

## **CAMEO 2021 Entrepreneurship Advantage Virtual Meeting**

**Date:** Thursday, June 24 at 11:00am – 12:00pm

**Session Topic:** Modernizing TA for Minority-Owned Small Businesses

**Speaker:** Ivana Wang, Senior Policy Analyst, Milken Institute Center for Regional Economics

### **Overview**

The contribution and importance of small businesses to the nation's economy is well-researched and understood, but the value of minority-owned small businesses often remains overlooked – despite the fact that nearly 8 million businesses owned by people of color generate \$1.3 trillion in revenue and employ more than 7 million people nationwide as of 2020, according to data from national network Small Business Majority.<sup>1</sup>

Starting and running a business requires access to substantial sources of capital, and many women and minority small business owners face much higher barriers to access when it comes to sources of investment and working capital. Not to mention it's a critical pathway for communities to close the racial wealth gap, but when these minority-owned businesses are more likely to close – even more so during economic crises like the Covid-19 pandemic – we also need to improve the rate at which they succeed. To do so, we must design solutions that account for not only structural challenges, but also psychological barriers that these small business owners face.

In this session, we discussed what motivates small business owners to action (or inaction), and how to use this understanding to increase the impact of technical assistance (TA) programs in a culturally competent way that improves client outcomes. We took a deeper look at some of the underlying mechanisms – in this case, heuristics and cognitive biases – that influence decision-making and behavior, considering various scenarios that often play out when applied in a small business TA setting.

In order to leverage behavioral insights in a beneficial way for both small business clients and TA service providers, we explored the use of the “nudge,” a typically low-touch, low-cost micro intervention with the potential to test and create change on a macro scale. While a nontraditional policy tool in that they don't involve mandates or economic incentives, nudge methods have been tested in various policy initiatives in the last decade, particularly by nonprofits, academic institutions, and government.

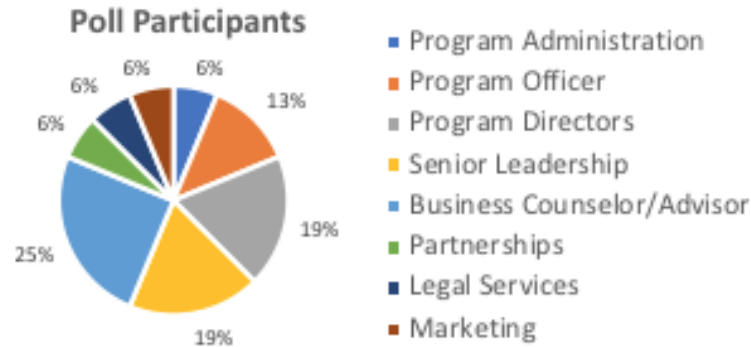
For example, the White House Social and Behavioral Sciences (SBST) team was launched in 2014 to translate insights from behavioral science research into improvements in federal policies and programs. In 2015 alone, SBST projects helped military servicemembers save more for retirement, students better manage their loans, veterans use education and career resources, farmers access credit via microloans, and families secure health insurance coverage.

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<sup>1</sup> “Policy Agenda: The Agenda for America's Entrepreneurs of Color,” Small Business Majority, January 12, 2021, <https://smallbusinessmajority.org/sites/default/files/agenda/2021-Policy-Agenda-for-Entrepreneurs-of-Color.pdf>.

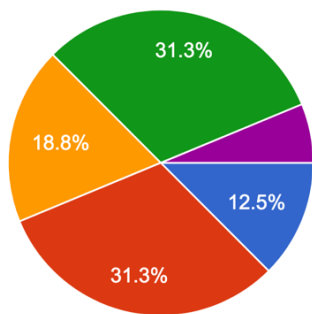
## Poll Results

In our development of nudges specific to the small business TA context, we leveraged the expertise of our session's participants and asked attendees to rate certain actions.

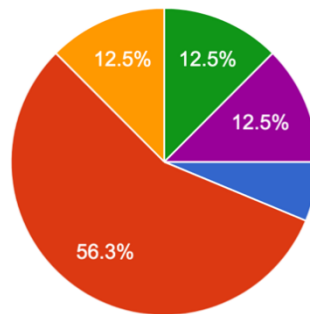


**Poll Question: On a scale of 1 to 5, how would you rate the feasibility of the following interventions?**

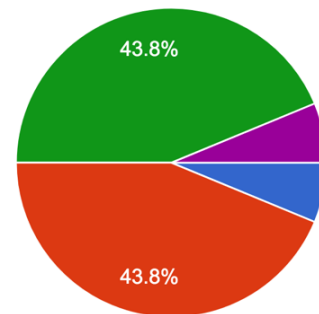
Providing clients with information about profit growth of clients that previously completed the program



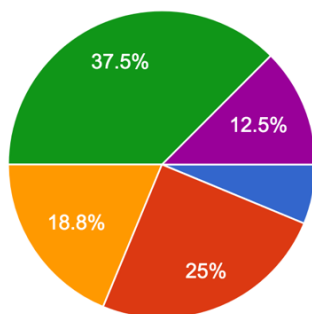
Requesting detailed financial information on personal and business spending



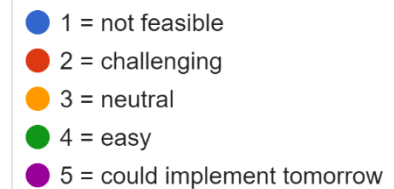
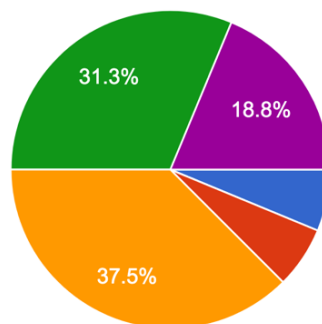
Instituting small fees for program participants to access particular service features



Shifting select TA services for opt-out rather than opt-in methods (e.g., automatic enrollment for counseling and follow-up meetings)



Providing clients with timelines and cost projections of credit repayment



\*Note: all unlabeled segments represent 6.3 percent.

