



# Mapping Entrepreneurship Assets in Charleston, SC

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Prepared for: The City of Charleston, South Carolina

Prepared by: SourceLink<sup>SM</sup>

## EXECUTIVE SUMMARY



*Mayor John J. Tecklenburg*

The City of Charleston recognizes how the connectivity of small businesses to crucial resources is a significant component to the community's advancement. This project, selected by the National League of Cities to be part of the City Inclusive Entrepreneurship network, will better equip the city to support entrepreneurs and small businesses across all stages and industries.

"The City of Charleston is committed to supporting the connection of small businesses to vital resources," said Charleston Mayor John J. Tecklenburg. "We have partnered with SourceLink to help make resource organizations more visible to our business community."

This effort follows the recommendations of the city's 10-year comprehensive strategic plan, adopted in October 2021, which highlighted the need to pursue policies and programs to support independent, locally owned businesses. The project's mission is to better understand the available resource landscape and connect entrepreneurs to available offerings.

Thanks to funding awarded by the National League of Cities, a new printed resource – the SourceFinder<sup>SM</sup> – and an ecosystem assessment report were developed. This report will be used to expand support of small business owners and entrepreneurs in the City of Charleston.



## Key findings

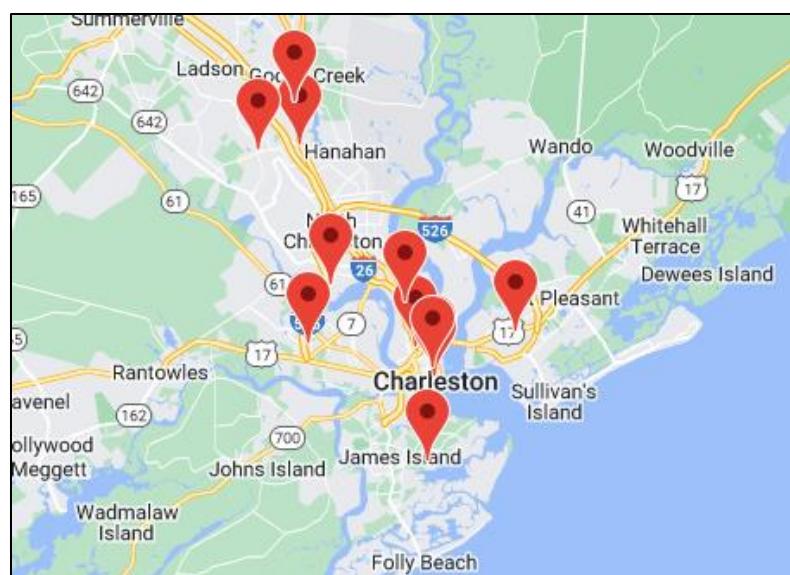
### This analysis revealed six key findings/recommendations

1. Charleston has a broad array of services for different types of entrepreneurs.
2. Entrepreneurs need to be better informed and educated about supportive organizations (especially low cost and no cost options) locally and regionally.
3. Many of the identified resources did not complete the survey, which could mean hidden resources for Charleston entrepreneurs. A continued effort should be made to contact additional resources that serve the Charleston area.
4. No organizations offer manufacturing operations and logistics support, which could indicate a gap in the market.
5. Few providers offer equity capital and only three offer microloans, critical sources of funding for early-stage companies.
6. Half of the organizations surveyed serve key government sectors.

Fourty-nine organizations that serve entrepreneurs and small business owners were identified and asked to complete a profile survey regarding clients and services offered, and sixteen of them responded. This is a lower response rate than in other communities of similar size.

Of the 16 organizations that completed the survey, the majority are located in the Charleston area.

One of the benefits of the COVID-19 crisis is that the pandemic has knocked down barriers to physical distance. With most resource organizations offering their classes and services almost entirely online, entrepreneurs and small business owners in Charleston could potentially tap into resources beyond their own neighborhoods, if they are aware of those opportunities.



In addition, dynamic online resources may provide opportunities for those who are based outside the region to relocate to Charleston, if a supportive entrepreneurial community could be better enhanced and marketed.

