LEAPING THE CHASM

A report on the Blackstone Inclusive Entrepreneurship Challenge, a collaboration between the Blackstone Charitable Foundation, World Business Chicago, and ChicagoNEXT
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This executive summary of the report was developed in collaboration between numerous individuals across several organizations.

The report itself was created by Christina Hachikian, Clinical Associate Professor of Strategic Management at the University of Chicago Booth School of Business, and James Carmichael, who interviewed, researched, and wrote under Professor Hachikian’s supervision.

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The views expressed in this report are those of its authors and the individuals interviewed. This report does not represent the views of World Business Chicago, ChicagoNEXT, the University of Chicago Booth School of Business, the Blackstone Charitable Foundation, or any other organization mentioned herein.
EXECUTIVE SUMMARY

The Blackstone Inclusive Entrepreneurship Challenge (“BXC”) was a grant-making program that ran from 2017 to 2020 and allocated $3 million to direct-service entrepreneurial support organizations (ESOs) in Chicago. BXC was a partnership between the Blackstone Charitable Foundation, its funder, and ChicagoNEXT, an initiative of World Business Chicago to drive inclusive growth and opportunity for the city’s tech economy and innovation ecosystem.

BXC’s goal was to increase the inclusivity of entrepreneurship in Chicago, which it sought to do by providing
1. Funding for direct-service ESOs to develop new services and
2. A platform through which these organizations could form strengthening ties

Chicago is a hub of world-class research institutions, market-making exchanges in financial derivatives, and numerous corporate headquarters. The city both fosters and benefits from thriving entrepreneurial networks of technology, talent, and investment capital. However, as in much of America, access to these networks is unevenly distributed: women, people of color, people with disabilities, veterans, Native populations, and many other demographics are underrepresented. A chasm of bias and structural factors separates these underrepresented communities from vital networks of opportunity. In Chicago, the chasm is literally visible; the city is geographically segregated between a prosperous core and historically majority-minority communities at its western and southern peripheries.

A NOVEL HYPOTHESIS AND LESSONS LEARNED

BXC sought to address structural inequalities through a funding strategy with three anchoring principles that came together in a single novel hypothesis: can local, direct-service ESOs effectively use large-scale funding to develop and expand new services over a multi-year timeframe? In other words, can a significant upfront donor investment help these ESOs increase capacity and help more individuals “leap the chasm” of unequal access and bias?

BXC’s three anchoring principles placed it in a gap in this market. “Venture funding” on the order of millions of dollars is not uncommon, but generally reserved for helping proven solutions with demonstrated results reach scale (much like “venture” capital anywhere). On the other hand, it is not uncommon for smaller organizations to receive “pilot funding” to innovate and test brand-new solutions—but this “pilot” funding is not offered for sustained time-frames and is given at the level of tens of thousands, rather than millions, of dollars. The essence of BXC’s novelty was that it sought to provide funding of the size and duration of “venture” but to these smaller, local ESOs in order to spur their creation of brand new solutions for entrenched, structural problems in access and equity in entrepreneurship.

Further, it did so at a time when the conversation surrounding inclusive entrepreneurship was not what it is today. The facts about uneven access were known, discussed, and deplored by some, but the dearth of founders of color or female founders was not—even a few years ago—seen as a pressing social justice issue in the same way that it is now, in 2020.

In these important ways, BXC was forward-looking. And in funding a cohort of three ESOs for three years, BXC gave its novel hypothesis a real-world test whose results contain lessons for similar future programs.

The anchoring principles of “local”, “large-scale”, and “sustained” were affirmed. BXC’s grantees demonstrated that carefully and knowledgeably selected small- to mid-sized organizations can effectively utilize significant funding to develop, over time, new programming that serves their target populations.

An even more sustained timeframe would be of particular value. This would allow grantee ESOs more time for planning and program improvement. It would also allow them to gather more data on impact and results before going to potential subsequent funders, increasing the chances that any successful programming developed under such a pilot grant could continue.
A central challenge facing this funding agenda is the balance between flexibility and oversight. Many of BXC’s most and least successful elements came down to this. It is a complex balance for any funder, and all the more so for a program that seeks to help grantees operate in an entrepreneurial way by creating programming that does not exist yet, for underserved potential entrepreneurs who are themselves considering starting businesses that do not exist yet. The cascading layers of uncertainty and opportunity stack to create a distinct and contextually-specific set of stakes.

**PANDEMIC AND BEYOND**

In 2020, as BXC’s three-year term drew to a close, its grantees were scrambling like everyone else. Each faced challenges brought on by the COVID-19 pandemic, including an uncertain funding environment; each sought to respond as shifting economic and social realities impacted its service population. At the same time, each also fought to keep an eye on the need to prepare for post-COVID challenges and opportunities.

These ESOs are responsive partners working for underserved populations’ present and future prosperity. If we are going to make progress against structural inequity in entrepreneurship, the funding community must help these organizations empower potential founders to “leap the chasm” with supportive programming that mitigates the numerous factors stacked against aspiring entrepreneurs from underserved demographics. This means that the funding community must itself take a leap, making big, bold bets on unproven solutions offered by smaller, direct-service ESOs such as the three grantees whose stories are told in this report.

Proactive, responsive aid from funders and partners will help assure that these organizations not only survive but can plan. It will help assure their ability to offer not only presently required services, but also forward-looking training, networking, and empowerment opportunities so that these underserved communities do not enter the post-pandemic world even further behind than they were when it started.

The BXC program’s lessons—both positive and cautionary—are important right now. The capacity of our economy to provide equality of opportunity and widespread prosperity is one intertwined rope of capacity and strength. An inclusive, dynamic entrepreneurial sector serves us all, assuring that a broad and diverse pool of founders and makers will be coming ready as economic and social activities begin to recover from the shocks the pandemic has wrought.

With this being the executive summary, the full report’s purpose is to spur resources and energy towards inclusion and growth. The lessons herein are offered to help future funders help ESOs; so that the ESOs, in their turn, can empower founders-to-be who will contribute to our shared prosperity today and tomorrow.