

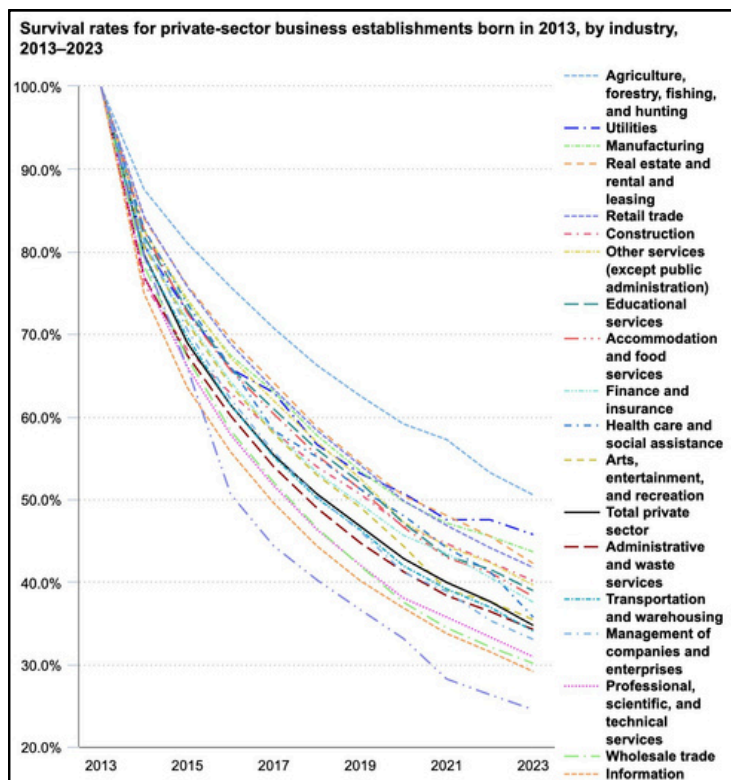


Boosting Small Business Growth: Navigating Policy Complexities and Government Support



America is home to over 33 million small businesses.¹ The COVID-19 pandemic has further fueled this drive, with the 5.5 million businesses started in 2023 representing a 50% increase over those founded in 2019.² May is Small Business Month and serves as a crucial time to emphasize the essential role small businesses play in stimulating economic growth and cultivating innovation within communities across the nation. It provides an invaluable opportunity not only to celebrate the contributions of small businesses but also to scrutinize how complex policies impede entrepreneurial success, as well as showcase government partnerships aimed at ensuring the longevity of this vital industry. By examining these policies and collaborations, we can better understand the challenges faced by entrepreneurs and work towards creating a more supportive environment for their endeavors.

While small businesses continue to form 99.99%³ of all US businesses, founding does not equate to long-term success, with as many as half of all small businesses failing in the first five years and that number rising to two-thirds by year ten (see chart on right).⁴ Further, young adults are leading the charge in small business growth, with a rate of entrepreneurship nearly twice that of adults ages 35-64, heightening the need for



1 Small Business Administration. (2023, June 9). Frequently asked questions about small business 2023. SBA's Office of Advocacy.

<https://advocacy.sba.gov/2023/03/07/frequently-asked-questions-about-small-business-2023/>

2 Commerce Institute. (2024b, February 4). How many new businesses are started each year? <https://www.commerceinstitute.com/new-businesses-started-every-year/>

3 Main, K. (2024, April 11). Small business statistics of 2024. Forbes. <https://www.forbes.com/advisor/business/small-business-statistics/#:~:text=Over%20180%2C000%20more%20small%20businesses,within%20this%20timeframe%20than%20closed.>

4 Chamber of Commerce. (2024, April 12). Small business statistics. Chamber Of Commerce. <https://www.chamberofcommerce.org/small-business-statistics/>

About NFTE

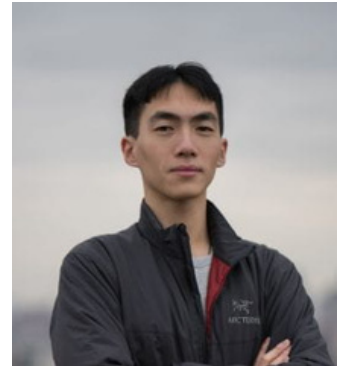
The Network for Teaching Entrepreneurship (NFTE) is a global education nonprofit that empowers partners to integrate entrepreneurial education across curricula and equips youth in under-resourced communities with the skills, connections, credentials, and real-world experiences needed to lead change and own their futures. Since 1987, NFTE has reached more than a million learners worldwide.

