

SMALL BUSINESS ECOSYSTEM ASSESSMENT

EXECUTIVE SUMMARY



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Charlotte Small Business Ecosystem Assessment



Purpose of this Analysis

In January 2024, the City of Charlotte released a Request for Proposal (RFP) soliciting bids for a professional service firm to conduct a Small Business Ecosystem Assessment. City Council approved funding for the initiative, drawn from the Coronavirus State and Local Fiscal Recovery Fund for small business and entrepreneurship support. After an extensive search and evaluation process, TPMA, an Indianapolis-based consultancy, was selected in February 2024 to conduct the assessment. TPMA provides expert insights into workforce, education, and economic development ecosystems in communities nationwide. TPMA partnered with the City of Charlotte's Economic Development Department on the assessment.





Methodology and Scope of Work

KEY OBJECTIVES:

01

Identify gaps in services, opportunities, and capital resources available to small businesses.

02

Identify possibilities to provide support for small business growth and sustainability.

03

Facilitate engagement with local business owners through focus groups, interviews, and surveys.

The following work elements were incorporated into the methodology and scope of work to achieve these objectives:

- Best practices and peer-reviewed literature review;
- Review of historical and relevant plans, documents, and partner website review across the Charlotte Small Business Ecosystem;
- Small group interviews with Economic Development, Workforce Development, Education, and Community Development Partners;
- Focus groups with small business owners;
- Small business survey; and
- Interviews and discussions with city staff, council members, and Charlotte Jobs and Economic Development Committee members.

Stakeholder Engagement Overview

With support from Charlotte's Economic Development Department, TPMA conducted a mixed-method stakeholder engagement initiative to derive direct input from community stakeholders, including small business ecosystem partners, owners, and elected officials. Appendix C provides a more thorough description of the stakeholder engagement methodology.



Engagement included:

7

Virtual small business focus groups

55

Small business participants in focus groups

120

Individuals in virtual partner focus groups

12

In-person small business focus groups

860

Small business survey respondents

20

Virtual focus groups with business support organizations and key community partners



Definition of Small Business

The SBA defines a small business as:

“a business concern that is organized for profit, is independently owned and operated, is not dominant in the field of operation in which it is bigger, and meets size standards as prescribed by the SBA.”



For the Charlotte Assessment, the following standards will be used:

- Annual revenue of up to \$50 million; and
- Employment ranging from solo entrepreneurs (1 employee) to 250 employees.



WHY ARE SMALL BUSINESSES IMPORTANT?

Recent statistics show that small businesses employ roughly half of America's private workforce.¹ An estimated 68% of revenue generated by local small businesses stays within the community through employment of community residents, compared to 43% of revenue generated by non-local businesses.² According to the International Economic Development Council, “Small businesses act as employers by creating new jobs, tax revenue generators, economic supporters that buy and supply local products and services, property owners and renters, and providers of economic stability.”

¹ Building equitable local ecosystems for small business: Collaboration is the key. (2021). Local Initiatives Support Corporation.

² Ibid

TYPES OF SMALL BUSINESSES

01

Microenterprises



Employ less than 5, require less than \$35,000 to start, typically generate less than \$250,000/year, side-gigs, lifestyle

02

Main Street



Non-export, storefront, amenity and culture enhancers, multi-generational, focused on long-term sustainability

03

Scalable



Emerging market, proprietary tech or service, growth oriented, focused on fundraising and investment

04

Mature



Expansion and growth oriented, over 5 years old, between 10-250 employees, market and product validation, steady revenue

DEFINITION OF A SMALL BUSINESS ECOSYSTEM



An ecosystem is a set of conditions and supports that all entrepreneurs need to thrive – to launch and expand their businesses, and to sustain them in the face of impediments to growth and economic shocks.¹



¹ Local Initiatives Support Corporation. (n.d.). Building equitable local ecosystems for small business. LISC. <https://www.lisc.org/our-resources/resource/building-equitable-local-ecosystems-small-business/>

People & Talent

People and talent are the foundation of a thriving small business ecosystem, where entrepreneurs, skilled workers, and strong peer networks drive innovation, adaptability, and community vitality. With a strong ecosystem focusing on people, local businesses can grow, attract investment, and sustain long-term economic prosperity.

Access to Capital

Capital is essential to the success of small businesses. It enables them to launch, grow, and compete by funding operations, innovation, and job creation. When businesses have access to capital, they strengthen the local economy support public services, and attract further investment, fostering long-term community prosperity.

Business Support

Support services and resources provide small businesses with critical tools, expertise, and the infrastructure to grow, overcome challenges, and operate efficiently. These services strengthen the local economy and build a resilient, sustainable small business ecosystem by fostering collaboration and ensuring access to mentorship, training, and expertise.

