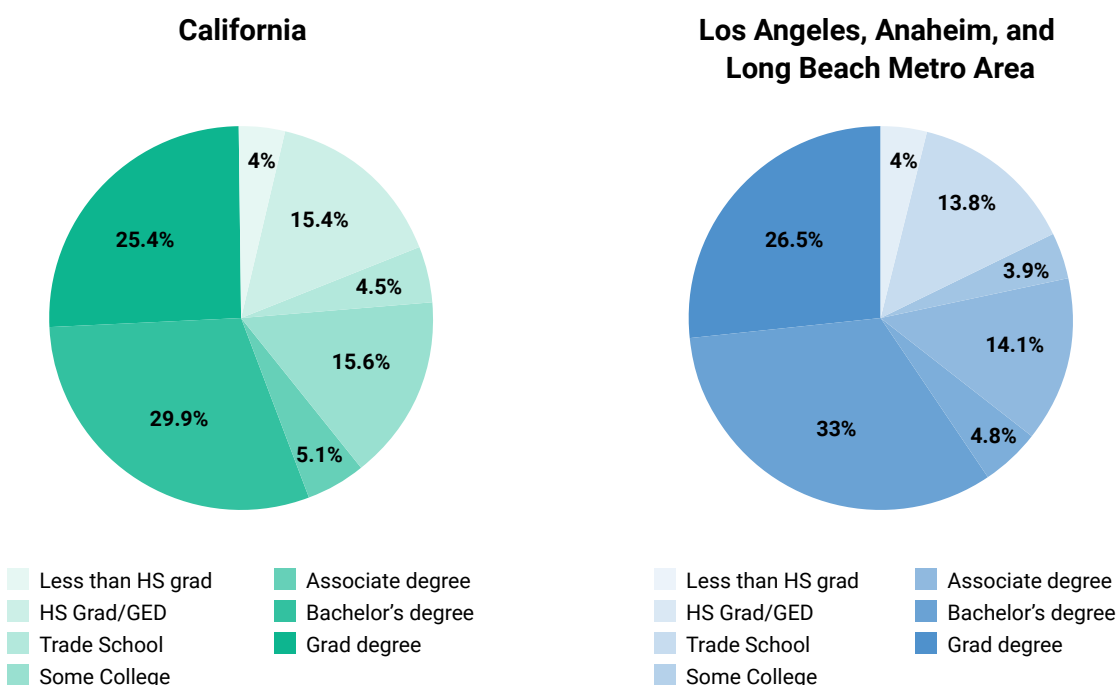


Exhibit 20 shows the estimated percentages of individuals at the specified education level by race and ethnicity that owned businesses in 2016 at the national level.⁵⁴ We divided the number of firms at that specified education level by the number of graduates of a specified background to roughly estimate the proportion that start businesses. For example, the graph 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.⁵⁵ 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%).

⁵⁴ Levels of education between 'Less than a High School Degree' and 'Associate Degree' were omitted due to discrepancies in how data were categorized.

⁵⁵ "Barriers to Work: Low-Income, Unemployed, and Dislocated Workers" 2018. National Conference of State Legislatures. <https://www.ncsl.org/research/labor-and-employment/barriers-to-work-low-income-unemployed-and-dislocated-workers.aspx>

Exhibit 20. Proportion of People at Specified Education Level Over 25 that Own Businesses, US (2016)

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)⁵⁶ 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.

Exhibit 20. 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%	10.18%
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%	—
Female with Graduate Degree	7.6%	15.6%	—

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





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.”⁵⁷ 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.

⁵⁷ “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 Rio Grande 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.

We invited leaders (i.e., executive and program directors) from 24 Primary and Secondary ESOs to complete the questionnaire. Of those invited, 79% (n=19, n=9 Primary and n=10 Secondary ESOs) submitted data for analysis. Two participants did not complete the questionnaire in full but were included in the analysis where data was provided. A subset of participants came from organizations that were affiliated with local institutions such as the government (42%) or colleges/universities (37%). The majority of participants (71%) were from ESOs that were led by individuals and teams who were from a racial or ethnic minority group.

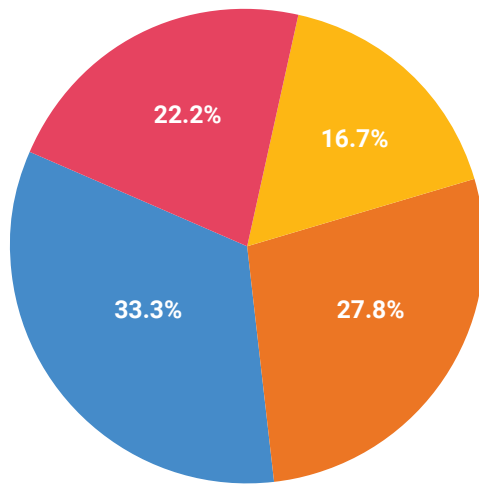
Throughout the analysis we conducted a stratified analysis by (1) ESO category (Primary vs. Secondary), (2) affiliation with local institutions, and (3) organization leadership by members of minority racial and ethnic populations. Because we had limited statistical power due to the small sample size,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



Familiarity with Services Provided by Other ESOs

Exhibit 21. Number of ESOs with which Participant was at Least Moderately Familiar (2020)

■ 0-6 Organizations ■ 7-12 Organizations ■ 13-18 Organizations ■ 19-24 Organizations

