

August 2023

# The Inclusion Edge:

## Powering an Entrepreneurial Renaissance

A Special Report On The Past, Present and  
Future of Inclusive Entrepreneurship



Research

# Overview

The term “inclusive entrepreneurship” emerged in the early 2000s, as the scale of the American economy’s digital transformation was coming into full view. The concept has become a popular component of funding, policymaking and community organizing efforts in the United States.

Despite its rise, the term's origins, meaning and future have received surprisingly little scrutiny. This report intends to serve those already experienced in this work, and the rising number of philanthropists, advocates and organizers pursuing inclusive entrepreneurship strategies.

This report was researched and written by Technical.ly, the news organization serving a community of technologists and entrepreneurs. It was produced in partnership with the Community Impact, Americas team at UBS, the global financial services firm that has invested heavily in inclusive entrepreneurship for the past decade.

As an early corporate contributor to inclusive entrepreneurship efforts, UBS was used as a case study for this report. UBS financially supported its creation and, as partners, previewed its content for editorial guidance. However, Technical.ly maintained final editorial control.

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# Executive Summary

In the early 2000s, a field of entrepreneurship research emerged to answer a simple question: Why are Americans starting so few companies?

The rate of business incorporation in the United States began a steady decline in the 1970s. Some argued a portion of that decline was attributable to a lack of representation among entrepreneurs of certain identity groups — specifically women, disabled people, and Black and Hispanic residents. The decade of the 2010s was one of the least entrepreneurial in modern American history, and white men were disproportionately responsible for the relatively few business incorporations there were. Everyone would benefit from greater representation, went the argument, and so we should remove barriers to starting companies. Advocates called this “inclusive entrepreneurship.”

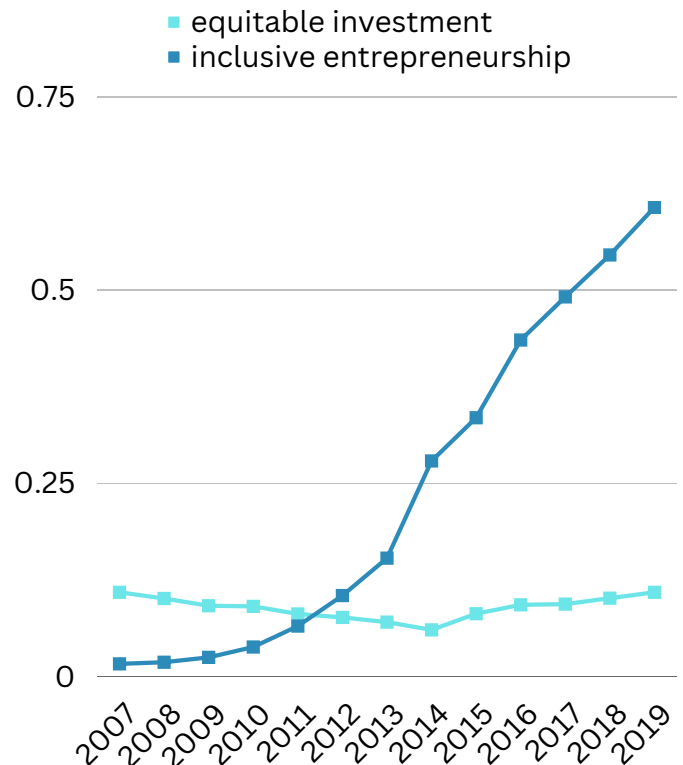
Researchers at the Organization for Economic Co-operation and Development (OECD), a club of rich countries, defined the strategy underpinning the term as the following: “Inclusive entrepreneurship policies aim to ensure that all people, regardless of their personal characteristics and background, have an opportunity to start and run their own businesses.”

By 2011, the term's use surpassed the older related term “equitable investment” and continued rapid growth in usage, according to Google Trends data. Its timeline mirrored the growth of the more widespread term “inclusive innovation,” and both catapulted as a subset of the earlier rise of “social entrepreneurship.”

All were efforts to improve economic outcomes — under the premise that different kinds of people would start different kinds of businesses. Economic development strategists and entrepreneurship supporters used “inclusive entrepreneurship” to describe myriad efforts to speed rates of business formation from underrepresented groups. Over the next decade, the term attracted a mixed coalition of racial justice activists, economic development specialists and philanthropists.

The economic crises brought on by the COVID-19 pandemic and racial justice protests in 2020 catapulted “inclusive entrepreneurship” from niche advocacy stance to prominent policy objective.

## Term usage 2007-2019



Source: Google Ngram, which analyzes text frequency in its books corpus. Y-axis is on a 0.0000 scale



In 2018, Technical.ly conference attendees attended inclusive entrepreneurship sessions. (File Photo)

It's a fitting time then for an assessment. What impact has a decade of inclusive entrepreneurship investments had? What progress has been made and for whom? What is the future of this work and its goals? This report intends to answer these and other questions.

The report is directly the result of two dozen interviews with inclusive entrepreneurship organizers, funders and the entrepreneurs themselves — supplemented by past Technical.ly reporting with analysts, economists and other industry experts.

This report will review these key elements of inclusive entrepreneurship and view its landscape in three parts: the concept's Origins, its Current State and a direction for its Future.

In the Origins section (2000-2019), we look at both the term and its early proponents. The phrase is a curious construction. Technical.ly was not able to attribute the term's origin any more specifically than of American usage beginning in the early 2000s. After years of grassroots organizing, the Great Recession (2007-2009) marked an important transition, at which point inclusive entrepreneurship efforts accelerated.

Americans of all backgrounds have demonstrated inventiveness and innovation for the entirety of this nation's history. What changed about this period was the political, social and economic focus of institutions.



Following the Great Recession, rising wealth inequality was a highly-publicized societal issue, and some advocates identified business ownership as a means to address it. Throughout this period, three key motivations drove this investment focus — social responsibility, investment theory and business opportunism — which the Origins section will address.

In this report's Current State section (2020-2023), we look at the key themes and trends related to inclusive entrepreneurship at the time of this report's publication. The COVID-19 pandemic resulted in widespread disruption to economic, social and cultural norms. This interrupted many long-term trends — some good, others bad. Rates of business incorporation spiked and remain at an historically elevated level — reversing the decades-long decline in entrepreneurship. This incorporation rate has been powered in part by disproportionately elevated contributions from women, and Black and Hispanic entrepreneurs, marking the reversal of another economic trend.

This resulted in serious consideration of whether previous inclusive entrepreneurship investments are bearing fruit — or whether other macroeconomic factors are the primary cause. As this section will argue, many of these trends were in place before the pandemic, giving credence to the idea that at least some inclusive entrepreneurship efforts are paying dividends. Interviews with entrepreneurs confirm this.

However, as other critical analyses point out, it is too difficult and too early to determine just what and how much those investments are working. Consequently, this section will argue for an intentional way forward.

Lastly, in this report's Future section, we gather recommendations from key stakeholders on what inclusive entrepreneurship investors can do moving forward. One theme is to further specialize on various stages of inclusive entrepreneurship.

