The Power of Trusted Connectors

In Micro-Enterprise Development

2024 JOINT REPORT OF GLOBAL DETROIT AND THE BUILD FROM WITHIN ALLIANCE

GLOBAL DETROIT

BUILD FROM WITHIN ALLIANCE

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This report is only possible through the generous financial support and vision of the New Economy Initiative and the partnership of Wafa Dinaro and all of the staff.

FOREWORD

The authors would like to thank the nearly two dozen individuals who sat for interviews and conversations with us in the making of this trusted connectors report. Indeed, these trusted connectors are the real heroes, as are the amazing set of diverse entrepreneurs these individuals serve. This report was a passion project and labor of love. We honestly believe that, while having a local resident canvass a low-income community's neighborhood retail district to promote a small business loan or grant opportunity may not feel all that revolutionary or important, it actually represents the front lines of America's efforts to dismantle structural racism and to create an economy that builds wealth and opportunity for all its residents.

We would like to thank the amazing teams at Global Detroit, the Neighborhood Development Center, and the members of the Build from Within Alliance. You are those front-line warriors for a more equitable and inclusive economy and we feel honored to be your partners.

This report was informed by a capstone project conducted by Nourel-Hoda Eidy in fulfillment of the program requirements of profession education at the Goldman School of Public Policy at the University of California Berkeley.

This report would not have been possible without the generous support of the New Economy Initiative of Southeast Michigan.

Finally, this report is intended to build awareness of the need for trusted connectors and real investment in connecting low-income communities of color to opportunities. Small business development is one area where the need as evidenced by the racial gaps in business ownership and access to capital, not to mention racial wealth gaps generally, cries for a new way of doing business. The small business development ecosystem is littered with well-intentioned programs that are having impacts, while the racial inequities fostered by larger macroeconomic forces and the insidious impacts of structural and systemic racism only grow. Simply put, we need to do more, and we need to do things differently.

Trusted connectors are a small strategy to do things differently, but one that we believe can have profound effects. Too often we create programs to tackle these large racial inequities and focus on big issues—like access to capital. Billions of dollars (or in the case of the Paycheck Protection Program $350 billion in Round One funding alone) are made available and we spend endless amounts of time debating and deliberating about the terms of such capital and the process to distribute the funds with almost no effort thinking about the marketing, outreach, and engagement systems by which such programs are to utilize. Then we put these new programs out through the old engagement systems and find that, lo and behold, low-income communities and entrepreneurs of color have difficulty accessing the program we created.

We hope that this report revolutionizes the focus on how we engage and connect low-income communities and entrepreneurs of color with small business development opportunities. The report highlights a myriad of opportunities on how we can do that, but it will take more than the authors and the organizations involved in developing this report for its recommendations to be pursued. We look forward to your partnership in this journey.

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The Equity Imperative

The Equity Imperative

1 The Equity Imperative—Why America's small business support organizations and systems need reform.

A. AMERICA'S RACIAL WEALTH GAPS

The impacts of systemic racism in America are patent and powerful. In 2019, according to research by the Brookings Institution, the median net worth of a Black family was 7.8 times less than the median net worth of a White family.[1] This is a persistent problem that remains largely unchanged since the 1950s.[2] The average White family has about $841,000 more in net worth than the average Black family.[3]

Homeownership is one important measure of wealth and financial stability, often serving as the primary mechanism to build these characteristics. The racial wealth gap is manifest in the racial disparities of homeownership in America. The White homeownership rate is 72%, 30 percentage points higher than the Black homeownership rate (42%), 24 percentage points higher than the Hispanic homeownership rate (48%), 19 percentage points higher than the Native homeownership rate (53%), and 12 percentage points higher than the Asian homeownership rate (60%). The Black-White homeownership gap is wider now than it was in 1960, when the Fair Housing Act had not yet been passed and housing discrimination was still legal.[4]

These trends are visible among other communities of color as well and sadly systemic wealth gaps continue to widen. This is evident in homeownership rates. Nationally, 46.8% of Latinx Americans, 56.7% of Native Americans, and 59.4% of Asian Americans own their homes in comparison to the over 70% of White Americans.[5]

When considering other forms of wealth-building, Latinx and Black Americans are reporting lower participation in retirement accounts and non-retirement financial investments (i.e., stock, bonds, mutual funds).[6] There are many reasons why communities of color are not increasing their assets outside of homeownership and vehicle ownership. First, Black and Brown people are more likely to be employed in workplaces that do not offer retirement plans at all.[7] There is additional barriers for undocumented workers, who often pay social security taxes, but are not eligible to claim social security benefits.[8] Due to lower wages and annual incomes, families of color often need to have their income readily accessible rather than invested. From a historical perspective, there is a lack of trust from Black and Brown folks in banking loans and other financial investments because they were unfairly targeted by big banks with subprime loan that had higher fees and interest rates, leading up to the 2008 financial crisis.[9]

1 Ariel Gelrud Shiro, Christopher Pulliam, John Sabelhaus, Ember Smith, "Stuck on the Ladder: Intragenerational Wealth Mobility in the United States," Brookings Institution (June 2022).
2 Ibid.
3 Ibid.
4 Caitlin Young, Michael Neal and Janneke Ratcliffe, "A Landscape Scan of Homeownership for Households of Color," Urban Institute (November 2022) at https://www.urban.org/sites/default/files/2022-11/A%20Landscape%20Scan%20of%20Homeownership%20for%20Households%20of%20Color.pdf
5 In Nearly Every State, People of Color Are Less Likely to Own Homes Compared to White Households | Joint Center for Housing Studies. (n.d.). Retrieved October 3, 2023, from https://www.jchs.harvard.edu/blog/nearly-every-state-people-color-are-less-likely-own-homes-compared-white-households
6 Understanding Latino wealth to address disparities and design better policies | Brookings. (n.d.). Retrieved October 3, 2023, from https://www.brookings.edu/articles/understanding-latino-wealth/
7 These steps can help close the racial retirement gap. (n.d.). Retrieved October 3, 2023, from https://www.cnbc.com/2023/04/05/these-steps-can-help-close-the-racial-retirement-gap.html
8 Aging Undocumented Workers Can't Afford to Retire. Will California Help Them? | KQED. (n.d.). Retrieved October 3, 2023, from https://www.kqed.org/news/11943034/aging-undocumented-workers-cant-afford-to-retire-will-california-help-them
9 The Dramatic Racial Bias of Subprime Lending During the Housing Boom-Bloomberg. (n.d.). Retrieved October 3, 2023, from https://www.bloomberg.com/news/articles/2013-08-16/the-dramatic-racial-bias-of-subprime-lending-during-the-housing-boom

Micro-businesses, defined as sole proprietors where the owner may be the only employee or with a staff of 10 people or less, make up 80% of all U.S small businesses.[10] Over 90% of businesses owned by either Black, Latinx, or Asian entrepreneurs are considered micro-businesses.[11] From the experiences of Global Detroit, the Neighborhood Development Center and many of those we interviewed for this report, entrepreneurs of color who own and operate microbusinesses live on meager earnings, often earning just enough profit to pay employees and expenses with little left over to build wealth and earn a living. Often these microbusiness entrepreneurs are utilizing every last penny to invest in their businesses and have little to invest in their homes, retirement or savings, which can be instrumental to wealth-building.

B. IMPORTANCE OF SMALL BUSINESS

Small businesses are an integral part of the American economy, accounting for about 50% of the country's gross domestic product (GDP) and jobs.[12] They account for two-thirds (66%) of all the job growth in America over the past 25 years.[13] Small businesses are important to the economy's innovation, producing more patents per employee—as much as 15 times more according to the U.S. Small Business Administration.[14]

When it comes to addressing the wealth gap and systemic racism, the development and growth of small businesses can be a critical strategy to counter the growth of high poverty communities in America. Small businesses have a deep understanding of their communities. When local, low-income entrepreneurs of color establish businesses, they bring their unique perspectives and experiences with them. They preserve and celebrate what is unique about a place and foster meaningful representation and inclusion within neighborhood economies. They contribute to the redistribution of wealth and assets within the community and within their own families, helping to break cycles of intergenerational poverty and disenfranchisement. They serve as role models and inspire others within their communities. Their sustained success has ripple effects across the community and sparks aspirations.