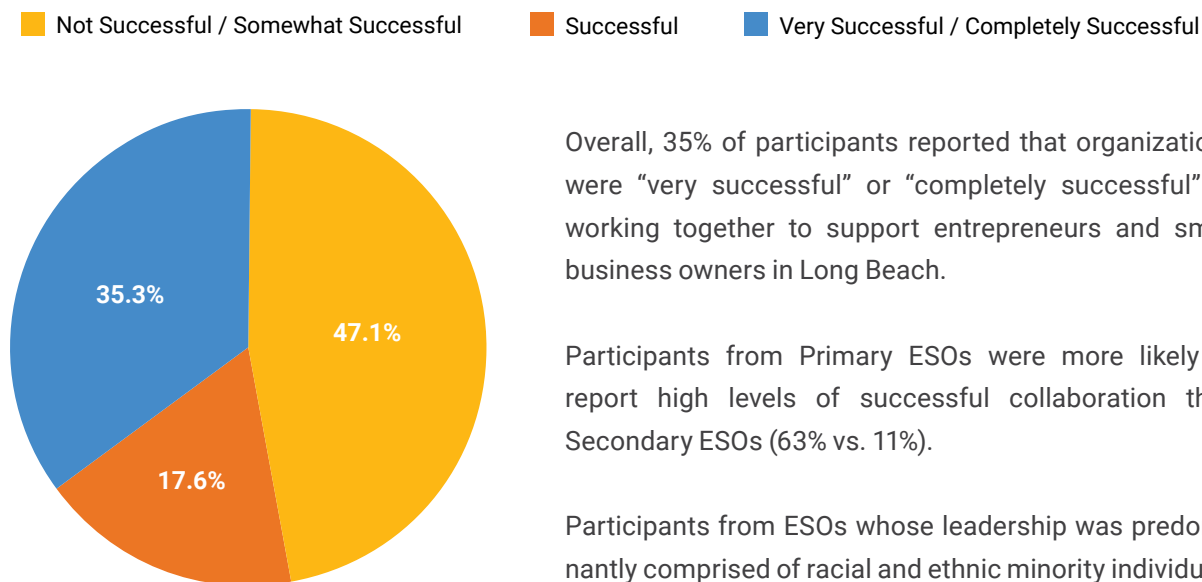


- 56% of participants were at least moderately familiar with the services provided by more than half of the 24 entrepreneur support organizations we identified.
- Almost 17% of participants were familiar with less than a quarter of the ESOs listed.
- Responses were similar across all stratified analyses.

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 Long Beach (Exhibit 22).

Exhibit 22. Participant Assessment of Collaboration Between ESOs (2020)



Overall, 35% of participants reported that organizations were “very successful” or “completely successful” at working together to support entrepreneurs and small business owners in Long Beach.

Participants from Primary ESOs were more likely to report high levels of successful collaboration than Secondary ESOs (63% vs. 11%).

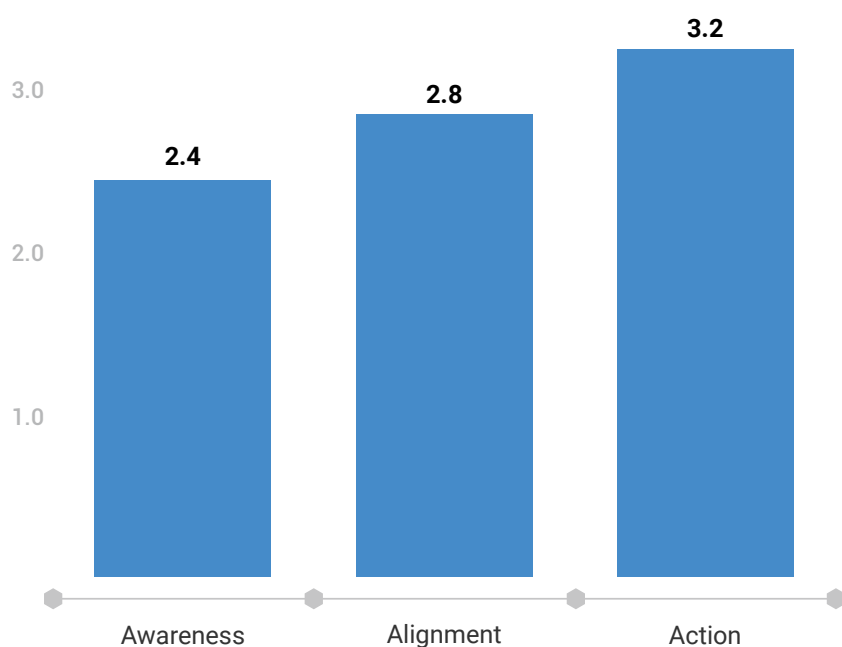
Participants from ESOs whose leadership was predominantly comprised of racial and ethnic minority individuals were more likely to report high levels of successful collaboration (50% vs. 0%).

Participants from ESOs who were affiliated with local institutions (i.e. government & university systems) were more likely to report high levels of successful collaboration (55% vs. 25%).

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



For all aspects of collaboration in the self assessment, on average participants presented a moderate level of success. However, the range of index scores was wide for each aspect of collaboration:

- 2.4 on the perceived awareness index (range: 0-5)
- 2.8 on the perceived alignment index (range: 0.4-5)
- 3.2 on the perceived action index (range: 1.7-4.4)

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?