First, there is considerable debate about just how inclusive inclusivity should be. Secondly, entrepreneurial activities can be grouped in at least three different categories: sole-proprietorships, small businesses and high-growth startups. Each offers slightly different outputs, including increasing an individual's personal independence, creating wealth and invention. Inclusive entrepreneurship advocates prioritize each type for different reasons, which requires a nuanced strategy. More broadly, as we leave the pandemic era, our social justice movement will mature, leading to increased scrutiny on inclusive entrepreneurship investments.

More generally, the first decade of inclusive entrepreneurship priorities established a foundation. A higher level of discipline, strategy and critical assessment is now required.

This report will serve as a landscape assessment generally, and of a UBS case study specifically, which will give insight to a broad array of stakeholders. Its origins, current state and future are all hotly discussed. Our goal is to contribute depth to that discussion.

# Part One: The Origins of Inclusive Entrepreneurship

Kelly Burton finally launched her tech-based apparel company Bodyology in 2014. She developed a product, added customers and grew revenue.

But three years in, she wasn't where she wanted to be. Burton, a Black woman and first-time tech founder, felt excluded from the network of investors that specialized in her industry — a common challenge among founders of color. Short of the growth-rate other startup apparel brands sought, she closed the business. Then she decided to help other entrepreneurs overcome the obstacles she confronted.

Burton is now the CEO of the Black Innovation Alliance (BIA). BIA is an ecosystem building institution dedicated to closing the racial wealth gap through the direct support of Black-led innovator support organizations in service to Black entrepreneurs, tech founders and creative technologists. To date, BIA has 116 member organizations across 40 cities who are supporting more than 400,000 entrepreneurs.

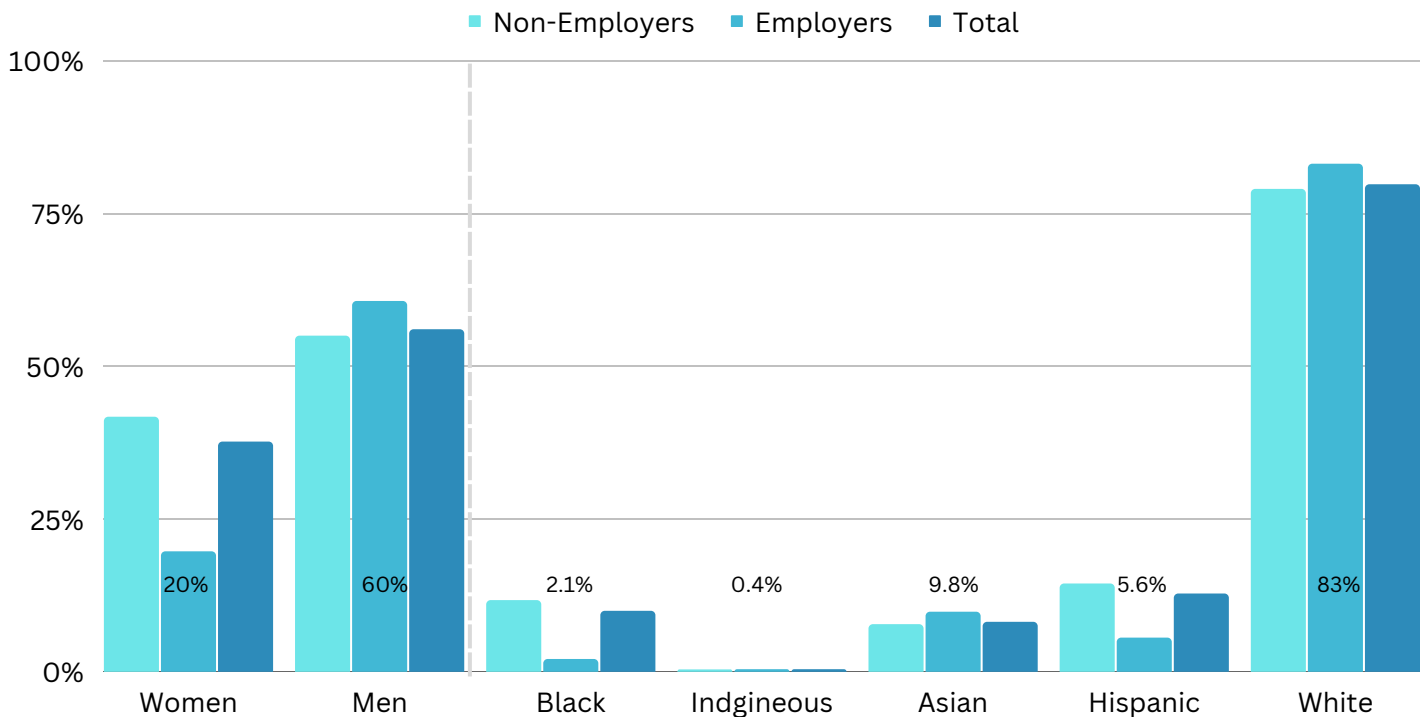
Spurred by pandemic-era social justice protests, corporate America pledged some \$50 billion toward racial justice, much of it through Black and brown business ownership. Many were new promises; Other companies had invested in diversifying business ownership for years. In either case, the high-profile focus was both opportunity and risk for organizations like BIA. Many like Burton asked, will lasting change come this time?

“We have to build the sort of power that enables us to be sustainable whether we’re the ‘flavor of the month’ or not,” Burton said. “Right now, corporations are investing in episodic programs that they can attach their brand to, and that’s supposed to be the fix. Well, no, that’s not the fix. We need more systemic investments and better infrastructure so that we’re able to capitalize on all the potential that entrepreneurship holds for Black people.”



Kelly Burton (Courtesy Photo)

## U.S. small business owner demographics, with and without employees



Source: March 2021 Small Business Administration brief, relying on 2017 data. Demographics are for the majority owner of firms with 500 or fewer employees; "equally-owned" categories not specifically listed

### Inclusive entrepreneurship stakes

Burton represents many important trends. In 2021, nearly 1 in 5 of all Black women were either starting or running a small business, an astounding rate that outpaced white men and nearly doubled the rate by white women. But just 3% of all Black women are running mature businesses — despite representing almost 12% of the population.

Generally, entrepreneurship in the United States is relatively inclusive. Business starts are broadly representative and have gotten more so in the pandemic era. Business growth, though, is less distributed across identity groups (see chart above). Put another way: Black women start a fair number of businesses, but they are less likely to grow them. That gap is often attributed to network effects: Entrepreneurs access growth capital, address common business challenges and win early customers with pre-existing relationships.

That's a problem. Entrepreneurship is an effective vehicle for wealth creation, and so when an entrepreneur's race predicts business outcomes, economic growth can reinforce racial wealth disparities.

The typical white family has eight times the wealth of the typical Black family and five times the wealth of the typical Hispanic family, according to an analysis by the Federal Reserve Bank.