Customers & Markets

Customers and markets drive small business success, providing essential demand, feedback, and community connection that fuel growth and loyalty. By cultivating vibrant local and expanded market opportunities, communities help businesses thrive, attract investment, and build a more resilient and prosperous local economy.

Culture, Coordination & Collaboration

A culture of collaboration and coordination among support organizations ensures small businesses can easily access comprehensive resources, reducing duplication and improving efficiency. By aligning efforts and building strong partnerships, communities can create a unified, pro-business environment that drives innovation, resilience, and long-term economic prosperity.

The Current State of the Charlotte Small Business Economy

Due to the lack of city-level data — a result of a 2014 state law that repealed local privilege license taxes — determining the exact number of small businesses in Charlotte is challenging.

This assessment looks at county and MSA-level data to learn more about the composition of the small business community in Charlotte. First, we analyze employment data for small businesses in Mecklenburg County. The U.S. Small Business Administration Office of Advocacy defines a small business as having fewer than 500 employees. In 2021, there were 34,951 businesses with fewer than 500 employees in Mecklenburg County. Of those, the majority (56%) employed fewer than five employees. Based on employment levels, small businesses of all sizes grew between 2013 and 2022, but those with fewer than five employees saw the most growth over the 10-year period. Over this period, businesses with fewer than five employees increased by about 4,970 or 33%. Overall, the number of small businesses grew by more than 7,000, increasing the small business count by 25.6% over the 10-year period.