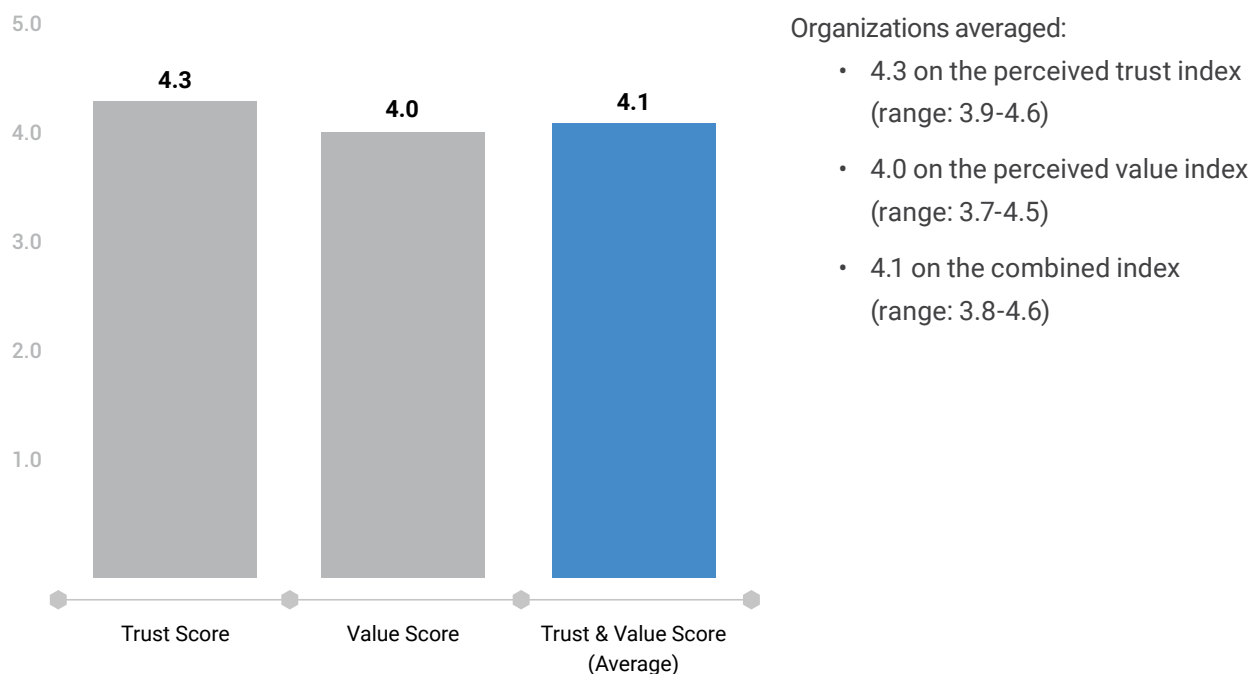


OBJECTIVE ASSESSMENT OF ECOSYSTEM HEALTH

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 questionnaire distribution. Of these organizations, seven received the minimum number of peer reviews (3) to be included in this analysis. In Exhibit 24, we present the average scores on the trust index, the value index, and a summary score between the two indices.

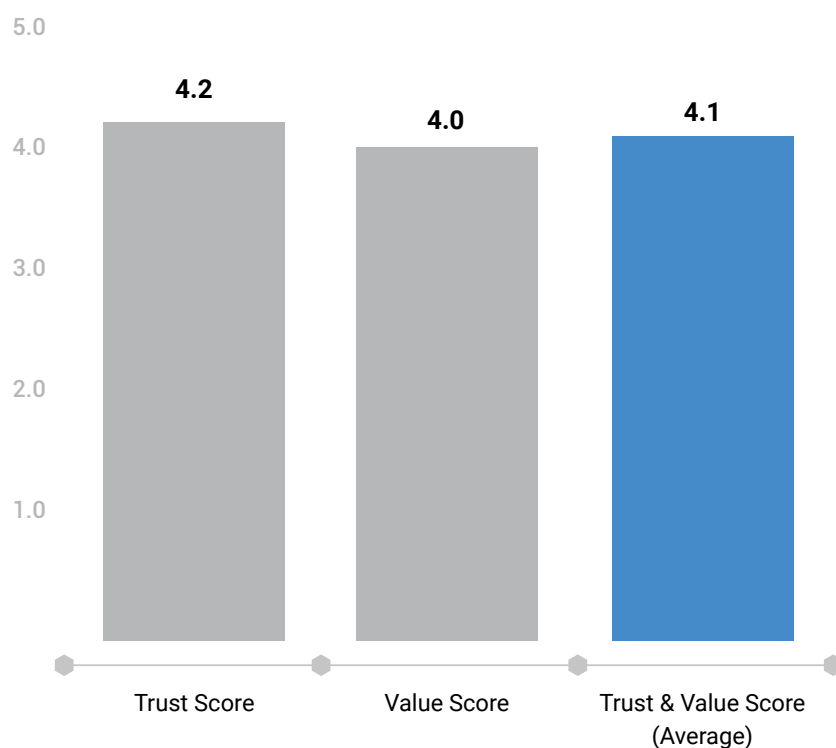
Exhibit 24. Average Score Received on Trust and Value Indices, by Organization (2020)
(n=5)





For each participant, we averaged the scores provided for the organizations for which they provided data. In Exhibit 25, 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 25. Average Score Provided on the Trust and Value Indices, by Participant (2020)
(n=16)



Participants average across organizations assessed:

- 4.2 on the perceived trust index (range: 2.2-5.0)
- 4.0 on the perceived value index (range: 1.7-5.0)
- 4.1 on the combined index (range: 1.9-5.0)

Differences between all groups were small (<1 point).

- ESOs led by racial and ethnic minorities reported higher scores across categories, with a difference on the value index score meeting our threshold (1 point difference) for reporting meaningful differences between groups (4.3 vs. 3.3).





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.

VALUE INDEX

4. 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.

5. 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.

6. 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.

