



New Hampshire Small Business Ecosystem Assessment 2024

Executive Summary





Supporting Small Businesses in New Hampshire

CDFA and its program partners are focused on building the capacity of New Hampshire communities to be strong, resilient, vibrant places to live, work, and play. They do this through investments in people, institutions, and systems.

Since 2013, CDFA and its regional partners have introduced programming that supports the development and expansion of very small businesses (with five or fewer employees) as a pathway to full-time employment, a living wage, and wealth-building for low- and moderate-income business owners and their families. Small businesses and microenterprises offer a pathway to wealth and asset building, particularly in New Hampshire, where home ownership is even less accessible due to very limited supply and record-high home prices.

CDFA is continuing to grow supports and access to capital for this critical segment of New Hampshire's economy through the ongoing implementation of the Community Development Block Grant Microenterprise Technical Assistance Program and, more recently, the Community Navigator Pilot Program. Alongside regional and statewide partners, CDFA aims to address challenges and break down barriers to reaching the most vulnerable and underserved community members in a meaningful way. For further details on current programming, please visit: www.nhcdfa.org

CDFA commissioned this work to give the wider community of small business stakeholders in New Hampshire a better understanding of the small business ecosystem in the Granite State. In doing so, the hope is that this will prompt new discussions and collaborations to address the challenges and leverage the opportunities highlighted in the study.

INTRODUCTION

UI Global's ecosystem assessment included a review of literature and best practices; interviews with stakeholders, community organizations, small businesses, and ecosystem service providers. All interview responses were analyzed to identify common themes, as well as strengths and opportunities for New Hampshire's small business ecosystem.

We met with 65 organizations located in different parts of the Granite State. Each has a foothold in New Hampshire's small business ecosystem and their contributions to this report have been invaluable. The authors would like to thank the 21 community organizations, 30 small businesses and fourteen small business service providers that contributed to this work.

In addition to highlighting the key takeaways from this outreach, this report also considers various aspects of the broader small business ecosystem in New Hampshire, examining many of the challenges specific to underserved business communities. We also looked beyond New Hampshire to identify and highlight the experiences and approaches of others, profiling examples of best practices elsewhere in the US and beyond. This too has provided useful lessons to help shape future policy and programing.

Some of the analysis that helped shape our recommendations is included in Appendices to this report. We have also included profiles of a selection of small businesses from different sectors located across New Hampshire. We are grateful to the founders of these businesses for agreeing to be interviewed. Their hard work and enthusiasm tell us that the spirit of entrepreneurialism is alive and well in every corner of the state.

Throughout this project, we met bi-weekly with CDFR to review progress and plan accordingly. We would like to thank the organization for its support and guidance throughout this process.

EXECUTIVE SUMMARY

Small businesses are the economic, social, and cultural soul of New Hampshire. Consider these numbers: Some 99 percent of the state's businesses are small businesses. Of those, 79 percent have one employee and 49.8% of the overall workforce is employed by a small business.

These realities and our history tell us that sound strategies for community economic development must prioritize small businesses. Those small businesses in turn produce quality jobs, generate wealth, build assets, and support upward mobility for all.

CDFA has long played a critical role in the NH small-business ecosystem by providing funding to support low- and moderate-income businesses with fewer than five employees through its Community Development Block Grant (CDBG) funded Microenterprise Program. In order to reduce the barriers that underserved entrepreneurs can face and help them access programs needed to start and grow their businesses, CDFA secured funding from the Small Business Administration (SBA) Community Navigator Pilot Program (CNPP). The program design built on years of CDFA's investment in microenterprises and deepened the work of experienced small-business and microenterprise technical-assistance providers across the state. It does so with a focus on outreach to small businesses that are owned or being started by historically vulnerable community members.

With that in mind, CDFA set out to give the wider community of small-business stakeholders in New Hampshire a better understanding of the small-business ecosystem. The result is this report, the NH Small Business Ecosystem Assessment. Ecosystem assessment for entrepreneurship has been practiced by states since 2010 and can help shape understanding, collaborations, policy, and program development.

New Hampshire's population is diversifying. This has been particularly evident within the BIPOC and Latino communities, where the rates of population increase in the last ten years have exceeded national trends. Yet, the rate of New Hampshire's business ownership in new populations is well below the national average.

By any measure, New Hampshire's current small-business ecosystem is not fully meeting the needs and opportunities of small businesses and entrepreneurs from underserved and historically marginalized communities (BIPOC, people with disabilities, immigrants and refugees, veterans, women, formerly incarcerated people, LGBTQ, and gender non-conforming people.) These communities face unique challenges navigating a system that was not developed with their needs in mind. Strengthening the ecosystem for underserved small businesses and entrepreneurs will build wealth, jobs, cultural understanding, and cross-community vibrancy. A rising tide raises all boats, in other words.

Failure to address the challenges faced by the underserved business community can have wide-ranging implications such as damaging inequality, reduced economic growth, missed economic contributions and human capital, loss of innovation and essential services. Neglecting underserved entrepreneurs hinders development of a diverse and thriving entrepreneurial ecosystem and impacts a region's reputation.