Figure 1: Small Businesses by Employment in Mecklenburg County

Source: County Business Patterns

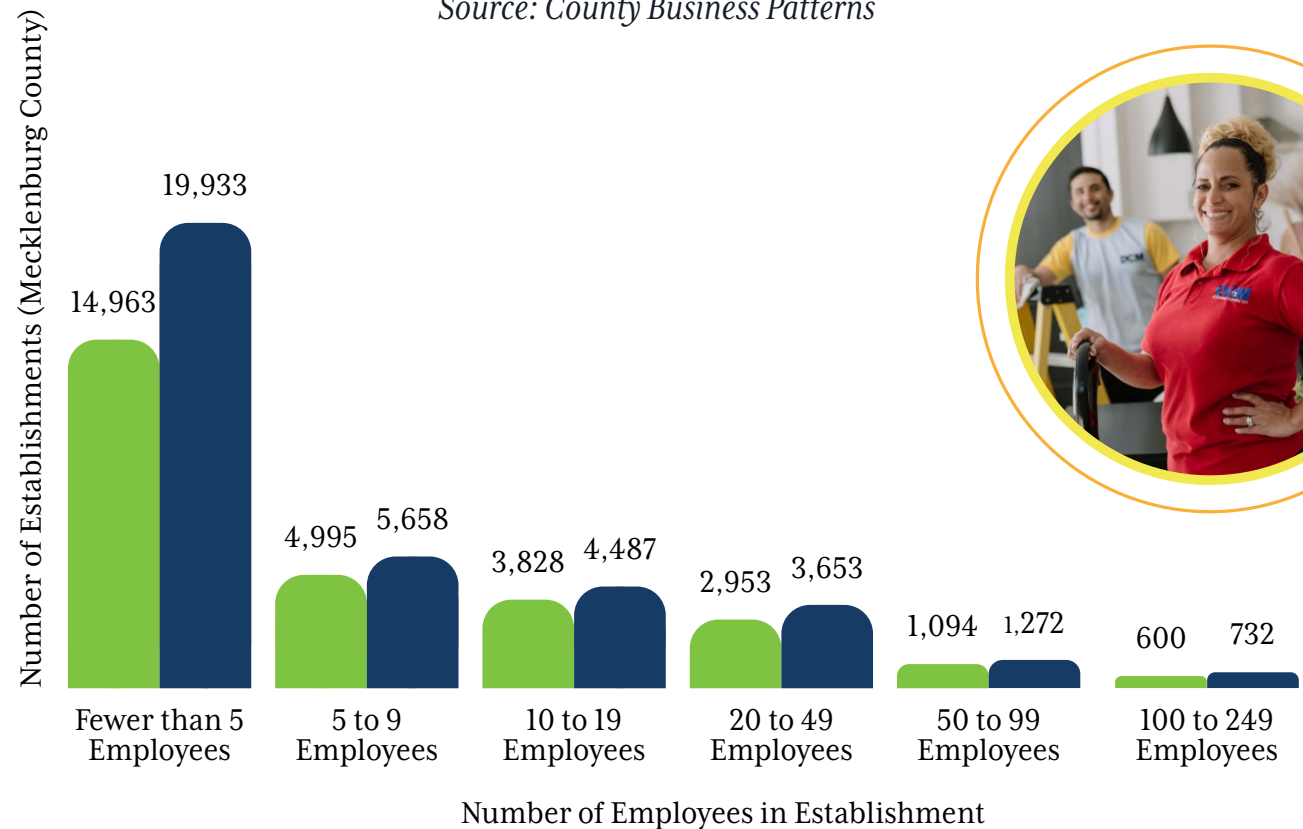