There are talented entrepreneurs in every neighborhood. But fostering greater economic and racial equity starts with a commitment to place and people. Unlike gentrifying forces or outside financial investments, small business support efforts that build strong partnerships and that work to leverage existing community assets can foster neighborhood recovery without displacement. Residents become active contributors to the development and revitalization of their neighborhoods, while simultaneously preserving what makes it special.[15]

C. THE INEQUITIES OF SMALL BUSINESS OWNERSHIP

One arena in which systemic racism's impacts also can be observed is in the arena of small business ownership. In 2019, there were nearly 5.8 million employer firms (businesses with more than one employee), of which only 2.3% (134,567) were Black-owned, even though Black residents comprise 14.2% of the country's population.[16] While the underrepresentation of Latinx employer firms is not as stark, Latinx entrepreneurs own 6% of the employer firms, while Latinx residents now comprise 18% of the nation's population.[17]

Evidence of systemic inequities goes beyond employer firms. Minority entrepreneurs are much more likely to have smaller, often less profitable companies with no employees (sole-proprietorships). In 2019, only 4.1% of Black-owned businesses were employer firms, compared to 19% of White-owned businesses.[18] A July 2020 JPMorgan Chase Institute research study chronicled small business revenues—a key indicator of a new small business' financial health—over the first five years of a firms' launch and analyzed the results by race, noting that the median revenues of Black-owned firms ($246,000 over the

11 2023 Vital Signs: The Health of Minority-Owned Small Businesses – Third Way. (n.d.). Retrieved October 3, 2023, from https://www.thirdway.org/report/2023-vital-signs-the-health-of-minority-owned-small-businesses

12 "Exploring Business," University of Minnesota (2016) at https://open.lib.umn.edu/exploringbusiness/front-matter/publisher-information/

13 Daniel Wilmoth, "Small Business Facts: Small Business Job Creation," U.S. Small Business Administration (April 2022) found at https://advocacy.sba.gov/wp-content/uploads/2022/04/Small-Business-Job-Creation-Fact-Sheet-Apr2022.pdf

14 A. Breitzman and Diana Hicks, "An Analysis of Small Business Patents by Industry and Firm Size, Office of Advocacy, Small Business Administration," U.S. Small Business Administration (2011).

15 Build from Within Alliance website at https://www.bfwalliance.org/why-bfw-1.

16 Andre Perry, Regina Seo, Anthony Barr, Carl Romer, and Kristen Broady, "Black-owned Businesses in U.S. Cities: The Challenges, Solutions, and Opportunities for Prosperity," Brookings Institution (February 2022).

17 Ibid.

18 Ibid.

first five years) had revenues only 45% of the median revenues of White-owned firms ($543,000 over the same period. Latinx firms fared better, but still had a racial revenue gap ($469,000 over the same period or 86% of the median revenues of White firms).[19]

D. THE FAILURE OF SMALL BUSINESS AND CREDIT ACCESS PROGRAMS TO NARROW RACIAL INEQUITY GAPS

Over the past half century, there have been efforts to address racial inequities through expanding access to capital, as well as efforts specifically targeting entrepreneurs of color. These efforts are important and well-intentioned and need to be supported and expanded. The purpose of our research is not to suggest ending these efforts, but to highlight some shortcomings in their work and explore how to improve the delivery systems and outreach by which low-income entrepreneurs of color learn of and access the various small business support organizations and programs. But before we dive into our analysis of the trusted connector model, we believe it is important to better identify the problem we are seeking to address.

Some of the greatest efforts to better connect private sector capital from banks and financial institutions to diverse, underserved communities stem from the Community Reinvestment Act (CRA) in 1977. There are several provisions of CRA that intend to close the racial gaps that exist in private capital, yet, nearly 50 years later significant racial gaps exist in American capital systems. The facts suggest that those seeking to dismantle structural racism and racial inequities have more work to do. Bulbul Gupta, President and CEO of Pacific Community Ventures identifies persistent gaps in wealth and capital access between Black and White Americans, as well as the need for CDFI's to engage more and engage differently.[20] Gupta highlights that:

- Black Americans have a 46% homeownership rate compared to 76% for White Americans.[21, 22]
- In 2017, Home Mortgage Disclosure Act (HMDA) data documents that banks deny Black applicants 80% more often than they deny White applicants; and[23, 24], this is in alignment with research trends that highlight higher rates of denials for Black applicants in both neighborhood that are majority people of color and in majority-white neighborhoods.[25]

19 "Small Business Owner Race, Liquidity and Survival," JPMorgan Chase Institute (July 2020) found at https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/institute/pdf/institute-small-business-owner-race-report.pdf

20 Bulbul Gupta, "CDFIs Shouldn't Act Like Banks, But Too Often Do," Shelterforce (May 2023) found at https://shelterforce.org/2023/05/26/cdfis-shouldnt-act-like-banks-but-too-often-do/.

21 Gupta, 5.

22 Homeownership, racial segregation, and policy solutions to racial wealth equity | Brookings. (n.d.). Retrieved October 2, 2023, from https://www.brookings.edu/articles/homeownership-racial-segregation-and-policies-for-racial-wealth-equity/

23 Gupta, 5.

24 Black Applicants Are Far More Likely to be Denied a Mortgage - Zillow Research. (n.d.). Retrieved October 2, 2023, from https://www.zillow.com/research/black-applicants-denied-mortgage-27651/

25 How Local Differences in Race and Place Affect Mortgage Lending | Urban Institute. (n.d.). Retrieved October 10, 2023, from https://www.urban.org/urban-wire/how-local-differences-race-and-place-affect-mortgage-lending

- Black entrepreneurs are twice as likely to be denied loans as White entrepreneurs.[26, 27]

One principal strategy facilitated by was the creation of some 1,400 Community Development Financial Institutions (CDFIs) across the country. CDFIs were intended to create a more equitable financial system by investing in marginalized communities by providing alternative financial opportunities for communities that historically have been discriminated against by traditional banks. While CDFIs definitely have created access to capital for thousands of entrepreneurs of color, their impact is severely limited by their structure. Many CDFIs find most of their funding streams coming from the same private banks who excluded the very communities those CDFIs are intended to support. When a CDFI is provided with capital from a bank, it must abide by requirements to provide a return and often need to provide similar rates and terms of investment as the private market. Consequently, at least one prominent CDFI CEO, has argued that, as an industry, CDFIs are falling short of investing in and generating wealth for Black, Brown and immigrant communities to their fullest and most effective capacities.[28]

E. IMPACTS OF THE COVID-19 WERE DISPROPORTIONATELY NEGATIVE ON ENTREPRENEURS OF COLOR AND GOVERNMENT SMALL BUSINESS RECOVERY EFFORTS WERE INEQUITABLE

The COVID-19 pandemic was devastating to the small business community and those negative impacts were even more severely felt by small business owners of color. A June 2020 pandemic study found that in the early months of the pandemic, the U.S. saw a 22% decline in active businesses with minority-owned businesses closing at higher rates: 41% drop in Black-owned businesses, 32% drop in Latinx-owned, 26% drop in Asian-owned and a 36% drop in immigrant-owned businesses.[29] Similar findings from the National Asian and Pacific Islander American Chamber of Commerce and Entrepreneurship, U.S. Black Chamber and U.S. Latinx Chamber documented that by December 2020 Black and Brown businesses on average reported less than a month of cash to cover expenses.[30] Of the more than 8,000 respondents, 10% expected to close permanently and 45% expected to lay off one or more employees.[31] At the time, private research firms estimated the future small business job losses to be in the millions.[32] In the initial months of the pandemic Black-owned businesses declined at roughly three times the rate of other demographic groups.[33]

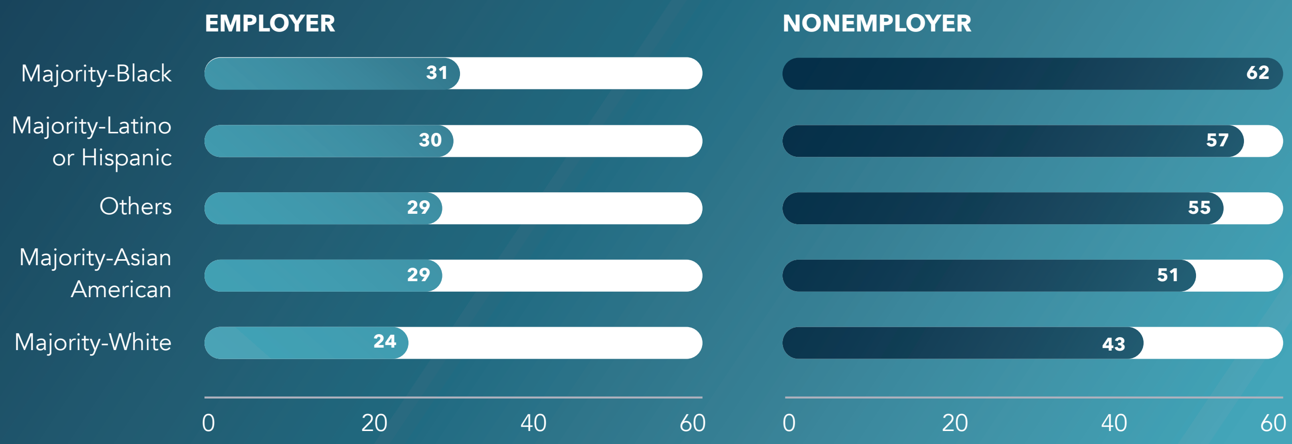
To support small businesses, the Congress passed the Paycheck Protection Program (PPP), the largest federal COVID business relief program. PPP promised a forgivable loan worth up to eight weeks of payroll costs including benefits, and other business necessities including mortgage, rent and utilities. PPP required business owners to retain all their employees on payroll or rehire quickly, providing forgiveness on the loan based on payroll. PPP loans were facilitated through all existing SBA 7(a) lenders and federally insured banks and credit unions. The lenders facilitated the application and acceptance of loans from small businesses and then were reimbursed by the SBA.

