DIGITAL ENTREPRENEURSHIP IN COMMUNITIES OF COLOR

Center on Technology, Data and Society   October 2021

EXECUTIVE SUMMARY AND RECOMMENDATIONS

As COVID-19 disrupted the economy and all aspects of daily life, businesses scrambled to maintain operations by using their online presence to facilitate transactions through curbside pickup and contactless payments. They advertised on websites and used social media to communicate changed hours, health protocols, and reopening plans. Trends toward digital transformation of the economy were rapidly accelerated and are likely to mark a turning point in technology use for entrepreneurship going forward. This acceleration brings with it a renewed emphasis on the following question: What is needed to support equitable technology use in communities and to help entrepreneurs of color thrive in this digital environment?

Throughout the course of the ongoing pandemic, it has become clear that Black, Latino, and Asian-owned businesses suffered disproportionately (Fairlie, 2020) and that Tribal communities experienced a heavy toll. Many minority-owned businesses were especially vulnerable because of their smaller size, concentration in hard-hit industries, more precarious financial conditions prior to shutdowns, and location in low-income areas with high COVID cases. Limited access to federal relief such as the Paycheck Protection Program was in part a symptom of broader inequalities in access to credit.

Another factor affecting outcomes for minority businesses, however, was inequality in information technology access and use in low-income communities, including communities of color. Small business owners in these communities may be less technology savvy or may lack the resources for digital transformation. Yet, the pandemic demonstrated the value of technology use for entrepreneurship. Local governments can encourage a more inclusive recovery and future economic trajectory by supporting "digital entrepreneurship" in their communities, including for businesses owned by people of color. Such entrepreneurship may include startups that produce new digital products, online-only businesses, or the embedding of new digital tools and practices in existing brick-and-mortar establishments.

This policy brief is based on presentations from expert scholars and practitioners who participated in the "Digital Entrepreneurship in Communities of Color" workshop sponsored by the Ewing Marion Kauffman Foundation and organized by the Center on Technology, Data and Society at Arizona State University during April 2021. Technology may present opportunities to grow and thrive, through access to new markets, including those beyond local boundaries. This brief explains challenges that entrepreneurs of color face in harnessing the potential of technology as well as the promise that such technologies may offer.

The workshop's participants offered a toolkit of policies and practices for consideration by local leaders. Local governments play a critical role in the ecosystem needed to support technology use by businesses of color. Needs will differ across racial and ethnic groups, as well as for the context of the community, including whether it is urban, rural, growing, or struggling. We present a summary of the speakers' recommendations below.

RECOMMENDATIONS FOR LOCAL POLICY

Complex problems require multiple solutions that address needs for both business and technology resources and skills. A holistic approach, geared to the context of the communities and the business owners, is needed.

Collaboration is needed across sectors and levels of government, enlisting the cooperation of financial institutions, business leaders, educators, community colleges, workforce development organizations, and nonprofits as well as governments.

Strong local champions are needed to develop solutions to fit their communities, manage collaborative efforts, and keep them moving forward.

Entrepreneurial Resources

Digital entrepreneurs need technology access and skills as well as the resources required for business development more generally. The top three challenges for starting businesses with a web presence, according to a 2020 survey of domain name website customers were: 1) marketing (69%); 2) getting the business online (49%); and gaining access to capital (45%). Other issues experienced by at least one-quarter of respondents were lack of technology expertise (34%), lack of business expertise (29%), and lack of networking opportunities (25%).

Given the barriers faced by business owners of color in gaining access to capital, programs for financial advice, grants, and loans are important for building successful businesses, including for the costs of technology.

Entrepreneurial education, coaching and mentoring, networking, and assistance through accelerators or incubators are needed as well. Support for digital strategies should become part and parcel of these entrepreneurial programs.

Digital Connectivity and Skills

The sudden shift online left many businesses lagging behind or having hastily designed strategies. Now is the time to slow the process down, build skills, and conduct planning for the future.

Rather than assuming that "digital first" is the best solution for everyone, programs need to offer guided support that estimates what the value might be for that business, shows how technology might help, identifies what platform is appropriate, and suggests how to reach different audiences.

Digital business strategies and skills should be integrated into programs in education and workforce development systems, as well as into programs for small business development.

Spaces for experimentation can be offered in workforce programs, small business programs, or libraries. This could include help for podcasting, video, website and social media development, search engine optimization, mobile app development, software programs to manage business processes, data use for scaling up business, and a variety of training programs.

Communities should consider library loans of laptops and Wi-Fi hotspots, as well as microgrants for the purchase of devices, software, and other technology needs.

Local governments should develop a network of community resources that can offer help for digital entrepreneurship, rather than relying on a single institution, such as a library. This should include both public and private sectors, but it could also be promoted by local governments. This might include Wi-Fi access points, organizations offering low-cost devices, computer labs in nonprofits and churches, as well as programs run by the city.

Digital infrastructure investment is also needed in some communities. Local governments can help to promote expansion of fiber through "dig once" policies as well as through investment of federal and state funds.

Advice for Local Governments on Outreach and Collaboration

Local governments should invest in and support local Black, Latino, Asian American, or Tribal institutions that understand the tech disparity problem and its nuances within those communities. This might include, for example, historically Black and Tribal colleges, K–12 education advocates, and faith-based organizations led by and representing these communities. Local leaders should seek to cooperate with these organizations, and governments at all levels should consider funding them to deliver programs in the community.

In addition to developing partnerships within communities of color, local institutions must cultivate trust. Some communities that historically have had poor experiences with government or local institutions may be less receptive to participating in programs or receiving services.

To build trust with clients and improve program success, local programs should recruit volunteers and staff from within the specific communities they serve.

Multiple channels may be needed for outreach, including in-person contacts, and door-to-door campaigns at businesses. While one task is to help businesses get online in the future, multiple forms of communication are needed for responsive and inclusive programs now.

Intergovernmental coordination is crucial. While local efforts can address the local context, state and federal resources—including funds, planning, coordination, and technical support—are needed.

These recommendations are further explained in the policy brief. The presentations were rich with examples, and some of these are highlighted throughout this report.

The presentations from the virtual workshop are also available for viewing at

[Digital Entrepreneurship in Communities of Color Workshop | Center on Technology, Data and Society (asu.edu)](asu.edu)

Please see the appendix of this report for biographical information on the workshop presenters, with full biographies available at the above website.

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