Diagnosing and Strengthening Community around: *disadvantaged entrepreneurs*

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Introduction

Entrepreneurs and potential entrepreneurs are unique types of people -- they want to move fast, they're obsessed with their vision, they're inclined to do everything themselves, and they're overwhelmed, especially when they confront the fact that they can't do everything themselves.

Entrepreneurs typically solve their problems by leaning on their network - they get advice from a colleague, they contract for professional support, they leverage their reputation to get someone to support them.

But what happens when your network is not the right network? When it's not big enough, diverse enough, supportive enough, flexible enough?

Disadvantaged entrepreneurs come in every color, every place, and every type of business. Some are at a disadvantaged because they are new to the place, some are disadvantaged because of decades of deep-seated discrimination and rejection. Some are disadvantaged because they look different from the people around them, while others are blocked by issues the casual observer will not see.

Like most challenges that require 21st-century innovation, there's no one-size-fits-all solution. And when we lean into what looks like a simple solution, we can do more harm than good.

In this white paper, we overview some of the key issues that affect disadvantaged entrepreneurs, especially when it comes to benefitting from connections and networks. We also outline a few strategies for building the kind of network that can help overcome these barriers.

Our goal is to make this paper easy to read and use, so we have kept footnotes and citations to a minimum. You will find a list of materials that we have found useful on the last page.

No one is an expert on disadvantaged entrepreneurs, and that includes us. But we think that if we listen and learn from each other, we can find more effective solutions than the ones disadvantaged entrepreneurs often encounter today, And in the process, we will all build stronger economies and communities.

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Who is the disadvantaged entrepreneur?

In a policy brief for the Organisation for Economic Co-operation and Development (OEDC), Drs. Blackburn and Smallbone described disadvantaged entrepreneurs as "women, youths, seniors, unemployed, disabled, ethnic minorities and immigrants who run a business. These may be self-employed or entrepreneurs running businesses that employs others."[1]

That's a rather broad definition. And most other definitions are even less specific.

Fundamentally, a disadvantaged entrepreneur
is one who, due to some inherent characteristic(s), is likely to encounter barriers to entrepreneurship that
an non-disadvantaged entrepreneur would not encounter.

Disadvantages may be:

Structural, such as credit or citizenship requirements
Cultural, such as racist or sexist attitudes on the part of decision-makers
Interpersonal, such as communication barriers

Informational, such as access to information about standard bookkeeping practices
Material, such as lack of legacy family wealth

And others. And of course, disadvantages often intersect, such as a woman of color being unable to access conventional credit due to a previous family financial crisis. Or an immigrant being unable to understand a property lease due to lack of fluency in English.

Supporting entrepreneurship among disadvantaged populations, therefore, requires a high level of sensitivity to the ways in which those disadvantages may be manifesting themselves for these specific people.

And just sending money (or making it cheaper for them to operate) might not be real help.

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[1] "Sustaining self-employment for disadvantaged entrepreneurs A background paper for the OECD Centre for Entrepreneurship, SMEs and Local Development." Dr. Robert Blackburn and Dr. David Smallbone, 2014.

| Why?

Yes, disadvantaged entrepreneurs lack access to funding (or space, or other things that typical entrepreneurs often buy with money). But that's not only a problem, it's also often a symptom of other sources of disadvantage. Handouts may create a short-term mask over another dimension of that disadvantage: if that deeper issue isn't addressed, the strings attached to the gift or grant or loan may jeopardize the disadvantaged entrepreneur more than he or she was before.

Consider this scenario:

An African-American woman of Jamaican heritage wants to start a food stand in a local market as a way to break her family out of a low-income job cycle. An upper-income person hears her tell her story and gives her a no-interest loan of $10,000. She opens a small shop in the market and sells jerk chicken dishes to an appreciative audience.

The entrepreneur is good at making the recipes, but she buys the ingredients at the local grocery store, which means that her expenses are higher than if she were buying from a commercial supplier. She buys new kitchen equipment because the supplier is also Jamaican and as a result she feels comfortable with him -- and she does not check the price of his supplies against other sources. Since she needs to take care of her daughter after school, she recruits her sister to help manage the shop, but the sister has no patience with customer questions and has trouble using the point of service software.

Over the first six months, the shop's expenses increase faster than sales. The entrepreneur finds that she can't judge how much food she needs to buy because the point of sale inventory tracking system is not accurate -- she makes too much of the wrong dishes and must discard a couple of hundred dollars' worth of inventory every few days. Arguments with her sister become more intense. She tries to find ways to lessen her costs, but the equipment she purchased is on a fixed contract that she cannot break without even more cost. Meanwhile, the loan provider sees that the shop is popular and starts pressuring her to pay back the loan. When she explains that she does not have the money for repayment at this time, the loan provider suspects that she is lying.

It's not difficult to envision this scenario ending badly. The entrepreneur may have to take a night job to cover the living expenses that the business is not covering, which will impair her ability to find more creative solutions for her supplies and equipment. Her relationship with her family may be damaged, leaving her and her daughter more socially isolated. And if the business is not generating enough profit to pay back the loan according to its terms, chances are slim that she has the personal savings to cover it.