Just as different types of entrepreneurs need different types of support, they also need different kinds of capital to finance startup and growth enterprises. Networked capital and adequate funding sources across the continuum are a challenge for most communities.

The current COVID-19 crisis has created even more challenges with microenterprises and small businesses falling through the gaps with regards to stimulus funding. The survey shows that 9 organizations offer funding. Charleston has two sources for loan funding (besides banks), three microlenders, and two organizations that provide equity capital.



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## Why Entrepreneurs are Important

According to Kauffman Foundation research, companies less than one year old create an average of 1.5 million jobs per year over the past three decades<sup>1</sup>. Those entrepreneurs need thriving networks to grow and succeed. This precept has revealed itself over the 19+ years since SourceLink began bridging resource organizations to one another and to entrepreneurs throughout the country.

It's simple: The more contacts entrepreneurs can make early in the life of their companies – that is, the more help and information they can access – the greater their chances of getting products developed, finding viable markets, surviving the first years, and growing toward success.

Location and industry are not the critical issues. Both information and social contacts make the difference. Regardless of where companies may be located, or what their products are, virtually all entrepreneurs grapple with how to start and fund their businesses, and eventually, how to grow their businesses to scale globally. Gaps in knowledge and experience complicate the startup process and extend the time it takes for valuable startups to grow.

What SourceLink has learned from research and through lessons shared by thousands of entrepreneurs is that entrepreneurs extract significant and important benefits from their own social networks. The social network is where entrepreneurs and small business owners access a variety of tangible and intangible resources that enhance the owner's experience and bring critical support as the business starts and grows.

Gaining access to, and better utilization of, available resources creates a stronger environment resulting in firm success and growth. Communities can help entrepreneurs first by creating a vibrant network of resources to support them, and then by helping aspiring and existing business owners connect to a larger network of support.

A healthy entrepreneurial ecosystem facilitates access to information, resources and social networks critical to the success of emerging businesses.

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<sup>1</sup> *The Importance of Young Firms for Economic Growth* by Jason Wiens and Chris Jackson.

## Four Types of Entrepreneurs

A healthy entrepreneurial ecosystem acknowledges that not all entrepreneurs and business owners are the same. This is a good thing, because economies are based on many different kinds of businesses and each play a different role in defining an economy.

After years of research and on-the-ground entrepreneurial ecosystem building research, SourceLink has developed a classification of entrepreneurs by the type of companies they lead and their goals for growth: Innovation-Led, Second Stage, Main Street and Microenterprise. A brief overview follows.

### **Innovation-Led**

Innovation-led enterprises are businesses in which research and development brings forth an innovative product or process. The innovation typically involves intellectual property that contributes to a strong competitive advantage in the marketplace and serves as a foundation for a high rate of growth.

Often formed around life sciences or technology innovations, these enterprises can require significant funding and specialized facilities. Owners are willing to give away equity to investors to secure the financial resources they need to grow. These businesses may cluster around research institutes and universities as technology is transferred from research labs into the marketplace.

### **Second Stage**

Second-stage enterprises have survived the startup phase and have owners who are focused on growing and expanding. The second-stage firms generally have between 10 to 99 employees and/or \$750,000 to \$50 million in revenue.

For these companies, business plans have morphed into strategic marketing plans. Finding a location is replaced by funding an expansion. Defining a market niche transforms into finding new markets, launching a new product line, exporting or selling to the government. And finding a team to launch the business becomes a search to find the experts who can take the business to the next level.

### **Main Street**

Main Street companies make up a large segment of the economy, serve communities' growing populations and define a community's cultural character. These entrepreneurs are found among the local dry cleaner, grocery store owner, coffee shop owner, restaurateur or graphic design boutique.

Main Street entrepreneurs aren't driven by rapid growth. The founders create them to build a successful career in their area of passion and expertise and plan to work in the company for a long

time. Their exit plan may involve selling the company to a key employee or passing it on to a family member.

## Microenterprise

By definition, microenterprises are businesses that require less than \$35,000 in capitalization to start. In today's economic environment, dislocated workers and retirees are starting these companies to replace income lost through downsizing or retirement.