Decades-long entrepreneurship trends have flipped during the pandemic. Business starts are now more inclusive. A decade after inclusive entrepreneurship investments became more widespread following the Great Recession (2007 to 2009), we ask: Can growth be too?



Attendees of a Technical.ly networking event for entrepreneurs and tech workers celebrate in 2019. (File Photo)

BIA founder Burton is one of a dozen entrepreneurs and business owners interviewed for this report, which is also informed by at least that many interviews with investors, advocates and economists. The consensus is clear: Expectations for inclusive economic growth shifted during this pandemic.

An open question remains though: What happens next? This report will contribute an answer to this question. But first, what are the foundations of this work?

There, too, Burton represents a change. In 2014, she struggled to find the right network for her emerging startup.

Years later, in 2021, BIA teamed up with Village Capital to launch Resource, “a nationwide project to support and connect entrepreneur support organizations (ESOs) led by and focused on founders of color,” funded by a coalition including UBS, eBay, Travelers and others.

The existence of Resource and other groups like it dedicated to supporting underrepresented founders — as well as the participation of wealth management giants like UBS — has origins a decade ago, as part of an early wave of efforts to expand entrepreneurship.



## The phrase's origins

The term "inclusive entrepreneurship" emerged in the early 2000s, but the concept shares its origin with the digital transformation of the American economy as a whole.

In 1987, economist Robert Solow famously said that the computer age was everywhere except for in productivity statistics. For all the excitement about emerging technology, Solow and others wondered, why was so little changing about the underlying American economy? Turns out, he just needed patience. The ensuing economic boom of the 1990s contributed productivity gains — and taught a generation of economic watchers that innovation can attract widespread attention before making lasting change.

The decade-long boom of the 1990s ended with a recession triggered by the bursting "dot com bubble," in which a wave of high-profile early internet companies collapsed. That chilled already flailing rates of business incorporation (see chart below). In response, an emerging field of entrepreneurship research developed to answer a simple question: Why are Americans starting fewer and fewer companies?

An idea emerged among progressive economic advocates: Reverse entrepreneurship decline by improving representation among founders from underrepresented groups — such as women, and people of color. Researchers, advocates and activists termed this "inclusive entrepreneurship" but it remained a relatively minor corner of economic theory.

## Employment from U.S. entrepreneurship reached a low point in the 2010s, resulting in less dynamic labor turnover



Source: U.S. Bureau of Labor Statistics: Quarterly employment gains and losses resulting from private sector establishments and deaths, 1993-2013

## The Great Recession

Then the economic world shook. In the popular telling, the bankruptcy of investment bank Lehman Brothers on Sept. 15, 2008 marked the climax of the subprime mortgage crisis that is intertwined with what we today still call The Great Recession. A year later, U.S. unemployment was still near 10%. The American economic system faced considerable scrutiny.

A telling shift happened: In 2008, a list of the 10 companies hiring new business graduates was chock-full of finance and management consulting firms, according to polling by Universum (see chart below); in the decade after the Great Recession the list was filled with young, flashy tech platforms that were seen as industry disruptors.

### Top U.S. employers of business graduates

	2008	2021
1	Ernst & Young	Google
2	Google	Apple
3	PwC	Tesla
4	Deloitte	JPMorgan Chase
5	Goldman Sachs	Walt Disney
6	KPMG	Amazon
7	Walt Disney	Nike
8	JPMorgan Chase	Netflix
9	Apple	Goldman Sachs
10	Merrill Lynch	Spotify

Source: Universum

In August 2009, "Shark Tank" debuted on primetime network TV as a surprise ratings hit for ABC. The show, based on a business pitch format called "Money Tigers" in Japan and "Dragons' Den" elsewhere, featured inventors presenting their products and businesses to investors who could pledge cash infusions. There was talk of "accidental entrepreneurs," who lost their jobs in the Great Recession and were now challenging incumbent businesses.

Disruption was en vogue. That disruptive spirit developed into a strain of anti-capitalism fervor.



Occupy Wall Street protest in September 2011  
(Courtesy Creative Commons)

On Sept. 17, 2011, hundreds of activists gathered around Zuccotti Park in lower Manhattan for the first day of what became the Occupy Wall Street Movement — a weeks-long sit-in starting in New York City's Financial District that became a nationwide protest against income inequality and corporate consolidation.

Stinging radical criticism was quietly accompanied by efforts to rebuild the American economy within the existing system.

“Occupy Wall Street did not lead directly to a lot of specific outcomes because we can’t actually occupy Wall Street,” said Victor Hwang, founder and CEO of Right to Start, a national entrepreneurship advocacy organization. “Instead, let’s build our own Wall Streets and do it in our own communities. The tools are there, but we need to shift the system.”



Victor Hwang (Courtesy Photo)

Something big had to give.

Entrepreneurship became the cornerstone of a strategy to recover from the Great Recession, and many were determined to address the makeup of who started companies. In 2009, Ross Baird and Bob Pattillo launched Village Capital as a “radical experiment to democratize entrepreneurship.”

That same year, entrepreneur Andrew Yang began developing what became Venture for America, a nonprofit that matches recent college graduates with startups to encourage more entrepreneurship. Even we at Technical.ly, authors of this report, were influenced by this focus. Also founded in 2009, our early coverage focused on entrepreneurship representation and led to co-hosting a summit called “What It Takes To Be a Black Tech Entrepreneur” in 2012.

Institutions took notice. In November 2009, investment bank Goldman Sachs and its foundation launched the 10,000 Small Businesses program, a philanthropic effort mixing mentorship and programming to reverse sagging entrepreneurship. In 2011, UBS launched a business mentorship program that would evolve into a dedicated corporate-led inclusive entrepreneurship program — and a ready case study for this report.

“We all knew something big had to happen,” said Jamie Sears, who was involved in the early days of the 10,000 Small Businesses program. In August 2012, Sears took a new role at UBS and brought with her a special prioritization on underrepresented founders. Today, Sears is Co-Head of Social Impact and Philanthropy, US for UBS.



UBS offices in New York City (Courtesy photo)

"Entrepreneurship has long been a focus for UBS," said Sears. "In the Americas, many of our clients are the first generation in their families to build wealth, and that first-generation wealth creation is largely due to our clients building their portfolios through entrepreneurship. However, we know that the playing field is not level for all founders."

UBS, with Sears influence, was among the first enterprises to bet on inclusive entrepreneurship as a means to drive generational wealth creation for underrepresented founders — part of a strategy for addressing the racial wealth gap and gender wealth disparities (with ripple effects for underserved communities).

In 2011, the term surpassed usage of the related phrase "equitable investment" and continued rapid growth in usage, according to Google Trends data. Its timeline mirrored the growth of the more widespread concept of "inclusive innovation," and both catapulted as a subset of the earlier rise of "social entrepreneurship." All reflected a push to reimagine the American economy.

"If women founders or entrepreneurs of color or businesses in new places don't get started when they could have, we all lose out," Sears said. "That's why our team decided to help plant the seeds to contribute to establishing ecosystems of support for founders."