Studies have found racial disparities in access to PPP funding, primarily for Black-owned and other minority-owned businesses. There were several causes for this with roots in the historic and structural racial inequities that exist in American economy.

26 Gupta, 5.
27 Black-owned firms are twice as likely to be rejected for loans. Is this discrimination? | Gene Marks | The Guardian. (n.d.). Retrieved October 2, 2023, from https://www.theguardian.com/business/2020/jan/16/black-owned-firms-are-twice-as-likely-to-be-rejected-for-loans-is-this-discrimination
28 Bulbul Gupta, "CDFIs Shouldn't Act Like Banks, But Too Often Do," Shelterforce (May 2023) found at https://shelterforce.org/2023/05/26/cdfis-shouldnt-act-like-banks-but-too-often-do/.
29 Robert Fairlie, "The Impact of COVID-19 on Small Business Owners: Evidence of Early-Stage Losses from the April 2020 Current Population Survey," National Bureau of Economic Research (June 2020) found at https://www.nber.org/system/files/working_papers/w27309/w27309.pdf
30 Ron Busby Sr., Ramiro A. Cavazos, Chiling Tong and Rhett Buttle, "The Numbers Are Dire: Congress Must Act Now to Save Small Businesses," The Washington Post, (December 10, 2020).
31 Ibid.
32 Ibid.
33 Daniel Wilmoth "Black Business Owners Hit Hard by Pandemic," U.S. Small Business Administration Office of Advocacy, (August 2020) https://cameonetwork.org/wp-content/uploads/2020/11/Black-Business-Owners-Hit-Hard-By-Pandemic.pdf

FIGURE 1. PPP LOANS IN MAJORITY-MINORITY NEIGHBORHOODS WERE APPROVED LATER THAN THOSE IN MAJORITY-WHITE NEIGHBORHOODS

Average days since PPP application started to when loans were approved



Source: Brookings analysis of SBA Paycheck Protection Program Loan Level Data and American Community Survey 2018 5-Year Date

Metropolitan Policy Program at BROOKINGS

Many minority-businesses did not have the required relationships or history working with authorized lender institutions.[34] Low-income communities of color had fewer banks and institutional providers of PPP loans.[35]

Global Detroit's and Build from Within Alliance's own experiences suggest that information and relationship gaps that existed among immigrant small business owners and small business owners of color and mainstream small business institutions and financial institutions greatly impacted the ability of minority-owned firms to access PPP.

An August 2020 survey of 33 Detroit area small businesses conducted by Global Detroit highlighted the reality that many businesses did not apply for PPP loans because they either did not receive information or found the information confusing. One-third of those surveyed who applied for PPP loans were denied with a similar outcome for those who sought Economic Injury Disaster Loans (EIDL).

There were structural elements to the PPP program that favored prioritizing larger firms with more employees that disadvantaged small business owners of color who are more often to have firms with fewer employees and be sole-proprietorships.[36] Lenders earned greater fees on larger PPP loans and, thus, prioritized larger clients with more employees.[37] The SBA delayed the initial rollout of PPP for sole-proprietorships for one week, during which time substantial funds were lent, leaving less for such sole-proprietorships as the nearly $350 billion PPP Round One funding was exhausted in less than three weeks from its initial release.[38]

34 The 2019 Federal Reserve's small business survey found that use of bank financing varied significantly by race and ethnicity of owner. Firms with Non-Hispanic Black ownership were half as likely to have obtained bank funds, while those with Latinx ownership were 64% as likely. Federal Reserve, "Report on Employer Firms 2020: Small Business Credit Survey," (2020) found at file:///Users/stevetobocman/Downloads/2020-sbcs-employer-firms-report.pdf.

35 Sifan Liu and Joseph Parilla, "New Data Shows Small Businesses in Communities of Color Had Unequal Access to Federal COVID-19 Relief," Brookings Institution (September 17, 2020) found at https://www.brookings.edu/articles/new-data-shows-small-businesses-in-communities-of-color-had-unequal-access-to-federal-covid-19-relief/.

36 In fact, more than 90% of all businesses owned by people of color are sole-proprietorships. Employer and Nonemployer Firms: Firms and Receipts for Minority-Owned Businesses for 2018. (December 2021). United States Census Bureau https://www.census.gov/library/visualizations/2021/comm/employer-andnonemployer-firms.html; see also Small Business Credit Survey, 2021 Report on Firms Owned by People of Color. (2021). Federal Reserve. sbcs-report-on-firms-owned-by-people-of-color (fedsmallbusiness.org); and Survey of Business Owners. (2016). https://www.census.gov/library/publications/2012/econ/2012-sbo.html1/25 noting that over 95% of all BlackBlack-owned businesses and over 91% of all Latino-owned businesses are non-employer firms.

37 "The Paycheck Protection Program Continues to be Disadvantageous to Smaller Businesses, Especially Businesses Owned by People of Color and the Self-Employed," Center for Responsible Lending, (April 6, 2020 updated May 27, 2020) found at https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-cares-act2-smallbusiness-2020.pdf

38 Ibid.

In addition to a restrictive delivery structure for PPP, there were several application eligibility and documentation requirements that served to effectively eliminate many minority-owned businesses. PPP did not allow entrepreneurs with non-fraud felony convictions and was administered in ways that often restricted access to immigrant business owners.[39] Others struggled with application requirements and found it difficult to find culturally competent and/or linguistically accessible technical assistance.[40] Many minority businesses had their applications rejected due to the PPP's rigid eligibility requirements.

Majority-White communities fared far better in the time that it took PPP loans to get approved. With limited dollars that were soon exhausted, speed of approval could make the difference between being approved in time to receive a PPP loan or funds being exhausted.[41] Figure 1 shows that majority-White neighborhoods experienced on average faster loan approval rates than majority-minority neighborhoods.[42]

Even if a minority business was successful in obtaining a PPP loan, researchers have documented disparities in PPP loan forgiveness outcomes. In fact, as of early 2022, according the Center for Responsible Lending, well over 400,000 microbusinesses that received emergency PPP funding of $25,000 or less in 2020 remain partially or fully unforgiven and must repay all or a portion of those funds.[43] Of all 2020 PPP loans that were fully unforgiven as of early 2022, 74% percent were loans of $25,000 or less, impacting microbusinesses that were not receiving any of the relief they were promised. These microbusinesses were disproportionately owned by people of color and the same paperwork complexities and structural barriers identified above have played out in the loan forgiveness process.[44]

39 While the PPP authorizing language did not use the traditional SBA requirements that borrowers be U.S. citizens or lawful permanent residents (green card holders), may financial institutions placed this question on their lending materials, simply amending and adapting loan application materials from other SBA-backed capital programs. Many immigrant business owners were mistakenly told they were not eligible for the program or were denied loans if they were not green card holders or citizens.

40 Marcus Baram, "'That Was It—Silence': As Bailout Funds Evaporate, Minority-Owned Businesses Say They've Been Shut Out," Fast Company (April 29, 2020).

41 Liu and Parilla

42 Ibid.

43 Congressional Testimony of Sunny Glottmann, Center for Responsible Lending , (Submitted March 21, 2022) before the U.S. House of Representatives Committee on Small Business Subcommittee on Oversight, Investigations, and Regulations found at https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-glottmann-ppp-house-written-testimony-mar2022.pdf

44 Ibid.

F. NEW MODELS, PROGRAMS AND INVESTMENTS IN CONNECTING SMALL BUSINESS OWNERS OF COLOR TO ADDRESS THE SYSTEMIC GAPS IN RACIAL EQUITY

The clear conclusion from the short analysis above is that the legacy of structural racism persists among America's small businesses. Fifty years of policy and programs have not eliminated significant and meaningful gaps in equitable access to capital and emergency small business relief programs. These realities not only perpetuate racial inequalities among small business owners, but they impact the neighborhoods and communities where these small businesses operate. If America is to address concentrated poverty and racial wealth gaps, it needs to continue to develop and invest in new models and programs to create meaningful opportunities for small business owners of color and immigrant small businesses to thrive.

Trusted Connectors

2 THE RISE OF TRUSTED CONNECTORS IN MICRO-ENTERPRISE

A. WHAT IS A TRUSTED CONNECTOR?

"Before we [as trusted connectors] got involved, [small business grant programs] had very few applicants from Banglatown or Southwest Detroit. Business owners didn't even know what a grant was. They thought anything they get from anyone, they would have to pay back.

I had to have a few conversations with someone before they began to trust the process and decided to apply. Then, I helped with translation and making sure they understood the guidelines.

Sometimes it's hard to recognize the importance of a community advocate. . . We get the ball rolling, get residents and business owners the information and connections they need. We help break down barriers and bring partners together. All of these are essential to get the work done. It takes time."

