



**Carolina
Small Business**
DEVELOPMENT FUND



Initiative to partner
with North Carolina's
**Historically Black
Colleges and
Universities**

November 2017

Introduction

Carolina Small Business Development Fund (CSBDF) is a statewide nonprofit Community Development Financial Institution (CDFI) serving the state of North Carolina. Our mission is to foster economic development by providing capital, business services, and policy research to support small businesses. Our vision is to create economic opportunity for all people.

CSBDF launched its direct small business lending program in 2010, and since then has made over 540 loans to small businesses, totaling over \$38 million, which have helped to create or retain 1,668 jobs across North Carolina. Through our business services programs, we have provided education, training, one-on-one coaching and mentoring to thousands of small business owners and aspiring entrepreneurs.

In recent years, CSBDF has launched a number of initiatives to more effectively reach our target markets and to test out new and innovative approaches to our service delivery. Establishing partnerships with other mission-driven organizations has allowed CSBDF to expand our capacity to implement new programs and further our reach into communities. This brief will discuss our new initiative to partner with North Carolina's Historically Black Colleges and Universities (HBCUs). It will describe the evolution of this initiative, the partnership model we developed, our expected outcomes, and our goals for the future.

About HBCUs

Prior to the Civil Rights Act of 1964, African-Americans were excluded from most institutions of higher education, save a few that had been integrated. The Morrill Land-Grant Act of 1862 provided federal land for opening colleges and universities to educate farmers, scientists and universities. In 1890, the second Land-Grant Act required Land-Grant institutions to allow admission of black students, or alternatively, allocate funds to establish separate black institutions. As a result, 16 exclusively black institutions were established, which would later become HBCUs. HBCUs received official recognition in 1965 through the Higher Education Act, which provided direct federal aid to these institutions.

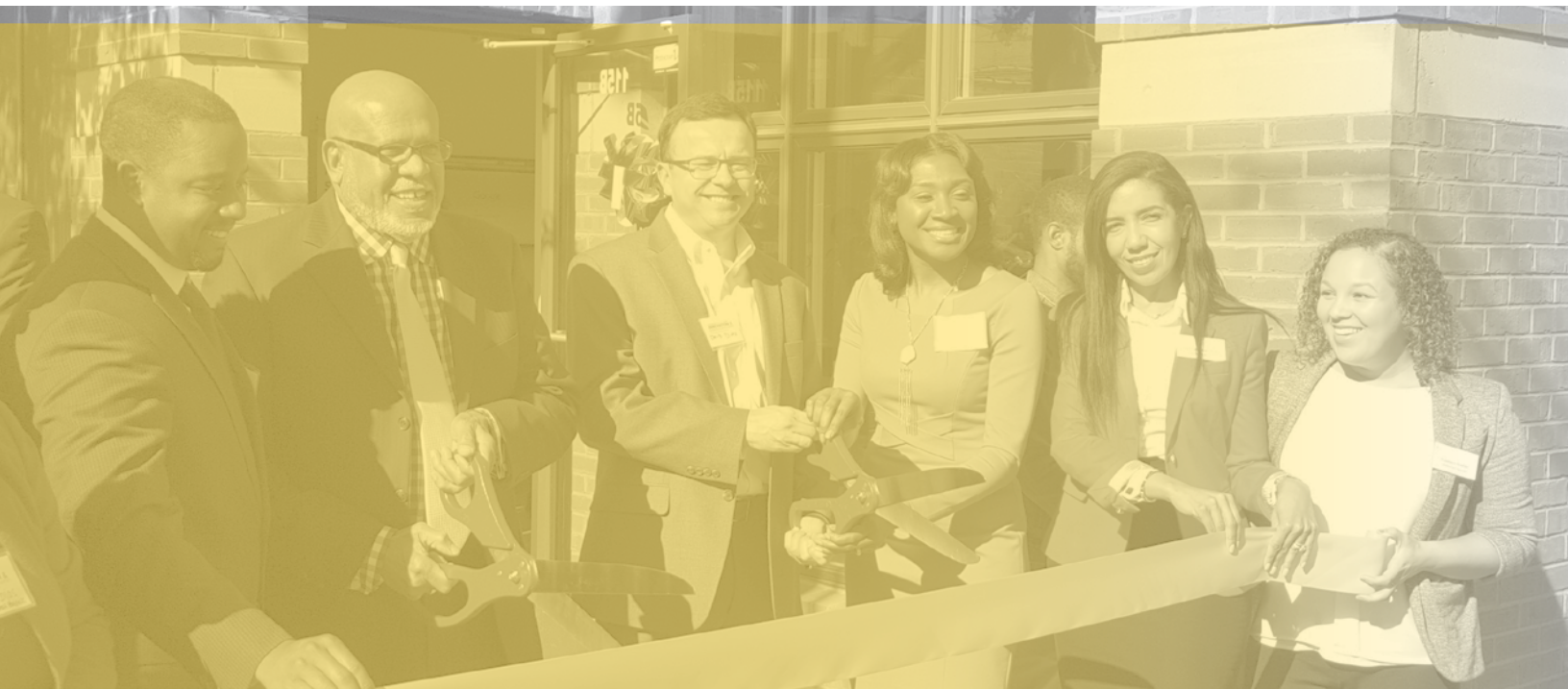
Today there are 100 HBCUs in 19 states, the District of Columbia and the US Virgin Islands, which enroll 294,000 students. Enrollment has increased over the past few decades, as has diversity among students. Unfortunately, the percentage of black students

