

Capacity Building through Research in Washington County, OR

Final Report



A report compiled by Business Impact NW and Communitas for
Growing Capacity for Local Nonprofit Business Support Organization
Grant Program

December 2023



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Objectives and Background

Strategic decision-making requires an understanding of the local business landscape and with this project, Business Impact NW (BINW) learned more about the Washington County, Oregon, entrepreneurial community.

Project Objectives:

- Gain knowledge and insight into the Washington County entrepreneurial community leading to tailored development of programs deployed in this region.
- Understand the community market, needs of varied communities, and sectors benefiting from our services.
- Better understand small business owners and entrepreneurs, identify technical assistance gaps, and promote a community-first strategy to inform effective program development.

BINW set out to hear the stories and experiences of businesses who have been seeking capital to grow their companies and expand their reach in Washington county, with the primary goal of understanding the needs and desires specific to Socially and Economically Disadvantaged Individuals (SEDI) businesses (see below for details on characteristics of SEDI businesses).

Business needs that were investigated include SEDI businesses' successes and challenges to accessing capital / lending options, support services, and other technical assistance. BINW also sought to understand segments of the market that are growing and/or emerging.

Input obtained from partner discussions are being discussed among BINW staff and will be used for ongoing dialogue with partners and other collaborators. BINW aims to integrate this information to refine their approach, programs, and initiatives to the specific local needs.

What follows is a high-level summary of the key takeaways from the research, findings, and illustrative citations from interviews and discussions. It is hoped that the information gathered through the process will continue to elevate the needs and desires of SEDI businesses, such that BINW, the County, and other partners will support and resource equitable economic growth in Washington county.

What BINW means by "SEDI Business"

SEDI is shorthand for Socially and Economically Disadvantaged Individuals. BINW defines a SEDI business as one that is owned and controlled by individuals who have had their access to credit with reasonable terms diminished compared to others in similar economic circumstances, due to their:

- Membership in a group that has been subjected to racial or ethnic prejudice or cultural bias
- Gender
- Veteran status
- Limited English proficiency
- Disability
- Membership in federally or state recognized Indian tribe
- Long-term residence in a rural community
- Citizenship status
- Sexual orientation
- Other socioeconomic status, including those who are affected by persistent poverty or inequality
- Present or historic lack of access to wealth building and/or financial systems

Methodology

To accomplish this work, BINW engaged Communitas, an Oregon-based economic development consultant, to provide research services. Work included:

- Secondary research for a high-level scan and documentation of approximately 40 loan and technical assistance products available to SEDI businesses in Washington County.
- 15 one-on-one in-depth interviews with assistance providers, lenders, and SEDI business owners from June through September 2023.
- Work sessions to review initial findings, discussion potential next steps, and flag gaps in information required to fully understand the market need and potential for equitable economic development in Washington county.

Strategic community and partner engagement was at the heart of this research endeavor. Recognizing the importance of their perspectives, to ensure a comprehensive understanding of the experiences and needs within the business community in Washington county. This approach not only enriched the research but also strengthened the connections within the community, reinforcing the collaborative spirit of this project.

Key Takeaways

1. Collaboration and partnerships are strong in Washington county.
2. Cultural and personal connections are critical to removing barriers to capital for SEDI businesses.
3. Timely, affordable, and tailored financial and legal services are in great demand and are a potential threat to sustainable business growth.

4. Lack of data and information on business filings and renewals specific to Washington County is a major barrier to adequately serving SEDI businesses.
5. There are resource needs specific to food production and construction businesses, but the magnitude of need and strategic response is challenged by lack of information.
6. SEDI business clients and partners report awareness, satisfaction, and effectiveness of BINW offerings.

1. Collaboration and Partnership in Washington County

Interviewees who operate in other regions in Oregon and Washington states noted a distinct sense of collaboration with Washington County's economic development partners. There is a strong sense of partnership among providers and lenders, and community organizations are open to building new connections. Repeatedly, businesses and other partners noted the strong commitment to helping SEDI businesses prosper. Connecting businesses to resources among partner organizations is strong in Washington county. Some are more closely aligned than others, but partners are universally committed to connecting businesses with the right resources, even when it is not something their organization offers.