–Interview with Md Abdul Muhit, Global Detroit Trusted Connector[45]

Between 2015 and 2018, Global Detroit pioneered a model of using "trusted connectors" by hiring local neighborhood residents—often with little or no business or entrepreneurial experience—to conduct outreach and provide information to more than 1,200 small businesses about the NEIdeas small business expansion grant program. These trusted connectors supported more than 200 applications from low-income small business owners located in Detroit's immigrant neighborhoods of Southwest Detroit and Banglatown, as well as from the City of Hamtramck (which has the highest percentage of foreign-born residents [more than 40%] of any city in Michigan). Of these 200 applications, 57 small businesses were finalists for the program and 10 were awarded $10,000 grants, bringing in new funding to small business owners and into neighborhoods that had accessed the program prior to Global Detroit's investment in trusted connectors.

The concept of using a trusted connector is not unique, nor even original, to Global Detroit. **Kimber Lanning**, founder and CEO of Local First Arizona, a nonprofit organization committed to building equitable systems for Arizona's local businesses and communities that create a vibrant, inclusive, and resilient Arizona economy, uses trusted connectors without labeling their usage as a formal program. Local First Arizona has sought to bring a range of programs, including small business development, to diverse, underserved and rural communities throughout Arizona, serving 3,500 business members through three statewide offices. ***When asked about how she connects with local Latinx, immigrant and Native American entrepreneurs who often have a distrust of banks, the government and White-led business organizations, Lanning answered that she looks for the local entity or community leader around which residents gather-- someone toward whom local residents gravitate.***[46] ***Lanning then works with and through that trusted connector***[47] ***to reach diverse small business owners.*** Lanning stressed that her local partner need not be a small business service provider (if one even exists in these underserved communities), but just be someone who local residents and entrepreneurs trust. It could be a priest, a well-known business owner, a social worker or a resident who folks turned to for advice or community leadership.

45 "Why Immigrant Communities Need Trusted Connectors," Blog, Global Detroit (2016) found at https://globaldetroitmi.org/why-immigrant-communities-need-trusted-connectors/.

46 Interview with Kimber Lanning conducted on February 28, 2023.

47 Trusted connector is not a word that Lanning uses but she did not object to the authors' use of the term to describe community leaders with whom she partners.

Trusted connectors can help to ensure that micro-business loans, grants, technical assistance, and other support programs reach and encourage strong participation from low-income communities of color and the entrepreneurs within. Specific micro-business initiatives seeking to broaden participation from these underserved businesses should consider including specific outreach and trusted connector funding as part of their budgets. They should design programs in ways which allow trusted connectors to broaden access, such as expanding application timelines to ensure that trusted connectors have ample time to plan for and execute outreach strategies, and to provide the additional application support some low-income entrepreneurs of color may need.

B. ESTABLISHING A DEFINITION OF TRUSTED CONNECTOR

The purpose of our research and this report is not to create an academic or legal definition of the term trusted connector, but to explore the importance, viability, mechanics, and nuances of using trusted connectors to improve the delivery, and impact, of small business support services and opportunities to underserved low-income communities of color. It is helpful to that cause to provide a more detailed explanation of the term trusted connectors and to explain the ways in which those seeking to assist low-income entrepreneurs of color and immigrants utilize them.

The New Economy Initiative (NEI)—the funder of this report—is a philanthropic collaboration and special project of the Community Foundation for Southeast Michigan that advocates for inclusive entrepreneurship and works to build a regional network of support for entrepreneurs and small businesses. NEI defines trusted connectors as **"organizations that maintain trusted relationships with small businesses through community-based engagement while focusing on specific geographies, population segments, and/or industry sectors. Trusted connectors typically refer small business owners to other resources in the ecosystem but sometimes provide their own practical assistance services."**[48]

Global Detroit has used the term to describe both its work as an organization, and the work of individuals who connect local small business owners and emerging entrepreneurs to small business resources, providers, and opportunities.

Most of the focus of our analysis, and of those utilizing trusted connectors, is on the trust they have established with diverse and underserved entrepreneurs and communities. But some trusted connectors add value beyond their relationships with those entrepreneurs and communities served. In fact, trusted connectors can serve an important role within the small business support organizations, local government and economic development agencies, lenders, philanthropy and other stakeholders in the small business ecosystem. Those trusted connectors who possess trust and strong relationships with mainstream actors can be a critical voice to guide those mainstream actors in designing and implementing policies, practices and programs that can broaden access to the small business resources these actors make available. These trusted connectors can advocate for reforms to existing programs, such as longer application windows for grant and loan programs or to reduce over burdensome administrative requirements or can encourage investment into a trusted connector program to enhance outreach efforts so that opportunities reach diverse, underserved communities and entrepreneurs.

48 2022 Annual Report, New Economy Initiative, p. 19 found at https://neweconomyinitiative.org/wp-content/uploads/2023/04/NEI-2022-Annual-Report_3-24-23-FINAL.pdf

3 TRUSTED CONNECTORS IN ACTION

CASE STUDY 1

ENGAGING NEIGHBORHOOD RESIDENTS

Global Detroit began its trusted connector work in 2015 when it was approached by the Detroit Economic Growth Corporation, the City's economic development arm, to assist in increasing the applications from Latinx business owners in Southwest Detroit for the annual NEIdeas small business expansion grant program. In its first year of work, Global Detroit was able to increase the number of applications from the 48209 zip code—the core of Detroit's Latinx community—by more than 350% (from 6 to 22 applications). Over the final four years of the NEIdeas program, Global Detroit would become one of the largest sources of applications for small business expansion grants.

Global Detroit produced these results despite not being direct service provider of small business development services. It did not run a small business loan program, business planning classes or provide in depth one-on-one technical assistance to small businesses. In fact, it did not have anyone on its staff with extensive small business or entrepreneurial experience. Instead, it strategically hired neighborhood residents fluent in Spanish (and in later years, fluent in Bangla and Arabic), provided these residents with enough knowledge to understand the opportunity and requirements of the NEIdeas program, and deployed them into the community.

The residents canvassed local neighborhood retail districts, visiting most retailers two, three or even four times to encourage them to apply for grant funding. They translated applications and assisted business owners with completing the applications in their native languages before translating the final content back into English for submission. Over time, as more local businesses from the community secured grants, it became easier and easier to encourage others to apply.

IMPACT

In this example, Global Detroit did not, nor was it funded to, retain the services of these residents year-round or as permanent staff. Instead, they were hired and paid an hourly wage (in excess of the living wage) around the grant application window of the NEIdeas program—usually for four to six weeks. Expanding one's community engagement strategy by integrating an opportunity for the engagement of historically disenfranchised local residents is a relatively easy strategy for small business programs to deploy, especially if a local community organization is used as the intermediary to engage local resident canvassers. Moreover, it channels resources, albeit on a small scale, directly into underserved communities and the hands of residents.

CASE STUDY 2

USING COMMUNITY PARTNER ORGANIZATIONS

When Mihailo Temali, the founder and senior advisor to the Neighborhood Development Center (NDC), as well as the driving force behind, and CEO of, the Build from Within Alliance, talks about the business planning courses offered to low-income entrepreneurs of color he talks about the importance of community partners. NDC and the 16 other members of the Build from Within Alliance utilize a four-pillar model of comprehensive micro-enterprise and community development to support local entrepreneurs of color to bring vitality into America's disinvested, impoverished communities. To be able to deliver the business planning training in a culturally competent, linguistically accessible way, NDC and other Build from Within Alliance members offer business training classes to small, relatively homogeneous, ethnic and racial-based cohorts within targeted neighborhoods and communities.

Temali's nearly 40 years of experience connecting to entrepreneurial talent "from within" these underserved communities have led him to tout the importance of using what he and NDC call "community partners" to host and recruit entrepreneurs for the business planning classes, as well as to help sustain these entrepreneurs through various challenges to come. NDC pays community partners $1,000 to host the eleven-session business planning courses, recruit the aspiring entrepreneurs and jointly select the course trainer with NDC to ensure the trainer is someone who can connect with aspiring entrepreneurs from that community. Community partners literally can be any organization in a community that is known and trusted and can physically house the training. Across the Build from Within Alliance (whose members use NDC's micro-enterprise model), community partners have included local ethnic or minority business association or chambers, a local Main Streets or neighborhood commercial retail organization, a neighborhood-based community development corporation, a social services agency, a church or mosque, a neighborhood-based charter school, a tribal economic development agency or government entity, a refugee resettlement agency and more.

The community partner is a trusted connector with deep ties to the community that help residents navigate structural barriers, such as the provision of wraparound services, connections to other social service agencies or advocacy rather than, or in addition to, direct business or entrepreneurship services. The community partner can build a foundation of trust for NDC's program and the business planning course trainer. Through decades of engagement, NDC has worked with dozens of community partners in low-income African American, Latinx, Native American, Somali, Hmong, Vietnamese, refugee, and other underserved communities.