enrolled at HBCUs has decreased at the same time, from 18 percent in 1978 to 8 percent in 2014.¹

HBCUs have significant impact on their communities and the economy. The estimated short-term economic impact of HBCUs is \$10 billion, and employ over 180,000 people. HBCUs are centers for research and innovation. In 1978, Shaw University was the first HBCU to receive a patent for an invention. Since then, HBCUs have received over 100 patents. In many cases, these patents have transitioned from the research to new products in the market.² HBCUs are also important local institutions. As stated in an article on Higher Ed Jobs, "Their presidents, administrators, faculty and staff provide political and economic leadership for the communities in which they are located. In addition, the service role that their students play is very important to the economic health of the communities."³

¹ National Center for Education Statistics. Historically Black Colleges and Universities. Fast Facts. <https://nces.ed.gov/fastfacts/display.asp?id=667>

² Lee, John Michael Jr. and Samaad Wes Keys. "Repositioning HBCUs for the Future. Access, Success, Research & Innovation." Association of Public and Land-grant Universities (APLU). 2013. <http://www.aplu.org/library/repositioning-hbcus-for-the-future-access-success-research-and-innovation/file>



Opportunity for Partnership

HBCUs represent a prime opportunity for CDFIs to engage communities of color, expand access to entrepreneurship training and capital, and to increase their impact by leveraging expertise of both CDFIs and HBCUs. Despite challenges in recent years, including a lack of access to increasingly competitive capital and resources, HBCUs continue to provide a unique and important environment for learning among African-American students. Although state-sponsored segregation officially no longer exists in the US, we continue to see widening disparities and inequality along socioeconomic and demographic lines. HBCUs still have a critical role to play in offering opportunities and breaking down barriers for African-American students, as well as students of other backgrounds.

Developing partnerships with organizations like CDFIs can help HBCUs to overcome some of the challenges that HBCUs have faced. In fact, many HBCUs in recent years have been working to innovate their model and programs in order to remain relevant in the changing higher education environment.

