

Ramona Schindelheim, WorkingNation editor-in-chief:

You're listening to Work In Progress. I'm Ramona Schindelheim, editor in chief of Working Nation. Work In Progress explores the rapidly changing workplace through conversations with innovators, educators, and decision-makers, people with solutions to today's workforce challenges.

Ramona Schindelheim, WorkingNation editor-in-chief:

Joining me today on the podcast is Gregory Johnson, managing director of the Rockefeller Foundation. Greg, thank you so much for taking some time to talk to us about what the foundation is up to.

Gregory Johnson, The Rockefeller Foundation managing director:

Awesome. I'm so happy to be here.

Ramona Schindelheim, WorkingNation editor-in-chief:

Let's start by telling the audience a little bit about the specific program, The Opportunity Collective. I'd like them to understand what you are trying to achieve with it.

Gregory Johnson, The Rockefeller Foundation managing director:

At the Rockefeller Foundation, we are really busy fighting for vulnerable families who've been locked out of prosperity, not only in the United States, but across the world. In the United States, our programming for equity and economic opportunity is focused on policy and practice in certain places. On the policy side, we've been focused on EITC and CTC expansion as a means of creating economic stability and mobility for low wage working families. And on the practice side, we've been really focused on how to build public private partnerships that leverage capital and bring capital into communities that have had a really hard time securing it. And our theory is, is that if we can decrease the racial wealth gap, we can unlock the almost 1.1 million jobs to almost \$250 billion boost to the national economy. We're really focused on this work because America is currently foregoing an estimated 1.1 million businesses that could be owned or operated by people of color due to past and present discrimination in American society. And those 1.1 million businesses could produce an estimated 9 million more jobs and boost the national income by more than \$3 billion.

Gregory Johnson, The Rockefeller Foundation managing director:

That's what it will do for all of us. What it will do for those individual families is to create the possibility of them to create wealth for themselves, and their communities, to educate their children to his or her or their capacity, and to have bread, to eat and to spare if their neighbors ever find themselves in need. So what we're hoping to do through the Rockefeller Opportunity Collective is one, to build power for black and native and LatinX small business owners. Because they're critical to job creation and to income growth. We're also hoping to provide the critical, contextual technical assistance and support that those small business owners will need to achieve a higher degree of capital readiness so that they can get the capital or access to capital or credit resources that they need to either start, to scale or to grow their businesses. Because again, that matters for the ability of families, where they live and work and raise their children every day, to be able to create wealth for themselves, for their neighborhoods and for their communities.

Ramona Schindelheim, WorkingNation editor-in-chief:

One of the issues that we've come across many, many times, and I'm sure it's very well documented is that people of color with small businesses have a hard time accessing capital. They maybe go to local banks, they don't have as much opportunity with large banks. Does the Collective address that capital issue?

Gregory Johnson, The Rockefeller Foundation managing director:

Absolutely. It's a critical pillar of the work. The first pillar is the power building. The second pillar is the contextual technical assistance. And the third pillar is directly related to capital providers and market opportunities to address the access to credit and capital issue. As you stated, minority owned businesses are less likely to receive loans. They're more likely to forego applying for loans for fear of rejection, and they tend to pay higher interest rates on business loans compared to the non minority counterparts when they do receive those loans. We know from the Fed that black entrepreneurs are denied loans at a rate nearly twice as high as white business owners. And we know that 1 in 10, non-employer black owned firms have no recent borrowing relationship with the bank as compared to 1 in 4 white owned firms. What all of this means is that business ownership to build wealth, because we know that the research suggests that business ownership is associated with higher levels of net worth and that for black and LatinX small businesses, this also serves as a community stabilizer and is a highly visible example of economic mobility.

Gregory Johnson, The Rockefeller Foundation managing director:

So our goal is through our investment of \$12 million in these 15 places across the country, it's ultimately to leverage \$120 million in private capital to confront this issue head on. And key to that is ensuring that there are different types of capital products that are in the marketplace. So when we think about where typically black, or LatinX, or native, where people of color, low wage entrepreneurs, access capital, they're doing it with their credit cards, which is not always a good idea. They're borrowing it from families and their families already have less cash reserves to make this work out.