UI Global's ecosystem assessment, presented in this report, included a review of literature and best practices as well as interviews with 65 stakeholders, including community organizations, small businesses, and ecosystem service providers. This report also considers various aspects of the small-business ecosystem in New Hampshire, examining many of the challenges specific to underserved business communities. Profiles from other states and areas around the globe are presented to inform New Hampshire stakeholders of innovative models and best practices for entrepreneurship support.

Report findings include:

Understanding entrepreneurs and small-business creation

Understanding the state's ecosystem requires examining both necessity and opportunity entrepreneurs. Necessity entrepreneurs are, just as the term indicates, individuals who start a business out of necessity. They are driven by a lack of alternative employment opportunities. This may be due to economic hardship, unemployment, or a lack of access to traditional job opportunities. Necessity entrepreneurs often face unique capital constraints because their businesses often do not have the scale required to raise capital and because they don't generally have significant assets to invest. Necessity entrepreneurs feature widely in many underserved communities.

Opportunity entrepreneurs are individuals who start a business because they see a market opportunity and a way to increase their income. They develop a business and often are able to see the potential to scale. Opportunity entrepreneurs are typically better placed to access capital because of the potential for scale and because they start out with greater access to capital. Many small-business resources are designed with opportunity entrepreneurs in mind. The current ecosystem gives priority to the person choosing to become an entrepreneur, who develops an initial strategy, has resources and time to invest, and has the potential to develop and scale. Based on interviews with people from both groups of entrepreneurs, we believe that more consideration should be given to the needs of necessity entrepreneurs from underserved communities.

NH Ecosystem Challenges

There are **four small-business development stages – idea, launch, growth and sustain**. The New Hampshire ecosystem is weak in the idea-and-launch stages and has limited directed support for these activities. Programs tend to focus on the growth and sustainability stages. This is a challenge for both necessity and opportunity entrepreneurs. The ecosystem needs to make resources available for businesses at each stage of their development and must foster wider understanding of how business needs differ at each of these stages. Resources are often targeted at the growth stage with no support offered to individuals earlier in the process (e.g., those looking for support early on in order to develop an idea). In addition to meeting the needs of businesses at different stages of development, the small-business ecosystem should also provide resources to meet the different needs of entrepreneurs.

The Small Business Resource Framework shared in this report includes coaching, programming, direct technical assistance, access to capital, education, connections, and programming. CDFA and other small-business service providers should consider this framework as they work together to build an effective and sustainable small-business ecosystem. It is important to note that no one service provider needs to provide resources in each component. However, all service providers (and their clients) will benefit by giving voice to the concept that all the components are necessary for a healthy, inclusive ecosystem. If all service providers have a solid understanding of how and where to refer local businesses for needed support – even outside the provider’s region – everyone benefits.

Resources are uneven across the state: There is no “full-service” small-business development hub to provide a centralized referral system and to help set and monitor service delivery. Ecosystem challenges have not prevented the introduction of different and highly innovative small-business support initiatives. Included in the mix are unique approaches to providing capital, delivering cohort-based programs, providing coaching, and other technical assistance. However, these programs often exist in isolation.

Technical Assistance and Coaching are a focus: New Hampshire relies heavily on technical assistance and coaching as its main forms of small-business support. This prompted a mixed response in our discussions with end users. If New Hampshire is to successfully facilitate an ever-widening and more diverse community of small businesses, it will be important to continually review the current range of services, adding new forms of support as needed.

Service Provider Capacity is limited: Economic development bodies and municipalities are often gateways for entrepreneurial and small-business support. These organizations typically have broad missions and limited capacity.

Access to Capital is needed: Capital is a key resource for small-business development. Underserved businesses experience unique challenges to traditional capital.

Opportunities for strengthening the ecosystem

A key component of this report is the engagement of 65 stakeholders as a means to learn more about the ecosystem. Themes emerged across these interviews that can be seen as opportunities:

Increase understanding of all aspects of the small-business development stages among and ecosystem users and providers. Make deliberate decisions on supporting all aspects of the small-business development stages.

Increase awareness and access to the ecosystem focused on underserved communities. Make it easier to navigate into and within the ecosystem of resources and providers.

Enlist municipalities to be a part of the ecosystem. It is crucial for municipalities to be current in their understanding of the ecosystem and local providers.

Build the capacity of the organizations in the ecosystem to provide services to underserved populations.

Engage underserved businesses in developing resources, programs, training, and education.

Have opportunities for relevant mentorship. Identify and support mentors from within the diverse small-business sector so new entrepreneurs can make a trusted connection.

Understand and address the current and potential need for capital access. Understand the role of family and friends in early capital needs both in the benefits and limitations.

Recognize the importance of supporting basic life needs of underserved entrepreneurs such as transportation, childcare, housing, and healthcare.

Understand the value of social media platforms to network, engage and share information and utilize the evolving internet platforms as resources for New Hampshire small businesses and providers alike.

Finally, this report shares the stories of creative small businesses that are navigating the ecosystem.

CDFA will continue to grow support and access to capital for this critical segment of New Hampshire's economy through the ongoing implementation of the Community Development Block Grant Microenterprise Technical Assistance Program. Alongside regional and statewide partners, CDFA aims to address challenges and break down barriers to reaching the most vulnerable and underserved community members in a meaningful way and not strengthen the ecosystem.



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