

# Bridging Gaps in Small Business Support Services for Black Entrepreneurs

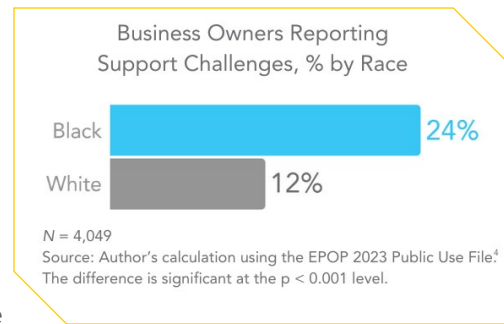
*Insight Brief, February 2024*

## Introduction

Capital access remains a leading barrier to success for all business owners, yet capital alone isn't enough - businesses need additional support services to survive and thrive. While grant programs have emerged as a vital strategy to address financing gaps among underserved microbusiness owners, many grant awardees face additional hurdles to accessing mentorship and community-level support.<sup>1</sup> Over the past few years, the Association for Enterprise Opportunity (AEO) assisted in the dissemination of more than \$350 million in grants to underserved communities. Considering the legal challenges faced by race-based programs, this insight brief explores the gap in support and need for relevant and accessible services among the Black microbusiness entrepreneurs funded through our grants. Drawing from the results of a recent AEO program that provided comprehensive business support services, also known as wraparound services, to Black business grant awardees, we reveal how tailored support can help bridge this gap.

## Gaps in Support Services

There is no question that all business owners need access to resources and support to survive and thrive.<sup>2</sup> Yet, Black entrepreneurs are both less likely to have access to support services than white entrepreneurs and more likely to report not getting what they need when they do reach out for support. Results from the nationally representative Entrepreneurship in the Population (EPOP) survey reveal that a lack of role models and professional assistance are critical factors that disproportionately contribute to the closure of Black businesses.<sup>3</sup> Among current business owners, Black entrepreneurs report challenges finding support and advice at twice the rate of white entrepreneurs.<sup>4</sup> Even when Black entrepreneurs do reach out for support, studies show that too often, they do not get what they need, and they face bias and discrimination in support services.<sup>5</sup> Below we outline our efforts to bridge this gap in support services through wraparound services.



## How Wraparound Services Make a Difference

AEO has developed a suite of services to make business support relevant and accessible to underserved entrepreneurs. Our multi-prong approach incorporates elements of high-touch technical assistance (what AEO calls “Trusted Guidance”), quality needs assessments, user-driven learning, and credit readiness scoring. Over the last 2 years, more than 1,300 entrepreneurs have participated in these services. Drawing from a case study of a 2023 grant program with 20 Black-owned businesses, this brief highlights how these services can maximize the impact of capital access programs and support entrepreneurs in general. After receiving cash grants, business owners participated in the following suite of wraparound services:



**Business Health Assessment:** A comprehensive Business Health Assessment provided insights for the business owner on the key strengths, critical challenges, and opportunities for growth within the business



**RESILI™**, AEO’s online learning platform, provided personalized learning pathways and easily digestible content to address the most pressing needs of the business owner



**Coaching** support through AEO’s network of service providers supported business owners requiring additional guidance and expertise to implement new insights and learning



**Credit Readiness Scoring** helped businesses better understand their current readiness for capital and required to steps to improve readiness

Results from this case study reveal three ways that support services made a difference for awardee businesses.<sup>6</sup>

➔ **Increased understanding of their businesses.** Many awardee businesses cited the importance of the Business Health Assessment and personalized coaching to develop a better understanding of their business and to identify areas of opportunity to strengthen their operations. All found the recommendations from the assessment helpful for their business. Importantly, business owners may not be immediately aware of which support could be most beneficial, making customized approaches to assessment and coaching more relevant. A significant proportion of awardee business owners (47%) sought access to general mentorship and support. As one grant awardee explained, they appreciated the opportunity for a comprehensive assessment of their business, and



to have someone with business knowledge “sit down, listen to me, and try to help me see what the best direction for me and my business is.”

→ **Services at the right time.** In our program, entrepreneurs received the grant and were then offered wraparound services. While entrepreneurs found the grant impactful, they highlighted the importance of receiving services prior to grant disbursement. Had the grants been dispersed later in the program (after these learnings), business owners highlighted how they would have spent the money in different ways; for example, to cover direct marketing expenses, or to bring on staff to focus on marketing and free the awardee to focus on business strategy. Most awardee businesses (60%) reported learning something new that would have impacted the way they used the grant had they received it later in the program. This highlights the importance of providing both capital and wraparound services in the right sequence.



→ **Provide actionable information about small business credit options.** Most (60%) of awardee businesses also seek access to affordable credit. Yet, many entrepreneurs are unsure of where to start. AEO, in collaboration with Ascendus, developed the Credit Readiness tool to provide entrepreneurs with actionable information about their credit options without the negative impacts of a hard credit pull or the discouraging effects of being rejected for a loan. Awardee businesses reported that the tool was valuable as a one-time service and as a tool to periodically gauge credit readiness. Most business owners reported being more likely to pursue capital after receiving their credit readiness score (64%) and taking actions to improve their credit (61%).



## Conclusion

Our findings reveal the crucial role of wraparound support services for entrepreneurs beyond just access to capital. In the context of grant programs that provide entrepreneurs with unrestricted funds, it's critical that these programs have support services at the right time to address the dual challenges faced by entrepreneurs—limited access to financing and opportunities for mentorship and support. Results from AEO programming build on a growing body of literature suggesting that in order to prevent the closure of Black businesses, interventions need to include both capital and wraparound services.<sup>7</sup>

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<sup>1</sup> For a review of the impact of small business grants, see “Small Investments, Big Impacts: How Grants Shape Microbusiness Success,” The Association for Enterprise Opportunity, November 2023.

<sup>2</sup> The Association for Enterprise Opportunity, “Reimagining Technical Assistance: Shifting the Support Landscape for Main Street,” October 2016.

<sup>3</sup> Jacoby, Annette, “From Start to Exit: Insights and Implications from Former Entrepreneurs of Color,” Prosperity Now, October 2023.

<sup>4</sup> Author’s calculations from the “Entrepreneurship in the Population (EPOP) Survey Project Public Use Data File: 2023,” NORC at the University of Chicago, October 2023, as shown in Figure 1. Specifically, business owners were asked “Which of the following resource or support challenges have you encountered...” and selected the challenge “Finding support, advice, or finding role models in my network.”

<sup>5</sup> See, for example, “Strengthening the Links between Business Ownership and Wealth Building for Black and Hispanic Entrepreneurs,” Capital One Insights Center, May 2023; Maxwell, Chelsea et al., “Mending the Tapestry: Building Trust and Strengthening Black Business Ownership in America,” The Association for Enterprise Opportunity, November 2022.

<sup>6</sup> The findings are based on a survey of the grant awardees fielded approximately six months after receiving business grants in early 2023 (and after participating in the program’s wraparound services). Findings regarding the impact of the credit readiness score are based on a survey fielded approximately one month after using the credit readiness tool. While we recommend caution when generalizing the findings to all businesses, these results do reveal essential ways that wraparound supports, together with grants, make a difference for microbusiness performance.

<sup>7</sup> See, for example, Jacoby, “From Start to Exit”; Capital One Insights Center, “Strengthening the Links between Business Ownership and Wealth Building.”

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