IMPACT

By utilizing the same community partners year in and year out to host the business planning courses, NDC's partnership helped those community partners to sustain and deepen their own connections to neighborhood entrepreneurs. Some community partners found the work so important that they developed and grew their own small business support programs—sometimes to great success as some former community partners now offer their own lending, training, and technical assistance programs. Other organizations have been content to serve solely as a convener and trusted connector referring local minority and ethnic businesses to NDC and other small business supports and opportunities. For these community partners, being able to offer the business planning course on an annual or semi-annual basis has bolstered their own trust and connection to the community, enhancing their own effectiveness at being a trusted connector. The community partner model is replicated in the small business planning efforts of other Build from Within Alliance members such as ProsperUs Detroit.

CASE STUDY 3

INVESTING IN A NETWORK OF COMMUNITY AND SMALL BUSINESS ORGANIZATIONS AS OUTREACH AND RESOURCE NAVIGATORS

The New Economy Initiative has recognized that a strong regional network of support for entrepreneurs and small businesses not only requires developing the resources, supports and programs needed by low-income entrepreneurs of color, but that an access or delivery system of trusted connectors is essential to connect those resources to underserved communities. "Detroit is resource rich and connection poor," Raquel Garcia, a former Global Detroit Director of Partnerships and Community Outreach, was fond of saying.[49]

IMPACT

To expand access, NEI has invested in a network of trusted connector organizations across Wayne County who engage in outreach and resource navigation assistance to diverse entrepreneurs. These trusted connectors also host events and occasionally create special event or pop-up marketplace opportunities for local small businesses. In 2022, NEI invested more than $1.25 million into the following trusted connector organizations:

- Arab American Women's Business Council
- Central Detroit Christian Community Development Corporation
- Detroit Hispanic Development Corporation
- Eastside Community Network (Warren/Conner Development Coalition)
- East Warren Development Corporation
- Global Detroit
- Grandmont Rosedale Development Corporation
- Jefferson East
- Metro Detroit Black Business Alliance (Metro Detroit Black Chamber of Commerce Foundation)
- Midtown Detroit, Inc.
- Osborn Neighborhood Alliance
- Southwest Detroit Business Alliance

49 Garcia was a core part of the team to launch Global Detroit's trusted connector work in 2015-2018 knocking on business doors in Southwest Detroit and helping to conceive and hire neighborhood residents to expand the outreach and canvassing efforts.

CASE STUDY 4

INVESTING IN A NETWORK OF DIVERSE SMALL BUSINESS ORGANIZATIONS AS SERVICE PROVIDERS

In October 2021, the U.S. Small Business Administration announced the launch of its Community Navigator Pilot Program to expand outreach for small businesses in underserved communities. The program funded nonprofit, state, and local government, tribal entities and other local partners to create hub and spoke small business assistance in which spoke organizations were to serve as "trusted, culturally knowledgeable local groups and individuals -- who will connect to specific sectors of the entrepreneurial community to provide assistance during economic recovery."[50] The program received over 700 applications and provided $100 million in support to 51 awardees. A full analysis of the program's impact on increasing technical assistance, grant and loans and other supports to diverse entrepreneurs in underserved communities is beyond the scope of this report but given the Community Navigator Pilot's mission we sought to interview some of those who were chosen for funding and some entities whose proposals were not selected. In the end we spoke with two awardees and several applicants whose proposals were not funded.

One example of how a national small business assistance program sought to expand access to underserved communities can be found in the International Rescue Committee (IRC), an international relief organization that works to restore health, safety, education, economic wellbeing, and power to people devastated by conflict and disaster with offices in more than 40 countries and 28 U.S. cities. IRC's small business work originated more than two decades ago serving small business owners in the immigrant, newcomer, refugee, and mainstream community.

IRC's Community Navigator Pilot Program project spans six states with over 20 local partners. Nearly three-quarters of the local partners in the project did not have small business experience but were selected for their deep community roots within emerging local ethnic communities.[51] IRC onboarded and trained dozens of staff from these community-based organization to create an ecosystem of knowledge, resources, and community-based access to capital that leveraged IRC's subsidiary Community Development Financial Institution (CDFI), namely the IRC's Center for Economic Opportunity, and dozens of state and local small business relief programs. Within the first two years of the IRC Community Navigator Pilot Program's launch, over 2,300 small business owners have strengthened their skills, invested in their business operations, and been able to access millions in business capital and financing through over 16,500 hours of technical assistance.[52] Community Navigators have helped these businesses apply for over $24 million in small business relief to keep their businesses open, vibrant and growing, securing more than $10 million in capital so far to sustain these businesses, creating or retaining 1,174 jobs to date.[53]

The IRC's program is designed on a foundation of using trusted connectors to reach entrepreneurs from underserved and low-income communities.

50 "Community Navigator Pilot Program," U.S. Small Business Administration found at https://www.sba.gov/partners/counselors/community-navigator-pilot-program#id-program-overview

51 Interview with Jon Vesper, Deputy Director of Economic Empowerment for the International Rescue Committee conducted on June 29, 2023.

52 "The Launch of the Community Navigator Pilot Program: Government and Community Partners Rise to Meet Challenge of a Critical Economic Moment," International Rescue Committee and U.S. Small Business Administration.

53 Ibid.

IMPACT

Many small business owners [from underserved communities] need highly personalized services to meet them where they are. A Community Navigator can help a small business owner that is struggling with English, digital literacy, or other barriers to overcome these barriers and take steps forward with their business in the short-term. Filling out applications when a business owner cannot write themselves, modeling a monthly sales tax report until the small business owner can do it herself, explaining detailed language on an application so the business owners understand the details – all of these are tasks that can enhance, strengthen, and build local economies – because Community Navigation goes the extra mile where other providers do not tread. But just as important, this high-touch model builds lasting capacity within the small business owner so that in the future, they feel more confident navigating the processes and tasks that are critical to the sustainability of their business. Community Navigation is high-touch – and worth it.[54]

54 Ibid.

Trusted Connectors Success

4 WHAT MAKES A GOOD TRUSTED CONNECTOR?

STRONG COMMUNITY ROOTS

For trusted connectors to effectively serve their intended purpose, they should have strong community roots – meaning they are deeply embedded within the community they seek to assist or able to develop deep community bonds and connection through trust. Strong community roots often are established by trusted connectors that serve either a specific place-based community or that serve a specific ethnic or racial group.

LANGUAGE ACCESS

It can be important that trusted connectors are familiar with the language and culture of the entrepreneurs they support. Language fluency can be a necessary component in serving small business owners in various immigrant, refugee, and ethnic communities. To establish the requisite level of trust, it may be necessary to find trusted connectors who speak specific dialects endemic to the community targeted. Simply being able to speak and write fluently may not be enough for local entrepreneurs to believe that a trusted connector is from their community and has their best interest at heart. The goal of the trusted connector is to build trust and to help break down barriers that may exist between small business opportunities and local entrepreneurs in underserved communities. If, for example, a local business community and neighborhood is comprised of working-class Central American economic and political refugees and the outreach coordinator is a White, college-educated Spanish speaker who has spent time building language fluency in Spain, it could be difficult for that coordinator to be viewed as someone other than an outsider.

CULTURAL CONNECTIONS

Cultural identities also can be a nuanced, but important asset. Government small business programs, economic development agencies and nonprofit community development corporations are littered with well-intentioned, highly educated staff members who often may not have the same shared living experiences of the low-income communities they serve. The cultural barriers can seem subtle or immaterial, but often they can be the foundation of distrust or the difference between diverse small business owners seeking assistance from more formal lending institutions and government programs or not.

ACTIVE OUTREACH

Outreach activities among trusted connectors can take many forms. Common outreach practices include canvassing businesses (visiting them in their place of business), visiting faith centers, attending community events (block club meetings, local festivals, community meetings, etc.), organizing community events and meetings (including opportunities for residents and neighborhood businesses to express their concerns and challenges), conducting surveys, and having one-on-one conversations.

Outreach enables trusted connectors to identify the needs of community members and offer support. Additionally, it further positions them as a resource by reinforcing trust and consistency. When trusted connectors are consistent in their outreach efforts, it illustrates the commitment to the community and helps entrepreneurs feel more comfortable and confident in engaging with the trusted connectors and resources they promote.

Outreach efforts require significant time and can be resource intensive, particularly in the early phases of launching a new trusted connectors program. The time needed for outreach will depend on the trusted connector's history of, and current practices around, community engagement. Strong trusted connector candidates include individuals or organizations who already engage in outreach efforts and/or micro-entrepreneurship for minority entrepreneurs in a given area or community, including pursuing some of the practices mentioned above. Trusted connectors interviewed for this analysis described spending a minimum of two years constantly being present in community spaces and conversations to raise awareness, familiarity, trust, and confidence in the work and values of the trusted connector. Additionally, investing in the time to have conversations with entrepreneurs in the early stages of developing a trusted connector program can help better shape the strategies and practices the individual or organization should adopt to address the needs and concerns they gathered.

TRUST BUILDING

The inequitable allocation of small business grants, loans, and other supports among rural, racial and ethnic minority business owners—often those most in need of those resources—can stem not just from the design of small business support programs and the lack of awareness of their existence among underserved populations, it also can stem from a lack of trust among diverse entrepreneurs. The lack of trust can stem from systemic racism experienced by those diverse entrepreneurs or from specific experiences, such as loan application denials or negative experiences such business owners have experienced in using available business planning courses or technical assistance.

