



ENTREPRENEURSHIP DATA FOR ECONOMIC RECOVERY

How Local Government Can Better Understand Its Entrepreneurs

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Currently, communities across the country, especially communities of color, are reeling under the economic strains that the Covid-19 pandemic has imposed. The pain is magnified and most acute in communities of small business owners and entrepreneurs. Much has been written and aired about the scale of the economic distress, including some notable examples of reporting about the double burden of keeping a business afloat as a person of color in underinvested neighborhoods. A closer reading, however, reveals a maddening dearth of comprehensive studies or even datasets, especially at the metropolitan and city level, that could go beneath the surface of national and state trends and illustrate which businesses are most affected and how communities can best come to their support.

Local government leaders at the city and county level we engage in communities across the country know that in principle they have unparalleled access to information that could fill this void, if only it were integrated, cleaned and rendered interpretable. Information about local establishments is at the fingertips or within arm's reach of the local government but still goes largely unharnessed at the moment - this is a structural problem that needs solving.

The purpose of this brief is threefold: first, to provide an overview of which entrepreneurship data most local governments already routinely gather, secondly, to outline which additional pieces of information could fill critical gaps in understanding and, finally, to spotlight strategies to collect these.

Today, most local government's knowledge about their entrepreneurs is restricted to:

- ▶ Information derived from licensing and permitting forms that business owners have to fill out once every year. This usually includes establishment name, contact information, location information, industry classification and occupational description(s), tax info, and details on business ownership structure; occasionally, it includes information about whether a business is home-based or not, and a detailed description of the business.
- ▶ Tax record data, among others, an overview of business personal property, sales types and volume, staff and, rarely, salary/wage levels.
- ▶ Business profiles gleaned from city-level women and minority-owned business certification programs as well as procurement lists, such as certified vendors that are registered with the City. These provide information about race, ethnicity and gender of business owners.
- ▶ Rich, individual entrepreneur-level data gathered by City's Economic Development team or contractors during counselling and training sessions with entrepreneurs or exchanges with entrepreneurs seeking assistance via phone or email

Most of these data sources are individual puzzle pieces; if linked together they can reveal a more coherent picture of the individual business, but alone the odds are fairly high that the full picture remains hidden. However, local governments that have more extensive documentation requirements on their licensing and permitting forms, hold something very valuable in hand: the corner pieces of the puzzle. The remaining pieces of the puzzle, however, still need to be collected. Below, we summarize those establishment characteristics that we believe are critical to fill in the blanks.

Specifically, it would be helpful to gather business owner information for all businesses operating in the last calendar year that augments current information shared via licensing and permitting forms, including:

- ▶ Gender, age, race, ethnicity, disability, language and place of birth information
- ▶ Labor market status immediately prior to starting the business (educational period, employment, unemployment, underemployment)
- ▶ Length of residency in community prior to starting the business

- ▶ Prior experience owning a business
- ▶ Goals for longevity of business (length of time it is supposed to be operational)
- ▶ Motivation(s) for starting a business (to gauge ambition level)

Linked, annual business operations-specific information since establishment of the business, including:

- ▶ Percentage of workweek the business owner dedicates, on average, to the business
- ▶ Number of part-time and full-time staff as well as unpaid “workers” that dedicate, on average, 20h+ per week to the business
- ▶ Number of workers that live in the community (tbd) in which the business is based
- ▶ Amount of private, personal or family savings invested into the business as well as business loans from financial institutions and credit card debt
- ▶ Ranked, main sales channels for the business (online, retail, market, customer’s site, delivery...)
- ▶ The biggest success of the business in the last year
- ▶ The biggest struggle the business confronted in the last year
- ▶ Roadblocks that prevented the business from reaching its goal(s) last year
- ▶ Record of interactions with main ecosystem actors, including City departments, business coaches/mentors, ecosystem-builder(s), financial institutions, etc.

Taken together the data points outlined above offer a deeper examination of the entrepreneur herself/ himself as well as their business that operate within your community. Whereas before, local economic development professionals weren’t able to delineate out of which labor market status residents decide to transition into entrepreneurship, or even more important, why they do so. This mix of data would offer answers. And as a big game-changer for more successfully and efficiently tailoring City supports, it would also offer a reliable window into the challenges that entrepreneurs of different stages, industries and backgrounds face.

Finding the capacity and building out the data infrastructure from within local government is difficult. At Forward Cities, we have honed our expertise in conducting agile pulse surveys of entrepreneurs across an entire city or region, which can be integrated into local government operations. An alternative route that relies less on primary data collection, but requires significantly more investment on the front end, is establishing a data trust (or commons) in which local government pools its information with data points that community organizations, CDFIs and private investors possess. Depending on your government’s specific circumstances either one of these strategies is better suited. **We invite you to reach out to us for a consultation** and to discuss how the data gathering strategies outlined above may be implemented in your city.