



ENTREPRENEURSHIP & ECONOMIC OPPORTUNITY IN DETROIT

PERCEPTIONS + POSSIBILITIES

DETROIT
FUTURE
CITY



DETROIT METRO AREA
COMMUNITIES STUDY



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Foreword

In early 2019, the New Economy Initiative (NEI) partnered with the University of Michigan's Detroit Metro Area Communities Study (DMACS) to survey more than 700 Detroiters—a panel representative of the city as a whole—on their perceptions of entrepreneurship and economic opportunity in Detroit. After more than a decade of making strategic investments in resources to help people start and grow businesses, NEI wanted to understand how everyday residents, not just those who self-identify as entrepreneurs, thought about entrepreneurs in their communities and whether going into business for oneself was a worthwhile pursuit.

For decades, Detroiters have dealt with economic uncertainty, perhaps more acutely than residents of any other city in America. But despite that, or perhaps because of it, Detroiters are bullish on the prospect of entrepreneurship and generally view entrepreneurs and small-business owners as having positive impacts on their communities.

If the current economic crisis resulting from the COVID-19 pandemic makes one thing clear, it's that Detroiters, now more than ever, need support to restart, start, grow, and/or sustain small businesses in their communities. As the city projects large deficits resulting from this current crisis, new businesses will need to be created and existing ones sustained to help the city raise revenues needed to provide essential services and improve residents' quality of life. Now is not the time to let this nascent movement of self-determined Detroiters falter. It's a time to double down on the people of Detroit and their entrepreneurial ambitions, which are summarized in the following report.



Introduction

Entrepreneurship is the focus of frequent discussions on growing metro Detroit's economy and is viewed by many as providing a promising path for people to achieve financial stability and move into the middle class. However, little is known about how the broader public perceives the opportunities associated with going into business for oneself.

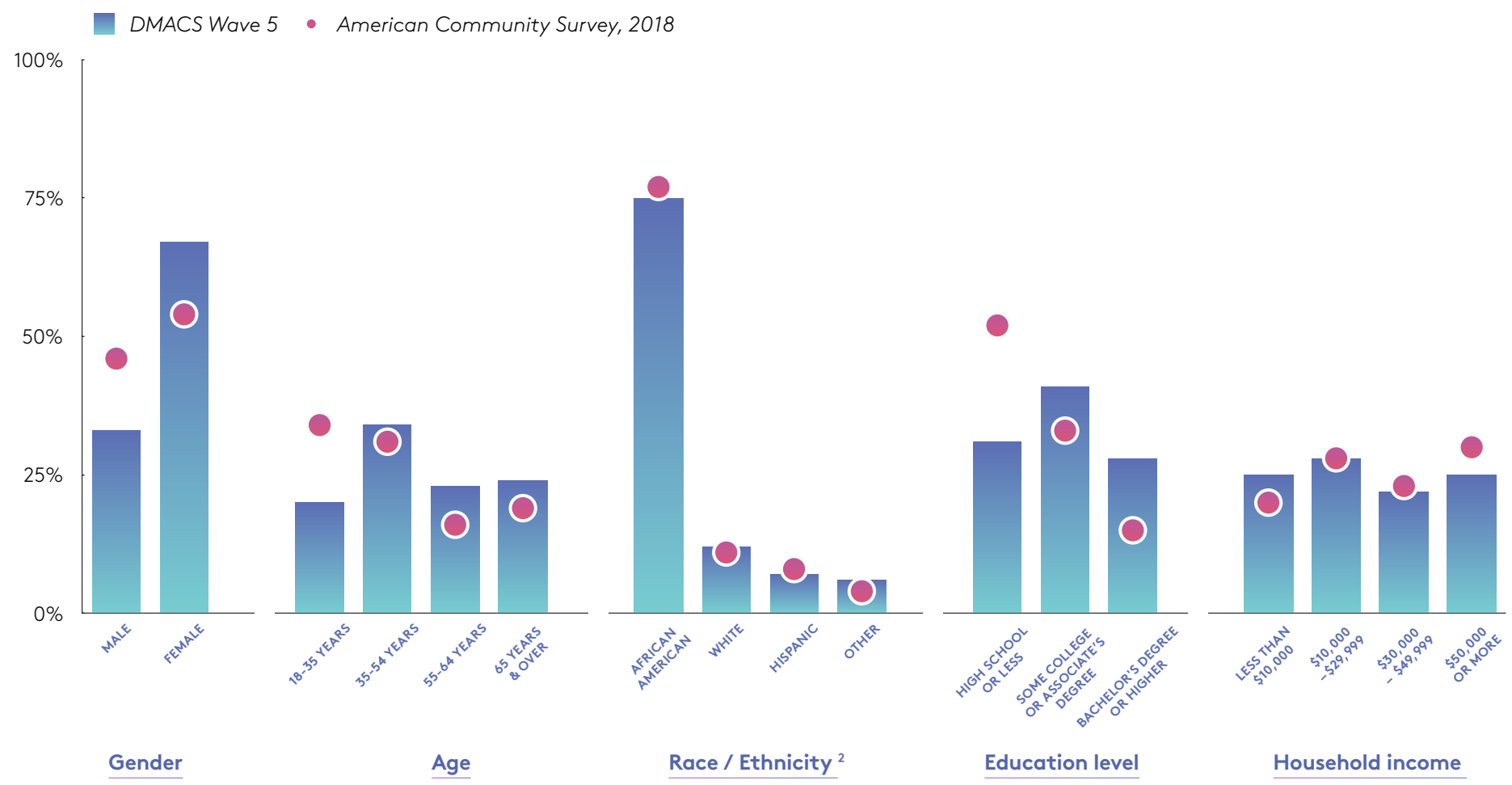
This report looks at data from a recent survey of Detroit residents and captures their understandings of entrepreneurship in Detroit, their perceptions of entrepreneurs, the opportunities available to become an entrepreneur, and the barriers faced by aspiring entrepreneurs. The data also provide insights into how existing programs can be improved to create a more inclusive system. The data show that Detroiters generally view entrepreneurs and entrepreneurship positively, and more than 40% of the city's residents consider themselves entrepreneurs. The survey also found that many believe there are limited opportunities for people to get ahead financially and to access support or resources. The survey also provides insights on where potential entrepreneurs would turn for resources and advice that can be used to strengthen the support system.