In the microenterprise space, there is a segment of support organizations that help those in poverty build wealth through microenterprise programs. Referrals may come from social services agencies and this group may need additional technical assistance due to lack of basic business operations skills.

## Startups

This report also breaks out services specifically targeted to those starting businesses. Regardless of industry or type of business, almost all startups go through the same steps: ideation, feasibility, legal formation, licensing and permits. In most communities it is helpful to route the earliest-stage startups to specific resources who have time and resources to spend with those in the conceptual stage.

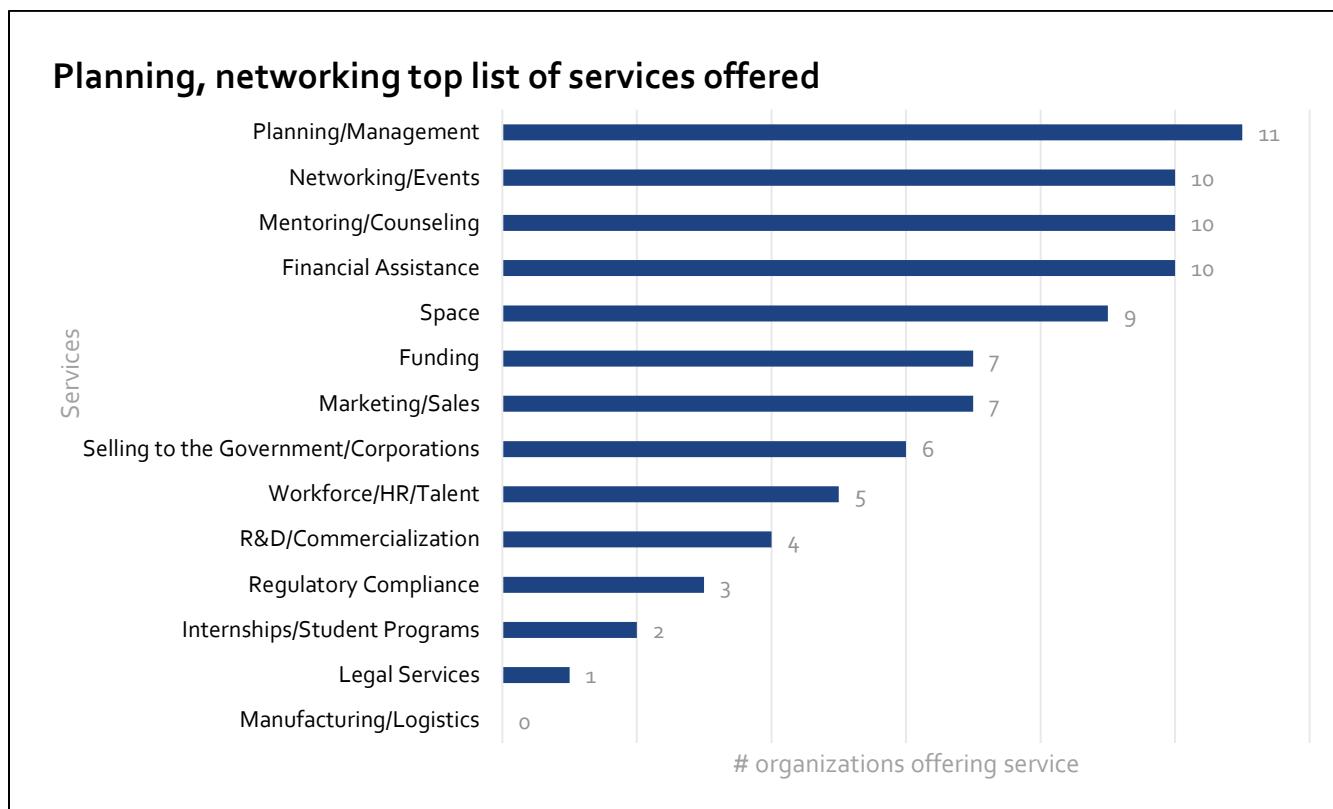


*Photo provided by HCBEE Creative: <https://www.hcbeecreative.com/>*

## Entrepreneurship Resources in Charleston

As part of this project, SourceLink conducted an in-depth analysis of services offered by resource organizations serving Charleston.