Within these efforts, there are significant

opportunities for CDFIs to engage with HBCUs and their communities. For example, the HBCU Community Development Action Coalition, a membership organization comprised of HBCUs, Community Development Corporations and other Minority Serving Institutions, has identified increasing strategic collaborations as one of its top three goals within its strategic framework developed in 2015. The framework also identifies three programmatic themes—Quality of Life, Quality of Place, and Economic Mobility and Inclusion. Entrepreneurship and economic development are listed as a key component of Economic Mobility and Inclusion.⁴

With fewer resources available, declining financial support, decreasing enrollments and a changing policy and regulatory environment, HBCUs are seeking new ways to offer high quality and state of the art programming to their students and communities. At the same time, CDFIs working to increase their impact can serve as key partners in furthering the goals of both the CDFIs themselves and their HBCU partners.

³ Higher Ed Jobs.

⁴ HBCU Community Action Development Coalition. "HBCU-CDAC Strategic Framework." February 20, 2015. <http://www.hbcucoalition.com/wp-content/uploads/2015/07/STRATEGIC-FRAMEWORK-2015-Ver-4.pdf>



CSBDF's HBCU Initiative

The CDFI industry in recent years has recognized the need to actively promote diversity and inclusion, and this includes recruiting more diverse talent to lead and staff our organizations. To do so requires a commitment to adopt diversity and inclusion as core values, and then developing programming to put these values into action. CSBDF's President/CEO saw an opportunity to engage more young people of color, as well as institutions, by working with HBCUs. In his vision, this would lay the foundation to forge new partnerships with HBCUs in order to deepen our impact in communities of color.

He led an effort to work more strategically with HBCUs beginning in 2014, first with the development of an internship program. The idea was to provide employment and experience for HBCU students while exposing them to the work of CDFIs and more broadly, the community development field. In this way, we would be encouraging diversity in the industry and increasing representation of people of color in creating an impact in underserved communities.

To implement the internship program, CSBDF proactively reached out to local HBCUs, including Shaw University, St. Augustine's University, and North Carolina Central University, to build a pipeline

of students from their business, marketing, and other related programs. After building a relationship and establishing a referral source, CSBDF was able to hire the first intern in May 2015. Since then, CSBDF has brought on a total of five interns from HBCUs, two of whom have been retained as full-time staff.

As CSBDF's relationship with local HBCUs developed, the opportunity to leverage institutions and expertise for deeper engagement was also cultivated. In 2016, CSBDF's President/CEO began the outreach to develop more in-depth formal partnerships with HBCUs, with the vision to harness of the innovation already occurring on campuses, expose more students to entrepreneurship and business skills and, ultimately, help to creating an entrepreneurial ecosystem for HBCU faculty, students, and communities.

The challenge was to develop a model for partnerships, which are inherently complex vehicles. A successful partnership with HBCUs would improve the impact and effectiveness of action through combined and more efficient use of resources; promote innovation; and would be distinguished by a strong commitment from each partner.