Around the country, civic and business leaders began championing their homegrown "startup ecosystems" but little changed initially. In 2011, the Federal Reserve Bank of Cleveland published a report chronicling the moment, entitled "The Great Recession's Effect on Entrepreneurship."

"Though the recent recession was the worst downturn since the Great Depression, some observers argue that one silver lining is an upswing in entrepreneurship," wrote the report's lead author, Scott Shane.

"Unfortunately, a careful look at multiple sources of data shows that the Great Recession was actually a time of considerable decline in entrepreneurial activity in the United States."

That didn't stop believers in the entrepreneurial bet. In 2015, UBS launched Project Entrepreneur, a signature program that focuses on leveling the playing field for female founders as they build and grow their companies. As the country's economic recovery limped along, support for entrepreneurship generally and inclusive entrepreneurship specifically grew.





Rise of the Rest pitch event in Memphis, TN (Courtesy Photo)

## Others join in

In spring 2013, an influential paper was published in *The Review of Economics and Statistics* demonstrating that nearly all net new job creation came from new firms. All came from those that had been operational fewer than 10 years. Put another way, big firms may steadily employ most Americans and small businesses are culturally significant but the key to economic growth is creating many new companies.

That was troublesome because the United States was creating fewer companies in fewer places by fewer people.

That year, AOL founder and Revolution investor Steve Case repurposed the geopolitical phrase “rise of the rest” to refer to nascent entrepreneurial organizing taking place in American cities outside of the country’s traditional innovation triad — Silicon Valley, New York City and Boston. The focus was primarily geographical.

“A lot of people feel frustrated and left out, and they think the ‘innovation economy’ is about a few people on the coasts doing things that might disrupt their lives and destroy their lives,” Case told *Technical.ly*. “If you offset that by backing people and companies that can create jobs in their own communities, that can change things.”

The scales needed tipping. In spring 2015, a paper in the *Journal of Labor Economics* proved an intuitive point: Kids with entrepreneurial parents are 60% more likely to become entrepreneurs themselves.

That year, Case’s family foundation took on a strategic plan that argued definitively that the country’s entrepreneurial decline was attributable to underrepresentation by women and people of color, said Sarah Koch, who was vice president of social innovation for The Case Foundation from July 2012 until December 2019.

“You have to be explicit if you're working for communities that aren't resourced. So we said 'Let's get specific then. What communities do we want to focus on?' Koch said. “We started with women and broadly with people of color. We put that under the umbrella of 'inclusive entrepreneurship,'” hoping the lessons we learned would inform efforts to support other underresourced communities.”

Village Capital and the Case Foundation were both headquartered in Washington D.C., where other advocates found support within the Obama administration. In summer 2015, the White House hosted a so-called “Demo Day” for entrepreneurs focused on inclusive entrepreneurship. Other local organizers championed the city as a leader in “inclusive innovation.”

In fall 2016, UBS funded the Case Foundation's Faces of Founders, a storytelling series profiling women founders and entrepreneurs of color. Earlier that year, Victor Hwang took the role of vice president of entrepreneurship at the Ewing Marion Kauffman Foundation, which developed a national profile for engaging in entrepreneurship. At the same time, Comcast NBCUniversal launched an entrepreneurial engagement program that staked out a special preference for women and founders of color. Other corporations and foundations with interest in economic development and entrepreneurship began investments in founders of color.

## The motivations

Many of these early focuses on inclusive entrepreneurship had a strong moral imperative.

Elsewhere, concern was growing that American economic decline could not be reversed. In 2016, economic historian Robert Gordon published his influential book “The Rise and Fall of American Growth,” which argued that the “special century” between 1870 and 1970 would not be repeated — no matter what advocates try. The next 50 years had produced only superficial economic change and further consolidation of wealth among the richest families and most entrenched corporations — and there was little innovation on the horizon.



An inclusive entrepreneurship panel at a Technical.ly conference in 2018 (File Photo)

In 2016, John Lettieri, the cofounder of the D.C.-based Economic Innovation Group, told a U.S. Senate subcommittee bluntly: “Millennials are on track to be the least entrepreneurial generation in recent history.”

At that point, a lack of entrepreneurship, especially among large segments of the American population, was seen not just as a moral failure but as an alarming economic concern.

In 2018, researchers at MIT's Equality of Opportunity Project released an influential report on how childhood wealth impacts future innovation. Their research showed that children born into the richest 1% of families are 10 times more likely to be inventors than those born into the bottom 50%. Dating back to the start of American entrepreneurial decline in the 1970s, they argued that meant millions of fewer innovators.

## 'Lost Einsteins' research

EQUALITY OF OPPORTUNITY PROJECT: 2017

**10x**

*Kids whose parents were in the top 1% of earners were 10 times more likely to be inventors than those with parents in the bottom 50%*

**3x**

*White children were three times as likely as Black children to be inventors*

**118**

*At previous rates, it would take 118 years for women to make up 50% of inventors*

Famously, they dubbed this phenomenon one of "lost Einsteins." Beyond moral reasons, they argued, this was a major contribution to slowing American economic growth. The rate of American invention could quadruple if women, people of color and lower-income kids grew into the same rates as their white male counterparts.

That year, one report called this the "Trillion Dollar Blind Spot," and Village Capital cofounder Ross Baird used similar language when he published "The Innovation Blind Spot," arguing that investors were missing a major economic opportunity. If women and men were to participate equally as entrepreneurs, global GDP could rise by 3% to 6%, boosting the world economy by at least \$2.5 trillion, argued an analysis by UBS.

Corporations, governments, investors and institutions now had the research to make a business case, rather than one of justice. Inclusive entrepreneurship was not just a social good but a sound business strategy.

## On the eve of the pandemic

Economic development strategists and entrepreneurship supporters used inclusive entrepreneurship to describe myriad efforts to speed rates of business formation from underrepresented groups.

By late 2019, the term had become a policy objective, philanthropic priority and organizing principle. All operated slightly differently. But they all came to a similar conclusion: it should be easier for people like Kelly Burton to start and grow her startup.

# Part Two: The Current State of Inclusive Entrepreneurship

In 2017, Christine Schindler cofounded PathSpot Technologies to improve workplace hygiene practices. The company sells a hand scanner that detects carriers of harmful contamination that commonly spread through poor hand washing — especially in places like restaurants, schools, health care facilities and airports.

Initial confusion about how COVID-19 was transmitted supercharged demand for her services. Rather than drowning in a pandemic-induced boom, Schindler used past experience to meet the opportunity.



Christine Schindler (Courtesy Photo)

In 2018, she participated in Project Entrepreneur, a flagship program by UBS that provides training, resources and networks to help female founders build and grow their companies. For Schindler, getting to know successful entrepreneurs who looked like her strengthened her resolve to navigate business life.

“They really put a lot of emphasis on showing other female founders and the success they had gone through,” Schindler said. “Having female mentors who had built these startups and grown them into some of the companies that I most admire helped me see that as a model for what I would one day want to create. It rewired my brain for how I could attack that in tactical ways.”