youth education and supports.⁵ Reasons for small business fragility are numerous but well-studied and call for coordinated efforts to prepare aspiring entrepreneurs to confront the difficulties of owning and operating a business in the U.S. policy landscape. Entrepreneurship education programs like those taught through the Network for Teaching Entrepreneurship (NFTE) help to build the pipeline of successful entrepreneurs by arming them with the necessary tools for success, fostering resilience by normalizing the experience of failure, and instilling a tenacious spirit to confront and conquer new challenges. Entrepreneurship education programs that support young people as early as fifth grade can yield enduring positive effects on the individual and the small business market in the US.

Many entrepreneurs begin businesses, only to be stymied by complex and unnavigable systems of regulation. At the state level, government has the opportunity to partner with aspiring and growing small business owners to both create supportive policies and to assist in navigating the systems crucial to their functioning. Combining supportive state policies with entrepreneurship education programs can significantly enhance the likelihood of success for small businesses.

Navigating Regulatory Challenges and Accessing Government Resources: Insights from Small Business Owners

Across industries, small business owners confront many challenges in complying with necessary and protective regulations in areas such as labor, tax, and licensing. Often, business owners will employ a consultant or agent of the state to assist with paperwork and filing, but even with this costly support, they still hold much of the knowledge needed to complete forms and ultimately bear responsibility for their compliance.⁶ Cody Chang, co-founder of Product Gym, CEO of Tier One AI Labs, and NFTE alumnus, experienced this challenge firsthand. Even when working with a consultant, he often spent time focusing on navigating New York's licensure process. Challenges involving regulations and classification issues have hindered the growth of Product Gym.



Cody Chang

Opaque requirements and differences from state to state in the complexity and nature of regulatory systems can hinder a business's ability to scale and may even discourage some individuals from operating at all. Revision of regulatory policies for ease of understanding – paired with an investment in communication of requirements to business owners – would be a step in the direction helping small businesses to avoid costly problems in complying with state regulations. Even when government resources are available to small businesses, the sheer volume of services and programs – not all explicitly relevant to any given venture – may overwhelm inexperienced entrepreneurs. Jevon Howell, CEO of ShopHowell and NFTE alumnus, laments that while resources exist, they aren't targeted enough to small business needs and capacity, and small business owners have trouble navigating them. Because of his experience in this area, Jevon has a new business venture, Nexus AI, which will tackle these issues head-on with artificial intelligence-assisted business consulting solutions. Furthermore, Howell recognizes that funding, through Small Business Administration loans, National Science Foundation grants, and many other publicly funded avenues, are available, but typically use metrics that are unachievable by true grassroots businesses and offer little to no support in meeting requirements.



Jevon Howell

Navigating access to funds and investors can be a daunting challenge for entrepreneurs,

⁵ Babson College. (2023, August 22). Global Entrepreneurship Monitor 2022-2023 United States Report. Issuu. <https://issuu.com/babsoncollege/docs/brndrep4-2795-gem-2023-final-pages>

⁶ Babson. (2016, June). The state of small business in America 2016. Goldman Sachs. <https://www.goldmansachs.com/citizenship/10000-small-businesses/US/news-and-events/babson-small-businesses/multimedia/babson-state-of-small-business-in-america-report.pdf>

particularly those without an established network of connections and resources. Jonathan Ho, co-founder of Edily Learning and Administrative Vice Principal at Menlo-Atherton High School in Atherton, CA, and NFTE alumnus, describes working as a full-time entrepreneur as a privilege, underscoring the necessity of having the right resources and network to support entrepreneurial endeavors. Despite years of dedication to his venture-backed start-up, Edily Learning, the difficulty in securing funding led him to transition to an administrative role at a school. Reflecting on his journey, Ho remarked, "Entrepreneurship is in my bones and I use an entrepreneurial mindset every day in my work at the school. When it makes sense, I may return to it."