Survey Methods

The data for this report come from the Detroit Metro Area Communities Study (DMACS), which began in 2016 and was designed to reach a broad, representative group of Detroit residents on a wide range of topics. To collect data, DMACS uses multiple outreach methods, including phone, e-mail and door-to-door canvassing, to build a representative panel of respondents that can provide insight into issues facing the city and track how residents' perceptions change over time.

For this wave of data collection, DMACS partnered with the New Economy Initiative (NEI) to survey residents on their perceptions of economic opportunity and inclusive entrepreneurship. Our analysis is based on responses from a representative sample of 733 residents across the city of Detroit that was collected between February and August 2019. Minor differences between the sample characteristics and the city's population are corrected through weighting.¹

DMACS sample demographics vs. Detroit citywide population



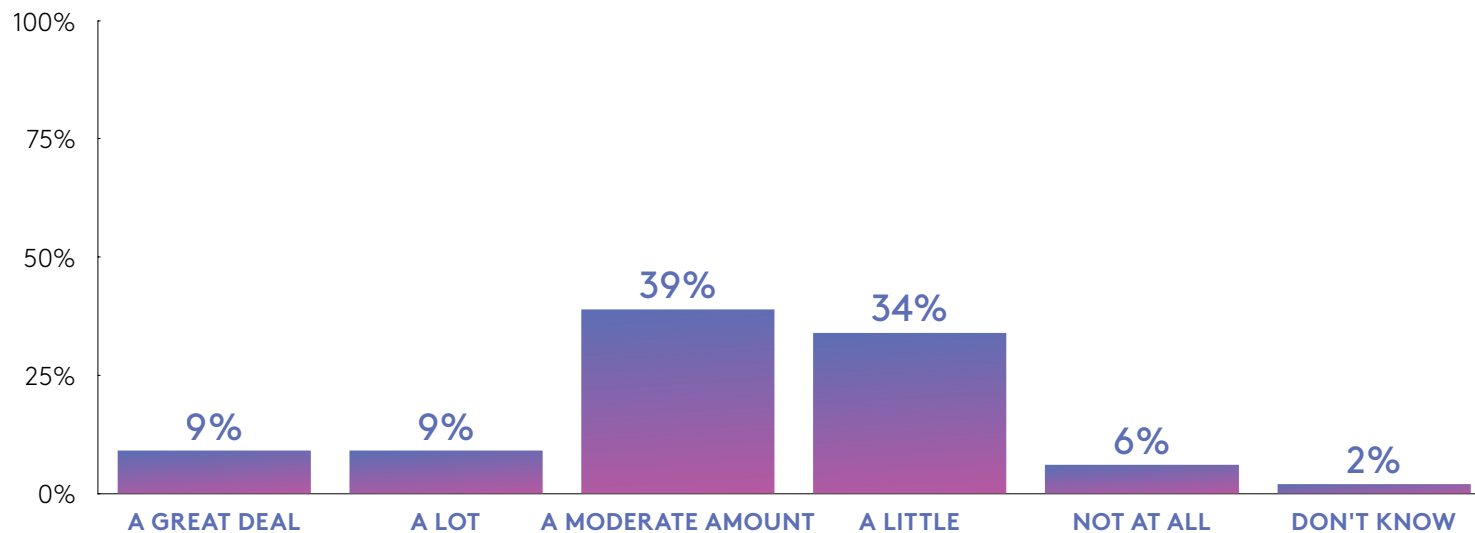


2019 Detroit Innovation Fellows, a group of social entrepreneurs from across Detroit.

Why entrepreneurship?

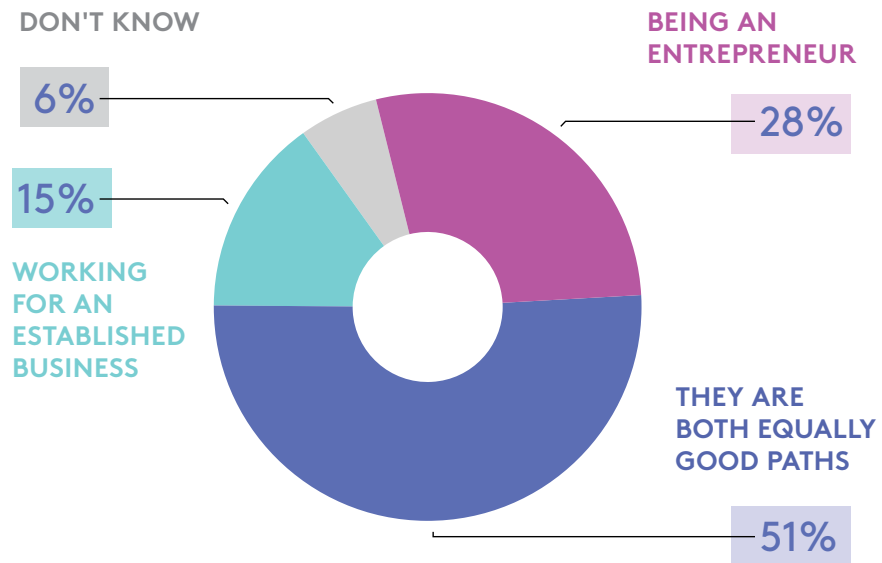
Detroit residents have faced declining employment opportunities for more than half a century. Though efforts are under way to address this longtime challenge, the DMACS survey shows many Detroiters still grapple with finding a job. Only 18% of Detroiters responded that they see *a great deal* or *a lot* of opportunities for the average person to get ahead, while another 39% saw *a moderate amount* of opportunity.

How much opportunity do you think there is in the city of Detroit for the average person to get ahead economically?



One common response to address this lack of opportunity has been for residents seeking employment to look beyond established firms and consider starting their own business. Nearly twice as many Detroiters see becoming an entrepreneur as a better path to financial success than working for an established business. This is especially true for those who identified as entrepreneurs, with a third of self-identified entrepreneurs seeing their paths as a better option than working for an existing business, compared to only 20% of non-entrepreneurs. Most Detroiters see them as equally good paths.

Which do you think is a better path to financial success: *Being an entrepreneur* or *Working for an established business*?



*Totals from all respondents



Louisiana Creole Gumbo

Detroiters recognize the broader positive benefits that entrepreneurs create in their communities. Eighty-four percent of residents believe that entrepreneurs have a positive impact on the city. When asked about their top priorities for creating jobs in their neighborhood, "providing support for existing businesses in your neighborhood to grow and thrive" ranked second, behind "training people with new skills for the kinds of jobs that are available."