Figure 2: Small Businesses in Mecklenburg County by Industry

Source: County Business Patterns, 2022

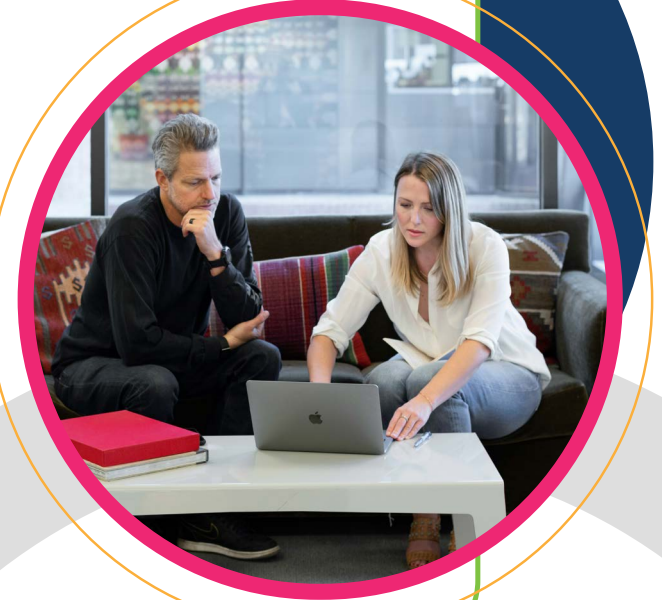
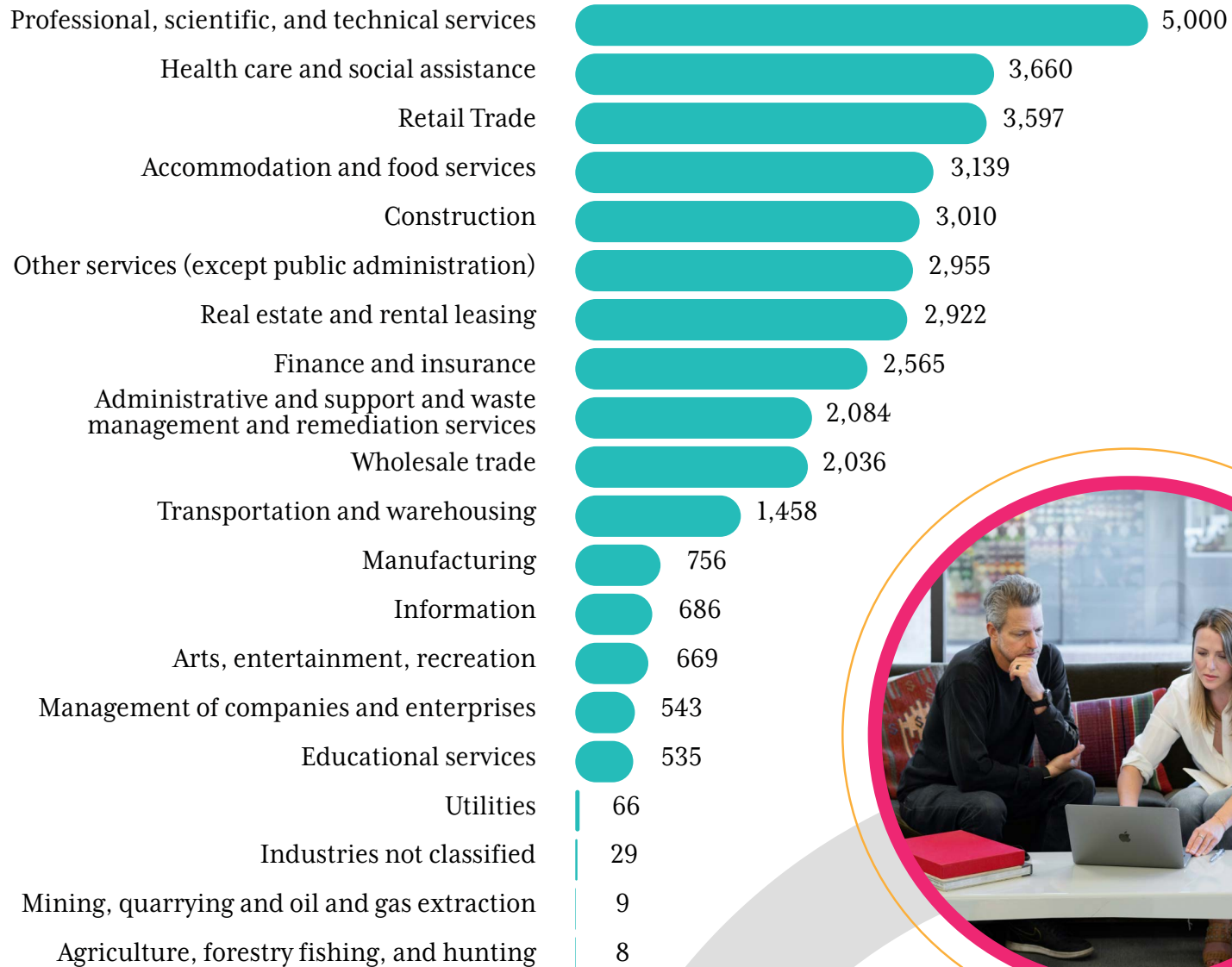