"Washington County's small business network is helpful to connect with other people and hear about what is available. There is a spirit of collaboration and generosity of time."

"Washington County is a very collaborative environment for business."

"Partners are open to connecting and helping."

"Community wealth is community health. They're so closely entwined. Can't just throw capital out without understanding what the small businesses will do. A lot of people aren't going to participate or see themselves in the 'world of business'."

2. Expanding Social Capital and Cultural Connections

Expanding social capital. The County, partners, and educational institutions are doing a thorough job of inventorying the various capital and technical assistance programs, but it is less clear how that information is getting communicated to SEDI businesses and those who serve them. Businesses have noted a strong preference for receiving information and advice from people who they already know and who are from a similar cultural background. Newsletters, websites, and mass communications appear to be least effective at connecting people to their needs. However, once a SEDI owner has made a personal connection most are relying on online tools for their own research and to access lending and technical assistance.

“Our community is skeptical of resources... Need more trust, personal relationships.”

“With Latino community, clients are loyal to the person offering help and has delivered in the past. Each person at a lender/provider is a ‘brand’, the tool to connect people. Their clients will follow them wherever they work.”

“People trust individuals, not organizations”.

“Need to map individuals who are leaders in the community - people asset mapping. Mapping resources by organization will be irrelevant to some cultural communities.”

“How do we empower and support economic development for people who are part of marginalized communities? Getting them to step up and voice their needs?”

“Need to be less focused on exactly who and think more about creating unique experiences and places where many different businesses are thriving and making connections.”

“Along with business development and TA, there needs to be actual work and connections for businesses to make money. Connections to potential contracts with corporations and governments. [SEDI businesses] cannot budget themselves out of poverty. The social network is really important for businesses to find pathways to new revenue.”

Cultural competency and culturally specific service needs. Many interviewees shared the needs of people from their cultures and those they most frequently do business with. It was noted that some communities are most comfortable doing business in person, face-to-face. Others, often younger and with advanced degrees, desire self-guided and remote opportunities to access resources or apply for loans after hours. One community partner mentioned that their Native American clients have different styles of communicating and receiving information, which is not often reflected in technical assistance programming. Partners primarily serving Latino and Asian business owners mentioned their communities’ hesitations to take on debt, limiting the capital available to grow their businesses.

Business owners and partners agree that CDFIs are critical to ensuring SEDI businesses get access to the capital and assistance they need to grow and expand. They noted that many commercial lenders lack personal relationships with SEDI businesses and often do not fully understand the nuanced needs of people of from non-dominant cultures and backgrounds. Business owners continue to seek help with loan products that many banks cannot fulfill. Most common reasons mentioned:

- The size of loan request is too small for a commercial lender.
- The business owner does not have enough assets for traditional collateral requirements (often a personal home).
- The underwriting standards are inflexible.

Partners and community members indicated that collaborating with culturally specific organizations is the most fruitful path to growing the support for SEDI businesses. And there were partners who mentioned the need for BINW and other providers to review their systems for systemic barriers, looking at processes through a new immigrant's eyes or that of a community member not as familiar with technology. Explore and investigate how barriers, great and small, can be removed from technical assistance and lending procedures.

"Along with business development and TA, there needs to be actual work and connections for businesses to make money. Connections to potential contracts with corporations and

"It's incredibly important to have culturally specific programs – people who understand our community. We serve as business navigators (not resource advisors)."

"There's been a shift in resources being deployed for entrepreneurs, but there isn't the foundation for understanding different cultures' businesses."

"[SEDI business owners] have a lot of self-determination, especially new immigrants, but not a lot of them are spending time or have interest in charting a business plan, define financial goals, business goals. They're primarily looking to make an additional x-dollars a month to support their families. The TA system seems to be a mismatch for many already marginalized communities."

"Big gap in connecting with and serving multiple different cultures."

3. Demand for Financial and Legal Services

Timely, affordable, and tailored professional financial and legal services are in great demand and are barriers to sustainable business growth.