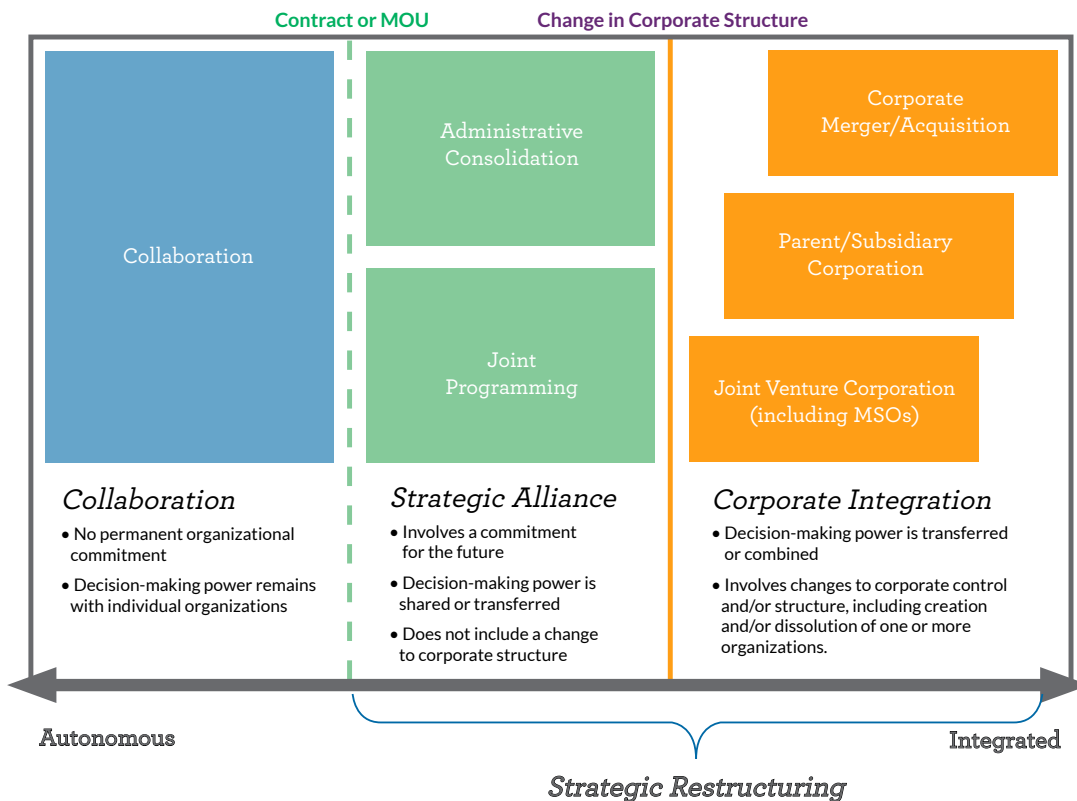
Developing Partnership Model for CDFIs and HBCUs

Different types of partnerships were analyzed to determine the best approach for a CDFI like CSBDF to partner with HBCUs. As the main task of partnerships is to find ways in which organizations – with their different tasks, responsibilities and approaches – can co-operate in dynamic societies, it is necessary to adapt methods and ways of working accordingly. Thus there has to be on the one hand a stable framework, and on the other hand a certain degree of flexibility to allow the necessary changes and adaptations.

According to the publication from the CCF National Resource Center “Partnerships: Framework for

Working Together,” from a community development perspective, the test to determine if these partnerships are effective is whether they actually contribute to what will empower people for social and economic change. Organizations linking community and institutional interests list the following components regarding the share of work: close, mutual cooperation; common goals; shared involvement in decision-making; sharing risks and benefits; common interests; responsibilities; and power.¹⁵

A well-known framework for understanding the types of collaborations non-profits engage in has been developed by David La Piana.²⁶ This partnership



⁵ Department of Health and Human Services by the National Resource Center. "Partnerships: Frameworks for Working Together." *Strengthening Nonprofits: A Capacity Builder's Resource Library*. 2010.

⁶ La Piana Consulting. "The Partnership Matrix." 2011 from Tschirhart & Bielefeld. *Managing Nonprofit Organizations*. Jossey-Bass. 2012

matrix distinguishes between partnerships based on programs or administration. Partnerships can also contain a combination of features and can be adapted based on the needs of the organizations and the societal landscape.

In this framework, “Collaborations” are not permanent relationships and decision-making power remains with the individual organizations. This type of partnership is ideal for sharing information, coordinating efforts and referring clients to services. “Strategic Alliances,” on the other hand, are more comprehensive partnerships and there is a degree of structure in place. These partnerships are based on formal agreements in which organizations make a commitment to future joint activities and a degree of shared decision-making power, although partners can still operate independently. Due to the nature of the work between CDFIs and HBCUs, other partnership components, such as cost-sharing may occur. In this case, both organizations can provide different resources to support programming (i.e., the

university provides physical space and support from faculty members, and the CDFI provide staff and subject matter experts in community/economic development and capital opportunities). There are additional forms of partnerships that can be more complex in structure and commitments.