Figure 3: Non-employer Establishments in Mecklenburg County by Industry

Source: US Census Non-employer Statistics, 2022

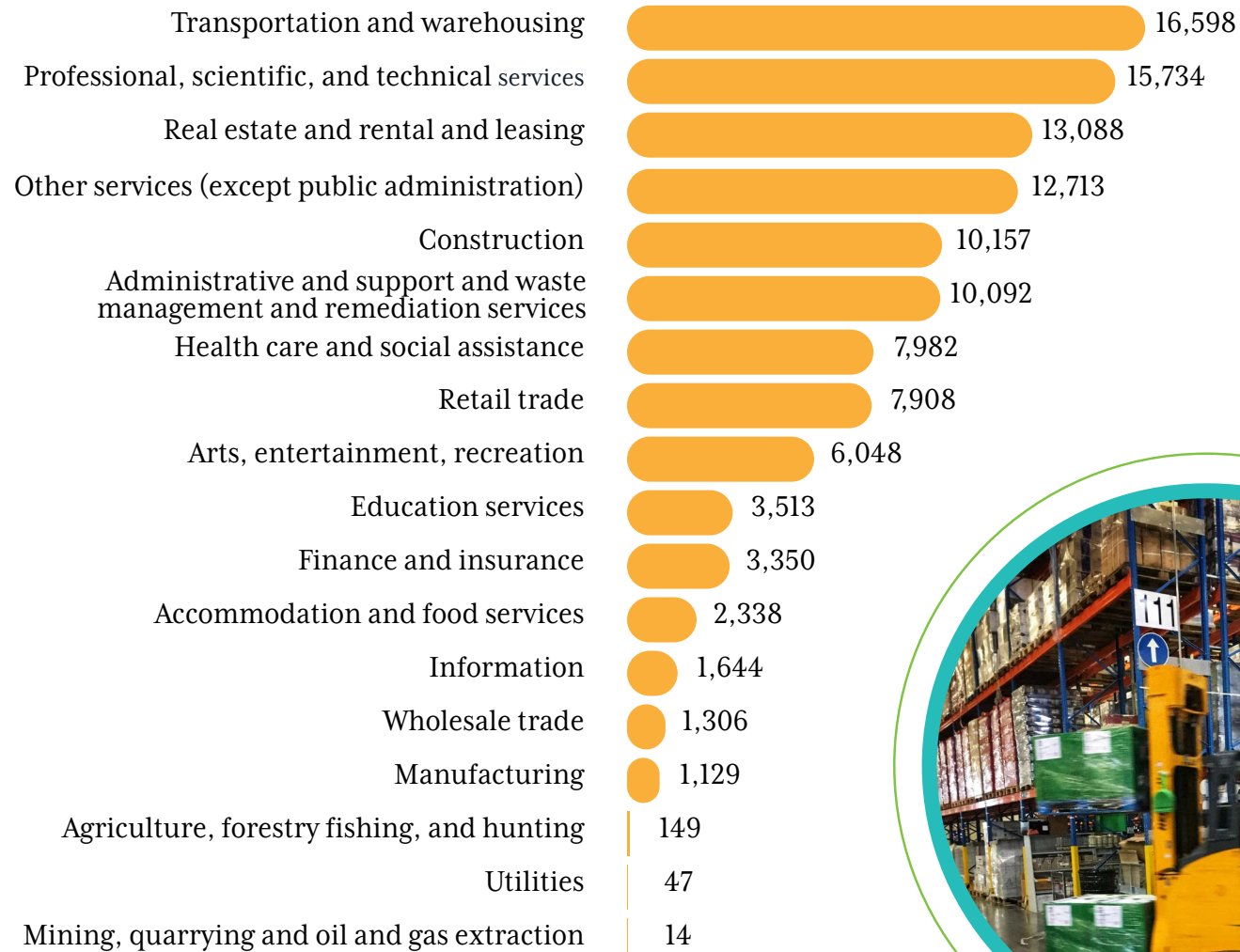
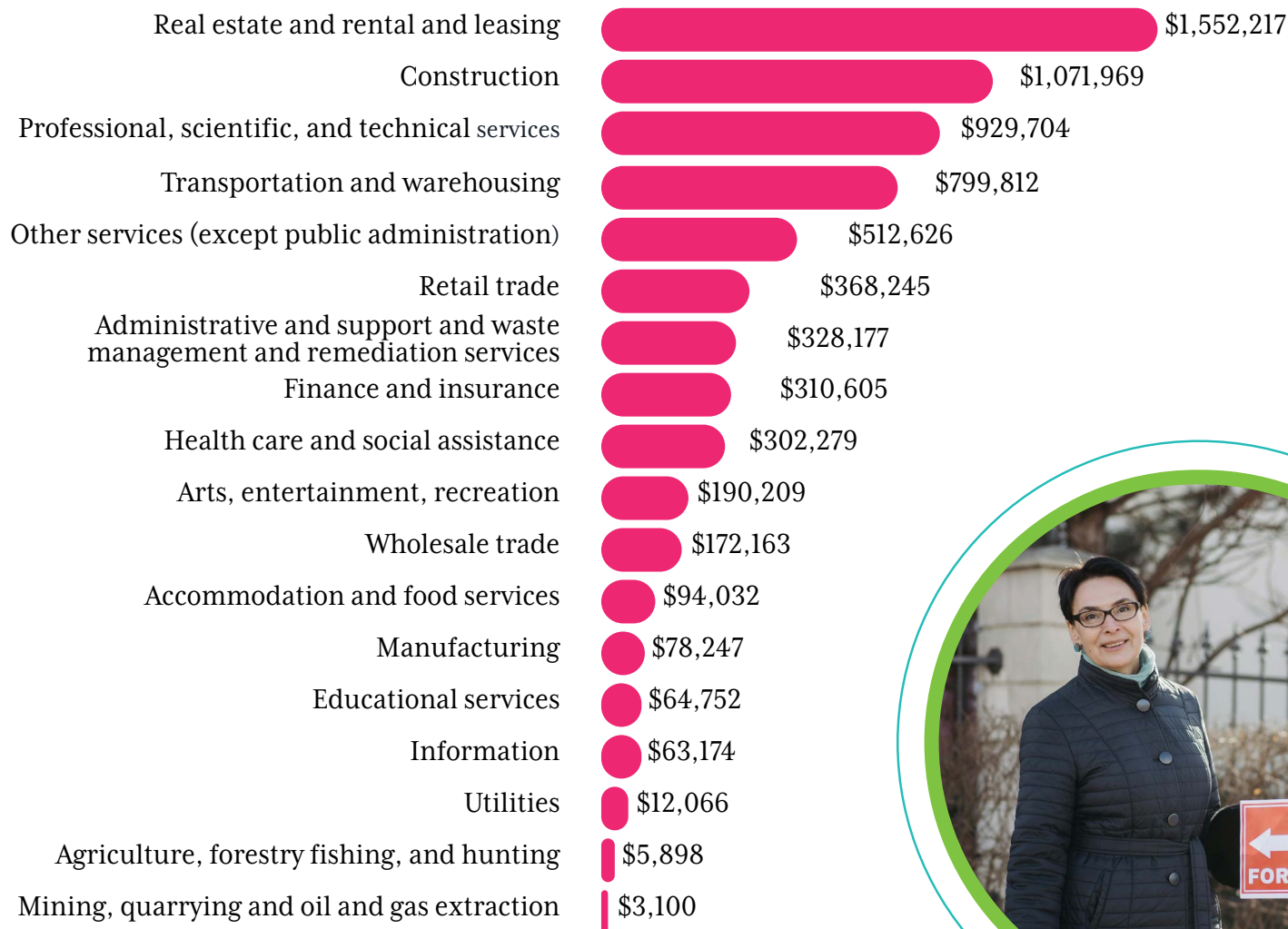