Trust is an essential characteristic for effective trusted connectors. For any entrepreneur, their business is their passion and usually their livelihood. For low-income entrepreneurs of color, their business can be an anchor for an entire family, as well as play an important role in the community. Such entrepreneurs can be understandably wary of outsiders, including banks, local government, and even more established small business programs. Yet, it is critical to establish trust if one is to assist a community of entrepreneurs who have traditionally not been able to access small business programs and opportunities in doing so.

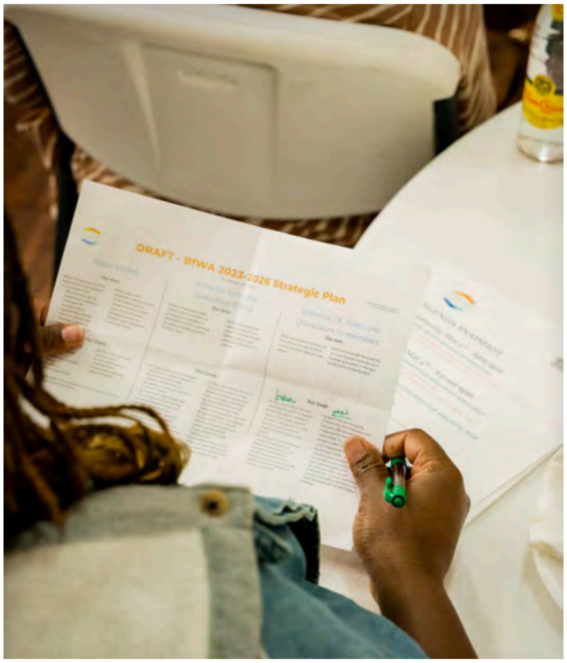
Building trust within low-income communities of color and low-income entrepreneurs of color can be a complex calculus. And while the conditions for creating such trust go far beyond the race, language, or social class of the staff of a small business service provider, most entrepreneurs and communities tend to trust those who share their lived experience and culture more than those coming from outside of it.

Building trust requires more than shared language and culture. Following through on commitments, doing what you say you will do and simply showing up can go a long way to establishing confidence with a community. It can take

months and even years to establish trust with a community of entrepreneurs and trusted connector programs need to be aware of that reality. It also suggests why, at times, leveraging local residents and institutions—even if they do not possess small business expertise—can be an attractive solution for establishing a trusted connectors program.

ACCOUNTABLE AND WITH GOOD FOLLOW THROUGH

The Neighborhood Development Center has developed a list of "Attributes of a Community Partner" to both assist staff in finding appropriate community partners and to create expectations and aspirations within those partners. Among the characteristics of a good community partner that NDC lists are that such partners be "open and accountable to the communities they serve" and "known for following-through on initiatives, programs and projects." Both traits seem critical to establishing trust between a community partner and the small businesses and others in that community.



5 BEST PRACTICES — ACTIONS — CANVASSING, ONE-ON-ONE MEETINGS, SURVEYS, REFERRALS

Establishing and maintaining strong relationships can take years of investment. Often the activities that facilitate strong relationships are innate to trusted connectors. They are the things such community leaders and organizations do day in and day out over years. No manual or list can truly convey the scope and nuance involved in the myriad of activities that help trusted connectors build, maintain, or deepen relationships and foster trust within a community and its small business owners. Yet below are some of the actions that trusted connectors have utilized to help entrepreneurs in underserved connectors connect with small business grants, loans, technical assistance, and other opportunities.

Door-to-Door Canvassing – As noted above, Global Detroit facilitated the successful applications of scores of immigrant and minority small businesses for a local small business expansion grant program by hiring local residents to visit the businesses in their neighborhoods multiple times. There is an old marketing rule—the Rule of Sevens—that customers need to see a brand seven times before purchasing. It can take multiple visits to a small business owner's establishment before a trusted connector can establish their relationship. Many immigrant and minority small business owners work incredibly long hours at their retail businesses and may not have time to attend community events and workshops. Providing them opportunities to access information at their stores and multiple visits that may help maximize the opportunities when there are fewer customers in the store (or additional staff helping) can make the difference between a grant opportunity being pursued or ignored.

WhatsApp and Other Technology – While the nonprofit, public, philanthropic and corporate sectors have migrated digitally and workers in these sectors may spend hours per day in front of their computers, many small business owners spend their time serving customers, preparing food or providing their labor. Yet, cell phone usage in many underserved communities rivals or even exceeds use in more affluent ones. Many immigrant communities use communications channels like WhatsApp—a free text messaging service that allows for large group chats—to exchange information. In its earlier years, the Welcoming Center for New Pennsylvanians in Philadelphia used a monthly voice message recording (also known as a "robocall") provided in several languages to call small business owners each month with an update on small business opportunities. The messages were translated by international students and/or foreign language majors at the University of Pennsylvania. While face-to-face interactions can be essential to establishing the relationship of trust needed for a trusted connectors program and while email and other forms of digital communication can be less common in minority small business communities, there can be technological platforms like WhatsApp or Facebook that might make sense in your community.

Community Meetings – Gathering minority small business owners and other community leaders who support their success can be a powerful organizing tool. Often, small business owners or others in underserved communities will feel more empowered and provide more candor in a group setting where they feel trust and strength within their own community. Hosting a community meeting designed as a listening session to understand the needs, challenges, aspirations, and opportunities of local small businesses can be a powerful way to kick off a small business trusted connectors program.

Such a meeting can be used to develop an action agenda that is responsive to the local small business community. However, one should be aware that while homeowners and residents often use an evening or weekend community meeting to tackle community issues, small business owners may be working at these times and unable to participate in group meetings. Sometimes the best time to gather small business owners may be early or mid-morning weekdays. For other small business owners, it just may be exceedingly difficult to attend community meetings and no amount of scheduling will enable their participation.

Translating and Re-Marketing – Trusted connectors often translate materials marketing small business grant, loan, and technical assistance opportunities. Sometimes rewriting marketing materials for such programs can be just as important as translating materials into a foreign language. Too often the language, syntax and tone used by government agencies, financial institutions and even nonprofit small business service organizations can send an unconscious signal that low-income entrepreneurs of color are not welcome.

6 HOW DO YOU MEASURE SUCCESS?

There is growing interest in understanding the best ways to measure the impacts and outcomes of trusted connectors. Establishing success metrics enables trusted connector initiatives to gauge if they are having success. A common set of success measures also might enable funders or others implementing a trusted connectors program to compare different connectors or approaches to deepen investments in successful approaches, make course corrections and even limit investments in approaches that are not achieving desired outcomes.

The best trusted connector success metrics are informed by the goals and values of trusted connector leaders and stakeholders. In other words, the success metrics used for a trusted connector program should reflect priorities of the entity establishing the program. If a local economic development agency desires to see more small businesses hire from a particular demographic group (i.e., returning citizens, chronically unemployed, minority groups, or refugees), then the success metrics should be designed to track hiring from those populations. If a philanthropic funder is interested in seeing more entrepreneurs of color activate vacant spaces or in facilitating more ownership of commercial spaces, then those can become important success metrics of the trusted connector program. If state or local government were to create a new small business loan program and wanted to invest in trusted connectors to expand use of the loan program among underrepresented entrepreneurs of color, the success metric very much could emphasize that applications and actual loans be the success metric.[55]

In addition to ensuring that success metrics of a trusted connector matches the values and interests in creating the program, our research uncovered several success metrics currently in use to track performance outputs and small business outcomes.

We believe it important to note that, in our research, practitioners frequently mentioned that the early years of trusted connector work were focused mostly on outputs—outreach and direct service interaction (e.g., how many businesses were canvassed, how many small business owners attended meetings, etc.). Becoming a familiar and trusted resource in underserved communities can require substantive time. As a trusted connector establishes their value and connection to a community, it is appropriate to expand the complexity of success metrics to include more downstream impacts, such as reduction of vacant commercial space, number of living wage jobs created, reduction of poverty, and so forth.

The success metrics in Figure 2 represent some key values of trusted connectors. To inform quality improvement and outcome evaluation, each goal is attached to several affiliated measures.

55 Of course, if these impacts fail to materialize, the agency may ask whether the terms of the loan program were poorly designed or implemented, in addition to questioning whether the trusted connectors were successful in their work.