After assessing organizational needs and market demands, CSBDF adopted a blended partnership model for its work with HBCUs. This blended model between Collaborative Partnership and Strategic Alliance has allowed the involved organizations to maintain create the most efficient model for maintaining a formal commitment to move community development programs and activities forward. However, if the partnership involves other agencies from the private and public sector, it would be necessary to look at the partnership as a cross-sector collaboration, which may require to look at additional special partnership features that provide better structure for sharing information, resources, activities and capabilities.



Current and Future Partnerships

Out of the 11 HBCUs in North Carolina, CSBDF has five partnerships in various stages of development. Though each approach and partnership is unique, seeking to address the specific needs within each institution and community, our aim is to increase our impact by doing work together that is greater than what each organization could accomplish alone. Each new partnership requires a new discovery process and the development of objectives that reflect the needs and opportunities within their local communities and markets.

The case study in the next section details CSBDF's partnership with Shaw University, CSBDF's longest standing partnership among HBCUs. It highlights the development of the partnership, from the initial outreach to planning, and through implementation and the joint launch of our Innovation and Entrepreneurship Center in southeast Raleigh.

In October 2017, we launched an Eastern Women's Business Center (EWBC) in partnership with Elizabeth City State University (ECSU), with the goal of strengthening local entrepreneurship and small business development in the northeastern region of North Carolina—one of the most economically distressed areas of the state. The EWBC is located on campus and together, CSBDF staff and ECSU faculty will provide programming for local business owners and to address the region's economic challenges.

Partnerships are in development with three other campuses to formally establish entrepreneurial training, delivered through different types of programs. For example, a Memorandum of Understanding has been signed with Fayetteville State University to launch a program called Cape Fear Foward, which will provide entrepreneurial education and business services delivered by both FSU and CSBDF. In addition, a targeted loan fund called the Cape Fear Foward Revolving Loan Fund, managed by CSBDF, will expand access to capital to underserved small business owners within Cumberland County. Further details of these partnerships will be included in the second report in this series.

Looking Ahead

A number of models are available for the partnership development process, all describing a sequential process that includes initial assessment of issues to be addressed, identifying potential partners, determining best approach for partnership and building relationship, to drawing up an agreement or MOU, developing and implementing action plans and strategies, scaling up, and monitoring and evaluation on an ongoing basis. Each stage or phase of partnership development is important and the outcomes of a given phase will depend upon successfully meeting the different challenges of the previous phase.

As CSBDF continues to develop new partnerships, the model used will certainly change and adapt. Each relationship represents both new opportunities and new challenges. Part two of this series will discuss the other partnerships developed under CSBDF's HBCU Initiative, lessons learned, and our outcomes.

Case Study:

Partnership with Shaw University

Background

Located in the heart of downtown Raleigh, Shaw University was the first HBCU to be established in the south. It was founded in 1865, just a few years after the Morrill Land-Grant Act of 1862 was passed, and has a rich history: it was the first college to offer a four-year medical program, the first HBCU to enroll women, the first HBCU to be given an “A” rating by the State Department of Public Instruction, and it was the site where, in 1960, the Student Non-Violent Coordinating Committee (SNCC) was formed.

Shaw’s mission is to “advance knowledge, facilitate student learning and achievement, to enhance spiritual and ethical values of its students, and to transform a diverse community of learners into future global leaders.” It offers over 30 degree programs and enrolls 1,800 students. Since 1994 over 4,000 students have graduated from Shaw. The university estimates that its faculty, staff and alumni contribute \$133 million to Wake County’s economy in 2013.

In 2016 as CSBDF’s President/CEO was reaching out to partner with HBCUs, the leadership at Shaw had also been working to increase the university’s entrepreneurial and business offerings for students. Shaw offers an undergraduate degree in business administration, with roughly 250 business students. However, the course offerings on business topics are limited and though the university had initiated a few efforts over the years to bolster its entrepreneurial training, it had not been able to see these to fruition.