Of 49 identified entrepreneurial support organizations, 16 completed a profile survey indicating services offered. Most of the respondents were nonprofits and public sector organizations.



Overall, the scope of services offered by resource organizations is in line with other communities of a similar size. In Charleston, planning/ management services (which includes support for startups) are offered by the most resource organizations. This area, along with networking, is typically at the top of the list of services offered in a given community.

The next three services are offered by 10 organizations: networking/events, mentoring/counseling and financial assistance. Mentoring, including one-on-one counseling, is critical as many startups as well as growth companies need personalized feedback.

Few organizations in the Charleston market offer regulatory compliance assistance or legal services, which is typical of many communities. It was surprising that no organizations offer assistance in

manufacturing operations and logistics. This could mean that the organizations that offer these services in Charleston did not respond to the survey, or a significant gap could exist.

Of special interest is the area of funding for entrepreneurs and small business owners. Of the 16 organizations completing the survey, seven indicated that they offer some type of funding. Two organizations provide loans and microloans, and a third microloans only. Two resources offer angel and venture capital funding. The chart below illustrates the details of what types of funding are offered.

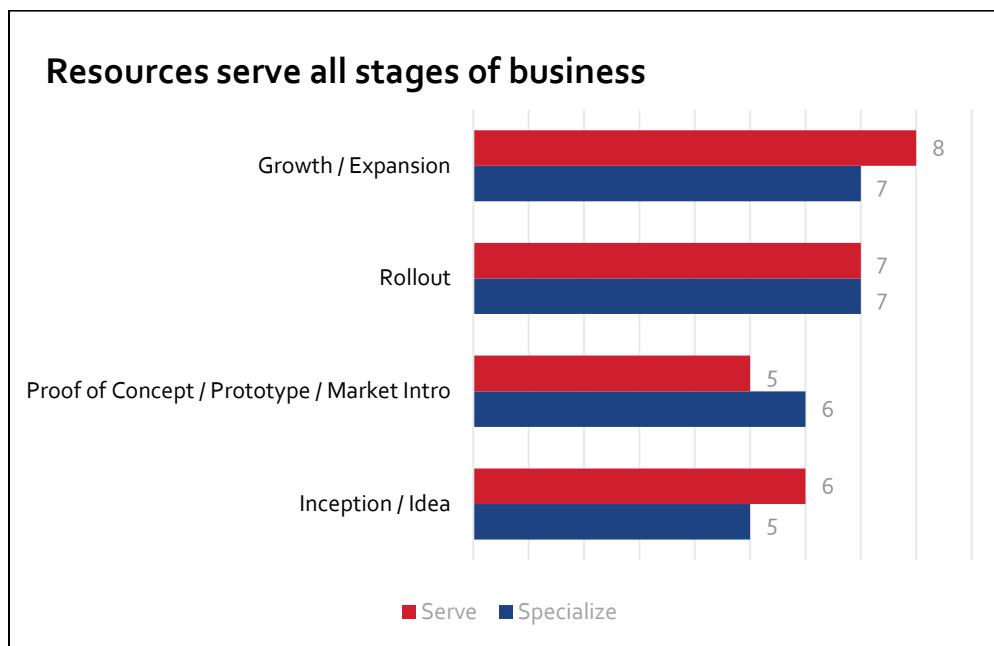
| Organization Name   | Angel Investment Providers | Disaster Loans and Grants | Government Funding | Grant Funding Providers | Financial Assistance for Exporting Activities | Loan Providers | Matching Fund Providers | Microloan Providers | Real Estate Finance | Tax Credit Providers | Tax Credits | Technology Grant Providers | Venture Capital Providers |
|---|----------------------------|---------------------------|--------------------|-------------------------|---|----------------|-------------------------|---------------------|---------------------|----------------------|-------------|----------------------------|---------------------------|
| CLIMB Fund  |                            |                           |                    |                         |   |                |                         | X                   |                     |                      |             |                            |                           |
| CommunityWorks  |                            | X                         |                    |                         |   | X              |                         | X                   | X                   |                      |             |                            |                           |
| South Carolina Association for Community Economic Development | X                          |                           |                    |                         |   | X              |                         | X                   |                     | X                    | X           |                            |                           |
| South Carolina Research Authority                             | X                          |                           |                    | X                       |   |                |                         |                     |                     |                      |             | X                          | X                         |
| South Carolina Small Business Development Centers             |                            | X                         |                    |                         | X   |                |                         |                     |                     |                      |             |                            |                           |
| The Harbor Entrepreneur Center                                | X                          |                           |                    |                         |   |                |                         |                     |                     |                      |             |                            | X                         |
| US Small Business Administration                              |                            | X                         | X                  |                         |   |                |                         |                     | X                   |                      |             |                            |                           |

