15 YEARS OF SERVICE AND IMPACT
15 YEARS, 8,000 BUSINESSES, OFF-THE-CHART IMPACT

CUMULATIVE REVENUE CHANGE IN FIRST THREE YEARS AFTER GRADUATION:

CUMULATIVE JOBS CHANGE IN FIRST THREE YEARS AFTER GRADUATION:

Cumulative changes in revenue and jobs were weighted to represent the entire Interise alumni network.
For fifteen years, Interise has been a driving force behind small business-led economic development, focusing specifically on building capacity among businesses owned by people of color (POC) and businesses operating in low-and-moderate income communities.

People of color have never had an equal opportunity to reap the benefits of business ownership – with direct effects on families, communities, and wealth.

Through Interise’s history working towards an inclusive economy, we know that solutions are complicated. But we also know that **we have a solution: Strengthening small businesses owned by people of color.**

Through our StreetWise ‘MBA’™ programs, our business owners are generating higher revenues and creating good jobs with benefits – such as medical insurance, paid time off, and retirement savings programs.

The results of these benefits are increased access to healthcare, improved quality of life, and wealth creation for business owners, their employees, and their families. In short, an economic ecosystem that extends far beyond the businesses themselves.

The importance of these benefits has been made strikingly clearer as a result of the COVID-19 pandemic, and ensuring access to them is a critical step in addressing issues of inequality, especially for communities of low or moderate income and of color.

Black people in America have endured more than 400 years of systemic racism and the injustices that are perpetuated as a result. Even prior to the COVID-19 pandemic, Black people experienced higher infant mortality rates, higher rates of childhood poverty, higher unemployment rates, higher incarceration rates, higher uninsured rates, lower earnings, lower homeownership rates, and even shorter life expectancy than white people.¹

The reality of these injustices, many of which have only worsened during the pandemic, cannot be denied. From the economic perspective, we see that as the overall economic inequality in this country grows over time, so too does the wealth gap between white families and families of color.
Both nationally and locally, impactful events exacerbate pre-existing inequalities. Many of the problems that were made even more apparent by the disproportionate impact of the COVID-19 pandemic were already acting on the impacts of and slow recoveries from recent natural disasters and the Great Recession.

Addressing economic injustices cannot be accomplished without also addressing racial injustices.

One of many examples of economic inequality, the racial wealth gap is exemplified by the lack of access to capital among POC business owners. We must understand why these inequities persist and how we can solve the problems they present. Examining disparities in capital and other metrics provides some insight into the solution: change at the systems level.

1. In 2007, white families had a median wealth approximately 8 times as high as Black families, but by 2013 that gap had grown to 11 times. It took until 2019 for the gap to return back to the 2007 level.

2. In 2013, eight years after Hurricane Katrina hit New Orleans, white households had a median income almost than two and a half times that of Black households. In addition to a slower recovery, Black household incomes actually dropped by $5,000 between 2000 and 2013.³

3. The COVID-19 pandemic has had a devastating impact on businesses across the country, but has disproportionately affected business owners of color. Between February and April 2020 alone, 41% of Black-owned businesses, 32% of Latinx-owned businesses, and 26% of Asian-owned businesses closed, compared to 17% of white-owned businesses.⁵

4. In only two years, between 2009 and 2011, the average Black family lost 13 percent of its wealth, while the average white family’s losses had stopped.³

5. In 2013, eight years after Hurricane Katrina hit New Orleans, white households had a median income almost than two and a half times that of Black households. In addition to a slower recovery, Black household incomes actually dropped by $5,000 between 2000 and 2013.⁴
Interise small businesses have had an undeniable impact on the economy.

This success is clear when we look at the results these businesses have seen in just the first three years after enrolling in the StreetWise ‘MBA’™:

### RESULTS AFTER STREETWISE ‘MBA’™ PROGRAM

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$29.6 billion</td>
</tr>
<tr>
<td>New Financing</td>
<td>$1.2 billion</td>
</tr>
<tr>
<td>Jobs Created</td>
<td>21,000</td>
</tr>
<tr>
<td>Jobs Maintained</td>
<td>136,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Contracting</td>
<td>$11.9 billion</td>
</tr>
<tr>
<td>Government</td>
<td>$9.6 billion</td>
</tr>
<tr>
<td>Corporate</td>
<td>$1.7 billion</td>
</tr>
<tr>
<td>Institutional</td>
<td>$580 million</td>
</tr>
</tbody>
</table>

Interise businesses create jobs with better overall benefits than the private sector.²