Jonathan Ho



Mary Blackford

Similarly, Mary Blackford, an NFTE alumna and Founder of Market 7, launched her business in response to the persistent food desert in Ward 7 of Washington, D.C. Blackford highlights the additional barriers faced by minorities, especially Black women, in accessing funding and resources. She notes that entrepreneurs often work around the clock, leaving them with little capacity to navigate a complex and resource-scarce system. Market 7, which has been a vital connector for Black-owned food and lifestyle businesses within the community, is now preparing to expand into a 7,000 square-foot food hall. This move represents a significant milestone in addressing both the food desert issue and the economic empowerment of Black-owned businesses in the area.

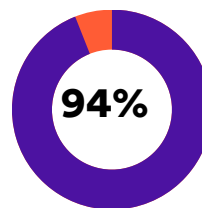
Starting Young: The Path to Entrepreneurial Success

One proven way to increase entrepreneurial success is to start young. Entrepreneurship education programs, such as those offered through NFTE's curriculum, provide an avenue for students as young as 10 years old to explore the foundations of good business, including market research, understanding your customers, and the costs of operation. But more than developing content knowledge, NFTE's programs provide a safe and structured environment to learn one of the keys to successful entrepreneurship: how to fail forward. The ability to accept setbacks and build from them toward new efforts is part of the iterative cycle of business ownership and innovation.

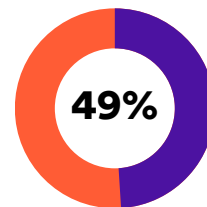
NFTE evaluates its programs through the Entrepreneurial Mindset Index (EMI), which consists of eight key domains or skills, including comfort with risk, initiative and self-reliance, opportunity recognition, and flexibility and adaptability. NFTE alumni like Chang, Blackford, Ho, and Howell credit NFTE's entrepreneurship education programs, taken during their high school years, with instilling in them these necessary skills to becoming successful entrepreneurs. For Blackford, learning business fundamentals such as creating a business plan and developing social skills through networking with NFTE's

NFTE Alumni Findings

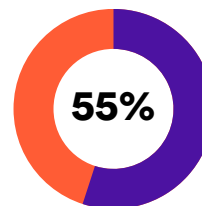
NFTE's most recent Program Alumni Survey (December 2021) looks at the self-reported experience of a diverse sampling of young alumni.



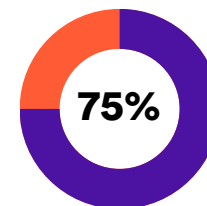
of alumni felt NFTE helped them learn how to build a business



of alumni who run their own business reported they were running a business they started as a NFTE student



of alumni who run their own business reported they were profitable in 2020, even as the pandemic created challenging conditions



of alumni reported high or very high levels of career satisfaction in 2021

alumni network has made her an effective fundraiser and connector. Alongside foundational concepts and critical thinking, Howell says NFTE taught him to “fail comfortably...developing a sheer grit and perseverance in the face of failure” that would allow him to overcome challenges like those brought upon his business by the COVID-19 pandemic and the everyday difficulties of maintaining a small business.

Federal-Specific Entrepreneurial Support Programs

NFTE recognizes the crucial need for young entrepreneurs to receive encouragement, funding, and access to a supportive network. We provide this opportunity on a micro-level, extending assistance to alumni through our Founder’s Forum cohort, a comprehensive five-month virtual incubator program tailored to support their startups. The primary goal of this initiative is to empower NFTE entrepreneurs to further enhance their businesses across vital areas including sales, capacity building, financial projections, and refining business models. Moreover, participants benefit from preparing for investment, expanding their professional network, and directly engaging with potential investors. As the program concludes, a select group of finalists present their startups in a virtual annual event, vying for funding. Through this structured program, NFTE alumni not only refine their entrepreneurial skills but also connect and learn from other aspiring entrepreneurs and accomplished business owners who volunteer as mentors and judges.

Leveraging similar opportunities at a much larger scale through the Small Business Administration could provide valuable skills development, as well as funding to many more aspiring entrepreneurs. Programs such as the Community Navigators, which is slated to end its pilot initiative this month, are valuable resources to small businesses and enough entrepreneurs simply don’t know about them, or how to apply. Additionally, on the legislative side, bills such as H.R.6457 and S. 1402 both support improved grant funding opportunities for minority entrepreneurs through the Small Business Administration. Blackford echoed the need increased funding opportunities for small business owners. Access to capital is one of the biggest hurdles she’s facing in expanding Market 7.