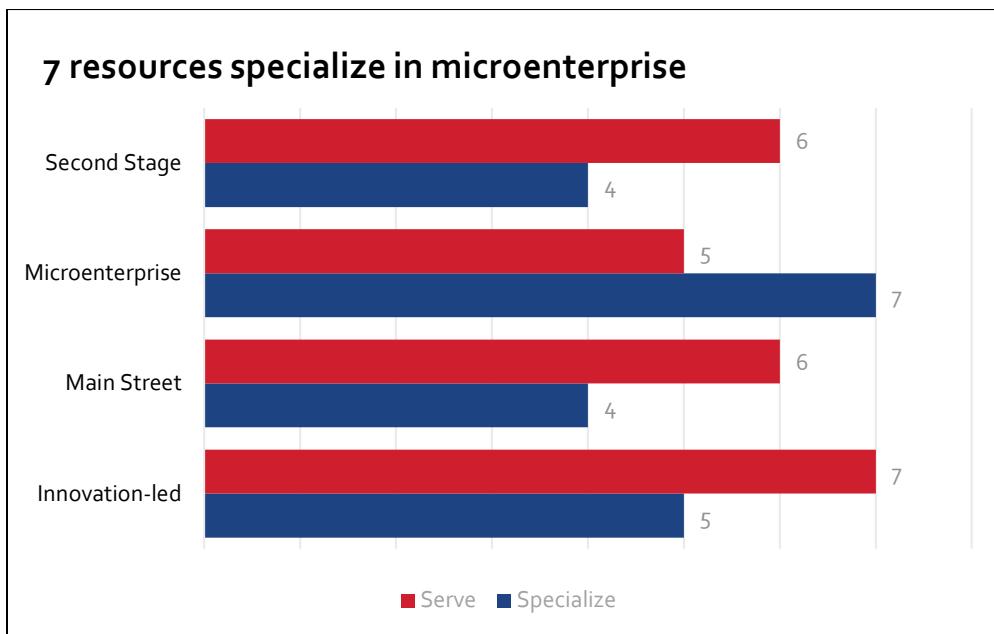
In addition, the SBA reports that a number of private banks are SBA lenders for the Charleston market.

- Bank of America
- Beacon Community Bank
- Chase
- First Horizon Bank
- First National Bank
- Optus Bank