## What’s changing now

For decades, American entrepreneurship declined and women (especially women of color) were one of the country’s least represented groups among business owners.

In 1980, 15% of all U.S. firms were created the year before. In 2019, that share was barely half (at 8.2%), according to the Economic Innovation Group. That year, just 3% of Black women were running a business that was at least five years old.



Venture capital funding has become a signal of the fastest-growing companies. Collectively, less than 1% of that funding has gone to Black and Hispanic women, according to the 2020 ProjectDiane report.

Then the pandemic shook the system. Nearly 5.5 million businesses were formed in 2021, a million more than the year prior and an astounding 54% more than in 2019. Monthly incorporations of so-called "high-propensity" businesses, or those likely to hire employees, remain elevated through 2022, according to data from the Federal Reserve Bank.

"I've looked at this data going back 50 to 60 years, and we've never seen a kind of boom like this during a recession," one economist told Technical.ly. "And we've never seen it led by the kinds of people who are creating businesses today."

In 2021, nearly half of all new businesses were incorporated by women, a dramatic increase from the 28% seen in 2019. More than 1 in 4 were founded by people of color, still lower than overall U.S. population representation but well beyond pre-pandemic levels. The number of Black and Hispanic women who raised at least \$1 million in outside financing for their companies doubled in two years. And 7% of new business owners identified as LGBTQ, a new baseline number set by high-frequency data projections.

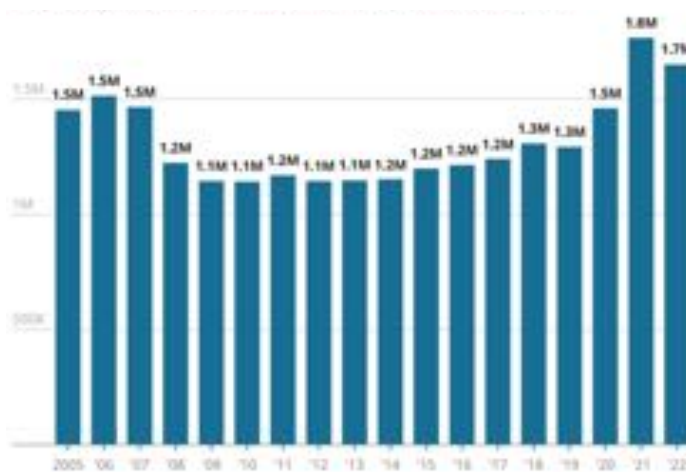
Venture for America made a commitment to be part of the change. Long focused on geographic diversity, the nonprofit put special emphasis on the racial and ethnic makeup of its fellows, whom the group places with existing startups before encouraging them to start their own companies.

Schindler first learned about Project Entrepreneur when her PathSpot co-founder Dutch Waanders participated in the Venture for America accelerator — a program in which UBS is a partner.

"Having large companies that can provide support makes a massive impact because there's so many things we've worked on that you simply can't Google," Schindler said. "You need the support and the guidance of people who have been in those shoes before."

Since 2021, more than half of VFA's fellows identified as non-white, and the number of women, gender non-binary and gender non-conforming people has grown, according to figures provided by VFA.

## U.S. total annual incorporations of "likely to hire" businesses



Source: Economic Innovation Group via Bureau of Labor Statistics

As a result, of the \$3.1 million in funding that VFA has distributed to fellow founders, a third has gone to women-led companies (as compared to the national tally of 2.3%) and 13% to Black founders (as compared to the 1.2% national total in the first half of 2021), according to a VFA spokesperson.

“By committing to a diverse fellowship community, we can make our ecosystem stronger, create new entrepreneurs in new industries and ultimately help our ecosystem thrive and grow,” said Eric Somerville, the current CEO of Venture for America. “We have to find a way to celebrate and learn from what is working, while also continuing forward.”



Eric Somerville (Courtesy Photo)

## What investments have happened

After a decade of experiments, a sudden boom in inclusive entrepreneurship necessitates an evaluation. What, if any, investments of the past have contributed to the progress of today? Group inclusive entrepreneurship efforts into four categories:

- **Direct investments:** Financial infusions (such as equity exchanges, grant programs or loans) that target or prioritize underrepresented entrepreneurs
- **Business readiness:** Educational training, professional development and other programs to increase the business aptitude of underrepresented entrepreneurs
- **Network building:** Programs and events that connect mentors, advisors and other supporters with underrepresented entrepreneurs
- **Storytelling and research:** Efforts to highlight success stories, track progress and otherwise normalize and analyze pathways for underrepresented entrepreneurs

In our research, examples from each of these categories played an important role in advancing the progress of underrepresented entrepreneurs in this pandemic period. Not all programs have been effective, but across all our interviews for this report, we found confidence that years of focus on this topic has contributed to this period of heightened representation among business starts.

Return to the UBS example. Across a decade, the wealth manager’s Community Impact, Americas team graduated 966 female founders from 219 cities across 44 states with 62% identifying as female founders of color through their Project Entrepreneur program, per the company.

No single program is big enough to be primarily responsible for the American pandemic inclusive entrepreneurship boom, but the evidence shows that the collective effort has adapted and shaped outcomes.

“Soon after we started, we realized that training programs can only get founders so far,” Sears said. In response, the UBS team established two other key components: a network of investors and storytelling to change the narrative about entrepreneurship.

Project Entrepreneur matched their founders with nearly 400 individual investors and more than 1,000 business mentors to work. The result? Graduates of their program have raised nearly \$88 million in follow-on capital, and, according to the company and several participating founders interviewed for this report, Project Entrepreneur improved the chances of those businesses to grow.

On the storytelling front, UBS funded projects to amplify the stories of underrepresented entrepreneurs, both to boost their chances of success and to attract more interest in future founders.

## Project Entrepreneur

UBS PROGRAM DATA

**1,800**

FEMALE FOUNDERS PARTICIPATED

**44**

STATES REPRESENTED

**62%**

IDENTIFIED AS PEOPLE OF COLOR

**\$88m**

IN FOLLOW-ON CAPITAL RAISED  
BY PROGRAM ALUMNI



Jamie Sears (ADG Photography)

These projects included a partnership with CultureBanx, a multimedia organization redefining business, finance and tech news for minorities. One series was called “Normalizing Black Wealth,” featuring conversations about high-growth Black founders and another was “Igniting Cultural Capital,” a five-part video and article series highlighting Black founders and the investors supporting them.

UBS also partnered with Victor Hwang and Right to Start to produce “The Start Show,” a series profiling entrepreneurs and the systems that make starting their businesses possible.

UBS previously tapped Technical.ly as well. We produced two seasons of the podcast “Off the Sidelines,” aimed at helping aspiring investors get involved in inclusive entrepreneurship by showcasing individuals and firms currently supporting startups led by women and people of color. The Project Entrepreneur team also boasts more than 100 earned media pieces, including being featured in Good Morning America, Forbes, Euromoney, Inc.com, Business Insider and more.