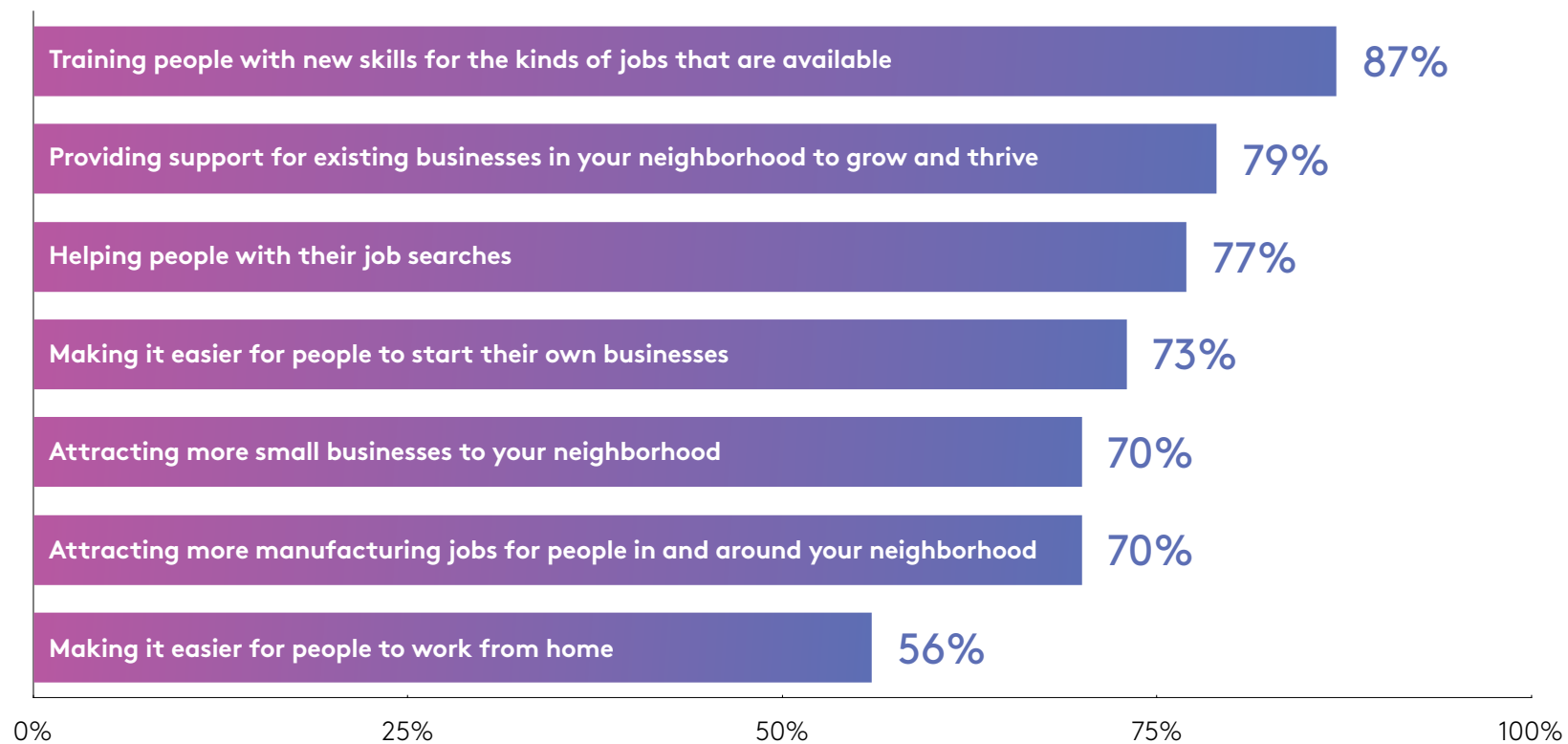
84% OF RESIDENTS
believe that entrepreneurs have
a positive impact on the city.

Encouraging entrepreneurship and growing small businesses are policies with significant potential to increase employment within the city. In 2016, the Initiative for a Competitive Inner City found that, like in several other major cities across the country, the majority of firms in Detroit are small, with 74% having between one and four employees. However, though small businesses comprise the majority of employers in Detroit, they account for only 14% of jobs in the city.³ Building and supporting the growth of small businesses in the city may be a valuable strategy for leveraging entrepreneurship into employment opportunities for more Detroiters.

Detroiters' top priorities for job creation in and around their neighborhoods

(Percentage who report these as "essential" or "high" priority)

The data presented in this graph omit respondents who answered "don't know" to this survey question.





Benkari

What is an entrepreneur?

The term “entrepreneur” means different things to different people, so the DMACS survey asked about some of the most common understandings of the term. Most Detroiters think of entrepreneurs as people who are self-employed or open a family-owned business or franchise business.

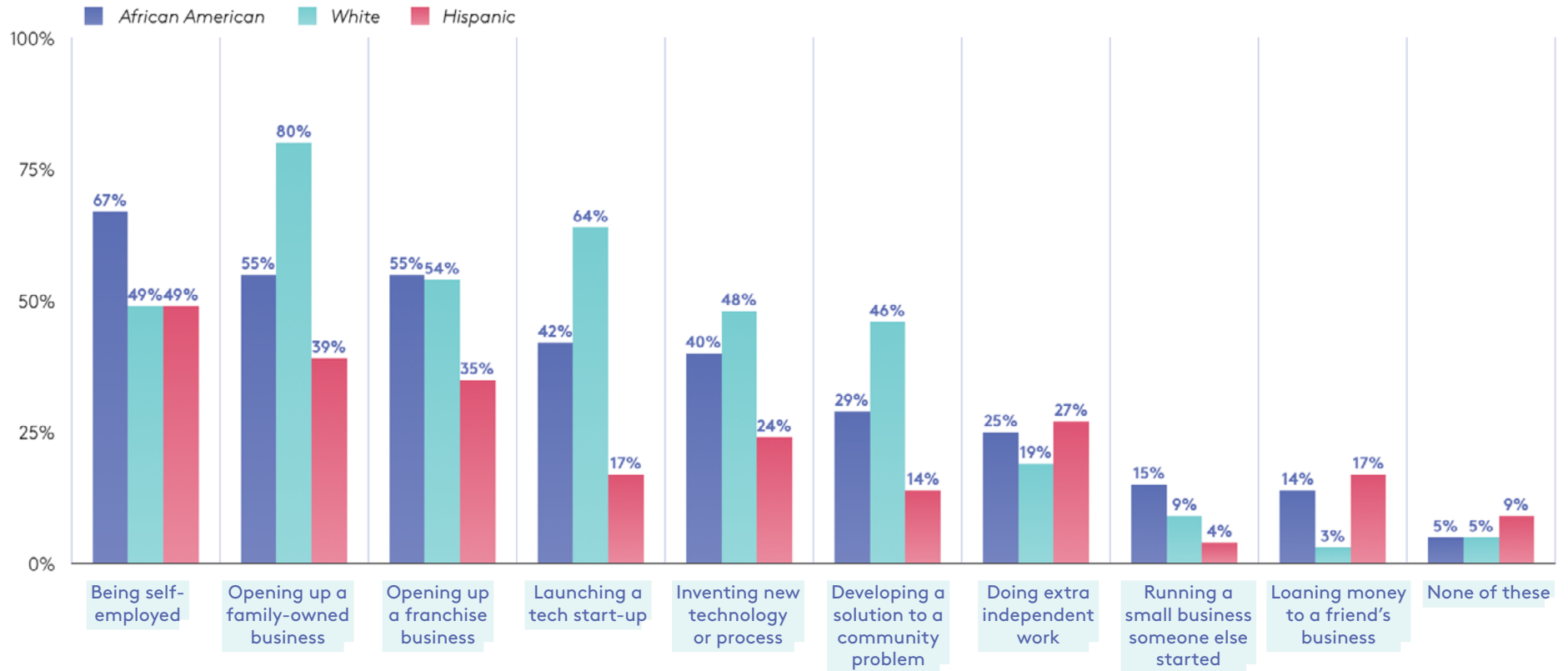
Which of the following characteristics do you associate with entrepreneurs?