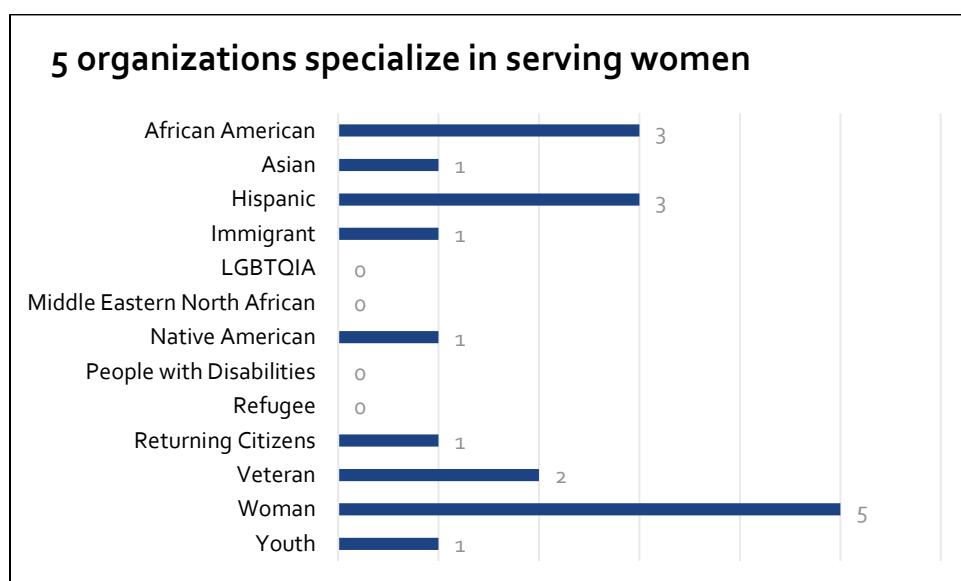
- Pinnacle Financial Partners
- Provident Financial Business Services
- REV Federal Credit Union
- SC Federal Credit Union
- Synovus
- TD Bank
- United Bank

The next charts break down the resource organizations by the audiences they serve. Most serve all types of entrepreneurs.

