

Investing in the Next Generation of American Entrepreneurs

Testimony of Dr. J.D. LaRock

The Network for Teaching Entrepreneurship (NFTE)

Before the Committee on Small Business

Subcommittee on Innovation, Entrepreneurship, and Workforce Development

“Jobs! Jobs! Jobs!”

Wednesday, June 30, 2021

Chairman Crow, Ranking Member Kim and Honorable Members of the Committee, thank you for the opportunity to speak with you about supporting the next generation of American entrepreneurs.

As the CEO and President of the Network for Teaching Entrepreneurship, NFTE, I am honored to share some of what we have learned from providing entrepreneurship education to more than 1.1 million students in 14 countries and 25 states, including many of the states represented by members of this committee, such as California, Florida, Georgia, Illinois, New York, Pennsylvania, and Texas.

NFTE was founded in 1987 on the belief that entrepreneurship education could ignite passion and open doors for students in under-resourced communities. Our comprehensive model centers on engaging curriculum and talented teachers, buttressed by committed mentors and volunteers. The programs culminate in pitch competitions where students compete for seed funding to launch their businesses.

Every year NFTE teachers in hundreds of classrooms instill students with the knowledge and skills to solve their own problems and those of their communities. Empathy, creativity, and hard work combine alongside emerging business acumen as students design, and in many cases, start new businesses. From middle schoolers filled with ideas for a better tomorrow to alumni who have launched businesses, built brands, and created jobs in their communities, our students have shown us the way forward toward a more inclusive capitalism.

Our work at NFTE has revealed many important insights as to how best promote entrepreneurship in America, and through the creation of The Next Generation Entrepreneur Corps, co-sponsored by Chairman Crow and Senator Christopher Coons, our government can provide future entrepreneurs with more equitable access to business creation, capital, and supportive networks. To underscore the importance of The Next Generation Entrepreneur Corps and its core components, I would like to discuss three important issues. First, the barriers that entrepreneurs from underrepresented communities face are systemic and require robust intervention. Second, access to supportive mentors and social capital from networks bolster opportunities in ways that financial resources alone cannot match. Finally, and perhaps most imperative in this moment, inclusive entrepreneurship is a vital component not only to our nation’s recovery from the Covid-19 pandemic, but also for our generation’s contribution toward a more just society.

New businesses are important drivers of economic growth and there is a clear association between an increased presence of businesses and diminished rates of poverty and unemployment¹. However, many

¹ See Appendix

entrepreneurs rely on friends and family for part of their initial investment, so without intervention, existing inequalities limit access to entrepreneurship.

According to a report from the U.S. Department of Commerce, minority-owned businesses are more likely to be denied credit and even when they do receive loans, they pay higher interest rates.² These challenges to lack of resources persist throughout the life cycle of small businesses. CNBC reported earlier this year that 80% of Black-owned businesses fail within the first 18 months, which is significantly worse than the 30% of all small businesses that close by their second year.³ Access to capital and the creation of strong foundational entrepreneurship ecosystems can be important levers in changing these dynamics.

The K-12 education, higher education, and workforce development systems increasingly understand the importance of entrepreneurship education. More than 42 states now formally include entrepreneurial education in their K-12 standards, and a Kauffman Foundation report found that undergraduate offerings grew by more than 400% between 1976 and 2006.⁴ The bipartisan Workforce Investment and Opportunity Act legislation of 2014 included entrepreneurship as one of the expanded service elements for youth and young adults.⁶

Advocates for thoughtful integration of entrepreneurship, like Florida's Chancellor Henry Mack and American Student Assistance, are supporting widespread opportunities for exposure and formal training in entrepreneurship and programs that start students early on a process of career discovery. Time and time again, we have witnessed the power of giving youth and young adults the chance to see themselves as entrepreneurs. NFTE Alumna Mary Blackford first realized in high school that "we can make a systemic change through entrepreneurship," and now just down the road from us, she is building Market 7. The 7,000 square-foot space with a small community grocer and food incubators from across the African

² U.S. Department of Commerce, Minority Business Development Agency, Fairlie, R. W., & Robb, A. M. (2010, January). Disparities in Capital Access between Minority and Non-Minority-Owned Businesses: The Troubling Reality of Capital Limitations Faced by MBEs. <https://archive.mbda.gov/sites/mbda.gov/files/migrated/filesattachments/DisparitiesinCapitalAccessReport.pdf>

³ Green, D. (2021, February 4). Why Black-owned businesses are struggling to stay afloat. CNBC. <https://www.cnbc.com/2021/02/03/black-owned-businesses-are-struggling-to-stay-afloat.html#:~:text=Covid%2D19%20has%20exacerbated%20some,decline%20among%20White%2DOwned%20businesses>

⁴ Junior Achievement USA. (2019, November). The States of Entrepreneurship Education in America. <http://www.juniorachievement.org/documents/193855/1976054/States+of+Entrepreneurship+in+America.pdf/8b15bcdd-1b5f-4d14-8f35-2fd130f4572b>