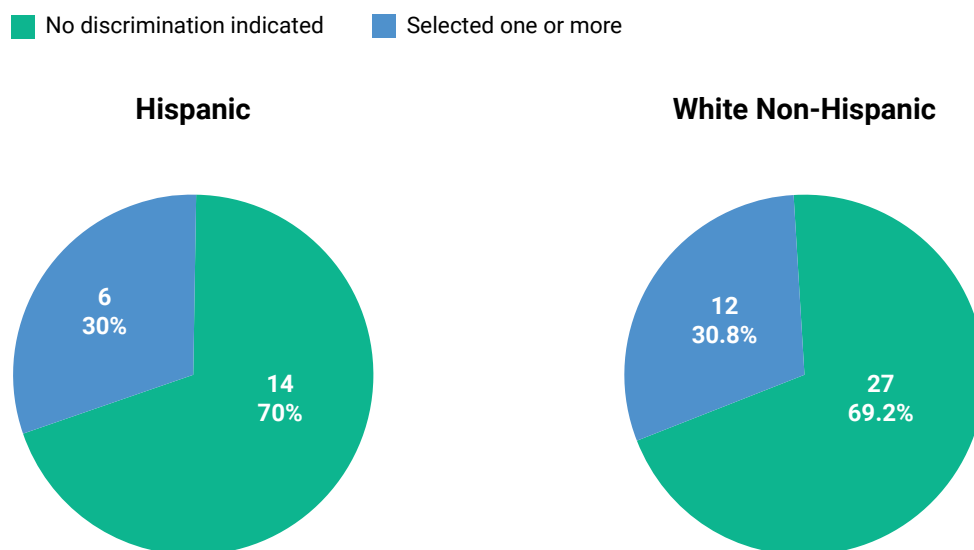
End of ESO Questionnaire Results



ESO 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.⁵⁸ In Exhibit 26, those who indicated 1 or more of these categories are in the majority group for both Hispanic respondents and White non-Hispanic respondents. About a third of respondents did not indicate any experience with discrimination.

Exhibit 26. Discrimination Experienced by Subgroup at ESOs in Long Beach (2020)



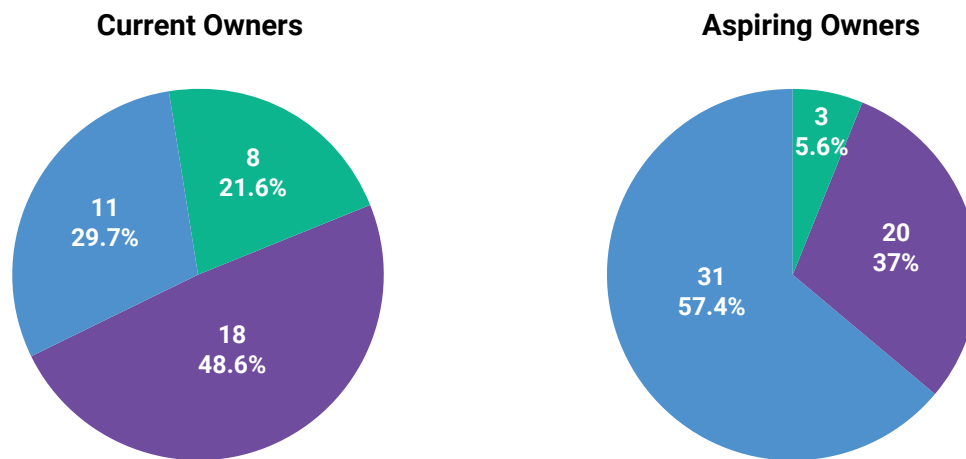
⁵⁸ "Unconscious bias/aggressions," "Blatant discrimination," "Racial profiling," "Racist epithets or verbal aggression," and/or "Denial of service/consideration"

Government Support of Entrepreneurs and Business Owners

The entrepreneur and small business owner survey administered by Forward Cities and NORC found that aspiring owners felt much more supported than current owners. They were asked, “How supportive do you believe the city/local government of Long Beach is for entrepreneurs like you?” A majority of both current and aspiring owners responded they felt supported at least sometimes.

Exhibit 27. Sense of Support from City/Local Government in Long Beach (2020)

■ Rarely or Never ■ Sometimes ■ Very or always





Business Monitor Results

California State University Long Beach School of Business tracks the concerns and experiences of the small business community on a quarterly basis.⁵⁹ In a recent survey, small business owners were asked whether they had heard of or used a variety of services and small business organizations in Long Beach.

The Long Beach Small Business Development Center (SBDC) is the most well known and utilized small business organization in Long Beach. It continues to attract new clients; In 2019, 11% of small business owners reported they had used the SBDC, up from 4% in 2018. Awareness of the SBDC also increased from 2018 to 2019. In 2019, 54% had heard of or used the SBDC, up from 48% in 2018. Data for 2020 was not yet available at the time of this writing.

Likewise, use of Bizport, an online portal designed to assist Long Beach entrepreneurs and business owners, increased between 2018 (7%) and 2019 (10%). Awareness of the site dropped slightly. In 2019, 19% had heard of or used the site, compared to 23% in 2018. Both Bizport and SBDC were included in our Government Responsiveness analysis (page 42).

⁵⁹ *California State University Long Beach, 2019 Long Beach Small Business Monitor*





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 how search interest varies by topic. To approximate the level of entrepreneurial interest across the country, we extracted data that describes how common the search query “How to Start a Business” was in any area of interest from 2012 to 2017. Mississippi has the highest number of searches for the query relative to all other searches originating in the state and thus ranks highest on the Google Trends index for that specific search query during that window of time. 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”.