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Interise</th>
<th>Private Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement</td>
<td>47%</td>
<td>49%</td>
</tr>
<tr>
<td>Medical</td>
<td>59%</td>
<td>51%</td>
</tr>
<tr>
<td>Paid Sick</td>
<td>72%</td>
<td>60%</td>
</tr>
<tr>
<td>Paid Vacation</td>
<td>80%</td>
<td>69%</td>
</tr>
<tr>
<td>Paid Holidays</td>
<td>79%</td>
<td>70%</td>
</tr>
</tbody>
</table>

The COVID-19 pandemic has made the importance of health insurance and paid time off clearer than ever. These benefits allow people to seek treatment and preventative care—and to tend to both themselves and others.
Retirement savings are an important means of wealth creation, a critical factor in breaking cycles of intergenerational poverty that result from public policies that disadvantage low wealth individuals and people of color.

**REGULARLY FOLLOWING A WRITTEN GROWTH PLAN**

<table>
<thead>
<tr>
<th>Before Interise</th>
<th>After Interise</th>
</tr>
</thead>
<tbody>
<tr>
<td>39%</td>
<td>72%</td>
</tr>
</tbody>
</table>

**REGULARLY USING FINANCIAL DATA AND ANALYSIS**

<table>
<thead>
<tr>
<th>Before Interise</th>
<th>After Interise</th>
</tr>
</thead>
<tbody>
<tr>
<td>60%</td>
<td>87%</td>
</tr>
</tbody>
</table>

The driving forces behind these success outcomes are the business owners themselves, whose behavior change, learned during the StreetWise ‘MBA™’, is centered on leadership and strategy. Combining these changes with access to knowledge, network, and know-how have taken their businesses to new heights.

Despite these successes, many of the current systems impede the emergence of an equitable economy.

While Interise has had great success in empowering small business owners to overcome disadvantages, we cannot work with every small business, nor can small businesses alone solve inequality in the United States. It is our duty to work with visionaries, practitioners, and small businesses to effect significant systems-level change by addressing the root causes of economic injustices, including systemic racism.
OUR FOCUS

Interise is focused on building capacity for established small businesses that are located in low-and-moderate (LMI) communities or that are owned by POC. With access to knowledge and the Interise network, our businesses have been able to shrink the gap caused by long-term disinvestment in these communities. By the third year after finishing the StreetWise ‘MBA’™, Black and Latinx businesses are closing gaps or approaching parity with white business owners on key business outcomes. This is how an inclusive economy driven by small business closes gaps and empowers people of color and those in LMI communities to change systems from within.

REVENUE ACROSS RACE AND ETHNICITY

White-owned businesses had higher revenue than those owned by Black or Latinx individuals prior to Interise. Three years after finishing the StreetWise ‘MBA’™, Black business owners had grown their revenue at a rate of 78% and Latinx business owners saw an 85% growth rate over their baseline, compared to 44% for white business owners. Even though these businesses are rapidly shrinking the revenue gap, we cannot ignore the disparity that existed prior to their participation in the StreetWise ‘MBA’™, with white-owned businesses earning 40% more in revenue than Black-owned businesses.
Similar growth trends can also be seen for the number of jobs that businesses created and retained across race and ethnicity. Black-, Latinx-, and white-owned businesses all began with approximately the same number of employees, but POC-owned businesses grew jobs at faster rates: 55% and 48% among Latinx- and Black-owned businesses, respectively, versus 40% for white-owned businesses.

Jobs with good benefits, such as these, foster wealth-building, allow for investments in human capital, and improve the quality of life for employees and their communities.
**CAPITAL ACROSS RACE AND ETHNICITY**

Once they begin the StreetWise ‘MBA’™, businesses see substantial improvement in their access to capital, a consistent challenge for small businesses, but a critical factor in operations and growth.

Before Interise, only 40% of our business owners felt confident in their ability to apply for capital. After Interise, 22% more of our business owners felt confident—numbers that are even higher for POC business owners.

As Interise and others have shown, POC-owned businesses have historically had the most difficulty in acquiring capital. Among our alumni, however, Black business owners saw over 240% growth in their financing and Latinx business owners saw nearly 450% growth, shrinking the gap between them and their white counterparts (225% growth). Despite the gap lessening, POC-owned businesses were still receiving only half as much capital as their white-owned counterparts prior to beginning the StreetWise ‘MBA’™. The factors that create this disparity, including systemic racism, must be addressed in order to achieve a just economy.
With systemic barriers to capital that impede small business growth, as well as economic and community development, some key examples of systems change include:

COMMERCIAL OR BUSINESS CREDIT PROFILE
For many small businesses, obtaining a business loan or line of credit is dependent on the business owner’s personal credit history. This puts the business at a disadvantage for growth if the business owner has a thin credit history or a lower credit score.