“We needed to increase the capital, the skills, the networks, but what is really happening right now is a fundamental shift in the narrative of who can be an entrepreneur and why,” said Hwang, the notable entrepreneur advocate. “The shift in Black business began a few years before the pandemic. The movement was happening. The pandemic exacerbated it dramatically. It is a shift in the narrative in how you get power and wealth.”



Jessica Spaulding (Courtesy photo)

## Existing trends

The number of businesses owned by Black women grew 50% between 2014 and 2019, representing the highest growth rate of any female demographic. Black women represented 42% of all women who opened a new business during that time and represented 36% of all Black employers, according to a report for the U.S. House of Representatives. At its pandemic peak, nearly 1 in 5 of all Black women in the United States were either starting or running a small business, making them the most entrepreneurial demographic in the country.

One big question this demographic data brings up: Why the explosion of entrepreneurship generally, and specifically from women and people of color?

Jessica Spaulding is the cofounder of the Harlem Chocolate Factory. She warns the entrepreneurial boom could mask underlying problems. Early surveying suggests pandemic entrepreneurs were more likely to take the leap for greater flexibility to support personal needs like childcare. Spaulding says the pandemic inspired a generation to quit companies that paid unequal wages.

“We are constantly being lowballed,” she said of Black and brown Americans. “When I was working for my previous business, I was the lowest-paid person in the entire management team. I had to fight them for a year to be brought up to the minimum for the salary as stated within their own damn rights. I had to fight for that. Meanwhile, I was doing more than everyone else. We’re starting businesses because the businesses we’re working for don’t want to support us.”

In 2015, Spaulding launched a retail storefront in a majority-minority commercial corridor of her native New York — and has since grown an ecommerce component. In 2022, she was one of 40 female founders of color to be awarded a \$25,000 grant and coaching from the Hello Alice and UBS “Democratizing Friends and Family” program that she used for operational costs and to secure packing for her products — a crucial tool as the pandemic crushed the supply chains that were a major part of the chocolatier’s expanding ecommerce business.

This influx of capital finally provided her with some relief from the constant pressure that weighs on entrepreneurs of color to never slip up.





Attendees of a Technical.ly event in 2019. (File Photo)

“We don’t have as much runway to figure things out,” Spaulding said. “When we mess up, it’s detrimental.”

The UBS grant was a timely investment that would have been difficult — if not impossible — to replicate through traditional bank financing or her personal network, she said.

Or as another entrepreneur from an underrepresented background said of existing entrepreneurship infrastructure: “We’re doing it with or without you now.”

## Quiet Quitting Becomes Loud Entrepreneurship

For years, government, business and nonprofit efforts have prioritized the development of entrepreneurial support systems for all, with a special focus on underrepresented founders.

Did a decade of inclusive entrepreneurship investments establish a foundation for underrepresented founders to build upon as they sought their own refuge in the pandemic?

“No one really knows how absolutely locked out we are from capital,” Spaulding said. “We don’t have access to the networks to go talk to an angel [investor] but the UBS program helped circumvent that.”

Economic analysis of this pandemic era will last for years, but the Great Resignation may be in part responsible for an inclusive entrepreneurship boom.

“I do think what we’ve been seeing in the past two years is due in large part to the foundation set by these incubators and ecosystems,” one analyst told Technical.ly. “This is not a blip. Real, high-quality sustainable businesses have started.”

## What UBS has learned

Over the last decade, the infrastructure around inclusive entrepreneurship has matured. From one business mentorship program a decade ago, the UBS Community Impact, Americas team has established a community, including both external organizations it supports and partnerships with other UBS departments.

Their work blends philanthropy and business strategy, and it's developed on years of relationships. In 2022, UBS partnered with Hello Alice, a fintech company helping over one million small businesses access capital, to award \$1 million in grants to female founders of color. It was one of a dizzying array of announcements during the pandemic.

"But unlike a lot of those company commitments, UBS wasn't showing up for the first time," said one stakeholder. After George Floyd's murder in spring 2020, the world's biggest companies sought to demonstrate their credentials in fighting inequality. Many were derided as late-comers. In contrast, UBS has a reputation among inclusive entrepreneurship boosters as one who invested early — and did considerable work to engage across teams.

"Trust and authenticity are everything," said Jamie Sears, the UBS Head of Community Impact, Americas. In her decade at UBS, Sears has been among the chief architects of a cross-department approach for the financial services firm's commitment to contributing to more diverse entrepreneurship.

Sears leads a Community Impact team with wide scope and great flexibility, but she is far from the only advocate for inclusive entrepreneurship at UBS. Multiple teams — from community reinvestment to wealth management — collaborate to drive change in various ways across a spectrum of impact.

While every team uses different measures, each shares expertise and best practices with one another to use their respective tools to advance a common goal.

"How do you go beyond checking the box? It starts at the top of the house," said Steven Akerlow, who leads UBS' Community Reinvestment Act (CRA) group. "Then it takes your teams to work together."



Hello Alice cofounder Elizabeth Gore (Courtesy Photo)

The CRA is a federal mandate requiring financial services firms to invest a certain percentage of dollars into certain low-wealth communities. Akerlow has co-invested in programs that Sears has identified. The Community Impact team deploys strategic philanthropy — a more risk-tolerant form of investment not explicitly seeking a financial return — to support areas a market may overlook but where there is still a great need for innovation and systems change. Akerlow and the CRA team respond to community needs through community investments.

For UBS Global Wealth Management Managing Director and Global Head of Sustainable and Impact Investing Andrew Lee, the investment advice and solutions his team offers are expected to generate investment performance hand-in-hand with sustainability and real-world impact. His team works with clients ranging from high net worth individuals to global family offices, who want to invest into issues like inclusive entrepreneurship.

“We aim to provide our clients with choice and enable them to tailor their investment portfolios — where possible — to emphasize the societal and environmental issues they are interested in,” Lee said. “Not everyone thinks about how their investments can drive positive impact, but many of our clients are increasingly interested in using all of their capital to support or catalyze systems change resulting in a more stable, sustainable future.”

After years of investment, UBS programs were not rushed responses to major news events. Teams worked out both a business case and an impact case, said Jennifer Gabrielli, now Managing Director, Head of Ultra High Net Worth Client Solutions, UBS Wealth Management Americas. She's been a senior sponsor for Project Entrepreneur and other Community Impact programs.



Andrew Lee (Courtesy Photo)

For Akerlow, Lee and Gabrielli, UBS's community impact focus on inclusive entrepreneurship is a kind of impact discovery engine.

“I don't think your community impact work has to be disconnected from how you drive returns,” Gabrielli said.

The full cycle of social investing in inclusive entrepreneurship continues.

## Lasting change

The pandemic entrepreneurial story has been nationwide, aided by a generation of new capital sources. The number of active private business investors located somewhere beyond the top trio of the Bay Area, New York City and Boston tripled in the decade between 2011 and 2021, according to an analysis by the Case Foundation produced with PitchBook.