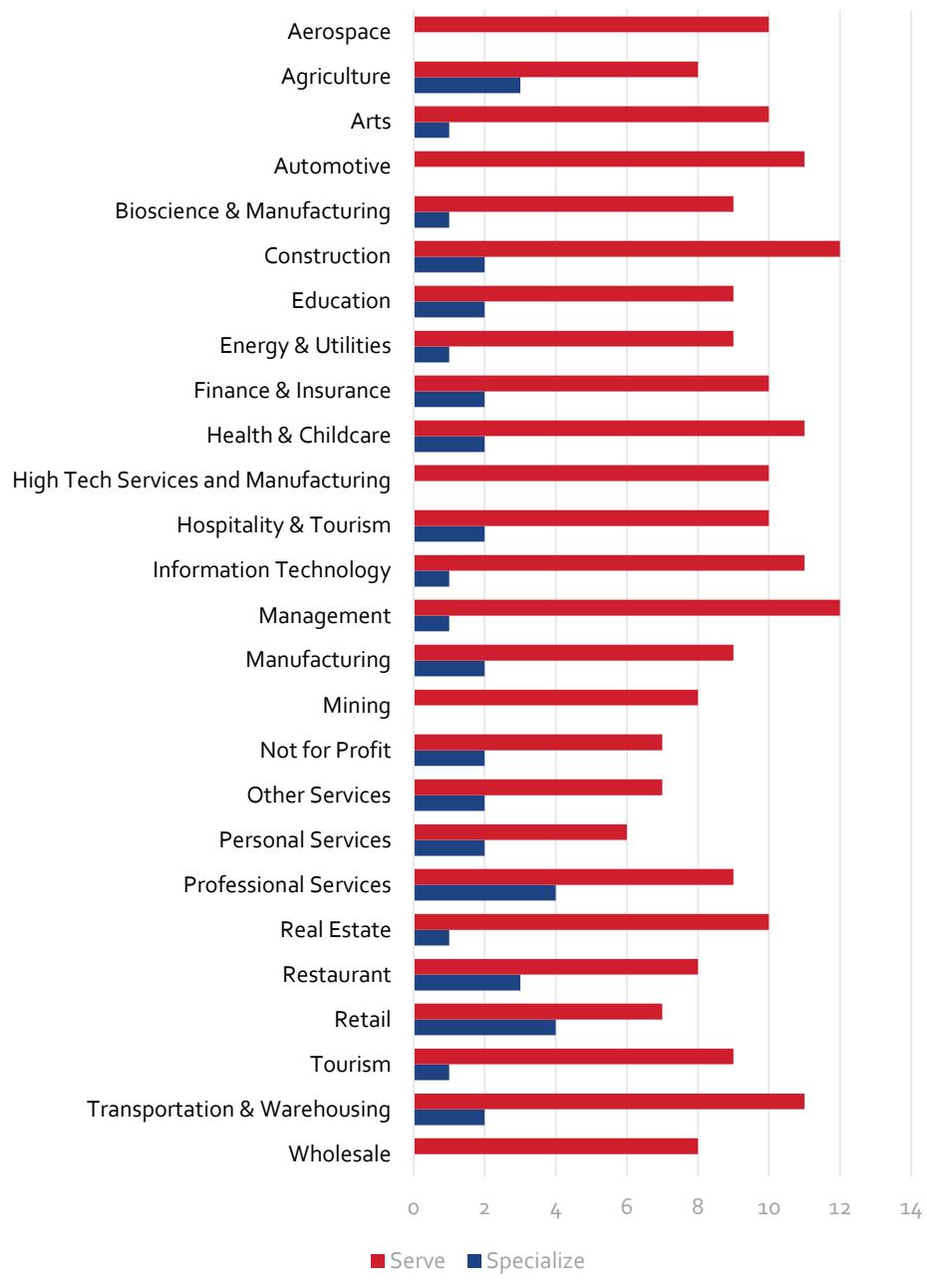




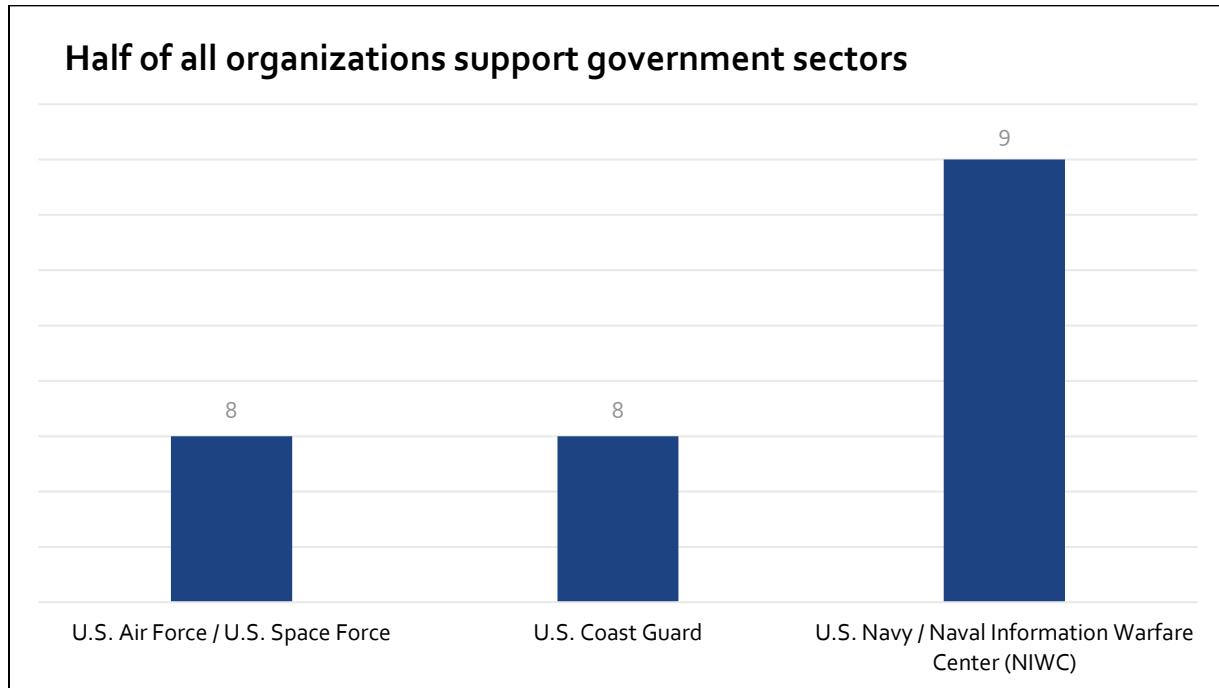
It is important to note that while all organizations serve all audiences, few specialize in serving distinct populations. As noted in the chart below, only one organization in the Charleston area indicated that it specializes in youth entrepreneurship. There may be a gap in organizations that specialize in serving the following groups: LGBTQIA, Middle Eastern North African, People with Disabilities and Refugees. It is worth noting that thirty-three organizations did not complete the profile survey, so tailored assistance may be available, but not reflected in this data.