There were differences across some demographic groups in perceptions of what it means to be an entrepreneur. African-American residents were more likely than people from other racial/ethnic groups to identify an entrepreneur as being self-employed. They were also less likely than their white or Hispanic counterparts to link being an entrepreneur to launching a tech start-up or inventing a new technology or process. Hispanics were more likely than other groups to consider those who do extra independent work and loan money to a friend to start a business as being entrepreneurs.⁴

Characterizations of entrepreneurship by race/ethnicity





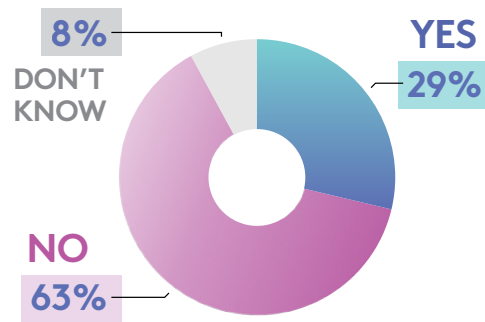
Soapstone Natural Soaps

Who is an entrepreneur?

Detroiters' identification as entrepreneurs may depend on how they define the term "entrepreneur." We asked survey participants whether they consider themselves to be entrepreneurs before and after providing our definition of an entrepreneur. We found that before being presented with a definition, 29% of respondents considered themselves to be entrepreneurs, 63% did not, and 8% were not sure.

However, the percentage of self-identified entrepreneurs rose substantially, to 41%, after survey respondents were given our definition (at right) of what it means to be an entrepreneur.

Do you consider yourself to be an entrepreneur?

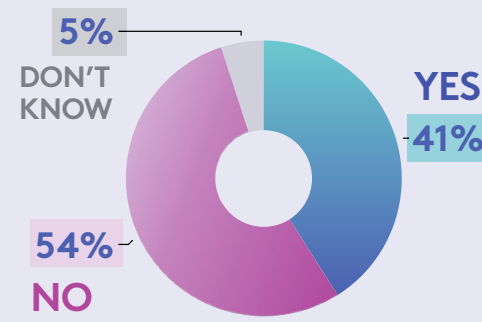


BEFORE DEFINITION

→ How we define 'entrepreneur' for the following survey questions:

people who own, manage, or invest in a business of any size, including informal businesses that may be temporary or may not be licensed (such as providing lawn care for neighbors for cash). An entrepreneur can also be a person who is addressing challenges within their communities.

By the definition listed above, do you think of yourself as an entrepreneur?



AFTER DEFINITION

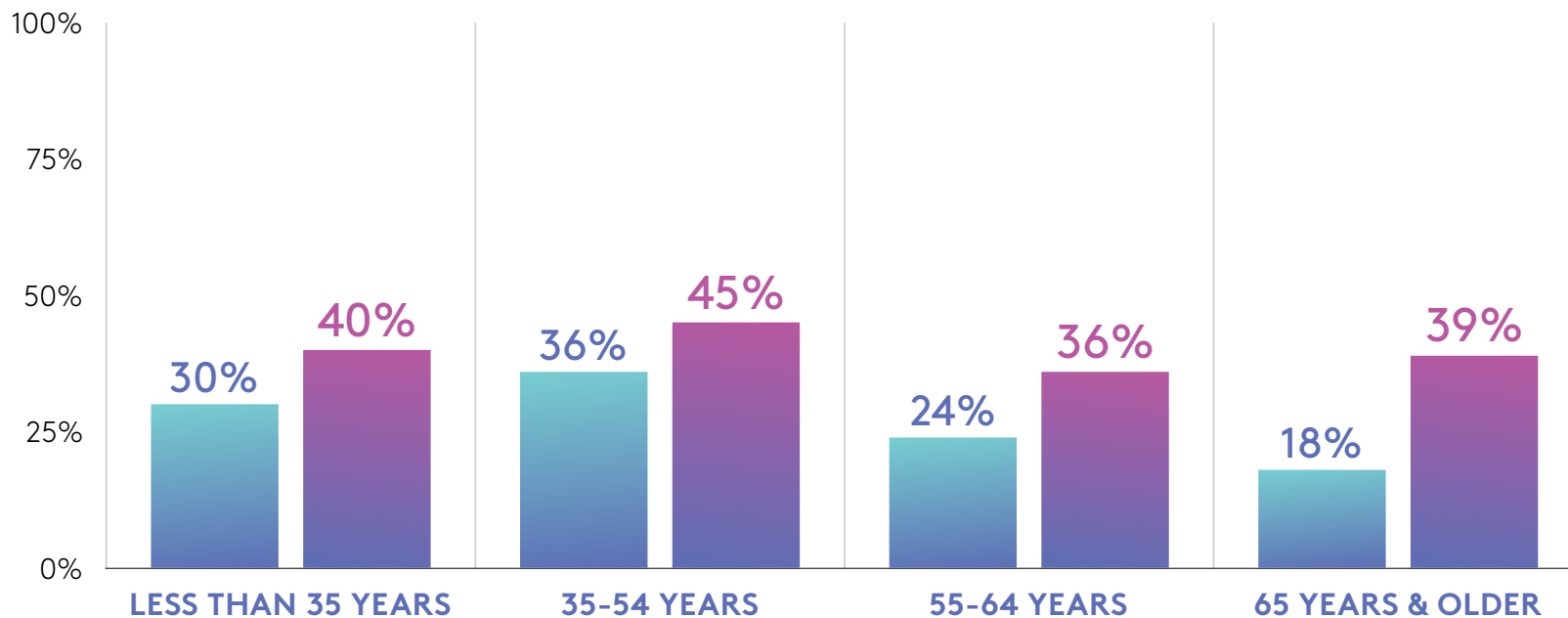
The survey found that 12% of Detroiters did not initially identify as entrepreneurs, but did so after being given our definition.⁵ This group of residents is especially important for future efforts to raise awareness of entrepreneurship in the city.