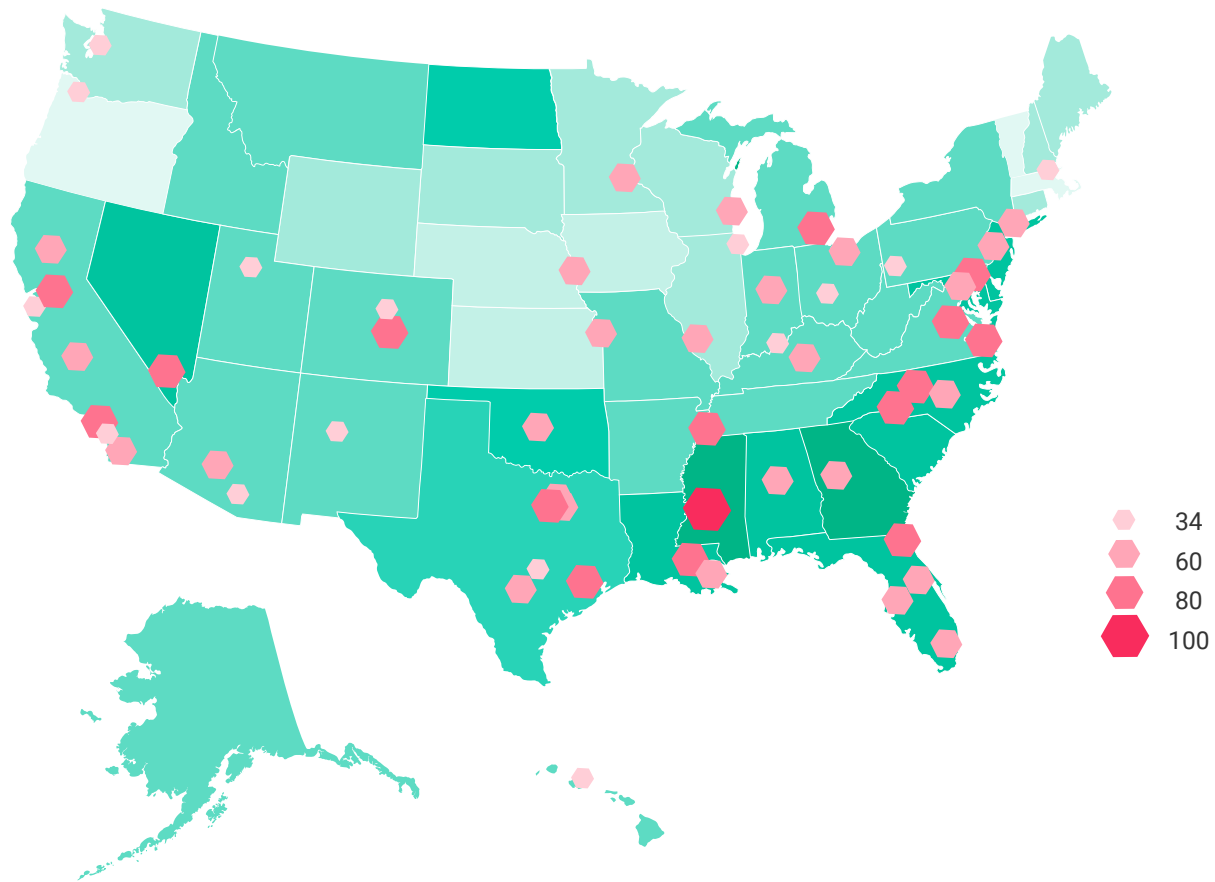
- Google Trends, “Interest By Region”⁶⁰

Compared to Mississippi, online searches for guidance on starting a business made up about a third less of the total amount of online searches in California. The relative online search frequency in California was greater than in 16 other states (including Washington, D.C.). This indicates that searches on information for starting a business is of greater interest to Google users in over 50% of all U.S. states than in California.

⁶⁰ For more information on Google Trends data and its interpretation, please read here: <https://support.google.com/trends/answer/4365533?hl=en>

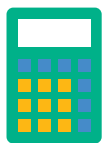


Exhibit 28. Where are real people searching “How to Start a Business”? (2017)



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.