State-Specific Entrepreneurial Support Programs

Various federal programs and policy incentives exist to support small business establishment and growth and are essential for entrepreneurs like Chang and Howell. But state governments are in a unique position to make decisions for entrepreneurship, as the local business environment is a huge factor in the experience of a founder. There are a number of legislative opportunities that can be created to improve the small business climate, from tax incentives to funding partnerships.

Our research shows that there are several states that can serve as models to improve small business opportunities across the US. Below is a list of some of the top examples other states can learn from.

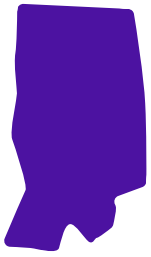
North Carolina: Coordinated state and local funding support



North Carolina is repeatedly recognized for its pro-business climate. Its One North Carolina Small Business Program combines funding at the governor's discretion with a local matching rate determined by the county's level of economic need as determined by the County Development Tier system.⁷ This ensures that businesses are funded at a higher rate in the areas that need them most and promotes the state's overall business health. This practical approach enables businesses in economically distressed areas to receive more substantial support, fostering a balanced economic development across the state. By offering grants and loans with favorable terms, the program encourages innovation and the growth of startups, providing a solid foundation for long-term economic success.

⁷ One North Carolina Fund: EDPNC. Economic Development Partnership of North Carolina. (2022, September 29). <https://edpnc.com/incentives/one-north-carolina-fund/>

Indiana: Tax structure reform



Indiana rests at the top of 2024's Forbes' list of best states to start a small business, with notably low financial barriers to entry and high survival rates.⁸ As of 2023, with the passage of Senate Bill 2, the state is offering small business owners even more support in the form of a tax incentive designed to simplify the process of starting a business are evident in their resources for entrepreneurs, including the Secretary of State's Business Owner's Guide, and the Secretary of State's Business Roadmap.⁹ These tools provide entrepreneurs with a clear pathway to navigate the complexities of business formation, thus reducing initial hurdles and encouraging more startups. Additionally, Indiana's competitive corporate tax rates and minimal regulatory burdens create an inviting environment for business growth, helping entrepreneurs retain more of their earnings for reinvestment and expansion.

Pennsylvania: State tax incentive and procurement reform to favor small and diverse businesses



The Keystone State ranks third, by Forbes' estimations, for its financial accessibility. Pennsylvania executive and legislative efforts in the last year have focused on increased accessibility for underrepresented entrepreneurs. In the fall of 2023, Governor Josh Shapiro enacted Executive Order 2023-18, a move to improve state procurement practices to extend more prime contracts to small businesses and those owned by women and people of color.¹⁰ This reform not only opens up new opportunities for these businesses but also promotes diversity and inclusion in the state's economic activities, ensuring a more equitable business environment. The state has also introduced targeted tax credits and grants specifically designed for minority-owned enterprises, helping to level the playing field and stimulate economic activity in historically underserved communities.

Conclusion

This May, while the public is encouraged to “shop small,” NFTE urges states and cities to think big, evaluating the pathways to sustained and successful entrepreneurship from start to finish. This entails providing targeted resources and establishing interconnected information networks to navigate the intricacies of regulatory policy, thus empowering small business owners to maneuver through complex regulatory landscapes with greater ease. Additionally, policymakers are encouraged to adopt measures that acknowledge the disproportionate impact of policies on small versus large enterprises, recognizing that conventional policies often favor larger corporations. Fostering the growth and development of small businesses necessitates the implementation of funding initiatives specifically tailored to grassroots operations, ensuring that financial support reaches those at the grassroots level. In parallel, it's crucial to prioritize initiatives that cultivate an entrepreneurial mindset among young people, equipping them with the resilience and problem-solving skills essential for navigating the challenges of starting and growing a business. Programs such as NFTE play a pivotal role in this regard, exposing youth to entrepreneurial principles and processes, thereby nurturing a generation of innovative and resourceful future business leaders.

8 Main, K. (2024a, January 2). Ranked: The best states to start a business in 2024. Forbes. https://www.forbes.com/advisor/business/best-states-to-start-a-business/#state_by_state_ranking_the_best_states_to_start_a_business_section

9 Indiana SB0002: 2023: Regular session. LegiScan. (n.d.). <https://legiscan.com/IN/bill/SB0002/2023>

10 Executive order 2023-18. (2023, September 5). <https://www.oa.pa.gov/Policies/eo/Documents/2023-18.pdf>

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