Generationally, those who initially identified as entrepreneurs prior to reading our definition tended to be prime working-age residents, while residents 55 or older became more likely to identify as an entrepreneur after being given our definition.

Self-identified entrepreneurs by age range

■ Before definition ■ After definition

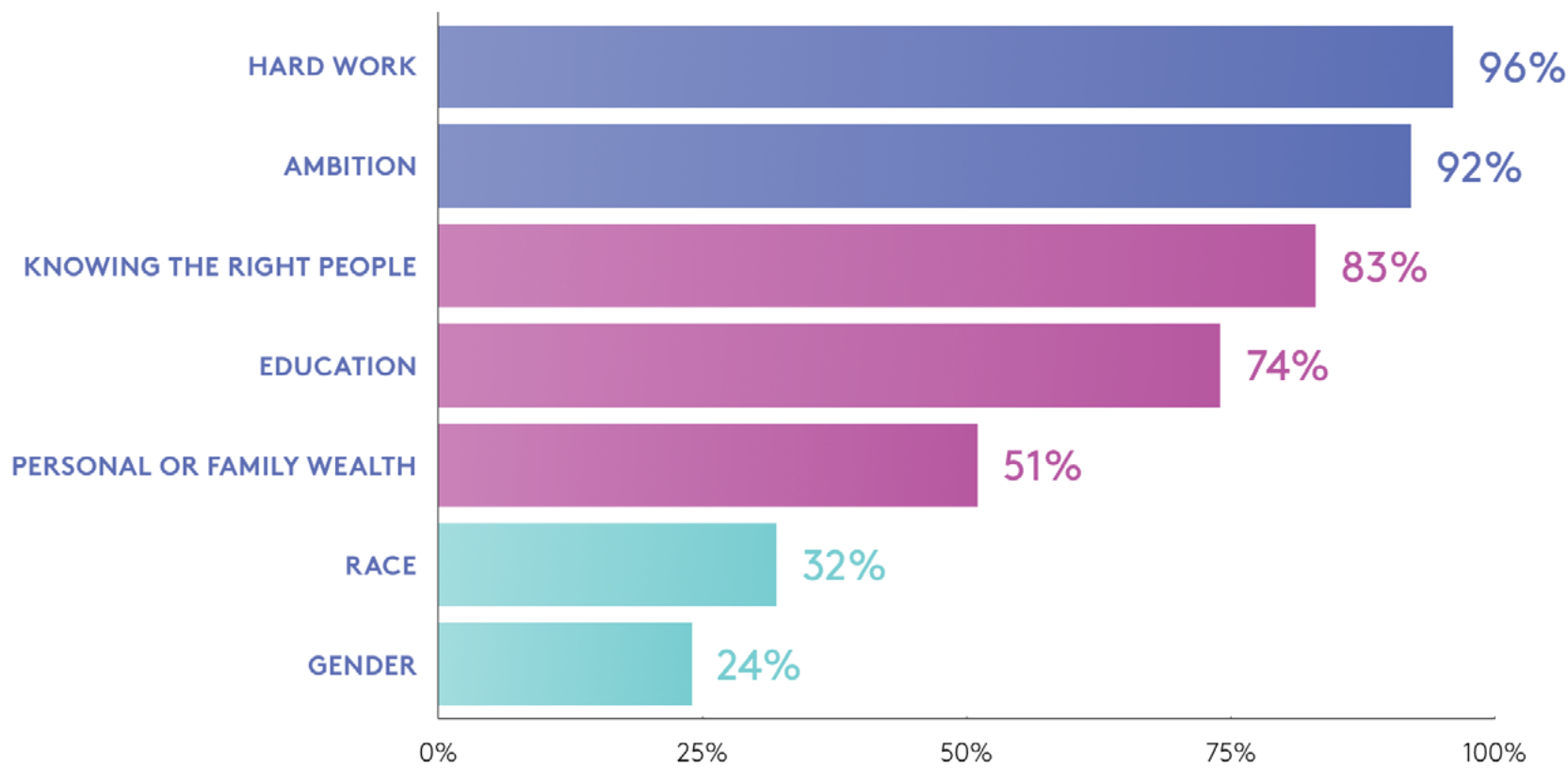
The data presented in this graph omit respondents who answered "don't know" to this survey question.



When asked what it takes to become a successful entrepreneur, Detroiters identified *hard work* and *ambition* as the top qualities, followed by *knowing the right people* and *education*. Residents said that other factors, such as race and gender, are less important to becoming a successful entrepreneur.

How important do you think each of the following factors are for becoming a successful entrepreneur?

The data presented in this graph omit respondents who answered "don't know" to this survey question.





Spa-A-Peel Services

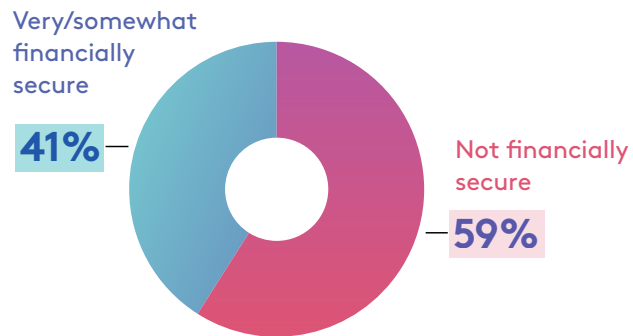
Is entrepreneurship currently a path to financial security for Detroiters?