At the same time, being situated in southeast Raleigh provided Shaw with a prime opportunity. Southeast Raleigh is an area that has long faced economic challenges. This traditionally African-American neighborhood is facing the threat of gentrification as new housing is being developed, and new companies move into the area. In 2000, a business incubator had been established in southeast Raleigh to spur local economic development. But, due to concerning findings in a city audit, the incubator shut down in 2013. The City of Raleigh has opened the Pathways Center at this location, which focuses on workforce development and job training. However, plans to reopen the incubator have been delayed and fraught with tension between neighborhood residents and city leaders.

There was thus a unique opportunity to align the goals of both Shaw and CSBDF to expand access to entrepreneurial training and resources to both Shaw University, as well as southeast Raleigh and beyond. Both institutions were seeking to leverage partnerships, inspire the upcoming generation of entrepreneurs, and to fill a gap in meeting the needs of local small businesses. Both institutions already had established familiarity and a relationship through the internship program, and thus were ready to explore other ways to partner to achieve our mutual goals.

Discovery

Developing a formal partnership began with initial exploratory meetings with the leadership of both institutions—the President/CEO of CSBDF and the President of Shaw University. These initial meetings served as a discovery process to identify where there was synergy between goals and resources of both organizations. Importantly, it began with buy-in from the chief executives and board of directors of both Shaw and CSBDF, which helped to establish this partnership exploration as a priority.

Through the initial discussions, it was clear that there was an opportunity and commitment from both organizations to elevate local small businesses in the area and to provide resources for students as well. Both organizations coalesced around the idea of creating an entrepreneurial center that would serve both Shaw students and the broader community. As such, a planning committee was established with Shaw and CSBDF senior management to flush out the details of the partnership and its objectives.

Planning

The planning committee met over several intensive work sessions to create a business model canvas, which identified key partners, key activities, key resources, customer segments, relationships, implementation channels, and revenue streams. Most importantly, it established the value proposition of this partnership: Building business skills through training and expanding access to capital. By framing the discussion around this business model canvas, the committee was able to identify how to integrate the expertise of both organizations, what the partnership could realistically accomplish, and what resources would be needed.

KEY PARTNERS Who are our key partners? Who are our key suppliers? Which key resources are we acquiring from our partners? Which key activities do partners perform?	VALUE PROPOSITIONS What value do we deliver to the customer? Which one of our customers' problems are we helping to solve? What bundles of products and services are we offering to each segment? Which customer needs are we satisfying? What is the minimum viable product?	CUSTOMER RELATIONSHIPS How do we get, keep, and grow customers? Which customer relationships have we established? How are they integrated with the rest of our business model? How costly are they?	CHANNELS Through which channels do our customer segments want to be reached? How do other companies reach them now? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines?
KEY ACTIVITIES What key activities do our value propositions require? Our distribution channels? Customer relationships? Revenue streams?		CUSTOMER SEGMENTS For whom are we creating value? Who are our most important customers? What are the customer archetypes?	
KEY RESOURCES What key resources do our value propositions require? Our distribution channels? Customer relationships? Revenue streams?	REVENUE STREAMS For what value are our customers really willing to pay? For what do they currently pay? What is the revenue model? What are the pricing tactics?	COST STRUCTURE What are the most important costs inherent to our business model? Which key resources are most expensive? Which key activities are most expensive?	

Implementation

The business model canvas laid the foundation for implementing a formal relationship between the organizations. The initial Memorandum of Understanding (MOU) between CSBDF and Shaw outlined the establishment of an Entrepreneur Center that would deliver training and coaching to entrepreneurs, as well as business curriculum for Shaw students. The center would be housed on Shaw's campus and staffed by CSBDF's business services department. This way, Shaw could increase the resources and expertise available to its students and community, while CSBDF could establish a presence in the area and a vehicle to penetrate that market.