Financial literacy was noted as a critical need by many partners. An oft-mentioned barrier to capital is a lack of adequate accounting and financial systems, and information that could affect businesses' tax obligations. Those who assist businesses with securing loans had stories of decades-old businesses as well as new entrepreneurs needing to retool their accounting methods and reporting to meet underwriting requirements.

Businesses and partner organizations also frequently mentioned the need for referrals and assistance with legal advice, especially help in reviewing leases and complex contracts. Partners report that the Small Business Legal Clinic at Lewis and Clark College of Law is oversubscribed and even when they are able to take on new clients, tight timelines for lease negotiations often cannot be met. Partners are concerned that without legal resources there are likely SEDI businesses entering into leases and contracts that could affect business survival rates.

Interviewees pointed out that many SEDI businesses are not well-networked to professional service providers, so they are not quite sure where to turn. This experience is significantly more challenging for new immigrant business owners and those still building their English language proficiency. And SEDI startups often struggle to pay for these services upfront.

“Would be great to have a program that cost-shares professional services, buys down the hourly rates.”

“Generally, business owners are not understanding what it takes to produce good bookkeeping and financials. And people in unsecured lines of business don’t understand the limitations. This is especially true to first-generation immigrant business owners.”

“Many businesses we’ve reached are not very interested in having someone lay out steps to build their businesses. If they need help, it’s usually something urgent (like a legal issue), or some other specific problem.”

“[SEDI businesses] need some general education to know enough to be able to talk to CPA or bookkeeper, and some probably need time to work with the bookkeeper one-on-one.”

“Best option would be one-on-one time with on-staff bookkeeper; also bookkeeping workshops and QuickBooks classes, including Spanish options. People are using these.”

“There seems like there are a lot of resources for capital. It’s a matter of making sure people have the collateral and ability to pull together the necessary documentation.”

4. Lack of Data and Information

Lack of information impacts alignment with SEDI business needs. It is not possible to have an equitable system of business capital without adequate information about who is being underserved. The lack of data on business trends for Washington county means that it is difficult to be strategic with what is offered. It is also difficult to determine who is and is not being underserved. BINW, community partners, and the County are aligned in their desire to deliver the capital and services SEDI businesses need to grow and prosper. However, there is a dearth of information about which business sectors have strong SEDI representation, which businesses have recently been established, and which the county has competitive advantages for SEDI businesses to leverage.

Some partners noted that not all SEDI business owners are passionate about business or their product – they are more simply in business to make ends meet. Continuing the common approach of education on business basics and positioning for lending may be a mismatch for their financial goals. Some partners are building up programs for skills training, workforce development, and financial literacy as an alternative path for individuals to build wealth and economic stability. Without information about who and what businesses are being established, the capital and technical programs are likely to be misaligned to the goals of socially and economically disadvantaged individuals.

“Businesses could use more help understanding who their customer is and what they’re buying these days. Everything is up in the air, especially food/beverage production. Lots of businesses trying to figure out their strategy, but information /knowledge is scant.”

“A lot of the TA offered is aimed to the new businesses or people exploring new businesses. There seems to be a gap with assisting experienced businesses.”

“Looking more at how to create economic development through workforce development. This seems like a stronger avenue out of poverty.”

“People at entrepreneur stage are working one or two other jobs to make ends meet, while also dreaming and creating own opportunity for earning income. They don’t have time for business planning, basics.”

It is unclear who is underserved in Washington county. A lack of market information means that some business assistance is going unused and at the same time, is likely under-resourced. In the scattershot approach of service delivery, it can be assumed that providing services to SEDI businesses is not cost-efficient and programs cannot be tailored to the specific needs of SEDI businesses in Washington county.

“Need to understand better who is and isn’t accessing services – what is the demographic? Geography? Capacity? Also trying to understand what we provide and what others provide, so we can make sure businesses are getting to the right place.”

“Pretty sure businesses owned by people with disabilities and military veterans aren’t fully served.”