## Broad range of industries supported



For this analysis, Charleston was also interested in the organizations that serve specific government sectors. Half of all the organizations responding to the survey support industry in the three government sectors listed in the chart below, with one organization specializing in service to the U.S. Navy.



## Conclusion

Mapping the assets to support entrepreneurs and business owners in a community and understanding the gaps is a critical first step in strengthening a region's entrepreneurial ecosystem. The analysis of the assets in Charleston reveals an array of resources for entrepreneurs of all types.

Regarding the strengths of the network, resources in planning/management, networking/events, mentoring and financial assistance top the list of services offered. Many of the identified resources did not complete the survey, which could mean hidden resources for Charleston entrepreneurs. For instance, no resources were identified to support manufacturing. A continued effort should be made to contact additional resources that serve the Charleston area.



While several organizations provide funding, only two offer equity capital and three sponsor microloans, critical sources of funding for early-stage companies. It is critical to ensure that all these resources are made visible and accessible to the entrepreneurs they are trying to serve.

Finally, Charleston should be clear on how the community wants to measure success in terms of entrepreneurial and small owner growth. It's important to note that while jobs are a key metric, it's nearly impossible to create successful companies that hire people without first building a strong foundation of networked resources.

Artwork provided by R. Hopkins Art: <https://www.rhopkinsart.com/>

## About City of Charleston's Business Services

The City of Charleston's Business Services Division is dedicated to supporting entrepreneurs and small business owners in all stages and industries. The Business Services Division includes the city's Minority and Women-Owned Business Enterprise (M&WBE) Office, which partners with multiple resource organizations in the Charleston area to host workshops and events. The M&WBE Office hosts an Advisory Board made up of local resource partners and small businesses that are interested in mapping entrepreneurial assets. The city is also developing an Entrepreneur Resource Center, which will include incubator space, within the next year. Staff is working with a volunteer committee to conduct research and develop programs and initiatives for this center.

## About SourceLink<sup>SM</sup>

SourceLink was selected for this project due to its experience with entrepreneurial data analysis, asset mapping, and project management and consulting. Founded in 2003, SourceLink is a national nonprofit working to build connected and cohesive entrepreneurial ecosystems that attract startups, accelerate business growth, create jobs and develop sustainable partnerships.

Blending consulting and technology backed by decades of experience, SourceLink supports the organizations that support entrepreneurs in building diverse and equitable entrepreneurial ecosystems in more than 60 communities across the country. More information available at <http://www.joinsourcelink.com>.

This report was made possible by grants from the National League of Cities and the Kauffman Foundation through the City Inclusive Entrepreneurship network.



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## Appendix 1: Methodology

SourceLink mapped Charleston's resource programs and organizations that help small businesses and entrepreneurs grow and succeed. Those resources were compared to a taxonomy developed through work with communities across the country to uncover gaps and/or opportunities for entrepreneurial ecosystem development.

Taking into account the clustering of service providers, SourceLink has developed a methodology to categorize and map these entrepreneurial support assets. Each provider is categorized by the following:

- Specific Service(s) offered: Service providers were categorized using only those services which they directly offer to new clients. Service providers were not categorized under a service for which they offer referrals, or a service offered only to existing clients.
- Client Profile: Some service providers focus on specific types of entrepreneurs as described in the section on four types of entrepreneurs. For example, two organizations may provide one-on-one business counseling, however, one might provide that service only to innovation-led businesses. We therefore further categorize service providers based upon the type of entrepreneur they serve and the stage of business.

It is worth noting that these categories are not mutually exclusive. Providers may officially serve multiple quadrants, while focusing most of their time serving only one.

Specific services were summarized under broad category headings. For instance, assistance with social media and exporting falls under the broader category of marketing. Planning/management includes services such as starting a business and buying a business.

This project included the development and production of a graphic illustration of findings, including services provided by organizations and contact information, which can be found via <https://www.charleston-sc.gov/bizservices>.