Carolina Small Business Development Fund’s
Research Policy Agenda:
OVERVIEW OF PRIORITIES & PROJECTS

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Carolina Small Business Development Fund
Overview of Research Priorities

Carolina Small Business Development Fund’s (CSDBF) Policy and Research Division is tasked with contributing to both scholarly and practitioner dialogues on community and economic development. That goal is achieved by producing relevant and accessible data analysis products that provide evidence-based policy recommendations. The organization seeks to maintain and bolster its profile as a provider of politically neutral and theoretically-sound research. CSDBF’s research priorities are reflective of its external stakeholders, which have a variety of interests and development policy agendas:

- **Priority I – Small Businesses as Development Policy**: Outline the interconnected nature of community and economic development, broadly defined, to demonstrate how small business is fundamental to the growth of regional economies.¹

- **Priority II – Needs of Underserved Individuals**: Highlight the unique challenges that underserved demographics and geographies face within the entrepreneurial and small business owner community.²

- **Priority III – Holistic Outcome Assessment**: Encourage practitioners and policymakers to reimagine the role of program evaluation in community development. This includes stressing a need to move towards outcome-based measurement frameworks.³

Outward facing research seeks to provide a meaningful contribution on issues of preeminent importance to the field. Publications and data analysis are produced in different formats depending on the intended target audience:

- **Research Reports**: Long form in-depth analyses and assessment of policy issues that are subject to frequent debate among policymakers, practitioners, and scholars.

- **Research Spotlights**: Succinct, high-level overviews of theoretical debates, data trends, and scholarly literature on current issues and “hot topics” in the field.

- **Collaborative Scholarship**: Projects completed in conjunction with university faculty that result in peer-reviewed articles and conference papers.


Priority I. Promote the idea that growth and promotion of small business is the cornerstone of development policy.

Theoretical Basis for Small Businesses as Development Policy Priority

There is a strong research consensus that small business growth is a foundational strategy for effective community development.4 For many decades, scholars have demonstrated that new and expanding small businesses are the primary fuel for private sector job creation.6 The importance of small business growth is applicable for practitioners who operate both in rural7 and urban8 areas. States with robust small business communities enjoy an array of positive economic outcomes like higher productivity growth, higher gross state product growth, lower wage inflation, and lower unemployment.9 Communities with large numbers of small businesses are strongly associated with future job growth when compared to communities with less firm size diversity.10

In sum, there is abundant evidence that fostering small business creation and expansion is a vital component to building a prosperous economy. But while public policies promoting small firm expansion have shown to be effective mechanisms for economic growth, government commitments in this area are often underfunded or symbolic in nature.11 CSDBF produces research and make policy recommendations that highlight the continuing importance of small business promotion generally, inclusive of any policy approaches that have been linked to the growth of entrepreneurship and smaller firms.

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# Research Agenda for Small Businesses as Development Policy Priority

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<tr>
<th>Research Question</th>
<th>Methodology</th>
<th>Products</th>
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<tbody>
<tr>
<td>What factors explain variation in how North Carolina’s local governments choose community and economic development policy strategies?</td>
<td>Analyses of original survey data set and regression models of policy use by city and county governments.</td>
<td>Paper submitted to scholarly journal.</td>
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<td>To what extent does the institutional history (“place matters”) of governments influence their capacity to engage in meaningful network-based community development?</td>
<td>Regression models of county-level data that incorporate measures of social capital and community development outcomes.</td>
<td>Paper presented at scholarly conference.</td>
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<td>How can community organizations better build pathways to the middle-class in underserved and economically distressed neighborhoods?</td>
<td>Analysis of interviews and qualitative data on North Carolina-based community development corporations.</td>
<td>Paper presented at scholarly conference.</td>
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<td>How are proposed federal and state-level policy or regulation changes likely to influence small business growth and economic development?</td>
<td>Assessment of current regulation frameworks and proposed new rules.</td>
<td>Public comments on pending regulation.</td>
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<td>How do natural disasters affect small business owners? What policy options are most effective in supporting entrepreneurs after a disaster occurs?</td>
<td>Examining the number of potentially impacted firms when North Carolina is impacted by a disaster.</td>
<td>Research spotlight report.</td>
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Priority II. Demonstrate how underserved entrepreneurs face challenges requiring innovative policy solutions.

