

How Local Organizations Can Optimize Assistance for Business Owners

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The Business Age and Growth Segmentation (BAGS) framework can help urban business support organizations envision interconnected programs and ecosystems for entrepreneurs.

Around the world, many public institutions, private philanthropists, and current and former entrepreneurs are working to build ecosystems that encourage and support new businesses. Various types of business support organizations (BSOs; sometimes labeled entrepreneur support organizations, or ESOs) have a critical role in these ecosystem building efforts. This article shares a simple method to help BSOs share what they know with one another and identify opportunities for collaboration and referrals. It's called the Business Age and Growth Segmentation (BAGS) framework.

Our model, based on our work with organizations helping small business owners in Chicago, looks at the age and the growth rate of BSOs' client businesses to identify the types of programs that could have the best results. The model is inspired by previous work, such as [Morris and Kuratko \(2020\)](https://www.e-elgar.com/shop/usd/what-do-entrepreneurs-create-9781789900217.html#:~:text=Four%20different%20types%20of%20ventures,the%20development%20of%20entrepreneurial%20ecosystems.) (<https://www.e-elgar.com/shop/usd/what-do-entrepreneurs-create-9781789900217.html#:~:text=Four%20different%20types%20of%20ventures,the%20development%20of%20entrepreneurial%20ecosystems.>) (<https://www.e-elgar.com/shop/usd/what-do-entrepreneurs-create-9781789900217.html#:~:text=Four%20different%20types%20of%20ventures,the%20development%20of%20entrepreneurial%20ecosystems.>)), that classifies entrepreneurial ventures based on underlying characteristics, including annual growth rate. However, our model goes further because it focuses on urban support organizations, which typically serve early-stage entrepreneurs with limited growth rates.

Similar to ecosystems in the natural world, entrepreneurial ecosystems around the world vary greatly, and so do the BSOs that support them. Our work in Chicago, in the US Midwest, showed us the impact that local non-profit BSOs have on the trajectories of diverse small-scale entrepreneurs. We believe that our new BAGS framework can help BSOs in the US and around the world coordinate efforts with one another to support everyday small businesses, while meaningfully differentiating their offerings. BAGS can be useful for those working in strategic roles in BSOs, and in the public, private, and philanthropic positions that support them.

The Work of BSOs: Evidence from Chicago

Nearly 100,000 different businesses are [licensed in the City of Chicago](https://www.chicago.gov/city/en/ofinterest/bus/exst_bus.html) (https://www.chicago.gov/city/en/ofinterest/bus/exst_bus.html), and over 99% of these businesses can be categorized as small businesses, according to Small Business Administration [statistics](https://advocacy.sba.gov/wp-content/uploads/2022/08/Small-Business-Economic-Profile-IL.pdf) (<https://advocacy.sba.gov/wp-content/uploads/2022/08/Small-Business-Economic-Profile-IL.pdf>) for the state of Illinois. The Chicago metro area is also home to [over 135 nonprofit business support organizations](https://nextstreet.com/wp-content/uploads/2022/06/2019-Chicago-SMB-Report-FINAL.pdf) (<https://nextstreet.com/wp-content/uploads/2022/06/2019-Chicago-SMB-Report-FINAL.pdf>) (BSOs) that serve these entrepreneurs. This broad array of BSOs offering advice and educational programs, and the large number of business owners who might benefit from them, make for a messy and disorganized entrepreneurial ecosystem.

Chicago's BSO programs and training sessions typically blend ideas from mainstream entrepreneurship education discourse and practices, with heavy doses of community-relevant content. Typical BSOs in Chicago



obtain philanthropic and public funding to provide entrepreneurship training and other supports for entrepreneurs from underserved communities and unconventional backgrounds, with a heavy focus on the city’s South and West sides. Some BSOs are rooted in one of Chicago’s 77 community areas and have knowledge of specific neighborhood dynamics and trends. Others focus on specific industries, bringing an understanding of the unique needs of owners in a sector of the economy. And still others have specialized acumen in business functions such as finance or procurement. Some are experts in assisting start-ups, while others know how to help established businesses scale up.

Although this network of BSOs serve many entrepreneurs, at a more macro level the ecosystem has many redundancies and inefficiencies, with many BSOs offering similar programs and trainings. It’s difficult for entrepreneurs looking for help to find what they need, when they need it, especially since many business owners and BSOs are located in low- and moderate-income communities with limited financial resources.

Moreover, BSOs operate in a competitive market for their own organizational funding, often coming with specific targets for client interactions. This makes them less inclined to refer clients to other organizations or think of ways they can collaborate with one another. We believe that BAGS can help them develop a more integrated entrepreneurial ecosystem that efficiently serves business owners.