⁵ Torrance, W. E. F., Rauch, J., Aulet, W., Blum, L., Burke, B., D'Ambrosio, T., de los Santos, K., Eesley, C. E., Green, W. S., Harrington, K. A., Jacquette, J. P., Kingma, B., Magelli, P. J., McConnell, G., Moore, D., Neeley, L., Song, M., Tan, T. K., Zoller, T., & Zurbuchen, T. (2013). Entrepreneurship Education Comes of Age on Campus: The Challenges and Rewards of Bringing Entrepreneurship to Higher Education. SSRN Electronic Journal. Published. <https://doi.org/10.2139/ssrn.2307987>

⁶ National Skills Coalition. (2021, June 22). Updated: Side-by-Side Comparison of WIA and WIOA. <https://www.nationalskillscoalition.org/blog/higher-education/updated-side-by-side-comparison-of-wia-and-wioa/>

diaspora will help address food access and create employment opportunities for others.⁷ The Next Generation Entrepreneur Corps provides a much-needed next step for more emerging entrepreneurs like Mary to create new solutions and quality jobs.

NFTE learned early that entrepreneurship education needs to be paired with ongoing mentoring and support. Valued corporate volunteers from companies like Citi and Santander and our partners at EY, who recently launched The Entrepreneurs Access Network to help Black and Latinx entrepreneurs, all provide essential mentorship in our programming.⁸ Similarly the mentorship proposed in The Next Generation Entrepreneur Corps will remove barriers and accelerate achievement. These supports build stronger businesses, and they also change lives. Andres Cardona was attending John A. Ferguson Senior High School in Miami and considering dropping out at the age of 14 to help support his family, when a NFTE course helped him realize that he could start his own business. Today, his Elite Basketball Academy serves almost 500 young people. What started as one-on-one coaching and personal training for youth in the Miami metro area is now a thriving business with 20 employees, generating seven-figure revenue annually. Andres also still meets with his NFTE mentor regularly to have a bagel and talk through ways to grow and improve his business.

Despite the challenges of this last year, in our virtual classrooms and events we continued to see youth ideate, create, and launch new ventures, but the Covid-19 pandemic has certainly exacerbated already existing inequalities. CNBC reported that between February and April 2020, Black-owned businesses declined by 41%, compared to a 17% decline among White-owned businesses.⁹ A report from the Stanford Latino Entrepreneurship Initiative found that Latino-owned businesses struggled to secure funding from the Paycheck Protection Program, with an approval rate that was half the rate of white-owned business.¹⁰

The pandemic vitiated minority-owned businesses; Black-, Latinx- and Asian-owned businesses all “experienced outsized closures and declines in cash balances” according to research conducted by the Federal Reserve Bank of Cleveland.¹¹ Conversely, *The New York Times* recently reported that the three

⁷ NFTE. (2021, June 9). Entre News | NFTE. NFTE | Home. <https://www.nfte.com/entre-news/#tabs|4>

⁸ EY. (2021). Entrepreneurs Access Network. EY - US. https://www.ey.com/en_us/entrepreneurship/entrepreneurs-access-network

⁹ Green, D. (2021, February 4). Why Black-owned businesses are struggling to stay afloat. CNBC. <https://www.cnbc.com/2021/02/03/black-owned-businesses-are-struggling-to-stay-afloat.html#:~:text=Covid%2D19%20has%20exacerbated%20some,decline%20among%20White%2DOwned%20businesses>

¹⁰ Stanford Graduate School of Business, Stanford Latino Entrepreneurship Initiative, OrozcoInara OyerJerry I. Porras, M., Sunan Tareque, I., Oyer, P., & Porras, J. I. (2020, August). The Ongoing Impact of COVID-19 on Latino-Owned Businesses. <https://www.gsb.stanford.edu/faculty-research/publications/ongoing-impact-covid-19-latino-owned-businesses>

¹¹ Misera, L. (2020). An Uphill Battle: COVID-19’s Outsized Toll on Minority-Owned Firms. Federal Reserve Bank of Cleveland. Published. <https://doi.org/10.26509/frbc-cd-20201008>

rounds of stimulus checks have all coincided with increased rates of weekly business registrations, and those increases have been the strongest in Black communities and that is just one of many opportunities.¹²

We are at a crossroads. We have a collective opportunity to support emerging entrepreneurs and to invest in programs that bridge resources across communities. President Biden has said that The American Jobs Plan is not about returning to the way things were, but rather that it is time to “build back better than ever.”¹³ The American Jobs Plan calls for the creation of a “national network of small business incubators and innovation hubs,” including “hubs to support the growth of entrepreneurship in communities of color and underserved communities.”¹⁴ The Next Generation Entrepreneur Corps should be included in The American Jobs Plan. It will meet the mandate of building back better by recognizing that entrepreneurship belongs to all of us.