The MOU detailed the role that each institution would play in establishing the center:

- CSBDF would provide capital and business expertise to assist local small businesses, provide educational workshop and trainings, develop tools and resources for small businesses, and facilitate business workshops, events, and activities on Shaw's campus for students. CSBDF would also work to increase collaboration with other local business and community partners.

- Shaw would provide access to classrooms and other logistics to support the activities of the center, provide space for the center, help recruit small business mentors from among alumni and other corporate partners, leverage faculty expertise, and facilitate access for Shaw students to participate in internship opportunities.

Both organizations committed to ongoing development of the business model and programming, marketing and promotion, and support for grant writing for joint projects and to sustain operations.

Expansion

While the idea for the Entrepreneur Center was taking shape, a concurrent discussion was occurring at CSBDF about small businesses and innovation, particularly looking at the need to increase diversity in local incubation and innovation efforts. The Research Triangle area, encompassing Raleigh, Durham and Chapel Hill, is rife with high-tech companies, business incubators, coworking spaces, and support for burgeoning ventures. However, as mentioned previously, there was a gap in southeast Raleigh after the incubator had closed down in 2013. Furthermore, there is a need to expand access to these supports for minority entrepreneurs and for businesses beyond the high-tech industry.

A confluence of these ongoing conversations resulted in an amended MOU, which detailed that the center would be both entrepreneurship and innovation focused. Additionally, it would be a stand-alone center, occupying its own physical space in southeast Raleigh, that would offer more than just entrepreneurial training. The Innovation and Entrepreneurship Center (IEC), as it came to be known, would offer classroom space, coworking facilities, community space, technology, and space to allow for incubation of local small businesses. It would help to elevate the services delivered to small businesses and students.

Launch

Shaw took the lead on securing space for the IEC, while CSBDF took the lead on carrying out retrofits and renovations to accommodate the IEC's planned activities. The two organizations support a program director who staffs the IEC and is responsible for developing and implementing programming. In January 2017, the IEC formally opened its doors to the community.

The IEC provides four primary functions:

1. Collaboration space: The IEC's ground floor provides a fully equipped flexible space for CSBDF's business services staff to conduct workshops and trainings, as well as hold community and networking events. This space is also used to provide learning opportunities for Shaw students.
2. Incubation: The second floor of the IEC includes fully equipped cubicles and shared office space that can be provided to entrepreneurs working on their ventures. The incubation program can accommodate two businesses on a quarterly basis, and will also include one-on-one coaching.
3. Creative Space: The IEC also showcases and supports work by local artists ("artpreneurs") through visual displays and by hosting a once monthly open house for artists, entrepreneurs and students.
4. Events: The IEC hosts a number of social, networking and business events on a regular basis.



Outcomes

Since opening its doors, the IEC has already made an impact among Shaw students and with local entrepreneurs. In the nine months that the IEC has been offering programming, it has already reached over 1,300 people through its various offerings. The IEC has held 20 educational workshops and 14 networking events, as well as a leadership series. Below is a sample of some of the programs offered.

Networking Series:

- Raleigh 1st Fridays: Art of Business
- Latinos in Business Social + MeetUp
- Black in Business After-Hours Social
- Triangle Entrepreneurs Social + MeetUp

Workshop Series Topics:

- Crowdfunding
- Is Owning a business a Good Fit for You?
- ABCs of Trademarks for Small Businesses
- Social Media for Your Business
- Personal and Business Branding 101
- IronYard Web Design Course

Through the IEC, we also coordinated the first ever Black Entrepreneurship Week, targeting black entrepreneurs in the Triangle region (Raleigh-Durham- Chapel Hill). This week-long signature event featured panel discussions on a range of topics, featured local speakers, workshops, a fireside chat, and pitch competition for women entrepreneurs. Prominent local companies partnered to sponsor the events and over 500 people attended in total. Black Entrepreneurship Week was the first event of its kind to celebrate black entrepreneurship in the Triangle.