Figure 4: Non-employer Sales, Value of Shipments, or Revenue in Mecklenburg County

Source: US Census Non-employer Statistics, 2022



Key Elements of the Charlotte Small Business Ecosystem

This report thoroughly analyzes the Charlotte small business ecosystem, informed by available and relevant data, findings from stakeholder interviews, focus groups with small businesses, an analysis of small business survey findings, and historical document review and research.

The analysis evaluated the key elements of a successful small business ecosystem presented in the literature review. Those include:

- People & Talent
- Capital
- Support Services & Resources
- Customers & Markets
- Culture, Collaboration & Coordination

Within the first four key elements (People & Talent, Capital, Support Services & Resources, and Customers & Markets), the project team evaluated the elements using three key evaluation metrics:

- Awareness & Access
- Engagement
- Equity

Culture, Collaboration & Coordination were evaluated separately, and the methodology will be outlined in more detail in the following pages.



AWARENESS & ACCESS

Definition:

This metric assesses whether small business owners, entrepreneurs, and stakeholders are aware of and can effectively access the ecosystem's resources, programs, and opportunities.

Context:

- **Awareness** focuses on whether the existence and purpose of ecosystem components (e.g., funding options, training programs, or market opportunities) are communicated to all potential users.
- **Access** evaluates the ease businesses can utilize these resources, considering physical proximity, digital availability, cost, eligibility criteria, and systemic barriers.

Key Questions:

- Are resources and opportunities well-publicized and easily discoverable?
- Can all businesses access these resources regardless of size or location?
- Are there technological, financial, or geographic barriers that limit access?



ENGAGEMENT

Definition:

These metrics measure how small businesses, entrepreneurs, and other stakeholders actively participate in and utilize the ecosystem's elements.

Context:

- Engagement reflects how effectively businesses interact with and benefit from resources such as training programs, capital networks, or community events.

Key Questions:

- Are businesses actively participating in workshops, mentorship programs, and funding initiatives?
- Are resources being used to their full potential, or are they underutilized?

EQUITY

Definition:

This metric evaluates whether the ecosystem's elements and resources are inclusive and accessible to all groups, with a particular focus on historically underserved or underrepresented populations.

Context:

- Equity examines how well the ecosystem ensures that diverse groups—such as women, people of color, and small businesses in low-income areas—have fair opportunities to benefit from available resources and programs.
- It also considers whether systemic barriers, such as biased lending practices or language barriers, have been addressed.

Key Questions:

- Are resources and opportunities distributed equitably across demographic, geographic, and socioeconomic lines?
- Are outreach efforts inclusive, and do they reach marginalized groups?
- Do participation rates reflect the community's diversity, or are certain groups excluded?

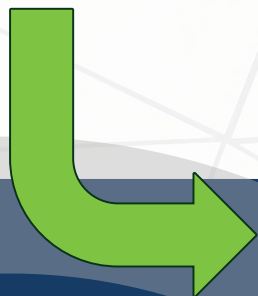


COORDINATION & COLLABORATION ACROSS THE SMALL BUSINESS ECOSYSTEM

In addition to these key elements, the culture, coordination, and collaboration across economic, education, workforce, and community development partners were evaluated. Using a mixed-method approach, reliant on feedback from partners and small businesses, the evaluation was constructed to assess how well the ecosystem was operating. Additionally, extensive desktop research was performed to understand the many organizations operating in the formal and informal small business network. This was performed for several reasons:

- To develop a clear understanding of the ecosystem's key players and their functional roles;
- To explore more profound insights into coordination dynamics and challenges;
- To gain insights from influential leaders in the ecosystem;
- To assess the interconnectedness of the stakeholders; and
- To better understand available programs, policies, and initiatives.

KEY FINDINGS FROM THE ASSESSMENT

**1**

Business Support Organizations

*A Robust but
Complicated
Business Ecosystem*

2

Capital Access

*Unique Capital Needs
Across Small
Business Types and
Development Stages*

3

Physical Space

*Increasingly Limited
Affordable Commercial
and Retail Space*

4

Equity

*Charlotte Needs to
Continue to Prioritize
Equity Across Gender,
Race, Ethnicity,
and Location*

5

Workforce Development

*A Rich and Diverse
Talent Pipeline but
a Disconnect with
the Small Business
Community*

6

Customers & Markets

*The Challenge of
Doing Business with
the Government and
Corporate Anchor
Institutions*

1 Business Support Organizations

A Robust but Complicated Business Ecosystem

A successful small business ecosystem encompasses several essential components, including organizations that deliver a diverse array of services to support the small business community. Commonly known as business support organizations (BSOs), these vital entities may originate from the private, public, or nonprofit sectors. They offer a variety of services, such as financial assistance, resource connections, customer outreach, technical support, education and training, as well as business incubation and acceleration.

In the City of Charlotte, a robust network of BSOs underpins the Small Business Ecosystem. The types of services provided are diverse, ranging from capital access to community resource hubs and workforce development programs.



Summary of Findings

01

The Charlotte Small Business Ecosystem is comprised of dedicated and talented individuals and organizations, offering a diversity of programs and resources.

02

Both ecosystem partners and small businesses acknowledged the complexity of the ecosystem as a barrier to access.

03

Ecosystem partners believe a more centralized approach to marketing will increase awareness and access to support services.

04

Approximately 50% of small businesses do not know who to ask for assistance.

05

A large percentage of neutral survey responses may indicate a total lack of awareness of ecosystem resources and services.

06

Startup small businesses and mature small businesses are more likely to know who to contact for assistance.

07

Employment size is correlated with ecosystem awareness; businesses with less than 10 employees are less likely to know where to find support.

08

Businesses 'in the middle' (employment and stage of business life cycle) are struggling to find support relevant to their needs.

09

Capital access and networking opportunities are the most requested needs.

10

Networking, technical assistance, and business counseling are the most accessible service offerings.