City residents face steep economic challenges, and many thought leaders see entrepreneurship as a way to address those challenges and find a path to financial security. However, the promise of financial security may feel like a remote possibility for many Detroiters.

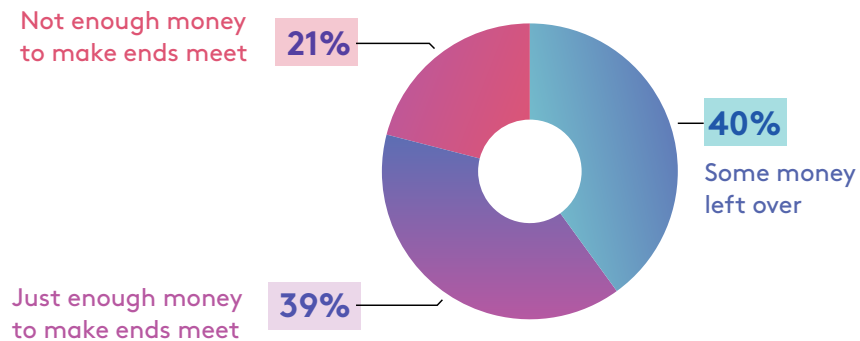
When residents were asked whether they felt financially secure, nearly 60% responded that they do not. Thirty-nine percent said that they have just enough money to make ends meet, and an additional 21% said they do not have enough money to do so. Though there were some differences in responses between demographic groups, those who identified as entrepreneurs did not report that they had significantly more or less overall financial security than non-entrepreneurs.

However, self-identified entrepreneurs were more likely to report experiencing specific outcomes related to financial stress, such as falling behind on utility bills, borrowing money from friends or family, or filing for bankruptcy.⁶

How do you see yourself financially?

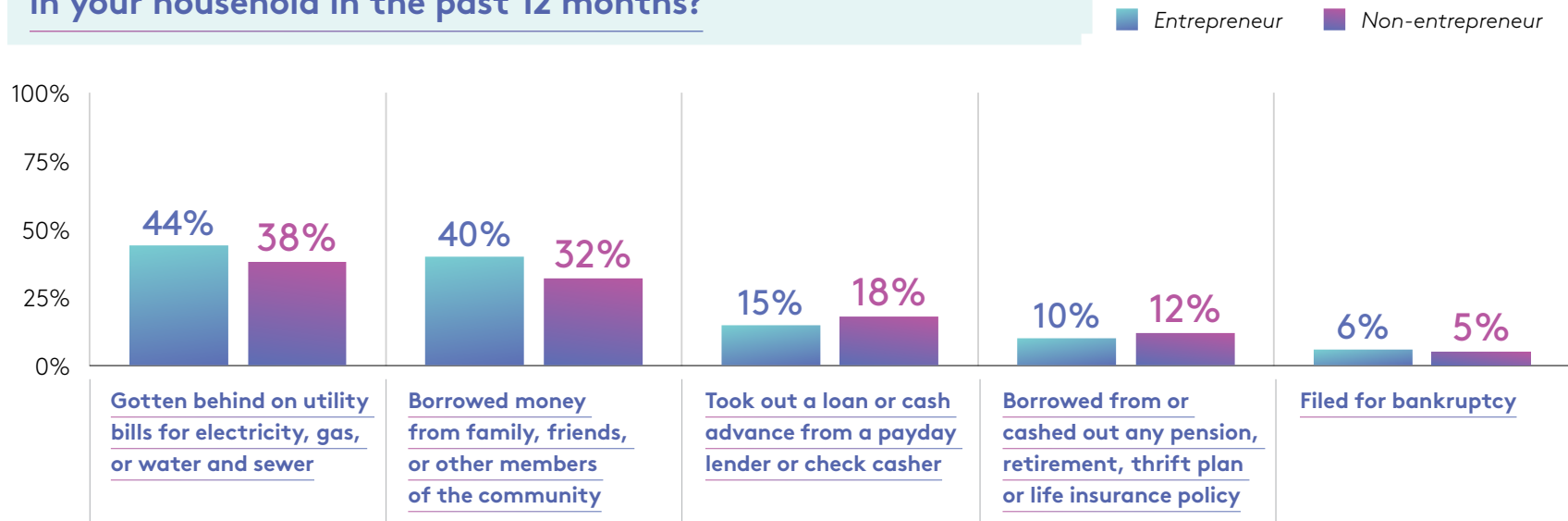


How much money do you have left at the end of the month?



The data presented in these graphs omit respondents who answered "don't know" to the above survey questions.

Which of the following things have happened to you or anyone in your household in the past 12 months?





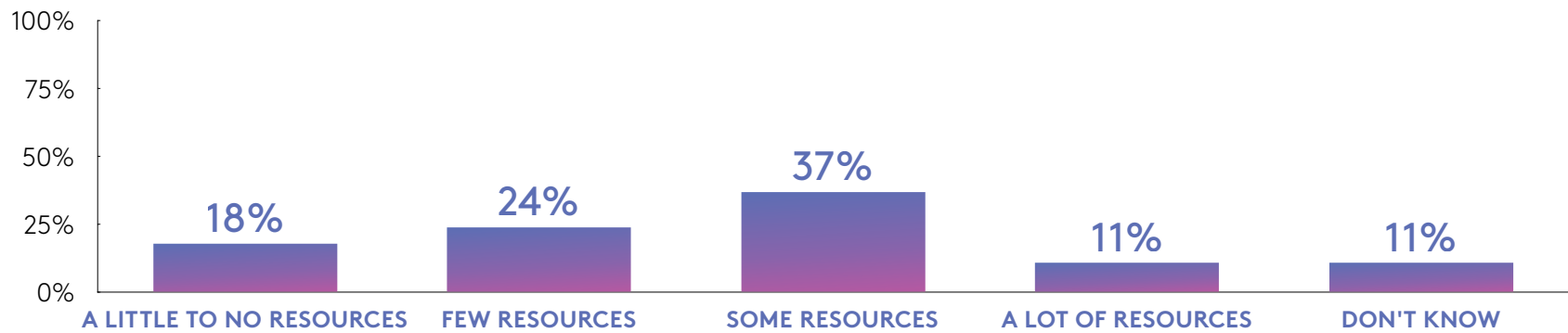
What are the entryways to entrepreneurship and building a more equitable system?