In this scenario, the provision of the loan did not solve all of the challenges facing this business, and it may have made some of them work.

Why Networks Matter

In the last section's scenario, the entrepreneur needed help from people or businesses who had access to:

Loan capital
Equipment
Groceries and ingredients
Flexible labor
And probably more.

Note what her access to help looked like. Her flexible labor came from someone with whom she had a complex and highly personal relationship. Her equipment came from someone she decided to trust because they had a shared background. Her foodstuffs came from a consumer retailer because she did not have another source.

Our ability to benefit from the people and organizations we know is called our *social capital.* Social capital has two dimensions: the number of people we know, and the degree to which we share with them some norms of behavior (assumptions and expectations) that make it easy to get help when we need it.

Social capital makes a huge impact on whether or not an entrepreneur can access the help that they need, whether that help is information, support, funding or something else. Very often, when we look closely at disadvantaged entrepreneurs, we find networks with limited social capital. We can fund, we can educate, we can provide storefronts and mentors and grants, but if we are not intentionally building these entrepreneurs' access to social capital, chance are they will not have the success they - or we - want for them.

Strong Ties, Weak Ties

When researchers analyze social capital, they usually look at two types of connections: *strong ties* and *weak ties.* Strong ties are your close personal relationships -- your family, your close friends, members of your community. In some cultures people have extensive strong ties, such as in a clan or a very stable rural community. Strong ties are people with whom you share very strong norms of mutual aid. These are the people you will fight for and sacrifice for -- perhaps because of your personal feelings for them, or perhaps because that is part of your belief system or your code of honor. For example, my mother, who grew up in Appalachia as the youngest of 11, knew that her brothers would take on anyone who bullied her, even if that brother had been fighting with her a few minutes before. The strong tie was as much the result of an unwritten code of behavior as any personal relationship.

Weak ties are people with whom you do not have a close personal relationship or a mutual aid obligation, but who have interests in common with you. When I meet with my bookkeeper, we are employing a weak tie -- we are friendly with each other, and I value her insight, but our relationship is a transaction: I am paying her to help me. Another weak tie comes into play when I ask another female entrepreneur to recommend a podcast to help me think about leadership. Even though I would count her as my "friend," the exchange is driven by a set of implicit rules of engagement that govern weak ties. She is helpful to me because I can be beneficial to her, and exchanging information is a way to reinforce that tie against the day when her relationship with me might be useful. She may personally like me a great deal, but she can also end the relationship relatively easily if she decides at some point that I take too much and do not give enough. Compare that to if I were her sister: breaking a relationship with me would probably cause a lot of grief and unhappiness.

Obviously, social ties in real life are not strictly one or the other -- they exist along a continuum. But the strong ties/weak ties framework allows us to think about what happens when we have too much of one type of tie over the other. We can think about how strong and weak ties might mix with a simple 4-square grid:

	Strong Ties	Weak Ties
Extensive Ties		
Limited Ties		

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The Impact of Strong Ties & Weak Ties

So what happens to an entrepreneur who has a lopsided mix of weak and strong ties? Perhaps something like this:

	Strong Ties	Weak Ties
Extensive Ties	-Trust Relationships -Network effects -Access to resources	-Complicated Relationships -Easy to get hurt - "personal" -Trust is precious
Limited Ties	-Few trust relationships -Limited means of differentiating good advice from bad	-Isolation

In the upper left hand corner, the entrepreneur with extensive strong ties and extensive weak ties has a rich network with lots of options. If she wants a recommendation or a loan, she can make a decision based on the merits of the offer, whether it comes from someone that she has a strong tie with (such as her dad) or a weak tie (a person she knows from LinkedIn). She can not only consider the reliability of her source (does Dad really know anything about this?), but she can also think about how her choices may impact her relationships (if I call the accountant Joe recommended but then I decide to use someone else, he won't hold it against me). The entrepreneur with extensive strong ties and extensive weak ties is likely to find more information and be able to make use of that information more objectively.

The upper left-hand corner represents the experience of many immigrant and historically isolated communities. Extensive strong ties, such as you might find in a close-knit immigrant community with a shared language and traditions, can have powerful benefits in terms of a person's sense of belonging and community. Entrepreneurs can often succeed in this kind of environment by providing something that the community wants, especially if the community culture prioritizes supporting its members. However, the reliance on strong ties can have some big risks. First, as noted with our earlier scenario, entrepreneurship can put a lot of strain on family relationships, and those strains carry through to daily life outside of the business. Second, if the entrepreneur needs resources that don't lie within the community, it can be hard for the entrepreneur to determine who to trust. This was also the case in our scenario, when the entrepreneur placed her confidence in a supplier because they came from a familiar background, despite the fact that a less expensive and more flexible option would have been better for her business. Finally, a heavy reliance on strong ties can make it harder for the entrepreneur to innovate. If she sees an opportunity to develop a new product or expand to a new market, strong ties that are invested in the status quo may advocate against it -- and they will be harder to ignore than an outside opinion.