That includes more than 1,400 new institutional venture capital firms launched, which itself incorporates a wave that uses gender- and race-focused lenses. During the pandemic, Brian Brackeen of Lightship Capital, Nasir Qadree of Zeal Capital Partners and McKeever Conwell of RareBreed Ventures were among the Black founders turned prominent first-time VC fund managers.



A Technical.ly event's interactive exhibit in 2019. (File Photo)

Like other investors, UBS has funded or partnered with an array of efforts to find long term change. They've created Women in Venture Summits and partnered with organizations like All Raise to diversify business investors — all under the theory that if capital allocation is more diverse, then more capital will flow to underrepresented founders.

"It's a huge opportunity for investors to look outside of their networks — not just geography, but with a broader and more diverse mix of entrepreneurs, who are closer to a wide range of problems," investor Steve Case told Technical.ly. In fall 2020, Revolution announced it would focus \$2 million on Black-founded companies.

How much are funders responsible for the inclusive entrepreneurship pandemic boom?

"We can't take credit for it," said Sarah Koch, the former Case Foundation executive. "Those entrepreneurs and the entrepreneur support organizations were always there. That creates openings for those who always wanted to do it. I don't think we made it happen but we shored up the scaffolding to make it easier for those entrepreneurs and organizations to succeed."

Her point: Community organizers and entrepreneurs were there before even early inclusive entrepreneurship investors. The remarkable upheaval of the pandemic lit a flame.

That flame came at considerable cost. The pandemic will be a historic turning point, one that killed more than 1 million Americans. This health, economic and societal disruption has been especially challenging for the demographic groups that inclusive entrepreneurship is most targeted to support — women and people of color. Funders with a business case filled a market gap.

"In other immigrant communities, there is a pooling of money, resources, human capital and all these different things to make their businesses grow," said Harlem Chocolate Factory's Spaulding. "But our community is literally tapped out. You can't get a whole bunch of people to volunteer their time because everyone's working for below minimum wage and trying to make it happen. There's just no way to pool it together."

She stressed that the decades of underinvesting in communities of color has directly played into the struggles that many underrepresented founders face today.

"Small business is big business in America," Spaulding said. "To have one community's entrepreneurs be completely locked out of a system makes it impossible to grow or sustain anything. We have not made more money because we have not had access to money."



# Part Three: The Future of Inclusive Entrepreneurship

Bloomer Tech founder Alicia Chong Rodriguez had just graduated from MIT, but she still had to figure out how to put her degree to work. She heard about Project Entrepreneur through her involvement with the Legatum Fellowship and joined the program in 2018.

The program from UBS featured inspiring speakers such as BirchBox founder Katia Beauchamp. Chong said it was encouraging to hear successful entrepreneurs faced similar challenges to her — from raising capital to forming business networks.

“You see that they faced challenges, too, but they overcame them and pushed through with a strong focus,” Chong said. “They are willing to be vulnerable and open to sharing what they learned to help more founders grow, too.”

Chong said the program also helped her connect with peer entrepreneurs.

“It made me realize that yes, I can do this and there’s people supporting me to do this,” Chong said. “It gave role models and it gave me friends that were in the same stage as me.”



Alicia Chong Rodriguez (Courtesy Photo)

Amid the chaos of the COVID-19 pandemic, Chong’s wearable tech startup is an entrepreneurial success story.

Half of pandemic-founded businesses were started by women and more than 1 in 4 have founders of color.

Entrepreneurship is having an American renaissance.

If investments focused on diversifying entrepreneurship supported a surge in diverse business creation, what happens next?

## Will the inclusive entrepreneurship boom last?

The first three years of the pandemic from 2020-2022 are the most entrepreneurial period the United States has had in decades. In 2023, elevated rates of business incorporation have barely slowed in the United States. Women and people of color led that boom. As of this report's publication, rates of business incorporation continue to reverse their decline across the American economy — but headwinds mount. Business incorporations do not always lead to businesses that grow. High inflation and recession loom, both of which have historically been especially cruel to new businesses, small businesses and low-wealth communities.

Even with recent gains in the United States, inclusive entrepreneurship remains a global priority. In 2021, OECD published a report titled "The Missing Entrepreneurs," arguing that unequal access to business starts has resulted in 35 million fewer entrepreneurs in the world, 75% of whom would be women.

This report has shown decades of work have led to where we are now — real progress has been made, with much more to be done. The pandemic period is a watershed moment for inclusive entrepreneurship.

"I'm frustrated and optimistic," said Allie Burns, the executive director of Village Capital. "I wish we had seen things move faster, but now there's a real opportunity and momentum and there are people who are in place to keep pushing a transformation of entrepreneurship in this country."

"We can't go back to business as usual," she added. One key point several make is whether the attention will last.



Allie Burns (Courtesy Photo)

"This is a project of years and in some cases of generations," entrepreneurship advocate Victor Hwang said. "We need patient, committed capital."

## What's next in inclusive entrepreneurship

The next stage of inclusive entrepreneurship requires a deepening of the field's understanding of itself. There will always be a new set of challenges to confront, and the terms will always shift. It's important to celebrate progress, while establishing new goals. For one, though business creation has become more diverse, businesses that grow have not.

As one consultant told Technical.ly: "Equity is not a destination. It is a process."

That understanding is helped by the data-gathering and storytelling that is fast-becoming a component of many investment strategies.



Dr. Lomax Campbell (Courtesy Photo)

The stories we tell need to be routinely updated to reflect changing data, argues Dr. Lomax Campbell, an economic development consultant who established an inclusive entrepreneurship strategy in his hometown of Rochester, NY.

For example, almost 12% of all U.S. companies are Hispanic owned, and close to 1 in 10 are Black owned, according to a 2021 analysis by the U.S. Small Business Administration. Those proportions aren't so far off from their share of the American population as a whole.

But the demographic gap grows among owners of companies with employees and those with larger annual revenues. Of American companies with employees, less than 6% are Hispanic owned and just 2% are Black owned. Put simply, Black and Hispanic Americans start a good number of companies, but they are less likely to grow them.

"Entrepreneurship has become more diverse in the United States," one advocate said. "But growing companies hasn't."

Not everyone wants what comes with a bigger company, but it matters for those who see entrepreneurship as a tool to combat racial wealth inequality, among other influences.

"That's where the work goes next," Campbell said.

To attract more supporters of inclusive entrepreneurship, many of those interviewed say the best path forward is to demonstrate progress has been made on identifying what the next challenges appear to be.

"We have to show that we've had success, while also saying we need help with the work to come," one funder said.

## Why are you investing in inclusive entrepreneurship?

In the 1970s, intellectuals, academics and policymakers sparred in a debate that could be simplified as "equality of opportunity versus equality of outcome."

The late 20th century was principally dominated by the former. Prevailing policy was determined to ensure that anyone could get the opportunity to request a service, apply for a job or start a company, and that they would be treated equally.