11

Access to capital and talent recruitment were the least accessible service offerings.

2 Capital Access

Unique Capital Needs Across Small Business Types and Development Stages

Access to capital is essential for the success of small businesses. Sufficient capital enables these enterprises to initiate operations, manage daily expenses, expand their activities, innovate new products and services, and achieve sustainable growth. Despite being the second largest banking center in the nation, small businesses in Charlotte frequently identify access to capital as the primary barrier to sustainable growth. This challenge is not unique to Charlotte; it is a common issue faced by small business owners across various markets.

To effectively address this widespread challenge, ecosystem leaders must comprehend the comprehensive range of capital tools necessary to support these enterprises. Access to capital encompasses a variety of financial products, including grants, microloans, traditional debt, seed funding, angel capital, crowdfunding, private equity, public capital markets, and more. Although a robust network of capital providers is present in Charlotte, feedback from key stakeholders indicates that further efforts are required to align funding with the specific needs of small businesses.



Summary of Findings

01

Access to capital is the greatest need for all small business types.

02

Charlotte small businesses receive less venture funding than small businesses in peer communities.

03

Only 28.3% of business who cited access to capital as a need were able to obtain appropriate financing.

04

Minority-owned businesses are less able to access capital than their non-minority peers.

05

Microenterprises and Main Street businesses are less likely to find appropriate financing.

06

Small business owners find public grant programs difficult due to unclear eligibility guidelines and application processes.

07

There is a general lack of awareness of alternative capital providers, including Community Development Financial Institutions (CDFIs).

08

Capital readiness trainings and seminars are well attended by the small business community.

3 Physical Space

Increasingly Limited Affordable Commercial and Retail Space

Affordable commercial and retail space serves as a fundamental component of a robust small business ecosystem. In cities like Charlotte, where small enterprises play a crucial role in driving economic growth, fostering innovation, and enhancing community vitality, it is imperative to ensure access to affordable and appropriate locations. Nevertheless, small business owners encounter significant real estate challenges, particularly in securing cost-effective spaces that facilitate sustainable operations and growth.

As Charlotte experiences rapid expansion, the demand for commercial and retail space has escalated. This surge has resulted in increased rental rates and a decline in the availability of affordable inventory, especially in prime areas such as Uptown, South End, and NoDa. According to a 2023 CBRE market report, Charlotte's retail vacancy rate ranks among the lowest in the Southeast, with unprecedented rental rates driven by an influx of new residents and businesses. This market dynamic disproportionately impacts small business owners, who often lack the financial capacity to compete with larger corporations or national chains for prime retail locations.



Summary of Findings

01

Over the last 10 years, rental rates for office, retail, and industrial space have risen substantially.

02

Supply and demand of industrial space is at equilibrium.

03

Supply of available office space is currently outpacing demand.

04

Demand for retail space is outpacing available supply.

05

Since the COVID-19 pandemic, vacancy rates of office space have increased. However, rental costs have continued to increase.

06

Charlotte has less retail space (by square footage) than all other peer MSAs.

07

At the end of 2024, less than 3% of retail spaces were vacant.

08

More retail space is under construction in Charlotte than any other peer MSA.

09

Infrastructure, modernization, safety, and cleanliness were priorities for small businesses with storefronts.

10

Leasehold improvements are a barrier to Main Street businesses looking for retail space.

4

Equity

Charlotte Needs to Continue to Prioritize Equity Across Gender, Race, Ethnicity, Disability Status, and Location

Charlotte's population is increasingly diverse, reflecting a significant demographic shift within the city's dynamic business community. The city has evolved into a melting pot of cultures, featuring substantial populations of African American, Hispanic, Asian, and immigrant communities, all of which contribute fresh perspectives, innovative ideas, and varied cultural norms to the local economy. This diversity is prominently showcased in the extensive array of businesses flourishing in Charlotte, ranging from global financial institutions and technology startups to locally owned restaurants, retail establishments, and professional services. As Charlotte continues to attract new residents and enterprises, the city's cultural richness serves as a robust foundation for nurturing innovative, inclusive, and globally competitive industries. While numerous initiatives are underway to promote diversity, equity, and inclusion, the data analyzed in this report, along with feedback from key stakeholders and small business owners, suggests that there remains significant potential for enhancement.



Summary of Findings

01

Charlotte has seen substantial growth in recent years of minority and women-owned small businesses.

02

Density ratios for both minority and women-owned businesses lag behind peer MSAs.

03

In 2022, 19% of all businesses in the Charlotte MSA were owned by immigrants.

04

Small businesses in census tracts with lower income levels receive much less funding and are less likely to experience investment.

05

Overwhelmingly, minority-owned businesses report needing assistance more than non-minority-owned survey respondents.

06

Black-owned, female-owned, and LGBTQIA+ owned small business owners are likely to know who to contact for business support.