Gregory Johnson, The Rockefeller Foundation managing director:

When they go to the traditional lending institutions, whether those are CDFIs, MDIs and the like, those institutions often don't have the necessary products to serve this community who are often only requesting loans or financial products under \$100,000. So when we think about that they're not asking for a lot, but those products don't exist in the marketplace. Then we do need to increase things like forgivable loans. We do need in places like Miami, and in places like Louisville and in places like Boston and Newark loan loss reserves, revenue based financing, trust-based, low interest. We need to think about non-dilutive capital for these communities of partners. And that's what we're investing in, in the capital provider space. Who are the capital providers who are really innovating, who are really offering the types of products that are needed by person of color, low wage entrepreneurs across the country.

Ramona Schindelheim, WorkingNation editor-in-chief:

You mentioned that these entrepreneurs are asking for loans of \$100,000 or less. And it reminded me that is very similar to the veterans communities. They go in and underestimate how much money also that they might need to run a business. And is there any type of support system, education around this business community to help them understand that, look, you have the expertise, you've got a business, you may need a little bit more capital than you think, and we're going to help you figure out how to do that,

Gregory Johnson, The Rockefeller Foundation managing director:

Absolutely. It's my favorite part is the contextual technical assistance and support that's needed by person of color entrepreneurs. We have to acknowledge that people of color, particularly the entrepreneurs who need to access capital are going to experience some different systemic barriers than their white counterparts. And enable to overcome those systemic barriers, they need the contextual technical assistance and support that understands the specific barriers that they're going to face.

Gregory Johnson, The Rockefeller Foundation managing director:

So when we look for people to provide business services, whether those are accounting services, whether those legal services, whether those services to help small businesses set up for the digital marketplace to make sure that they have digital capacity. We're making sure that we're number one, finding business service providers who are local, who are in our places, we're making sure that they are vetted, that they have actual data that suggests that they are successful in getting small businesses from where they are, to where we need and want them to be, which is to be able to access to capital they need to scale and to grow their businesses. So that those dollars build wealth in their communities, which is the best part of community development is when it's generated within the community and is able to stay there.

Gregory Johnson, The Rockefeller Foundation managing director:

So an entire pillar of our work, working with partners like 1863, who will be doing a national accelerator across our 12 places to help businesses do just what you're talking about. Or whether we're talking about the dollars that we're providing to partners like Rising Tide and Newark New Jersey. Or whether we're talking about grant dollars, like those to the Black Business Investment Fund in Miami, Florida, who's created a procurement program for contractors, 10 minority contractors, to ensure that their books are where they need to be to access certain procurement opportunities. And what those 10 contractors are on the line for, with the support that they're getting from BBIF is to bring along at least two subcontractors of color with them to get the same kind of education and training. So we're thinking about again, how do we help these small business owners not only build power, but how do we give them the business services? How do we provide for them the business services?

Gregory Johnson, The Rockefeller Foundation managing director:

And I want to make a distinction here because so many accelerators and incubators nationally, and in our places, they're good at diagnosing what's wrong with the business. That you are unable to access capital, or you need better 9-90s, you need stronger profit and loss statements, you need a better accounting and or receding system. But seldom do those people coupled that actual service providers that are necessary to correct those things. So if you need profit and loss statements, balance sheets, connection to QuickBooks. What our programming does is to ensure that there is someone who has those accounting skills and services, who's also there to provide those to you. All of this is in the context of ensuring that those person of color owned businesses, particularly if they're owned by low wage entrepreneurs, that they achieve a higher degree of capital readiness so that when they walk into the community development financial institution, or they walk into the revolving loan fund, or they walk into the marketplace with some of our other partners, that they're actually able to secure those funds.

Ramona Schindelheim, WorkingNation editor-in-chief:

You talked a little bit about Miami and the people you're working with there and the services you're providing. So some of these are universal around the country, but are there specific services that are needed in specific communities?

Gregory Johnson, The Rockefeller Foundation managing director:

There are specific services that are needed in specific communities. I like to say that a lot of our places are similarly situated because we did a lot of analysis to try and pick places where we thought that we could be catalytic. We wanted to make sure that there was some buy-in from leadership on the issue of decreasing the racial wealth gap and increasing access to credit and capital. We wanted to make sure that there was some existing infrastructure into place. But although all of our places are similarly situated, they are not the same. For instance, in Louisville, Louisville's vision for itself, particularly in the Russel community is to become a tech community, but not tech in the way that Oakland or Southern California is. They want to be a tech service provider and they want to provide those skills. And so one of our investments is to the Russell Technology Business Incubator, which was initially set to serve 10 entrepreneurs, to help them establish technological services businesses in Louisville, and a part of the programming was that they would not graduate from the program until they had actual contracts that would support their business.