Likewise, business owners put their personal financial well-being and assets at risk as long as the financial system determines commercial credit worthiness using a business owner’s personal credit. Systems change that would level the access to capital includes technical assistance providers and capacity builders helping entrepreneurs include a strategy to establish commercial credit in their business plans or in growth plans.

The sooner business owners can separate their personal credit from their business, the better off both will be. Financial institutions, vendors, and other creditors can do their parts as well by consistently reporting payment history to the institutions that report business credit scores.

BEING CAPITAL READY
There are systemic hurdles that small business owners, especially those who are people of color, have to navigate to obtain startup, operating, or growth capital. The process that is largely in their control is to establish records and processes that help them be capital ready and increase their chances of getting the capital they need.

While elements such as personal credit score and proof of collateral are on a capital readiness checklist, business owners can improve their odds by working with local and regional banks or mission-driven alternative lenders such as community development financial institutions (CDFI).
BUILDING BANKING RELATIONSHIPS
Personal relationships between small business owners and their bankers have become rarer as financial decisions become more driven by algorithms and data. Established relationships between entrepreneurs and their banker allow for collaboration on capital opportunities, growth strategies, and crisis preparedness. In other words, these relationships mean entrepreneurs know their bankers and bankers know their entrepreneurs. Because of their scale and role in communities, smaller banks and CDFIs have become better options for these types of relationships compared to larger banks.

FINANCIAL INSTITUTIONS CLOSING THE TRUST GAP
Due in part to lower approval rates, smaller loan amounts, and higher interest rates, many small business owners of color do not ask for capital from financial institutions. This is emblematic of the trust gap that exists between white business owners and business owners of color. In order to shrink this gap, financial institutions must demonstrate a desire to provide equal and equitable access to capital regardless of an applicant’s race or ethnicity.
OUR CALL TO ACTION

It is long past time for significant changes to be made at every level of our society, from policies to institutions to the economy, so that the wounds caused by hundreds of years of injustice can begin to heal. Building capacity among small businesses enables them to be more resilient in the face of hardship and to create good jobs with benefits, thereby creating more resilient communities. At the same time, efforts to build capacity are made more difficult and are less effective as a result of enduring systemic injustices. Economic inequities cannot be dealt with unless we also eradicate racial and ethnic inequities. In order to accomplish the goal of an economy that truly works for all, we must change the systems that have prevented the emergence of an equitable economy.

We call on others in the economic development and small business communities to join us in pursuit of systems change. Let’s create small business ecosystems that sustain jobs with good benefits that invest in the employee and the community through wealth creation. Let’s make credit available based on the company’s credit rating and not continue to place the risk on the business owner’s personal credit score. Let’s do better. For our businesses, our communities, and our futures.

Small Business, STRONGER.

The COVID 19 pandemic presents immense challenges to small businesses.

Stepping up in this time of critical need, Interise is leveraging our expertise, networks, and award-winning StreetWise ‘MBA™’ (SWMBA) curriculum to launch Small Business, Stronger.

Small Business, Stronger is a proven and targeted executive education and support program aimed directly at helping small businesses survive COVID-19 economic fallout while pivoting towards the future.

Help small businesses:

- Stem the flood of small business closures
- Prepare small business owners for future growth
- Preserve stable, high-quality jobs in local economies
- Keep vulnerable communities intact, vibrant, and moving towards a more equitable economy

www.interise.org/stronger
METHODOLOGY AND SAMPLE DESCRIPTION

The StreetWise ‘MBA™’ was designed for small businesses with several characteristics in mind. The businesses are:

• Established, having survived the startup phase and are poised for growth
• Employers with at least one employee in addition to the business owner
• Located in low- and moderate-income areas
• Owned by someone identifying as a person of color and/or Latino/a/x

Data in this report represents outcomes from all of the StreetWise ‘MBA™’ cohorts completed in Interise’s history. Interise’s impact data comes from the years between 2005 and 2019. Each participant is surveyed prior to beginning the program to establish a baseline for their business. Graduates receive a survey to assess the impact of the program each of the next three years. For the first time, Interise has weighted our 15 years of impact data to be representative of our full alumni network. Weighting factors include the year a participant took the program, program delivery method, race, ethnicity, gender, income level of business census tract, and age of business.7
END NOTES


7 Initial survey weighting was conducted by NORC at the University of Chicago.
Interise is on a mission to create an inclusive economy by supporting the growth of established small businesses that are minority-owned or located in low- and moderate-income communities.

We do this through bold programs that close gaps in business knowledge, know-how and networks; purposeful research that turns insights into actions; and national partnerships that create impact at local, regional, and statewide levels.