The BAGS Framework: A Closer Look

BAGS (see Figure 1) employs four age-based categories and four growth-based categories to create a map of 16 possible business types. BSOs use the framework to map their program offerings to the appropriate business type. Using the dimensions of age and growth rate, the BAGS framework mapping indicates possible pathways for clients between programs of various BSOs, as well as gaps in the market where certain business types do not have readily available programs to join.

The age of client businesses is the current conventional method for segmenting business clients among BSOs. For BAGS, we have adopted the typical age-based categories, representing the following timeframes:

1. Pre-Venture marks the time before a business entity is formally established;
2. Emerging covers the period extending for two years after launch;
3. Established businesses are more than two years old;
4. Succession represents the period of time at the end of the business lifetime as owners transition the enterprise to new ownership or dissolve the firm.

BAGS’ business growth rate is a typology used by Morris and Kuratko (2020)(<https://www.e-elgar.com/shop/usd/what-do-entrepreneurs-create-9781789900217.html#:~:text=Four%20different%20types%20of%20ventures,the%20development%20of%20entrepreneurial%20ecosystems.>) (<https://www.e-elgar.com/shop/usd/what-do-entrepreneurs-create-9781789900217.html#:~:text=Four%20different%20types%20of%20ventures,the%20development%20of%20entrepreneurial%20ecosystems.>)) to introduce a factor that is gaining in importance as funders and others consider entrepreneurship as a method for community economic development and for individual wealth creation.

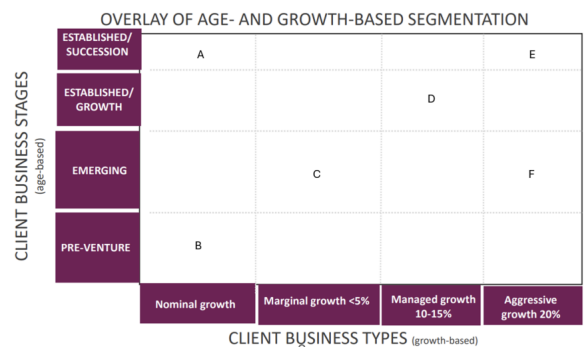


Figure 1: The Business Age and Growth Segmentation (BAGS) framework

Thinking of the intersection of business growth rate and the current size of the business can help distinguish different types of small- and micro-business customers that BSOs can assist. For example, Chicago’s Women’s Business Development Center (WBDC), a nationally recognized leader in the field of women’s business development and economic empowerment, uses the framework to consider incoming clients’ status, and the related training programs that are relevant for each client. Also, when considering the development of new programs, the matrix helps WBDC identify the gaps in their current offerings. WBDC’s current programs range from multi-session educational classes delivered to a

small (10-15) cohort of business owners, to its small business loan fund, as well as the Women Business Enterprise Certification it offers. While these programs collectively comprise a variety of offerings, the BAGS mapping indicates how a client might progress through them as her business ages and growth rate increases.

At the ecosystem level, in 2023, the WBDC led a multi-BSO opportunity identification initiative, the Ecosystem Innovation Project, funded by JPMorganChase. As part of this initiative, four Chicago BSOs mapped their offerings using the BAGS framework. In addition to clarifying opportunities for client referral and pathways, the exercise revealed that BSO advisors and the trainers who deliver programs needed to learn how to build capacity. A related program is under development. Later in 2023, the BAGS framework was used by multiple BSOs as part of a government-funded BSO convening in Cook County, Illinois. Two participating BSOs seated at the same table at this event shared their BAGS framework maps and identified an opportunity to collaborate on youth entrepreneurship programming. A joint effort is now underway.

Using the BAGS Matrix

To operationalize each cell of the BAGS framework for practitioners, and to aid the use of the matrix in this way, it may be helpful to consider a sample entrepreneur representing each size/growth intersection. We have developed descriptive vignettes for each of the 16 business types in the BAGS framework. (Contact us to see how we use the full matrix, including all 16 entrepreneur vignettes.)

Here are some illustrative examples, depicted on Figure 1:

Cell A: After four years of no growth in business, this entrepreneur is selling his/her food truck to a friend who s/he knows can turn it around into a success story.

Cell B: This idea-stage entrepreneur has a business idea for a catering company, and s/he plans to find first customers in the next six months.

Cell C: This car repair shop was founded in 202[1], and after an eventful first year in business, with countless hours worked, the owner is finally seeing that the revenue for the second year in business will exceed the first year by about 4%.