07

Both ecosystem partners and small business owners generally agreed that a history of distrust between minority business owners and “legacy” institutions is an impediment to social capital.

08

While many key ecosystem partners provide translation services, focus group participants generally agree that it is an area for improvement.

09

There is a perceived lack of minority mentorship and peer-to-peer networks in Charlotte.

5 Workforce Development

A Rich and Diverse Talent Pipeline but a Disconnect with the Small Business Community

Charlotte's workforce comprises a diverse array of skilled professionals spanning multiple industries. The city's educational institutions, including the University of North Carolina at Charlotte, Queens University of Charlotte, Johnson C. Smith University, and Central Piedmont Community College, are pivotal in enhancing the workforce by providing specialized degree programs across various disciplines.

The city has effectively attracted talent from both local and external sources, resulting in significant benefits for the business community across different industry sectors. Additionally, Charlotte's cost of living remains comparatively lower than other major metropolitan areas, positioning it as an appealing destination for professionals.

Nevertheless, insights from key stakeholders, including ecosystem partners and small businesses, reveal a disconnect between those overseeing the talent pipeline and the small business community. Addressing this gap necessitates a thorough examination of Charlotte's workforce landscape.



Summary of Findings

- 01 More than half of Charlotte's population over 25 holds a bachelor's degree, compared to a nationwide rate of 36.2%.
- 02 18% of Charlotte's population is foreign born, adding to the talent pipeline.
- 03 Smaller scale businesses, typically Microenterprises, Main Street, and Scalable businesses have a greater need for talent recruitment, but are less likely to access services.
- 04 Minority owned businesses are more likely to need talent recruitment services.
- 05 Ecosystem partners recognize the workforce system is complex, complicated, and difficult to navigate.
- 06 Non-english speaking employers and job seekers are less likely to access and utilize workforce services.
- 07 Ecosystem partners would like to see more collaboration and coordination with workforce related entities, specifically universities.

6 Customers and Markets

The Challenge of Doing Business with the Government and Corporate Anchor Institutions

Public organizations, including local, state, and regional governments, represent significant customer bases for small businesses. Additionally, large corporate enterprises frequently procure various goods and services from small and locally owned businesses. However, engaging in business with government entities and corporate institutions can present considerable challenges. These challenges stem from stringent procurement processes, limited internal capacity, intense competition, and resource disparities.

Government contracts typically necessitate that businesses navigate complex bidding procedures, adhere to rigorous compliance standards, and obtain certifications such as Minority-Owned Business Enterprise (MBE) or Woman-Owned Small Business (WOSB) status. While these certifications can create opportunities, acquiring them can be time-consuming and resource-intensive, particularly for small businesses with constrained staff and expertise.

Conversely, corporate institutions often prefer suppliers with established track records, substantial production capabilities, and financial stability. Balancing these expectations while maintaining competitive pricing poses a common challenge for small businesses. Furthermore, small enterprises in Charlotte encounter visibility issues, as larger companies and government agencies frequently rely on established networks of vendors, thereby limiting opportunities for newer or smaller businesses to compete.



Summary of Findings

- 01 Small business owners believe large corporations are more likely to go outside of the Charlotte market for good and services.
- 02 Small business owners cite the lengthy corporate procurement process as a significant impediment to doing businesses with corporations.
- 03 Scalable businesses observed an underlying friction between conservative corporate industries such as banking and finance and the disruptive nature of the tech-enabled startup.
- 04 Small business owners cited the cumbersome and complex process and lack of awareness of bid opportunities as particularly challenging to government procurement opportunities.
- 05 Small business owners expressed frustration about what they perceived as a lack of feedback regarding grant applications

Although various partners provide support services to small businesses, and initiatives such as the Charlotte Business INclusion (CBI) program strive to bridge existing gaps, many small businesses report that obstacles such as inadequate outreach, insufficient mentorship, and delayed payment cycles from government and corporate contracts continue to impede their growth and participation in these lucrative markets.

Conclusion

Charlotte's small business ecosystem is vibrant and full of potential, yet it faces persistent and interconnected challenges that hinder growth, sustainability, and equitable access. The findings from this assessment illuminate the need for a more coordinated approach to supporting small businesses—one that ensures awareness of available resources, expands equitable access to capital and space, deepens engagement with underserved communities, and strengthens connections between workforce institutions and entrepreneurs. Additionally, reducing barriers to procurement and encouraging collaboration between small businesses and anchor institutions must be prioritized to open new pathways for business development.

Moving forward, city leaders, business support organizations, and ecosystem partners have an opportunity to align efforts and strategically invest in solutions that are responsive to the unique needs of Charlotte's small businesses. By centering equity, streamlining access to resources, enhancing cross-sector coordination, and strengthening support across all stages of the business life cycle, Charlotte can position its small business community as a cornerstone of inclusive economic growth and resilience.