GOAL	MEASURES
OUTREACH TO MINORITY ENTREPRENEURS	▸ Number of minority entrepreneurs engaged ▸ Number of businesses canvassed ▸ Increased awareness of programs, resources, and capital (perhaps tracked by survey) ▸ Community partner engagements ▸ Community events attendance, including workshops, webinars, networking events, etc. ▸ Number of one-on-one meetings and consultations
INCREASE USE OF BUSINESS SUPPORT SERVICES	▸ Hours of Technical Assistance Provided ▸ Number of entrepreneurial or business training hosted ▸ Number of participating entrepreneurs in entrepreneurial or business training program ▸ Number of referrals completed to and by trusted connectors for other business services or providers ▸ Number of referrals or entrepreneur engagement that result in grant or loan application submission
STIMULATE ECONOMIC GROWTH	▸ Number of businesses launched ▸ Number of businesses in commercial spaces ▸ Number of businesses occupying formerly vacant storefronts ▸ Jobs created ▸ Average Increase in business revenue pre- and post- trusted connector services ▸ Employees hourly wages ▸ Business revenues generated ▸ Local business, sales and real estate taxes paid
WEALTH GENERATION	▸ Increase in business owners' personal income and/or savings accounts ▸ Business owners purchase of home or car ▸ Business owners taking a family vacation ▸ Affording health and nutritious food
COMMUNITY IMPACT	▸ Number of businesses in trusted connector whose spaces serve as community gathering places ▸ Entrepreneur leadership in community through civic participation or holding leadership roles on council, in community centers, etc.

7 WHERE DO I BEGIN?

Regardless of the organization or actor, those interested in possibly implementing a trusted connectors program can consider a few simple steps.

Research and Document the Problem – The expansion of trusted connector programs is premised upon the concern that small business resources and opportunities are not reaching those most in need of the opportunities they are intended to create—low-income entrepreneurs and communities of color. Those interested in developing trusted connector programs with broad support and sustainable funding should research and document the problem(s) they seek to address. This can be done by looking at racial wealth disparities in one's community, as well as racial disparities in home mortgage and small business lending approvals. What are the business ownership rates for different demographic groups within the community?

Additional research and documentation could be extended to state and local small business programs. Who is accessing various small business lending and grant programs in the region? Is the distribution of loans and grants equitable?

Most likely this research will tell a compelling story that low-income communities and entrepreneurs of color are not sharing equitably in the existing small business programs. The right research and documentation can set the broader context for implementing a trusted connectors program.

Build Networks and Coalitions – Developing a system of trusted connectors to support and advance regional small business development efforts and to ensure that small business programs and opportunities reach low-income entrepreneurs and communities of color is not easy. It almost always requires new investments into creating and expanding access to small

business support efforts. It may require expanding the window of time during which small business grant and lending programs are open.

To ensure that a trusted connectors program is adequately supported and sustained advocates should do what they can to build networks and coalitions in favor of equitable access to small business resources. Such a network or coalition could include:

- Small business support organizations with a stated commitment to and/or track record of serving low-income entrepreneurs of color
- Community-based organizations that serve low-income communities of color
- Ethnic and minority chambers of commerce
- Chambers of commerce, economic development organizations and other mainstream business groups with a stated commitment to and/or track record of serving low-income communities and entrepreneurs of color
- Racial justice and civil rights organizations
- Elected officials
- Entrepreneurs and small business owners of color

Funding – Supporting trusted connectors requires funding. There are at least two strategies that we encountered in our research. First, a trusted connectors program can be launched with funding built into a specific small business loan or grant program. Just as such programs build in administration costs to process loan applications, their budgets can easily include marketing and/or trusted connector funds. This method of funding help ensures that there is direct and intentional outreach targeting low-income communities and entrepreneurs of color attached to small business capital opportunities.

A second funding strategy is to seek grants, contracts, or appropriations state, county, or municipal budgets in trusted connectors as a critical part of a regional small business ecosystem. Trusted connectors can be something that foundations, banks, or corporate philanthropy fund out of their commitment to build more equitable access into a small business ecosystem. Establishing reliant and sustainable streams of funding for trusted connectors allows for increased reliability and growth of capacity.

Integrate Trusted Connectors into Small Business Support Ecosystems – Framing a trusted connectors program as an integral part of a small business ecosystem can produce important opportunities. It can justify direct and sustained funding for a trusted connector program and the local community organizations, residents, and institutions necessary to implementing a successful program. If trusted connectors are viewed as an integral and working part of a small business ecosystem, then grant and loan programs must be designed to incorporate the needs of trusted connectors work. When trusted connectors are integral to the small business ecosystem inclusion success metrics receive appropriate consideration and emphasis.

In addition to these general starting points, there are specific opportunities for different actors within the small business ecosystem to play if they wish to utilize this strategy to foster more inclusive and equitable small business programs.

1. SMALL BUSINESS SUPPORT ORGANIZATIONS

Organizations providing small business training, lending, technical assistance and/or other direct services to small business and entrepreneurs that want to see trusted connectors have tremendous opportunities to create such programs. They can write funding for trusted connectors into their grants and funding applications, both in terms of general operating dollars, as well as specific loan and grant programs. Small business support organizations are often trusted by philanthropic and corporate funders, as well as government and economic development agencies. Small business support organizations are in a privileged position to advocate for the existence of trusted connectors programs.

2. COMMUNITY-BASED ORGANIZATIONS

Community-based organizations (CBOs) often serve as trusted connectors themselves. They also can help connect small business support organizations or other organizations wishing to launch a trusted connectors with residents and/or other neighborhood institutions that can play the role of trusted connectors. CBOs also have an important voice with elected officials and other organizations who they can lobby to support the push for trusted connector programs.

3. STATE AND LOCAL GOVERNMENT AND ECONOMIC DEVELOPMENT AGENCIES

State and local government and economic development agencies hold tremendous power in pushing for the establishment and use of trusted connectors and/or other forms of more equitable access to the small business grants, loans, and technical assistance programs that they fund. They can insist that intermediary organizations to whom they are granting resources utilize a trusted connectors program or report on outreach and access, as well as the utilization of grant and loan funds by low-income entrepreneurs of color.

4. FOUNDATIONS AND CORPORATE GIVING

As noted above, foundations and corporate giving can establish trusted connector programs by either including them in the budgets of small business loan and grant programs that they fund or by simply funding trusted connectors directly. As noted earlier in this report, the New Economy Initiative, a philanthropic consortium devoted to improving Southeast Michigan's entrepreneurial ecosystem, funds not only small business lenders and technical assistance providers but maintains a separate grant program specifically for trusted connectors.

5. ADVOCATES

Existing small business programming and policy in America has produced profound racial gaps in the ownership, capital access and level of support that communities and entrepreneurs of color possess. The brutal police killings of George Floyd, Breonna Taylor and other Black victims, as well as the Black Lives Matter demonstrations of 2020 fostered a renewed call for racial equity in America. Yet, the small business programs designed to foster recovery for small businesses most damaged by the COVID-19 pandemic during this period failed to be designed or administered in ways that fostered equity. In fact, small business owners of color were less likely to receive outreach about programs, less likely to feel they had access, more likely to have loan applications denies, less likely to receive loans and were more likely to have their Paycheck Protection Loans not forgiven.[56]

In too many ways it can feel like the energy, enthusiasm, and commitment to disrupting racial inequities in America that were so broadly expressed in 2020 have already faded. It is going to take advocates for more inclusive practices to push for programs, policies and practices that foster more equitable outcomes. The utilization of trusted connectors is one promising program or practice that has been demonstrated in certain communities to increase participation by underserved and often overlooked small business owners of color. It is likely that advocates will be needed if these programs are to flourish.

56 See this report's opening section for citations and specific facts documenting these realities.

8 HOW DO WE COLLECTIVELY EXPAND THE USE AND SUPPORT FOR TRUSTED CONNECTORS?

There is no doubt that trusted connectors have been used to connect low-income communities and residents to economic opportunities for decades. Many of the core elements of what this report has described as a trusted connectors program were elements stressed by Great Society programs and likely can be found in economic opportunity efforts going back for millennia. But our research indicates a recent and growing interest in using local residents, community organizations and local institutions to help small business programs better connect with low-income communities of color and the entrepreneurs within. We are unaware of another research report or manual specifically promoting trusted connectors.

As organizations that utilize trusted connectors and that are eager to see the use of trusted connectors expand, we created this report to build awareness of this strategy and to provide some guidance for those interested in launching a trusted connectors program or promoting their proliferation.
It would be our greatest hope that this report inspires a trusted connectors movement, and if one were to develop, we would hope that advocates for trusted connectors programs could:

1. Develop opportunities for trusted connectors and trusted connector programs to gather and learn from each other in some form of peer learning – Both Global Detroit and the Neighborhood Development Center have participated in profound peer learning environments—including the Welcoming Economies Global Network and the Build from Within Alliance—in which community-based, local innovative economic inclusion and development programs connected with peers across cities and states to learn from each other, raise questions, solicit peer support and otherwise advance their work and organization. Similar peer network programs, gatherings or networks that incorporate partners from the philanthropic community, public sector, economic development and small business communities and community development industry could be launched around trusted connectors. Alternatively, existing gatherings within these other sectors could highlight conversations, conference sessions, reports and other tools to expand the use of trusted connectors.

2. Create resources to better evaluate trusted connector programs – Most trusted connector programs are funded on shoestring budgets and while basic metrics are typically tracked and reported (e.g., how many businesses contacted, how many loan applications filed, how much capital obtained through trusted connector outreach) more significant evaluation funding and tools could vastly enhance the evaluation systems used by trusted connectors. This would transform what could be learned from trusted connector work. For example, if large numbers of underserved entrepreneurs are being contacted and referred to loan or grant opportunities, but far fewer loan or grant applications are ever being filed and still fewer loan or grant awards being made, how can we discover where the breakdowns are occurring? A more robust evaluation could help pinpoint what might not be working.