**Theoretical Basis for Needs of Underserved Individuals Priority**

Although CSDBF’s services are open to small business owners and entrepreneurs from all backgrounds, programmatic activity has a focus on underserved individuals. Underserved in this context is defined as communities with structural challenges related to starting or growing a vibrant small business ecosystem. Extant literature has thoroughly documented a large array of barriers to small business success for firms owned by racial minorities, veterans, and women. Beyond demographic characteristics, there is also substantial evidence that both rural entrepreneurs and businesses impacted by natural disasters face unique and enduring challenges to success.

The list of issues underserved entrepreneurs must overcome to be successful is myriad. CSDBF’s research highlights a subset of issues that the literature shows as particularly salient in helping these subpopulations achieve sustainable small business creation and expansion. Issues of particular relevance include lack of capital access, poor or non-existent entrepreneurial network support, and a dearth of comprehensive technical assistance options. In general, data suggest existing policy solutions to these issues are inadequate at best, and at worst some policy designs may actually be suppressing job growth.


22 Many policy solutions rely on direct government management/distribution of small business lending capital. But this can lead to negative outcomes compared to capital distribution through local community
# Research Agenda for Needs of Underserved Individuals Priority

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<td>What do we know about the challenges related to capital access for veteran small businesses? How can CDFI performance be better measured in this area?</td>
<td>Examination of CSBDF’s lending data for veterans and recommendations for a preliminary measurement framework.</td>
<td>Research white paper and brief.</td>
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<tr>
<td>What are the systemic issues related to credit access across underserved communities? What do underserved business owners say is the most challenging part of securing business financing?</td>
<td>Use of 2016 Annual Survey of Entrepreneurship dataset to assess differences in access to credit questions across underserved demographics.</td>
<td>Research white paper and brief.</td>
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<td>Are there differences in indicators of economic growth for neighborhoods surrounding North Carolina’s HBCU institutions versus other universities?</td>
<td>Overview of census data on development indicators for tracts surrounding the state’s HBCUs. Analysis of CSBDF’s partnership work in this area.</td>
<td>Research spotlight report.</td>
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<td>What types of issues do women face in accessing capital for small business growth? How are these challenges fundamentally different than those faced by other entrepreneurs?</td>
<td>Literature review of women-owned businesses and analysis of CSBDF’s loan portfolio, highlighting any statistically significant differences.</td>
<td>Research spotlight report.</td>
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Priority III. Encourage dialogue on moving community development impact evaluations towards outcome-based measurement frameworks.

**Theoretical Basis for Holistic Outcome Assessment Priority**

Community development organizations have an immensely positive impact on the areas they serve. Broadly speaking, evaluations of community development institutions have consistently shown they engage in activities which enhance economic revitalization. Existing research demonstrates community institutions which target underserved entrepreneurs are associated with an array of positive outcomes. In particular, scholars have demonstrated that the programmatic activities of smaller firm development organizations may help lower income inequality, create sustainable development, and promote local economic stabilization.

Given CSBDF’s core mission, the organization has an interest on how community development organizations can best measure impacts related to small firm growth. However, at the organizational level, measuring outcomes can be challenging. For example, assessing the impact of any individual community development institution on lowering aggregate income inequality would require detailed data collection and sophisticated economic modeling expertise. Most community developers are limited in their ability to quantify these types of impacts because they lack resources and staff capacity. CSBDF has made it a priority to produce research that helps assess how to better measure the outcomes of developers who assist small businesses. Through the application of program evaluation principles, CSBDF will produce work in this area which encourages dialogue on the use of long-term outcome metrics.

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## Research Agenda for Holistic Outcome Assessment Priority

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<td>How can CDFIs improve their measurement and assessment of outcomes? What is the role of popular output measures, like job creation, in CDFI evaluation?</td>
<td>Assessment of scholarly literature on program evaluation in a community development context and analysis of popular job creation metrics/frameworks.</td>
<td>Research white paper and brief.</td>
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<td>What are some “first steps” community developers can take when it comes to conducting meaningful program evaluation?</td>
<td>Literature review of program logic models and their application to community development.</td>
<td>Research spotlight report.</td>
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<td>How can the CDFI Fund’s public data sets be used to inform CDFI best practices on issues related to programming and development?</td>
<td>Regression model analyses of CDFI Fund’s TLR and ILR datasets on variables related to funding sources.</td>
<td>Research spotlight report.</td>
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