As policies and programs are put in place to expand opportunities for entrepreneurs and grow small businesses, it is important that all residents are able to benefit from these opportunities. *There currently are more than 225 resources available to help Detroiters both start and grow businesses.*⁷ These programs include [Build Institute](#), [ProsperUS](#), [TechTown](#), [Hatch Detroit](#), the [Accounting Aid Society](#), [Motor City Match](#), and many others. They touch on many parts of the entrepreneurship system and provide a wide range of resources, from technical assistance, to support services like legal planning or business planning assistance, to financial assistance to help businesses get off the ground.

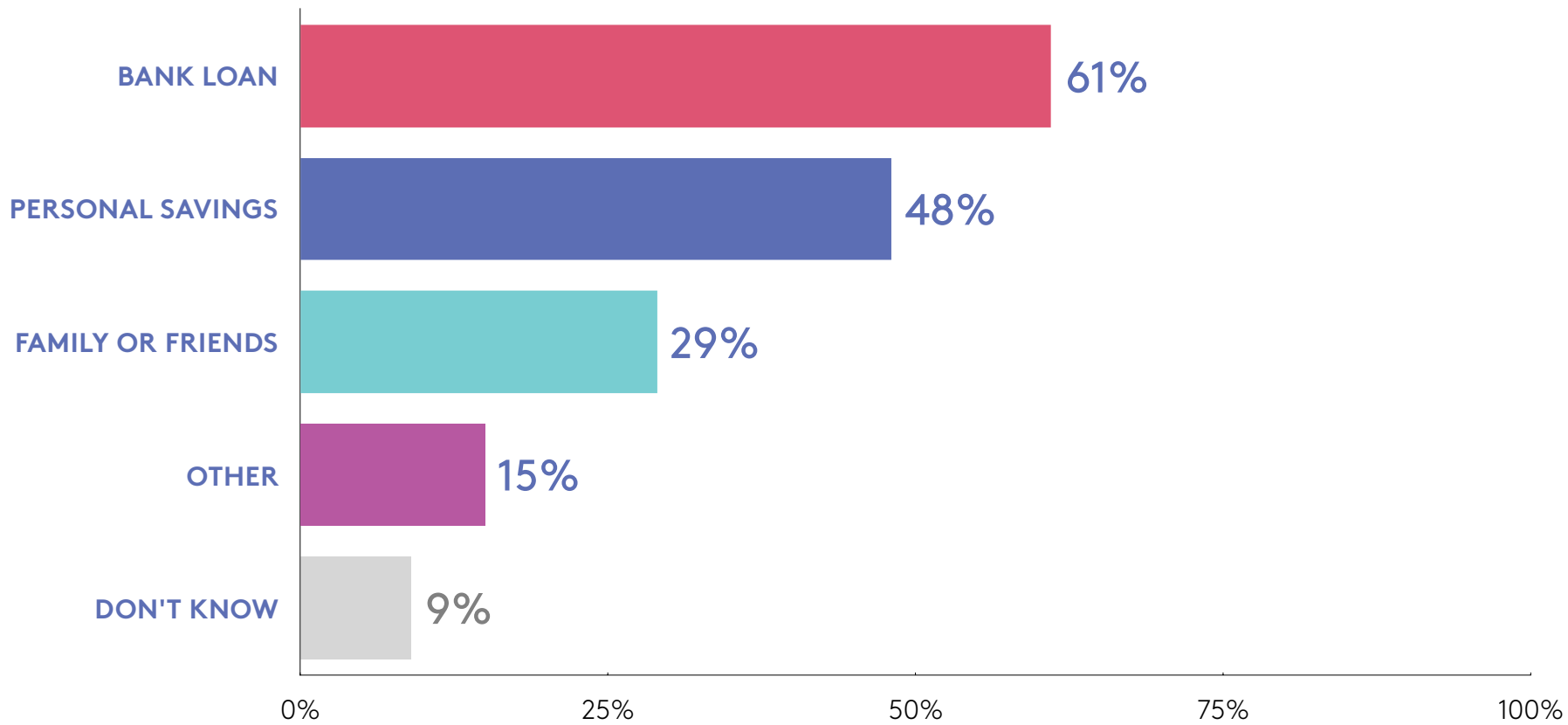
One way to expand opportunities for Detroit entrepreneurs is to consider the needs of residents, and to understand what resources and opportunities they believe are available. The study found that roughly half of Detroit residents believe that there are some or a lot of resources available from government or nonprofits to start a business. Making Detroiters aware of existing resources and programs through public information campaigns is an obvious step.

Beyond where people would turn for advice on starting a business, an additional factor to consider is where they would turn for the funding that is necessary to get a business off the ground. Residents' top response was to seek a loan from a bank, followed by drawing on personal savings.

If you or someone like you wants to become an entrepreneur in the city of Detroit, how many resources from government or nonprofits do you think are available to help?



If you were to start a business, where would you go for the money you would need for rent, supplies, or other costs of starting the business?