As representation in programs, workplaces and entrepreneurship failed to level out across demographic groups, advocates began to renegotiate the debate. A focus on equity is now part of the public discourse.

It matters less if everyone has an equal opportunity to apply to a program, goes the argument, if the demographics of those who apply don't match the community you serve. Better to use equality of outcome (for example, who ends up accepted into the program) as an arbiter of success.

That does present uncomfortable truths for the funders, supporters and advocates. Just how far will each funder decide to tip the scales to ensure equal outcome? What are the underlying factors that lead to disproportionate participation in a program? When does prioritizing the inclusion for one group begin to infringe on the inclusion of other groups? This requires frank, direct and serious discourse to uncover precisely why they focus on what.

As noted earlier in this report, one could group primary motivations for inclusive entrepreneurship into two: either moral imperative or investment thesis. Both may play a role, but most programs will lead with one or the other.

Some consider it a moral imperative: It is an injustice that the wealth-creating act of entrepreneurial growth appears to be so much more available to some groups of people than others. We must right this wrong, argue some.

To others, inclusive entrepreneurship is first and foremost an investment thesis.

If fewer entrepreneurs are women, Black or from, for example, rural Appalachia, then either you assume they don't exist, or you assume they're missing their chance. If you believe the latter, then there's an economic opportunity to bet on finding them. This is the entrepreneurial spin on the "lost Einsteins" research referenced in this report's first section. Find the founders and gain the economic benefit.

Many of those in philanthropy pursue the moral imperative approach, while those in social investing have developed an investment strategy thesis.

In truth, both commonly play a role. Many individual practitioners are drawn to this work for their sense of justice. Many organizations defend the work for the investment opportunity. If more representative rates of entrepreneurship is the destination, a sense of justice may be the engine and organizational goals may be the compass.

"We see a focus on both the desire to use investment dollars as a tool for influencing specific value-based issues while also carrying a strong, fundamental investment value. For us, our focus is on supporting the ecosystem that is entrepreneurship, which creates opportunities for founders, communities and investors alike," said UBS Head of UHNW Client Solutions Jennifer Gabrielli. Ultimately, the focus is on the entrepreneurs.



## What entrepreneurs want inclusive entrepreneurship funders to know

"If we're going to be successful in this country, we've got to ensure that the vast majority of our small business owners are getting the capital they need," said Elizabeth Gore, the founder of Hello Alice. "Otherwise, we're screwed."

One common obstacle for business owners that Gore has found is simply believing in themselves. There are knowledge gaps, yes, but storytelling can be as much as about giving underrepresented founders the confidence to move forward.

"It is critical that we start showing success stories," Gore said.

That storytelling can come with the added benefit of getting to know the founders that inclusive entrepreneurship investments are aiming to support.

Melissa Mitchner, who has participated in Project Entrepreneur, is the founder of The Bark Shoppe, a pet care facility in New York's Harlem that employs nearly 30. She says that many programs to support entrepreneurs of color are short-lived marketing campaigns. Inclusive entrepreneurship supporters need to invest time, alongside dollars.

"Get to know the founders outside of the numbers and learn what they had to do to get there," Mitchner said. "They might not be at the dollar amount that you want, but that's not because they're not capable of doing it."



Melissa Mitchner (Courtesy Photo)

They don't have access to the right people. Somewhere in that founder's story, there's something that you can connect to."

Entrepreneurship is still a grind.

Programs like Project Entrepreneur that have operated for years demonstrate that not all businesses will thrive. Those that do will run a gauntlet.

"It's not a handout," Harlem Chocolate Factory founder Spaulding said about her experience with the challenging learning environment of a program like Project Entrepreneur. "It creates this pocket of improved economics for the city when entrepreneurs are supported."

Inclusive entrepreneurship funders who are evaluating their investments should take into account the ripple effects their programs can have, Spaulding said.

# In Conclusion

Inclusive entrepreneurship sits at an interesting intersection. Its social justice elements can seem distinctly philanthropic. Yet the economic growth and wealth-creation goals can align with business and financial responsibilities.

A pandemic surge has also given greater depth and rare evidence of what could be lasting change. This moment is worth consideration and evaluation, to which this report has intended to contribute.

Bloomer Tech founder Alicia Chong Rodriguez said in order for this surge in inclusive entrepreneurship to be sustained, it's crucial for organizations to not only listen to input from founders of color, but put them in positions where they have the authority to influence decisions.

"It's important to ensure that you have diversity in your decision-making seats," she said. "People of color are worth this. Women are worth this. From a business perspective, there's a huge opportunity here."



A panel at a Technical.ly conference in 2019. (File Photo)

# The Inclusive Entrepreneurship Investment Checklist

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To support inclusive entrepreneurship, we have outlined a checklist to guide your investments.


## Defining Inclusive

- What does underrepresented mean for your investments? Are you prioritizing race and ethnicity? What about gender, age, income or geography? Will you fund those who are disabled, LGBTQ, immigrants, U.S. veterans or from other specific backgrounds?
- What industries and types of companies constitute entrepreneurship? Is your focus on any business incorporation? Does that include sole proprietorships and any small business, or will you focus on those more likely to employ others? Does high-growth matter?
- Are you focused on supporting new entrepreneurs or advancing those further along? Is your key goal to increase rates of incorporation, the survival rate of those who start or the growth rate of the companies you serve?

## Program Design

- What are you offering underrepresented entrepreneurs? Is it capital, connections or other services?
- Is your approach executed through in-house programs or in partnership with external organizations with deep expertise in the issues you seek to solve? Both approaches have value.
- Do your investments center proximate leadership? (i.e. providing funding to entrepreneurs who are closest to the issues they seek to solve or have lived experience with those issues)
- How risk tolerant is your approach? Oftentimes to create change, investments are needed most in areas that seem newer, nuanced or less developed, yet have great potential to create change. What kind of failure is acceptable?

## Differentiation

- What are other efforts that offer complementary services? What organizations and programs online, nationally or in your community have similar offerings?
  - What policy or project priorities could advance your work? Are there local or national policies you should support? Or within your own program, what have you learned that can be improved?
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# The Inclusive Entrepreneurship Investment Checklist (cont'd)

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## Outcomes

- Does your approach to inclusive entrepreneurship seek to center equity or equality of access? Is your strategy primarily to uncover “lost Einsteins” to unlock economic potential, or are you primarily aiming to undo past social injustices? How does that align with your organizational priorities? What other organizational beliefs reinforce these investments?
- Are the outcomes your approach seeks to create designed to benefit an individual or a system? (i.e. providing funding to an individual entrepreneur or providing funding to increase the capacity or functionality of a system that can support and/or benefit many entrepreneurs)
- Are the outcomes your approach seeks to create incremental or sustainable? (i.e. is the funding one-off versus multi-year, do your investments seek returns that can be recycled?)

## Impact Measurement

- What will be signs of success for your inclusive entrepreneurship program? How will you mark that success? What is your desired return on investment? How long are you committing?
  - What outside factors would shift your strategy? If a key metric was suddenly reached, would you change your program?
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