The lower left-hand corner reflects a common experience for entrepreneurs coming from communities that have been subjected to long-term structural discrimination and isolation. If economic and cultural factors have damaged family and community relationships, the entrepreneur may have very few strong ties. If the entrepreneur has been very proactive, she may have built an extensive weak tie network, perhaps through business networking or public events. An extensive weak tie network can boost her efforts significantly, and some of those ties may even convert over time to strong ties. The challenge facing this entrepreneur, however, is that she may lack people in her personal life who understand and support what she is trying to do. Isolation and depression have been well-documented risks for entrepreneurs, and a limited strong tie network may make this entrepreneur more susceptible.

The final quadrant reflects the experience of too many disadvantaged entrepreneurs: a lack of both supportive strong ties and of access to the information and resources that weak ties can offer. In these cases, the entrepreneur has to largely rely on her own willpower, which may be extensive but will always be limited. And if her disadvantages include a lack of economic flexibility, the entrepreneur will be climbing a very steep and rocky path indeed.

Building stronger networks for disadvantaged entrepreneurs

While access to funds, loans, space, and information is crucial to success for any entrepreneur, programs that do not build a disadvantaged entrepreneur's social capital -- particularly their weak tie network -- risk creating as much harm as they help. Lack of social capital represents a key dimension to the disadvantage that such entrepreneurs often face: without being able to reach easily and extensively into the world, the disadvantaged entrepreneur has less ability to find the most appropriate solutions, whether those solutions take the form of sales, operational support, or opportunities to innovate.

Lack of social capital also impacts the entrepreneur's personal resilience. If an entrepreneur is the first in her family to start and business, her family may openly question her decisions -- especially when things do not go well and when money is tight. If the entrepreneur is trying to make an impact in a community that has been wounded by decades of inattention, disinvestment, ostracization and more, then the entrepreneur may find herself feeling very alone. Building weak ties that can develop into stronger ties can make the difference between the entrepreneur continuing to strive or giving up.

But building extensive weak or strong ties requires much more than simply throwing an upbeat networking event or hosting a pop-up shop: the wounds that underlie the situation that disinvested entrepreneurs face are too deep to paper over. For entrepreneurs who have grown up in a disadvantaged community, establishing trusting relationships with persons who do not come from that background does not often come easy. For many, a lifetime of experiencing that rejection means that it is psychologically unsafe to place any level of trust in people who do not look or sound like you. Whether the anticipated hurt is intentional or accidental, persons who come from a disadvantaged background are not likely to forget what has happened to people like them in the past. And just like most biases, this risk aversion can be unconscious, a reflection of a deep-seated learning about who is worthy of trust.

This means that effective strategies to build up disadvantaged entrepreneurs should do two things that are often overlooked:

- They should actively build weak and strong ties among participants and between participants and the rest of the ecosystem;
- How they do it should be directed by the entrepreneurs themselves.

The first statement follows on the argument that has been laid out in this paper to date. The second comes from the fact that an effective process has to overcome those potentially deep layer of distrust. While persons with experience in entrepreneurship can be helpful in identifying options that may not be known to the disadvantaged entrepreneur, it's crucial that those who are not the disadvantaged entrepreneur facilitate, not prescribe or direct. Active listening, intentional checking of privilege, and deep transparency on what they don't know become the most crucial skills of the facilitator.

Conclusion

In an economy where innovation drives growth, and where the majority of new jobs are created by small businesses, we need every potential entrepreneur to reach their potential. And while economic and organization support for disadvantaged entrepreneurs is necessary, providing these in isolation will no overcome the most significant issues facing many disadvantaged entrepreneurs -- and it could hurt them.

Entrepreneurs from any background rely on their social capital and their networks of weak and strong ties to fill in what money cannot -- advice, recommendations, emotional support, and more. Disadvantaged entrepreneurs particularly depend on these ties, and they are likely to have networks of strong and weak ties that are less than they need to be. These limits block the disadvantaged entrepreneur from reaching her potential.

As a result, efforts to improve the entrepreneurial ecosystem for disadvantaged entrepreneurs require more than just conventional networking: these entrepreneurs need opportunities to specifically build weak and strong ties.

Perhaps the most challenging aspect of instilling this work into entrepreneurship ecosystems is that it cannot be simply imposed by the majority culture or entrepreneurship experts. To enable meaningful social capital growth, we must put the disadvantaged entrepreneurs at the center of the effort.

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We do K2 with our partners at Kratos Experiences, an award-winning international leader in experiential learning. Click here to learn more about how Leader Boot Camp can kick-start your group's growth.

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About the Author

Della G. Rucker, AICP CEcD has consulted, written and trained people nationwide in entrepreneurship, economic revitalization, urban planning and fostering meaningful public participation. She is one of about 10 persons in the U.S. to hold professional certifications in both planning and economic development. She is a regular plenary speaker for entrepreneurship, economic development and downtown revitalization conferences nationwide.

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