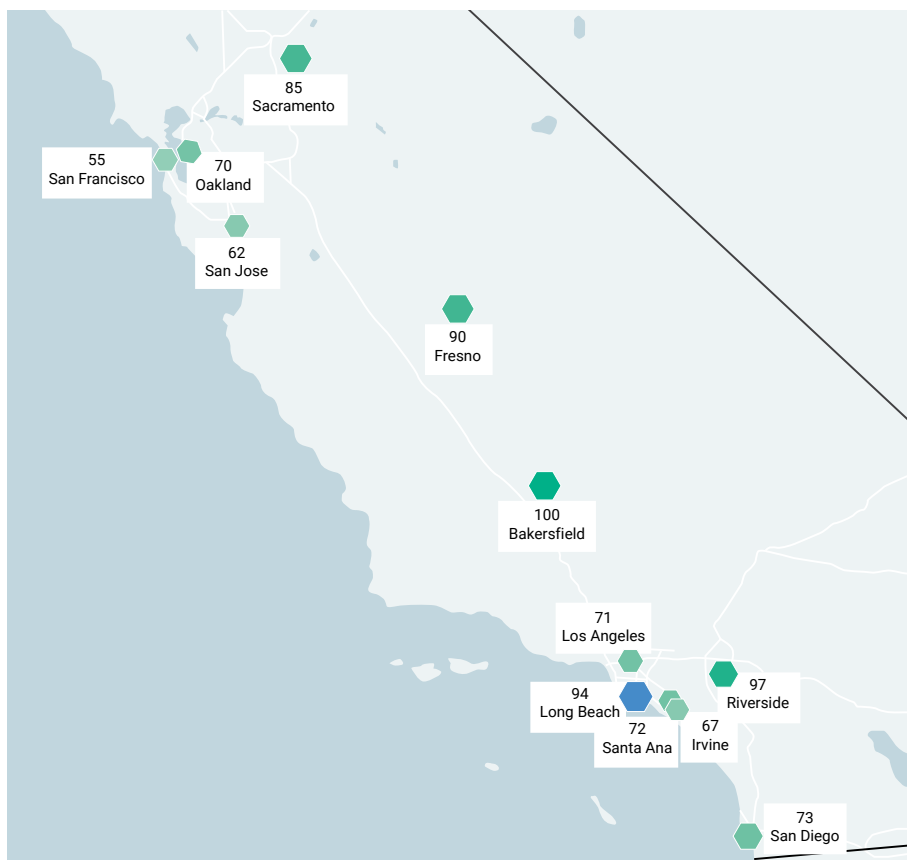


Result: “Values are calculated on a scale from 0 to 100 is the location with the most popularity as a fraction of total searches in that location, a value of 50 indicates a location which is half as popular.”
- Google Trends



Regionally, the share of Long Beach residents' searches for information on starting a business (compared to all searchers) is higher than in other nearby cities. Relative to Bakersfield, CA, the city with the highest search volume in the region, Long Beach searched slightly less (94 vs 100). That is 3rd out of the 12 cities listed. See Exhibit 30 below.

Exhibit 29. Regional Search Interest for "How to Start a Business" (2017)



The map shows dots for cities with the highest proportion of google searches that are for how to start a business in the region. The darker the dot, the higher that proportion. Long Beach (94) is close behind Riverside (97) and Bakersfield (100).



Regulatory Framework

Regulations are on the minds of small business owners in Long Beach. In a random sample of nearly 300 Long Beach business owners and managers of firms with 50 or less employees,⁶¹ 47% felt that regulations on small business were a major concern in 2019. Notably, this was less of a concern to small business owners than taxes and fees (65%) and finding skilled employees (62%).

⁶¹ California State University at Long Beach College of Business (2019). *Long Beach Small Business Monitor 2Q*. https://web.csulb.edu/colleges/cba/documents/lbsbm/2019_Q2_LBSBJ_CSULB.pdf





Market Conditions

Long Beach small business owners are generally optimistic about the outlook for their business, but in some cases less so than in prior years. At the start of 2019, a random sample of nearly 300 Long Beach business owners and managers of firms of 50 or less employees⁶² was asked how they “feel the economy for small business in the Long Beach region” is doing. About 43% felt things were getting better, a third felt things were staying the same, and a quarter of respondents felt things were getting worse. While the greatest proportion felt hopeful, the results show the first considerable decline in small business expectations in years.⁶² The California State University Long Beach College of Business research team found these results to be consistent with national trends from Gallup.

In the Long Beach Small Business Monitor “Expectations for 2020” survey, business owners were not asked directly about their outlook on business for the year, but their answers to other questions indicate feelings of optimism.⁶³ Most (66%) of small business owners expected an increase in sales in the coming year, up from 54% in 2019. Feelings of sales decline decreased from 2019: The proportion of small business owners expecting a decline in sales decreased 6 percentage points in one year. When asked: “Do you expect your hiring of new employees will increase, decrease or be unchanged in 2020?” over a third (34%) expected an increase, and 9% expected a decrease.

Survival rates and concentration of new businesses may also point to market conditions. Exhibit 31 shows the concentration of new businesses amongst the top 50 most populous metropolitan statistical areas (MSA). For every 1,000 residents, the LA - Anaheim - Long Beach, CA metro area contains 3.5 businesses under 2 years old. The highest rate amongst the cities in the dataset is 5 businesses (after rounding), in the Miami metro area. The lowest is 2 businesses (after rounding). High numbers point to places where young businesses are able to thrive, which may indicate that the local market has capacity to sustain new businesses. The Early Start Up Survival Rate after just 1 year of operation in California for 2018 was 79%, indicating that over 3/4ths remain open after a year in the state.⁶⁴ That rate for the U.S. was the same. In 2017, the Los Angeles Metro area, which includes Long Beach, was the third most active in the Kauffman Foundation’s Startup Activity Index.⁶⁵ The survival rate of businesses after 5 years of operating in the Los Angeles - Long Beach - Santa Ana MSA (a different geography than the Los Angeles - Long Beach-Anaheim MSA) in 2016 was 47.4 percent.⁶⁶ In the 2020 entrepreneur and small business owner survey conducted by Forward Cities and NORC, 77.8% of current or aspiring business owners in Long Beach City agreed that the area was “a good place for someone like me to start a new business.” This data indicates that Long Beach and the surrounding area may contain notable entrepreneurial opportunities.

⁶² California State University at Long Beach College of Business (2019). Long Beach Small Business Monitor 1Q http://web.csulb.edu/colleges/cba/documents/lbsbm/2019_Q1_LBSBJ_CSULB.pdf

⁶³ California State University at Long Beach College of Business (2020). Long Beach Small Business Monitor 1Q.