Moreover, a robust evaluation system could assist trusted connector programs in monitoring and quantifying downstream impacts. What is the impact if more low-income entrepreneurs of color are obtaining small business grants and loans? How is it impacting generational wealth disparities entrepreneurs' families face? How is it impacting the neighborhoods where these entrepreneurs live and work?

Lastly, a more robust evaluation system would help those who are investing in developing a local system of trusted connectors in being able to compare among various trusted connectors and their work.

3. Establish a trusted connectors communication plan to spread awareness and promote adoption of trusted connectors programs – If trusted connectors programs are to truly proliferate and become a standard best practice among small business support ecosystems someone needs to help spread the word. A communications plan needs to be developed and implemented. Data and stories about trusted connectors programs need to be gathered. Sessions at various small business and nonprofit lending conferences, in addition to state and local government policy conferences, need to be scheduled. Webinars need to be hosted. Blogs and newsletter items need to be written and published.

Concluding Thoughts

9 CONDUCTING ADDITIONAL RESEARCH

This analysis presents foundational understanding of the practices and strategies utilized in several trusted connector efforts. Anecdotally, many of the communities with existing trusted connector programs that we interviewed demonstrated that these programs can successfully be used to engage and support underserved low-income entrepreneurs and communities of color. This report provides a preliminary analysis to define trusted connectors, describe a variety of models, propose some sample metrics and present recommendations to proliferate trusted connector programs and to develop infrastructure to improve their effectiveness.

Now that this analysis has highlighted the core elements and practices of trusted connector programs, it would be valuable, as a next step, to more deeply research the impacts that trusted connector programs have had. It also would be valuable to evaluate which elements or "active ingredients" of trusted connector programs produce the most successful or effective outcomes.

Another potential line of research would be to build a better understanding of the contextual effectiveness of the different models and/or activities of trusted connectors. Future research could focus on data collection and comparisons of outcomes across singular trusted connectors and hub-and-spoke models to determine efficacy of services and programs.

Another area of research includes an analysis of public policy recommendations that would benefit and expand the capacities of trusted connector organizations.

Finally, as noted above, the efforts of trusted connectors would be advanced by research and development of more detailed success metrics and evaluation tools that could not only help identify where outreach is leading to outcomes of interest (loan and grant applications, technical assistance engagements, secured capital), as well as more profound downstream impacts (jobs created, vacant property activated, generational wealth created and even communities transformed).

CONCLUSION

The 2020 events of the COVID-19 pandemic and Black Lives Matter demonstrations created unprecedented investment into small business relief programs at a time when the calls for racial equity were at a pique. Sadly, the record on the impacts of those unprecedented small business COVID relief investments perpetuates the racial divisions of the past. For nearly a half century, many, if not most, American small business policies and programs have included a stated goal of reaching minority entrepreneurs and communities. While many of these policies and programs have had positive impacts, the macro-level disparities suggest that new models, systems and thinking need to be considered.

Hundreds of billions of dollars have been invested in the past 3.5 years in small business support. Very little, if any, of these dollars were invested into transforming or improving the service delivery systems by which these resources were deployed and/or how they were marketed to low-income entrepreneurs and communities of color. Maybe the disparate racial outcomes from these programs were predictable or inevitable given their use of a small business and financial institutional infrastructure that has perpetuated inequities.

Trusted connectors represent a flexible and often low-cost opportunity to enhance the outreach, marketing and assistance for low-income entrepreneurs and communities of color. Programs designed to utilize trusted connectors can be built into existing and new small business grant, loan and technical assistance programs. Deeper investments into developing trusted connectors across a small business ecosystem should be considered by small business funders, local economic development agencies, state and local governments, philanthropy, as well as community reinvestment and community development efforts that are rightfully frustrated at the lack of progress in shrinking the racial equity gaps among small businesses.

This report is designed to distinguish, name and lift up trusted connectors and trusted connector programs. It is intended as an introductory document that, we hope, will start deeper conversations and actions in investing into local communities and local community actors as essential elements of small business programs that seek to reach underserved communities. The report describes several successful trusted connector programs, provides elements that make successful connectors, suggests basic activities that trusted connectors might pursue and identifies steps that state and local actors can take to launch or invest into trusted connectors.[57] The report suggests some additional research that would further advance understandings about the value and use of trusted connectors.

57 No doubt federal actors also could invest in trusted connector programs. Unfortunately, our experience is that federal programs, like the Paycheck Protection Program, rarely reach or operate on the grassroots level in which the trusted connectors we describe work. The selection of traditional small business operators for the U.S. Small Business Administration's Community Navigator Pilot Program informs our belief on this point.

Finally, this report suggests some steps that might be pursued to collectively expand the use and support for trusted connectors. Trusted connectors have been used to deliver small business services and other asset-building for as long as such programs have existed. Yet, rarely are trusted connectors distinguished clearly as an outreach strategy and even more rarely are resources prioritized to support their use and partnership. Our interviews and research suggest that there have been some nascent and exciting investments and programs to invest in trusted connectors to help deliver small business resources and services.

Utilizing trusted connectors is far from the norm, but by developing a network of supporters for trusted connector programs and investments we hope to see their expanded use.

We look forward to partnering with others in that journey.

Dr. Alaina Jackson
Managing Director
Global Detroit

Mihailo Temali
Founder and CEO
Build from Within Alliance

Nourel-Hoda Eidy
Researcher
Global Detroit

Steve Tobocman
Executive Director
Global Detroit

Appendix A

Expert Interviewees

1. Mihailo Temali - Founder & CEO, Build From Within Alliance
2. Chanell Scott Contreras – Former Executive Director, ProsperUS Detroit
3. Bridget Espinoza - Founder & Lead Consultant, Puente Cultural Integration
4. Amy Rencher - Senior Vice President of Small Business Services, Michigan Economic Development Corporation
5. Vaughn Taylor - Vice President of Economic Development, Seattle Metropolitan Chamber of Commerce.
6. Kimber Lanning - Director, Local First Arizona
7. Tariq Fanek - Opportunities Program Manager, Global Detroit
8. Dan Quinn - Researcher, Public Policy Associates
9. Rob Fowler - President, Public Policy Associates
10. Evan Adams - Head of Data Science, Startup Space / Economic Impact Catalyst
11. Seydi Sarr - Founder & Director, African Bureau for Immigration and Social Affairs
12. Gracie Xavier - Director of Corporate and Economic Development Strategy, Global Detroit
13. Raquel Garcia - Executive Director, Southwest Detroit Environmental Vision
14. Samir Sakaili - Senior Grants and Information Manager, Neighborhood Development Center
15. Brandee Cooke - Executive Director, 100KIdeas
16. Tyler Bailey - Small Business Specialist, City of Flint
17. MD-Abdul Muhit - Associate Director of District Business Liaison Program, District 3 Business Liaison, Detroit Economic Growth Corporation.
18. Sarah Lucas - Director, Office of Rural Development in Michigan Department of Agriculture & Rural Development.
19. Lauren Paul - Director of Partnership and Policy, Common Future
20. Wafa Dinaro, Director of the New Economy Initiative
21. Lily Hamburger, Associate Director of Business Support Network at Invest Detroit
22. Paul Jones, Director of the Business Support Network at Invest Detroit
23. Jon Vosper, Deputy Director of Economic Empowerment at International Rescue Committee

BUILD FROM WITHIN ALLIANCE

The Build from Within Alliance is a national network of community-led organizations supporting low-income, resident entrepreneurs in their own neighborhoods. Our members are trusted and deeply rooted in their communities. They collaborate with residents and partners to reverse the visible and invisible effects of systemic disinvestment.

Build from Within Alliance uses a proven approach, combining business training, high-risk lending, technical assistance, real estate opportunities, and community collaboration, all holistically applied to address the needs and dreams of local entrepreneurs. Now 30-years strong and growing in membership, we are a national movement of neighborhood-based organizations and hardworking practitioners who understand there is no better catalyst for economic development and neighborhood revitalization than a resident entrepreneur.

GLOBAL DETROIT

Global Detroit is a regional economic development organization that develops and implements immigrant inclusive policies, practices and programs to drive the revitalization of Detroit and the sustained prosperity of Southeast Michigan, Michigan and the nation. Global Detroit helped launch ProsperUs Detroit, a local micro-enterprise development organization focused on character-based lending, business planning programs and technical assistance for low-income entrepreneurs of color and immigrant entrepreneurs.

For nearly a decade Global Detroit has led a trusted connector program to expand access that immigrant entrepreneurs have to loans, grants and other resources. Global Detroit conducts research on best practices in the growing movement of immigrant-inclusive economic development and, through its E Pluribus initiative, works across America to assist other local immigrant-inclusive economic development initiatives build their expertise and capacity and deepen their impacts.

GLOBAL DETROIT

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