## Discussion Takeaways

### 1. How would you describe a successful provider/counselor-client interaction? What about an unsuccessful interaction? What observable characteristics or behaviors define this interaction?

- “Successful” interactions are often defined by...
  - **Forming a Connection.** Counselors and clients are able to build rapport upon first contact. Counselors meet clients where they are, creating an open, trusting space to focus on mindset shifts and leadership strategy, as opposed to forcing advice or services upon the client. This often signals that the client will return.
  - **Preparedness.** Clients are aware of the resources and tools that the service provider offers to meet their specific needs, and are prepared to prioritize and tackle identified challenges.
  - **Action and Outcomes.** Clients are prompted to act based on the interaction and guidance of the counselor, and do so. These clients often leave meetings with actionable items. Reaching desired outcomes as a result of these actions also improves future behavior. (e.g., counselor helps client secure contracts, which increases follow-up engagements)
- “Unsuccessful” interactions are often defined by...
  - **One-Size Fits All Approach.** Counselors assume a one-size fits all approach and don’t tailor solutions to client needs.
  - **Decision Paralysis.** Clients are paralyzed by indecision and when given a variety of options and potential solutions, tend to stick with their default and make the easiest decision, which is often not making a decision at all.
  - **Motivation.** Counselors are unsure that the client will stay motivated after completing an application.
  - **Overconfidence.** Clients demonstrate big dreams but significant “baggage” unaccounted for.
  - **Disappointment.** Clients feel let down or dissatisfied when the referral service doesn’t meet their expectation and/or feel that they’ve been shuttled around via referrals without having their needs met.
  - **Structural Barriers.** Counselors and clients meet various structural barriers, which include financial and cultural challenges.

### 2. What are observable client characteristics/behaviors that signal a client has strong potential for success? What signals the opposite?

- **Organization and Preparedness.** Successful clients are often detail-oriented in their documentation and specific action-oriented business plan, and know how they will use the money. A signal of an unsuccessful client can be seen when the client hasn’t researched the service provider and doesn’t have any details on the tools or resources they provide.
- **Industry experience.** Clients demonstrate a broader understanding of the business ecosystem (e.g., can discuss marketing and potential clients).

- **Intention and Action.** Clients are passionate, and demonstrate strong engagement and follow-through. These clients are often independent and take initiative to investigate and learn on their own. They learn, implement, and show results. On the other hand, an indication that clients will not bridge intention and action is when they ask for shortcuts, or expect the business counselor to do most of the work for them.

### 3. How do counselors build trust with their clients? How does strategy vary per client?

- **Relationship Building.** Make introductions and start a conversation focused on building a relationship first, rather than jumping into business talk immediately. This involves having a one-on-one conversation with the client.
- **Context Conscious.** Create a comfortable, open, and empowering environment for the client (e.g., strategy workshops).
- **Cultural Competence.** Be considerate of differences in culture and language. Address financial literacy barriers and break down complex concepts for clients that may not have had prior access to business finance education (e.g., where funding comes from).
- **Active Listening and Tailored Solutions.** Speak with clients to listen and understand what their needs are. Be responsive and provide resources and accurate information based on their needs.

### 4. What strategies have you developed to serve minority-owned businesses? How did you apply them and what made them successful?

- **Tailored Programs and Allocated Resources/Funding.** Creating programs specifically for minority-owned small businesses (e.g., loans).
- **Leverage local media and platforms.** Designing outreach and engagement strategies that use platforms that more widely reach minority populations (e.g., local newspapers and youtube channels).
- **Addressing Language Barriers.** Translating materials to provide resources in languages spoken by local ethnic groups.
- **Community Partnerships.** Partner with other nonprofits, intermediaries, advocacy organizations, and experts to better connect, make informed decisions, and develop relationships in the targeted communities.
- **Peer Support.** Provide community and peer support (e.g., Ascend LA, ethnic Chambers of Commerce)
- **Staff Training and High-Touch Assistance.** Educate staff on various communities. In addition, provide one-on-one help with application processes (e.g., CARES grants), and outline structured, simple, and relatable information step-by-step as to not overwhelm the client. Provide flexibility that makes yourself available to client needs.

## Resources

\*Note: Definitely not an exhaustive list, but a great way to get started!

### **Books (some personal picks)**

- Nudge by Richard Thaler and Cass Sunstein
- Thinking, Fast and Slow by Daniel Kahneman
- Noise by Daniel Kahneman
- Predictably Irrational by Dan Ariely
- Misbehaving by Richard Thaler
- Freakonomics by Steven Levitt and Stephen Dubner
- How to Change by Katy Milkman
- Grit by Angela Duckworth

### **Organizations**

- [Ideas42](#)
- [Center for Advanced Hindsight](#)
- [Behavioral Insights Team \(UK\)](#)
- [JPAL](#)
- [Irrational Labs](#)
- [Decision Lab \(Canada\)](#)

### **Contact**

For further information on this session, please reach out to Liza Rivera, Outreach Manager at CAMEO ([lrivera@cameonetwork.org](mailto:lrivera@cameonetwork.org)) or Ivana Wang, Senior Policy Analyst at the Milken Institute Center for Regional Economics ([iwang@milkeninstitute.org](mailto:iwang@milkeninstitute.org)).