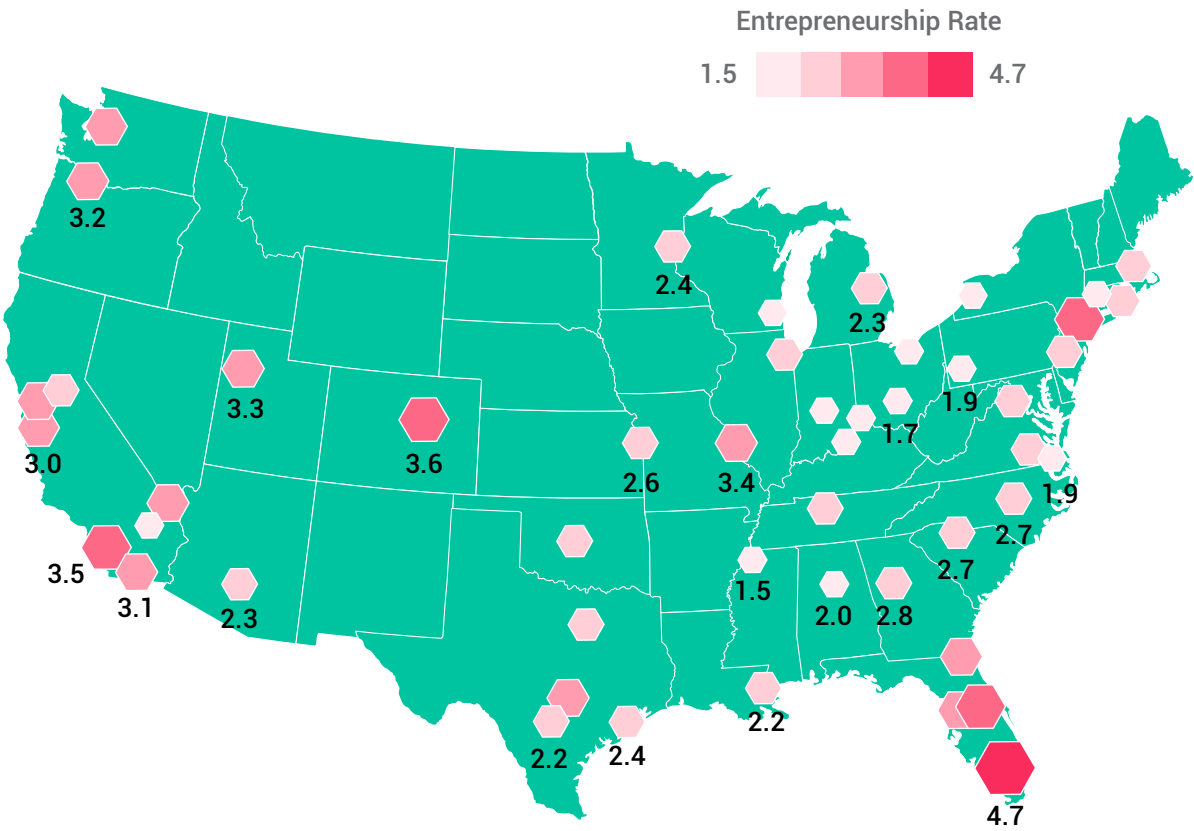
⁶⁴ State Profile: California. (2018) Kauffman Indicators of Entrepreneurship. <https://indicators.kauffman.org/state/california>

⁶⁵ Morelix, A., Fairlie, R.W. and Tareque, I., (2017) Kauffman index of startup activity: Metropolitan area and City Trends. Ewing Marion Kauffman Foundation. <https://www.kauffman.org/kauffman-index/reporting/startup-activity/~media/9f685e8c214248f0884fa21416f6b03e.ashx>

⁶⁶ The Kauffman Index. (2016) Main Street Entrepreneurship



Exhibit 30. Businesses Under 2 Years old Per 1,000 Residents (2016)





Citizen Satisfaction

The City of Long Beach contracted the firm FM3 to conduct a one-time citizen satisfaction survey in 2018. Survey results are based on 2,130 with Long Beach residents. These interviews occurred from May 19 to June 13, 2018. Interviews were conducted in English and Spanish, over telephone (landline and wireless) and online. Respondents were invited to participate via phone, email, and mail. The report stated that “efforts were made to ensure equal participation across all City Council Districts.”⁶⁷

The results indicate that residents generally have a positive outlook towards the city, and are more positive about Long Beach as a whole than their respective neighborhoods. Seven in ten rate Long Beach as a good place to live, and 58% believe the city is “heading in the right direction.” When asked about their neighborhood, 46% said they believe that their neighborhood is “heading in the right direction.” Residents are satisfied with public safety services and most agree that Long Beach is “diverse,” a “great location,” and a “good place to live, play, and work.” Regarding the city government, nearly half (48%) positively rate the “overall job the Long Beach City government is doing,” but only 30% approve of the government’s management of the city budget. Residents report the most dissatisfaction with issues around housing. When asked about the most serious problem facing Long Beach, 28% said “Homelessness” and 17% said “Housing Costs/Lack of Affordable Housing.”

⁶⁷ FM3 Research, (2019) *City of Long Beach Community Survey*





Small Business Owner Satisfaction

Among small business owners, satisfaction with local government appears to be waning. A survey conducted in January 2019 by the College of Business at California State University Long Beach asked 260 small business owners and managers about their attitudes and expectations regarding their business climate, including their attitude toward local government. The survey defined “small business” as having 2-50 employees. From 2018 to 2019, the rate of small business owners who felt the local government was “not supportive” rose to 32 percent, 9 percentage points higher than in 2018. The percentage of small business owners who felt that the local government was “supportive” remained constant between years, at 36 percent. The percent who responded “Neutral/Don’t Know” decreased from 38% in 2018 to 32% in 2019, indicating that residents increasingly hold a position on this question. The response suggests a notable increase in dissatisfaction, but not dramatic shifts in attitudes towards the local government.