“Rural businesses aren’t accessing services or lending. We’ve been working to expand more into rural areas. It’s taking a lot of work just to figure out where to go to connect.”

5. Food Production and Construction Businesses

Partners and community members reported that food production and construction industries are strongly correlated with SEDI businesses and some mentioned that these types of businesses continue to grow in Washington county. Without information on business filings, it is not possible to know if these are growing market segments that should be strategically pursued or if it is a matter of partner organizations being networked most strongly to people with food and construction businesses. It is unclear which types of businesses SEDI owners are starting up and/or trending toward expansion.

SEDI businesses in the construction trades and food processing/production have specific resource needs that may require new or different tactics for BINW and its partners. Interviewees commented on the specialized and expensive facilities and equipment often needed for these industries. For instance, it was mentioned that food producers have limited and insecure space for a commercial kitchen with large/expensive equipment. Additional data on startups and business renewals would help to further understand how deep and significant the need is, and to assess service gaps.

Absent information on county-level business activity, it will continue to be difficult to find ways to effectively deliver technical and financial resources for underserved SESDI businesses.

“Need additional infrastructure to support food production businesses, especially those scaling up. There are some co-packers, but not enough to scale to service grocery store. There is a lack of physical space for them and loans sufficient to meet their needs are difficult to find. Limiting how much food businesses can scale.”

“Businesses could use more help understanding who their customer is and what they’re buying these days. Everything is up in the air, especially food/beverage production. Lots of businesses trying to figure out their strategy, but information, knowledge is scant.”

“Not a lot of co-packing resources in Washington county. Even the co-packing available doesn’t have a lot of room for culturally specific food packing spaces.”

“We’re in conversations with Whole Foods and Amazon to sell at all locations in Pacific Northwest. If this is a possibility, the business will need significant resources to ramp up production. We would need larger round of investment or larger round of funding to expand to own manufacturing space with staff.”

“Many very small businesses struggling to scale, find affordable space, food product testing is expensive, marketing and branding is expensive, etc.”

“We need a business incubator in Washington county. ‘Education’ has been pursued for years, but there is significant need for more support, something to help people grow their economic future. An incubator gives an option to learn while doing business and making money.”

“The commercial kitchen is a precarious situation that makes me nervous about business stability. There is one shared commercial kitchen on the west side. I’m concerned the owner will give up [operating the kitchen] and at least 30 businesses will be without a place to make their products. There’s no stability or certainty of the future... It would be devastating.”

6. BINW’s Market Awareness and Reputation

Most partner organizations are well-aware of BINW, the capital/program offerings, and have already collaborated with BINW in some way (referrals, joint presentations, know individual BINW staff from prior work). Many partners offered their support for continuing to strengthen the partnership. Some partners have stronger connections than others, primarily gained through meeting BINW employees at events or through prior business interactions. The personal networks of BINW staff have proven to be valuable and durable relationships for SEDI businesses.

Partners also pointed out opportunities for BINW to solidify connections to other business organizations, including a desire for more culturally competent and multilingual staff and services to support owners of various Asian cultures (Vietnamese, Slavic, Arabic, Korean, and others) and to work on building connections and understanding the needs specific to Native

American business owners. Partners are open to building a relationship with BINW, but need to understand who works with the organization and, in a sense, vet whether BINW can be a resource to the SEDI businesses their organizations serve. That said, BINW has an excellent reputation among partners and among the business owners interviewed. Business owners were particularly complimentary of staff's customer service ethic, the additional business planning advice that was provided, and the overall timeliness and quality of service they received.

"We love [BINW]. Great Experience. Love what they do. Gold stars all around."

"We know [BINW] and are in a lot of the same meetings together. We are very selective with who we refer our clients to. It's incredibly important to have culturally specific programs – people who understand how we communicate and experience business... We have to make sure partners are ready to do business with our members, not just that the businesses are ready to access services."

"Need more services and connections offered in Asian languages. There are many first generation community members who still struggle with the English language. It's even worse with business terms and jargon."