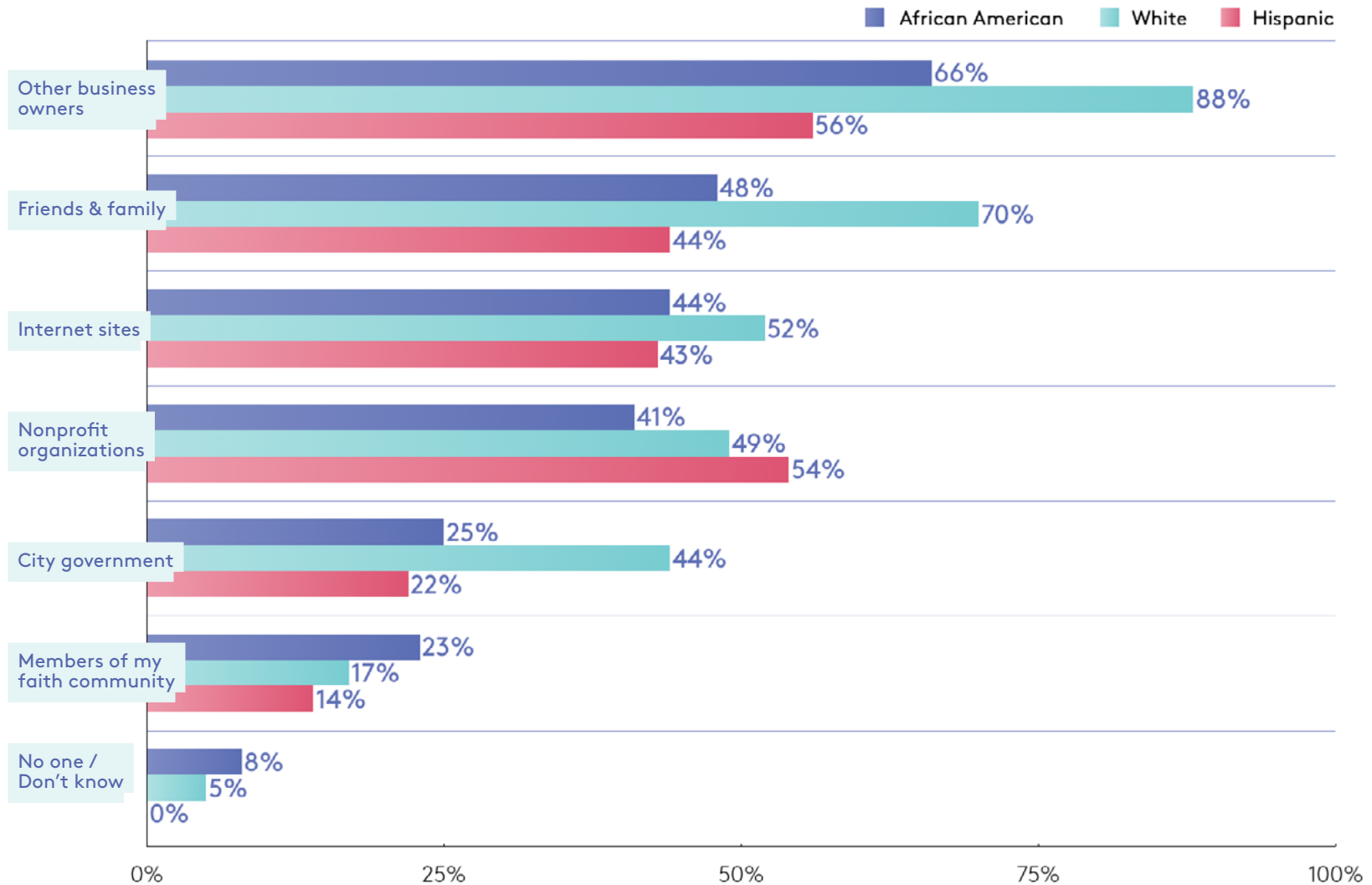


The idea that most entrepreneurs would need to rely on bank loans or personal savings to start a business is at odds with the financial realities that many Detroiters face. A 2016 report by the Urban Institute found that many Detroiters face significant obstacles to obtaining credit, with only 19% having healthy credit.⁸ A strategy to help residents improve their credit and become more able to meet lending standards can be an important step to help connect residents with funding to start or grow a business. Some of this work is already underway with organizations in the city working to aid small businesses that may not qualify for conventional lending.

Finally, to ensure that Detroiters are aware of the resources available for starting or growing businesses, it is important to understand where people would turn for advice on starting a business. Residents report that other business owners, family and friends, and nonprofit organizations are the primary information sources to which they would turn. Ideas about where to turn for advice differ significantly by race and ethnicity, with white residents significantly more likely, and African Americans and Hispanics less likely, to turn to other business owners, family and friends, and city government.

A strategy to help residents improve their credit and become more able to meet lending standards can be an important step to help connect residents with funding to start or grow a business.

If you were thinking about starting a business or becoming an entrepreneur, to whom would you turn for advice?





NEIdeas Alumni Roundtable Event, 2019 - a professional development workshop session for select small businesses.

Conclusion

Fostering opportunities for entrepreneurs to employ not only themselves but also to grow their businesses and scale to having employees can have a transformative effect on the economy. Though there is the potential for entrepreneurship to play a central role in a stronger and more inclusive economy for Detroit and the region, Detroiters have mixed views about whether and how entrepreneurship might offer a path to financial security.

We see a strong role for the continuing work that government, nonprofit, and philanthropic organizations are conducting to make these opportunities and supporting resources available to all Detroiters. There are many points within the system that can be sharpened and refined to help build a more inclusive Detroit and ensure that entrepreneurial and small business resources are being focused to overcome the financial challenges that many Detroiters face.



Town Center Laundry

ENDNOTES

- 1** | Please see the Wave 5 topline report or methodology report for detailed information on survey sampling and weighting procedures. https://detroitssurvey.umich.edu/wp-content/uploads/2020/03/DMACS-Wave-5-Toplines_Final-Weights-3-4-20.pdf
- 2** | Initiative for a Competitive Inner City, The Big Impact of Small Businesses on Urban Job Creation: Evidence from Five Cities, October 2016. https://icic.org/wp-content/uploads/2016/10/JPMC_R1_BigImpact_FINAL_forpost.pdf?af674c
- 3** | In this figure and throughout the report, we delineate “African American” as the percentage of respondents who specify non-Hispanic black alone; “white” as non-Hispanic white alone, and “Hispanic” as respondents who identify as Hispanic from any race. Respondents who identify as more than one race or “other” account for only 7% of the survey respondents and are omitted from the figures.
- 4** | Initiative for a Competitive Inner City, The Big Impact of Small Businesses on Urban Job Creation: Evidence from Five Cities, October 2016. https://icic.org/wp-content/uploads/2016/10/JPMC_R1_BigImpact_FINAL_forpost.pdf?af674c
- 5** | In addition, 26% of Detroiters identified as an entrepreneur both before and after reading the definition; 3% initially identified as an entrepreneur but after reading the definition decided they were not an entrepreneur; and 55% did not identify as an entrepreneur either before or after receiving the definition.
- 6** | The differences reported here between those who do and those who do not identify as entrepreneurs is based on the self-identification of survey respondents before they were given the definition of an entrepreneur.
- 7** | New Economy Initiative, Community of Opportunity, June 2019. <https://neweconomyinitiative.org/wp-content/uploads/2019/09/NEI-Community-of-Opportunity-Report-SCREEN-9-09-19.pdf>
- 8** | Urban Institute, The Financial Health of Detroit Residents, October 2016. https://www.urban.org/sites/default/files/publication/84361/2000940-the-financial-health-of-detroit-residents_2.pdf
This report defines “healthy credit” as “Consumers with healthy credit have at least one line of credit that was never delinquent in the past year and no lines of credit paid 60 or more days late or sent to collections in the past two years.”



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