Within the local government, small businesses gave government agencies and departments the lowest approval ratings. Small business owners were asked “Do you feel LB City Departments and Agencies are doing a very good, good, poor or very poor job in supporting small businesses in Long Beach today?” Favorable ratings towards the government agencies and departments dropped from 2018 (*from 57% good/very good to 49% good/very good*) while negative ratings increased (*22% poor/very poor to 29% poor/very poor*). The City Council received similar ratings in 2018 (*24% poor/very poor, 54% good/very good, 22% don’t know/uncertain*), and 2019 (*28% poor/very poor, 50% good/very good, 22% uncertain*). The Mayor enjoyed ratings in 2019 that were 57% good/very good, 24% poor/very poor, and 19% don’t know/uncertain, similar to his ratings in 2018 (*58% good/very good, 23% poor/very poor, and 19% don’t know/uncertain*).





Innovation

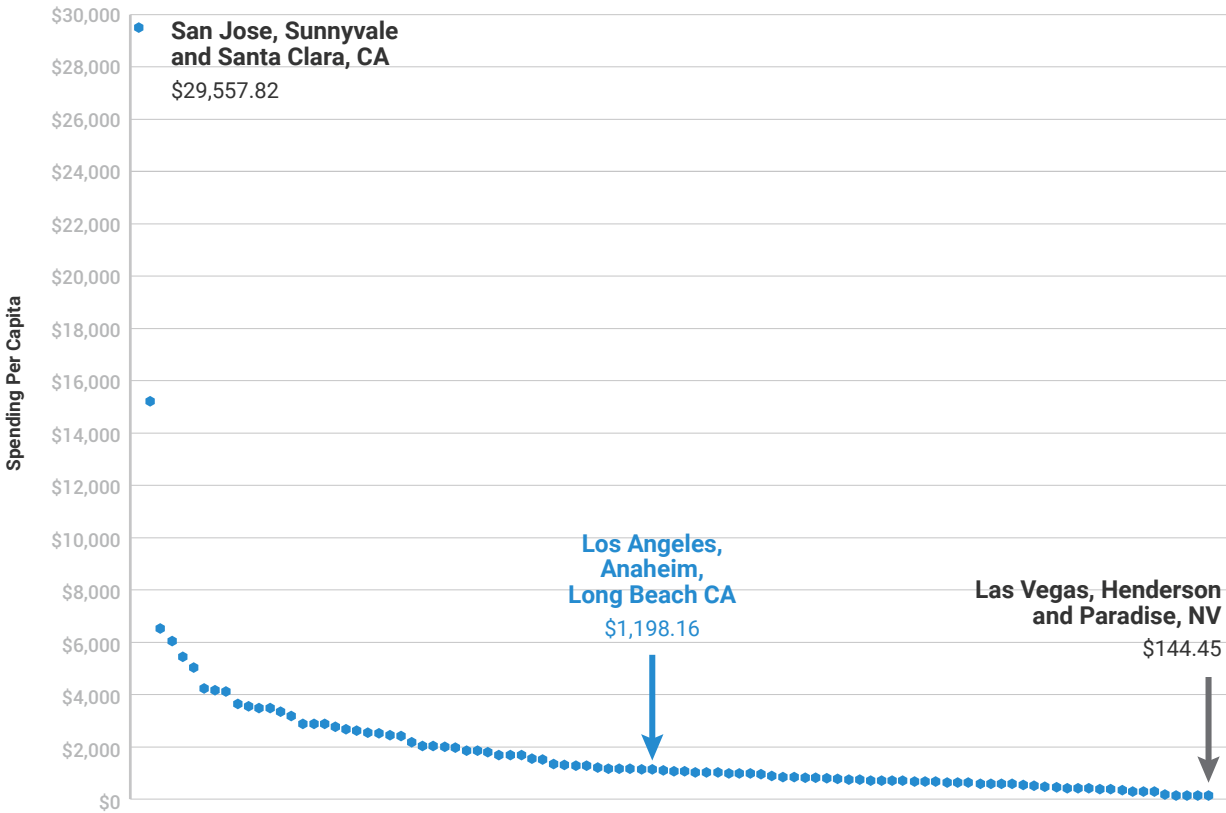
In 2014, business owners with payroll were asked about innovation and product improvement activities. The percent of firms that self-described as having “sold a new good or service no other business has offered before” was 6.5% for the state of California and 6.7% for the Los Angeles-Long Beach-Anaheim metro area. Nationally, the percentage was slightly lower at 5 percent. The percent of businesses that have “upgraded technique, equipment, or software to significantly improve a good or service” was minimally higher for the state than the metro area: 33.7% compared to 32.0%. The percent that have “made a significant improvement in a technique or process by increasing automation, decreasing energy consumption, or using better software” was comparative across the MSA (21%), state (21%), and national levels (20%).

A separate national survey⁶⁸ collected data on research and development spending at the metropolitan area level. For profit businesses with over 5 employees were surveyed for their in-house or contracted out innovation spending. In 2016, the LA-Long Beach-Anaheim metro area spent \$15.8 billion on research and development. The vast majority - \$11.6 billion - was spent by the company on their own research and development. The rest - \$4.2 billion - was outsourced to another company to complete. Eleven billion sounds like a lot, but once population is taken into consideration, the Long Beach metro area is comparable to other metro areas. That R&D total is \$1,198 dollars spent per person, which is not far from the median across the metro areas in the dataset (\$1,117). The highest spent was \$29,557.82 per person in the San Jose area (excluded from Exhibit 32 to show variation) and the least spent was in the Las Vegas area, at \$144.43 per person. The collection of metro areas by per capita research and development spending per capita is displayed below in Exhibit 32. 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.

⁶⁸ National Science Foundation (2016), *Business Research and Development and Innovation: 2016*
<https://nces.nsf.gov/pubs/nsf19318/#technical-tables&>



Exhibit 31. Per Capita Expenditure on Research and Development by For-Profit Firms (2016)



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 Start 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