Referrals. Business owners interviewed were all referred to BINW from other organizations, many referred by multiple partners. There were stories of some banks being great resources - Umpqua and Columbia, in particular - and others not offering a pathway for businesses to get the resources they need to startup or expand. Connecting to individual bankers and SBA/SBDC staff are critical to continue building BINW's presence in Washington county and also to ensuring businesses are getting the resources they need most.

"Grateful Columbia Bank referred us to Business Impact NW – they didn't have to do this, so really nice that they did."

Referred through a matching program with SBA website and matched with five different organizations. "[BINW] was impressive, website looked comfortable."

BINW Borrower Feedback. Businesses interviewed had all received loans from BINW – their impressions were very positive. They mentioned BINW is easy to work with, has fair terms, and that getting the loan was faster than they thought it might be. Many of them also received some business coaching along the way, but most were not required to take a class or receive other technical assistance before obtaining the loan. One business owner mentioned how exceptional it is that BINW is flexible with requirements for collateral (they don't own a home or wish to buy one). All mentioned how important it was to be able to do business electronically / remotely.

"Happy with interest rate, collateral was reasonable, repayment terms are fair."

"Online is very, very convenient... run two businesses, plus three children and a commute... in person would not have been possible."

"It was very easy process. More seamless than the bank, more flexible in the type of collateral to secure the loan."

"The Business Impact NW model of being able to do all business remotely is so great" Some other organizations require business owners to meet in person and it's a hassle to find a time that works for everyone's schedules, time to drive there, find parking, etc. It's just not convenient. I like the way [BINW] does business."

"If I ever need to take out another loan, I would definitely contact [BINW] first."

Suggested Next Steps

Improve Data Collection and Accessibility

- Collaborate with the Washington County Small Business Support Network to identify existing data sources and to develop a centralized database for easy access to authorized users.
- Advocate for transparent data practices within the Washington County Small Business Support Network, fostering a culture of openness and accessibility.
- Collaborate with relevant local authorities, industry associations and organizations to establish robust partnerships for sharing specific business-related data or more formal data-sharing agreements that facilitate the exchange of information.
- Involve an independent research entity and commit resources to conduct a thorough investigation to identify specific needs, predominant industry sectors, of SEDI business owners in Washington County.

Strengthening Collaboration and Partnership

- Actively engage with partners, enhancing the effectiveness of the Washington County Small Business Support Network to ensure that small business owners can access the resources they need.
- Support the implementation of platforms or tools that facilitate the sharing of resources and expertise among partners, community organizations and government entities in Washington county.
- Develop a network of referrals with organizations providing similar and complementary products and services, to leverage each other's strengths.
- Design initiatives that incorporate outreach components, collaborating with partners to extend our reach to communities.

Education and Awareness

We have found that our current products and services are aligned with the needs of the community. While our programs are effective, we recognize the need to amplify efforts in community engagement and outreach.

In general, there is a lack of awareness among small business owners about the availability of resources. This calls for continuous efforts from resource partners, government entities, and those involved in small business support to find creative ways of spreading this information. Some specific and targeted actions are:

- Develop and implement educational campaigns to raise awareness about available resources and support services. Utilize a multi-channel approach, including digital platforms, community events, and traditional media, to ensure broad reach.
- Create resource guides that outline available services, funding opportunities, and relevant contacts. Distribute these guides digitally and in print to ensure businesses have easy access to vital information.
- Forge partnerships with local educational institutions to integrate information about available resources and support services into relevant business-related courses.
- Continue to develop user-friendly online training and access to loan applications that businesses can access remotely and at their convenience.

Final Words

The findings of this research project highlight the importance of understanding the local business landscape in Washington county. The insights gained not only contribute to the growth and adaptability of Business Impact NW but also show the potential to foster collaboration to support the entrepreneurs and communities we serve.

This research wouldn't have been possible without the collaboration, support, and contributions of many. We extend our appreciation to the individuals, organizations, and partners who generously shared their stories, insights, and time.

Lastly, we extend our sincere gratitude to Washington County for their generous grant that made this research project possible. Their support has been instrumental in gaining valuable insights into our local business landscape.