Entrepreneurship is inextricably woven into the American dream. When I think about what that means, I think about NFTE middle school students at Nicolas Junior High School in Fullerton, California getting encouragement and support from EY mentors while they compete in the World Series of Innovation, one of our global entrepreneurship competitions.

I think about NFTE alumnus Rodney Walker, who by the time he got to ACE Technical Charter High School on the southside of Chicago had been placed in 15 different foster homes. Through the power of a mentoring program and entrepreneurship education, he was able to persevere to launch a business, become an author, and encourage other young people to understand “the power they have to look at their life in a very different way and to be able to make choices that will put them in a position to make a better life for themselves and those around them.”¹⁵

I think about Robert Reffkin, CEO of Compass, an innovative real estate company that raised more than \$450 million through their IPO earlier this year.¹⁶ Robert got his first exposure to entrepreneurship through NFTE BizCamp and ongoing mentoring from our volunteer partners at Goldman Sachs, and has said, “NFTE taught me that if you set a dream, you can realize it.”¹⁷

I think about the thousands of adults who will become the inaugural cohort of Next Generation Entrepreneur Corps, how this program will change their lives and their communities, and how their realized dreams will shape the future of our great country.

¹² Bui, Q. (2021b, May 25). Small Businesses Have Surged in Black Communities. Was It the Stimulus? The New York Times. <https://www.nytimes.com/2021/05/24/upshot/stimulus-covid-startups-increase.html>

¹³ The White House. (2021, May 7). Remarks by President Biden on the American Jobs Plan. <https://www.whitehouse.gov/briefing-room/speeches-remarks/2021/05/06/remarks-by-president-biden-on-the-american-jobs-plan-3/>

¹⁴ The White House. (2021, May 5). FACT SHEET: The American Jobs Plan. <https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/31/fact-sheet-the-american-jobs-plan/>

¹⁵ NFTE. (2021, May 4). Rodney’s Story | NFTE. NFTE | Home. <https://www.nfte.com/rodneys-story/>

¹⁶ Kunthara, S. (2021, April 1). Compass Goes Public, CEO Says Capital Raise Goal. . . Crunchbase News. <https://news.crunchbase.com/news/compass-goes-public-ceo-says-capital-raise-goal-met/>

¹⁷ Raposo, J. (2019, July 16). “The Journey Was the Exciting Part.” Columbia College Today. <https://www.college.columbia.edu/cct/issue/summer17/article/%E2%80%9Cjourney-was-exciting-part%E2%80%9D>

Appendix: Charts Exploring the Relationship Between Density of Businesses and Indicators of Financial Instability

More Businesses Per-Capita in a County is Associated With Lower % FRL Eligibility

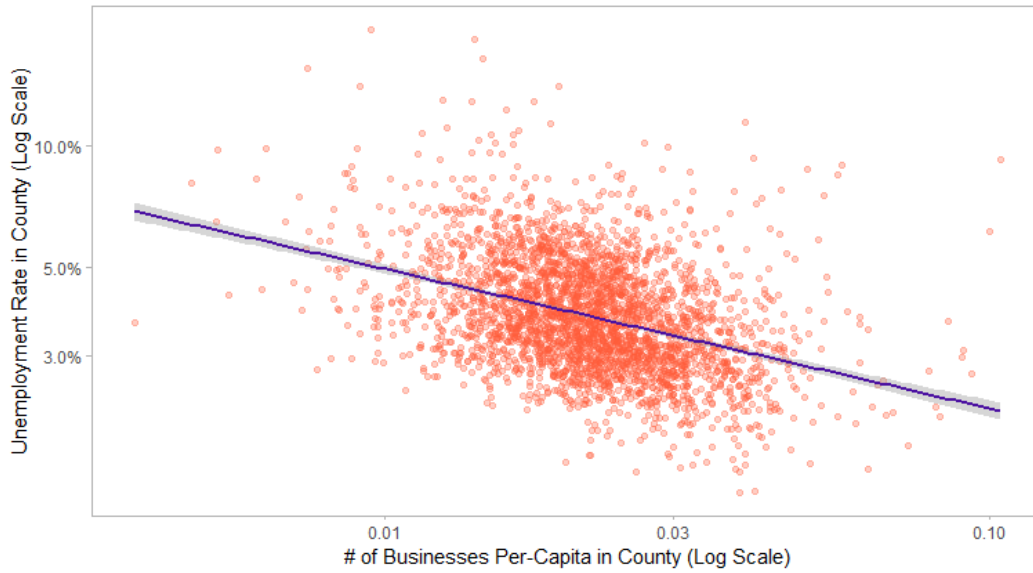
Each dot represents a county, and the line shows the association between the two variables



Prepared by NFTE using publicly available federal data.

More Businesses Per-Capita in a County is Associated With Lower Unemployment

Each dot represents a county, and the line shows the association between the two variables



Prepared by NFTE using publicly available federal data.