Gregory Johnson, The Rockefeller Foundation managing director:

We're so proud that our initial investment in Louisville has led to some other community foundations and community partners chipping in. We've already gone from being able to scale from 10 entrepreneurs to 30 entrepreneurs in that community. And this is all in the context of helping Louisville fulfill the vision, particularly the Russel community to fulfill the vision that it has for itself of becoming a tech services hub. When we looked at some of our other communities like Miami, which I mentioned earlier, you see that the programming is much more specific to contract resistance, because if you know anything about the Miami market, you know how important contracting. There's always something being built on South Beach or in your adjacent area. And so this is about making sure that the black and the Latino and the native and the Haitian and the other indigenous populations of people who live in Miami-Dade County are able to access those contracts through the contractor assistance program.

Gregory Johnson, The Rockefeller Foundation managing director:

What you're seeing or what I'm hoping to demonstrate is that, while the need for access to credit and capital is universal across all of these places. The opportunity to use that credit and capital may be different in the other places. So in Louisville, we're bridging the gap around access to and capital to ensure that the Russel community is able to become a technology service incubator. And in Miami-Dade, we're funding to make sure that black and Brown and native contractors can access the credit and capital they need to get procurement opportunities, to help build the city in the communities that's around it.

Ramona Schindelheim, WorkingNation editor-in-chief:

So you said you have 15 communities now that have become a part of this program. I think it started with 10. So you've grown to 15 over ...

Gregory Johnson, The Rockefeller Foundation managing director:

12.

Ramona Schindelheim, WorkingNation editor-in-chief:

6, 7, 12, okay.

Gregory Johnson, The Rockefeller Foundation managing director:

The first 10 places were announced in summer of 2020. So just last year, seems so long ago, the way that the world is moving and we added Baltimore, Maryland, and Jackson, Mississippi in December of 2020. Just last month after adding Baltimore, Maryland, and Jackson, Mississippi to the RLC, our foundation's president, Dr. Rajiv Shah was with former President Bill Clinton and the Clinton Global Initiative, and announced as a part of our commitment to action, an additional \$3 million to help scale our work to catalyze the 120 in additional capital made available to the black and LatinX minority owned small businesses.

Ramona Schindelheim, WorkingNation editor-in-chief:

Is the majority of your funding going to larger urban communities? It seems like when I go over the list, there's no real rural approach.

Gregory Johnson, The Rockefeller Foundation managing director:

That's true, but I'll just say that the data drove us to where we are. Urban areas are minority and COVID centers. So black businesses and black populations are geographically concentrated in urban hubs. A quick statistic to kind of demonstrate this fact is that 40% of black business activity is focused in only 1% of US counties. That's 30 counties across the country, actually. So 63% of those 30 counties had the highest rates of COVID-19 cases in the US too. So when we were thinking about this idea of building back better to borrow a term from public discourse right now, and also thinking about where we would have again, the most impact on our target populations and the ability to be catalytic, we are centered in urban areas. But again, because that's where based on the data and based on the goals that we're driving, it's our best chance.

Ramona Schindelheim, WorkingNation editor-in-chief:

So in whose hands do you put the money that you're putting into this program?

Gregory Johnson, The Rockefeller Foundation managing director:

That's how will we make an impact question? Because as a philanthropy we do investing. And so we're going to invest in partners and projects and policies that break down barriers to capital and credit access. And we're going to do that working with municipal partners, working with faith-based partners, working with nonprofit institutions, working with community foundations, working with the private sector. Again, one of the things that we're really proud of at the Rockefeller Foundation, what are the things that I think makes us a bit distinctive are the powerful relationships that we bring to bear with those who operate in the private market. As one of the foundations who helped invent impact investing, we see this as an extension of that work.

Gregory Johnson, The Rockefeller Foundation managing director:

We're going to spend our 12 million and hope to leverage 120 million in private capital to support these types of innovations that will demonstrate the innovations that are needed in the market to really unlock access to credit and capital for black and brown small business owners. So there's going to be a wide universe of partners across our places. There'll be a wide universe of projects across our places,

and we're anxious to just move this work forward because we think that it's going to be really impactful and make a difference.