Cell D: An entrepreneur's art gallery and makerspace, representing minority artists and creatives since 2016, has continued to grow at an annual rate of 15% even throughout the pandemic.

Cell E: This entrepreneur's diagnostics business is being acquired by a large-scale firm after 10 successful years of 20% annual sales growth.

Cell F: This digital marketing company has been growing at a record rate, largely based on their app-based subscription service. They opened only two months ago, but already have 200 paying customers.

In the use of the matrix, it is important to adjust the external milestones mentioned (e.g. mentions of years, or events like the COVID pandemic) to correspond to the relevant events in the timeframe considered. We developed the vignettes for each cell in 2023, and our chosen text reflects that timing.

Another important note for the use of the matrix is to keep it gender neutral. People, including BSO staff, may have gendered assumptions about the types of businesses started by men and women, and if the purpose is to use the matrix to assess the volume of clients or programming in each cell of the matrix, a more comprehensive picture should emerge when the statements themselves do not prompt gendered considerations.

Finally, our vignettes reflect the urban landscape of Chicago's entrepreneurial ecosystem. When using the matrix in a more rural setting, or outside of the United States, we recommend adjusting the types of businesses in the vignettes to better correspond to the typical client base in each BSO's geographic location.

What Our Analyses Told Us

We recently employed operationalization statements, such as the ones listed above, corresponding to each cell of the matrix, to canvass the clients served by Chicago's BSOs. We received 75 responses to a survey of BSO employees (trainers, coaches, and other client-facing staff) from 18 prominent BSOs representing all of the city's underserved neighborhoods as well as the central business district. Each survey respondent rated each customer type in the matrix in terms of how well they represent the client base that is currently being served.

Survey results confirmed a skew of BSO programming to early-stage and low-growth businesses. More specifically, results from the survey clearly showed that pre-venture and emerging stage enterprises, in the nominal growth category, are the most common client type currently served by the participating BSOs in Chicago. On a scale from one to five, where one corresponds with “Our organization does not serve entrepreneurs like this” and five stands for “This sounds like some of the most typical entrepreneurs we serve,” the averages for these most commonly served client types, at the bottom left of the matrix, were in the 4.2 range. At the same time, the cells on the right-hand side of the matrix, indicating clients with aggressive (20% and more) growth profiles, were rated at only around two, on average, on the 1-5 scale.

We draw two main conclusions from these findings. First, given the tendency of people to plan for business ownership, but then to give up on the idea before launch (Reynolds, 2007 (<https://link.springer.com/book/10.1007/978-0-387-45671-3>)), it makes perfect sense that most programming and support currently targets emerging and pre-venture clients. Second, to achieve the economic goals of BSOs -- such as those related to creating jobs and building wealth and community across underserved neighborhoods -- it seems that more programming should be targeted towards the growth-oriented business clients. And perhaps most importantly, BSOs should ensure that the clients they serve in the planning stages of venturing are provided clear pathways for progress towards futures as growing businesses, both in terms of business finances and employment.

Conclusions

We suggest that the BAGS framework can be helpful for entrepreneur support organizations everywhere, as they internally situate their program offerings along the axes of the framework. Such an internal exercise among staff may lead to fruitful discussions regarding the positioning of those programs, today and in the future. In our experience, even in tightly knit BSOs, different staff members have varying views of exactly where their offerings fit and whom they serve.

Even more importantly, the BAGS framework can be a helpful tool for philanthropists and others who look to encourage the a growing ecosystem of entrepreneur support organizations. Making sure that support exists for entrepreneurs across all of the quadrants of the

framework is important, while prioritizing the quadrants that the local community needs most. It is also important to think of how entrepreneurs can be encouraged to move within the framework, from one BSO and program to the next, as their businesses mature. Although some of BSO’s supports may span geographies as digital offerings, we believe it is important for each geographic area to consider how entrepreneurs in their ecosystem can access in-person help across the business age and growth categories. Building trust, network relationships, and vibrant local entrepreneurial ecosystems requires physical presence by those committed to the community.

For academia and researchers of entrepreneurship, we believe this framework can illustrate how widely researched business topics, such as growth of entrepreneurial firms, can be translated into tools that help practitioners. It’s critical to understand whether and how research might help them. For example, the low range for growth categories in the BAGS framework would be almost irrelevant for the analysis of risk capital ready venture clients. At the same time, presenting a framework with impossibly high growth categories to those looking to support everyday microbusinesses would not be helpful. In sum, we would like to encourage academics to consider where and how lessons from their research can be translated into frameworks and tools that entrepreneur support organizations can use.

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