Ramona Schindelheim, WorkingNation editor-in-chief:

Have you had any programs come to life from this? Is it too early? Have you seen any kind of progress?

Gregory Johnson, The Rockefeller Foundation managing director:

I think that it's really, really early. So I'll just say that most of our grants went out and became active in December of 2020. So it's only been two or three months of the grants being on the ground. But as I think about early accomplishments or at least indicators toward the outcomes that we're hoping to achieve, two of our accelerators or incubators have initiated their first cohorts. That's the Russell Technology Business Incubator that I talked about in Louisville, Kentucky. And that's the Our Village United Elevate programs, and that's in Atlanta, Georgia. Both have begun providing technical assistance and coaching and network services to their first cohorts and small businesses. Additionally, funding catalyzed through the Rockefeller Foundation to support the Russell Technology Business Incubator and has received critical in kind space and consultant assistance from the Metro Louisville Urban League, that's allowed them to increase their first cohort participants as I mentioned from 10 businesses to 32 businesses.

Gregory Johnson, The Rockefeller Foundation managing director:

RTBI has also received an unrestricted grant from Microsoft for \$300,000 based on the proposal and the program that was developed by RTBI for the Rockefeller Foundation. Both commitments to support RTBI were the result of relationships in planning that were provided by the program officer who focused on Louisville for the foundation, [Brett Monds 00:16:41]. And I'll just say that we started this work with a \$10 million capital stack to get it done. In a year's time that has increased already to \$15 million. I think that there's some early indicators toward our success. And I can't underscore again how important it is to say things like when we invested in the Real People's Fund in Oakland, that there were other funders and other private dollars that followed the Rockefeller Foundation's dollars into those investments, which is again, our goal here. Which is to spend our dollars and leverage that to get the 120 million in.

Gregory Johnson, The Rockefeller Foundation managing director:

And so when RTBI was able to leverage our investment and the proposal that they prepared for us to also secure \$300,000 from Microsoft. To me, it says, this is working, and this is step one. There are lots of steps between here and there, there being where we want to get to. But what I'll say is that these early indicators that people are hungry for the innovation. 90% of the market in this space does not serve minority entrepreneurs. It does not serve minority entrepreneurs. About 10% of the market does. And what we're really hoping to do is to highlight the innovation in that 10% and hopefully to replicate and to scale it across the country, not only in the 12 places where we're investing our dollars, but in every place where there are low wage working people and where there are low wage working entrepreneurs.

Ramona Schindelheim, WorkingNation editor-in-chief:

If we don't include this very large group of people in an economic recovery, where do we go as country? What's the consequences?

Gregory Johnson, The Rockefeller Foundation managing director:

I started this by saying that America is currently giving up, foregoing an estimated 1.1 million businesses that could be owned by people of color because of past and present discrimination in American society, which ultimately prevents the free flow of capital to establish, to scale, to grow, to reach a point of buoyancy with those businesses. Because we are foregoing those 1.1 million businesses, we're also missing out on the estimated 9 million more jobs they could produce. And we're also missing out on the \$3 billion boost to our national income that that would bring in.

Gregory Johnson, The Rockefeller Foundation managing director:

When we think about building back, when we think about the way forward, we would be fooling ourselves to think that we can get there from where we are without, including these low wage entrepreneurs. When black women are starting businesses at six times the rate of all of their peers, when LatinX women are starting businesses at rates that outshine most of their peers, when women are increasingly responsible for the finances of family and community and institution, we cannot do it without them. There is too much at stake, which is why we are investing as heavily as we can in this space and hoping to demonstrate the difference that could really create a watershed moment when we jettison all of the years that people have been working hard and it's not resulted in the necessary opportunity.

Ramona Schindelheim, WorkingNation editor-in-chief:

Greg, thank you so much for joining us. I really applaud you for the great work you guys are doing at the Rockefeller Foundation.

Gregory Johnson, The Rockefeller Foundation managing director:

This was so great. Thank you for allowing me to join the Work In Progress Podcast.

Ramona Schindelheim, WorkingNation editor-in-chief:

I've been speaking to Greg Johnson, managing director of place based innovations for the Rockefeller Foundation. I'm Ramona Schindelheim, editor in chief of Working Nation. Thank you very much for listening.