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ELEVATING THE ENTREPRENEURIAL ECOSYSTEM FROM BALTIMORE TO RICHMOND

GREATER WASHINGTON PARTNERSHIP

Deloitte.

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PREFACE

In 2022, the Greater Washington Partnership published the Regional Blueprint for Inclusive Growth, a 10-year roadmap to close equity gaps and advance a diverse and competitive regional economy from Baltimore to Richmond. This brief focuses on the third pillar of the Blueprint: community wealth generation and thriving entrepreneurship ecosystems.

After several months of research and analysis, the Greater Washington Partnership and Deloitte interviewed over 40 stakeholders—capital providers, diverse entrepreneurs, support organizations, academic institutions, and policymakers—to understand success factors, persistent challenges, and ongoing efforts to create a thriving entrepreneurial ecosystem from Baltimore to Richmond. We also conducted a landscape analysis to understand what is working well in the region and across the nation and leveraged existing frameworks on entrepreneurial ecosystems. Based on findings from our interviews and research, we formulated a set of recommendations around four key areas:

- **Access to Capital**: Equity, debt, and/or grant capital to build and grow a business.
- **Access to Talent**: Talent to operate and scale.
- **Access to Markets**: Expanded and diversified business opportunities.
- **Enabling Environment**: Mentorship and coaching, networks, a favorable regulatory climate, and a culture of innovation.

For each recommendation, this report indicates the ecosystem players—investors, government and academic institutions, and corporations—that are likely to be best poised to spearhead these actions.

KEY TERMS

Throughout the brief, we use several key terms:

Diverse Entrepreneur: For the purposes of this brief, diverse entrepreneur is defined as a Black, Brown or woman business owner. We recognize that diverse communities who face barriers to entrepreneurship also include but are not limited to, the Asian American and Pacific Islander (AAPI) community, the American Indian and Alaska Native community, the LGBTQ+ community, veterans, immigrants, refugees, and those with diverse abilities. In alignment with the Greater Washington Partnership's Blueprint for Inclusive Growth, this report focuses primarily on the groups stated above, as data shows they often face the most acute disparities.

Start-up: Firms less than 1 year old (consistent with the United States Census Bureau definition).[1]

High-Growth Entrepreneur/Enterprise: Leading enterprises with average annualized growth greater than 20 percent per annum, over a three-year period (OECD Manual on Business Demography Statistics).[2] The entrepreneurs we interviewed throughout our process added that high-growth entrepreneurs aspire to grow at this rate, and they start small, scale rapidly, rely on risk-tolerant capital, and bring innovation to market.

EXECUTIVE SUMMARY

This report outlines opportunities to achieve a thriving entrepreneurial ecosystem from Baltimore to Richmond that is competitive, diverse, and inclusive and that creates jobs, attracts talent, spurs innovation, and grows the regional economy.

A thriving entrepreneurial ecosystem is key to unlocking the region's economic potential. Start-ups are a core piece of the global and U.S. economy and overwhelmingly contribute to job creation, output and productivity growth.[3] Many consistently experience positive net job creation compared to older firms[4] and add an average of 3 million jobs per year in the U.S.[5] In 2020, over 20 thousand new businesses were launched in the region from Baltimore to Richmond,[6] potentially contributing to the creation of over 100,000 new jobs and thus improving the region's economic vitality.[7]

WHY INVEST IN ENTREPRENEURS

Entrepreneurs have the potential to be powerful engines for economic growth; however, in the region, only 25 percent of start-ups who received seed funding also acquired Series A funding[8]—less than the national average of 33-40 percent.[9,10] This illustrates an opportunity to do more to support our entrepreneurs on their pathways to success.

Investing in the region's entrepreneurs can help to create more economic opportunity for the entire region: research shows that increasing the number of start-ups, specifically, in the Washington D.C., Baltimore, and Richmond metropolitan areas by 10 percent annually has the potential to add over 7,000 jobs per year.[11]

Looking beyond start-ups, a 2022 study from the Brookings Institution found if the number of Black-owned businesses writ large was equivalent to the Black population in each of the region's three main Metropolitan Statistical Areas (MSAs) the results would be immense. In the Baltimore MSA, there would be 20,910 more Black-owned businesses; in the Richmond MSA, there would be 10,114 more Black-owned businesses; and in the Washington, DC MSA there would be an additional 33,573. Even more so, these new businesses could bring approximately 1.5 million new jobs to the region.[12]

To further explore this opportunity, this brief proposes concrete recommendations to cultivate a regional ecosystem that supports entrepreneurs, particularly diverse entrepreneurs, to start, stay, scale, and thrive.

WHY THIS REGION & WHY NOW

The region has the opportunity to leverage existing efforts, invest in new opportunities, and build a thriving ecosystem for entrepreneurs of all backgrounds. As the third largest regional economy in the U.S. and the seventh largest economy in the world, the region possesses virtually unparalleled talent, innovation, and investment to catalyze a thriving entrepreneurial ecosystem.

THE REGION AT A GLANCE

DEFINING OUR SUPER-REGION[13]

The super-region from Baltimore to Richmond is the 3rd largest economy in the U.S. & 7th largest in the world

- *Total GDP*: $930B
- *Baltimore MSA Total GDP*: $223B
- *Richmond MSA Total GDP*: $99B
- *Washington MSA Total GDP*: $608B

Median household income

- *Baltimore MSA*: $86,302
- *Richmond MSA*: $74,151
- *Washington MSA*: $110,355

Leading Industries by Employment (excluding government & Government Enterprises)

- *Baltimore MSA* – Health Care and Social Services (237,717), Professional, Scientific, and Technical Services (176,241), Retail Trade (143,257)
- *Richmond MSA* – Health Care & Social Assistance (93,884), Professional, Scientific, and Technical Services (62,753), Finance and Insurance (60,039)
- *Washington, MSA* – Retail trade (301,923), Other Services (290,560), Administrative Support and Waste Management and Remediation Services (263,049)

Racial demographics of the region

- *White* – 53.2%
- *Black or African American* – 26.7%
- *Asian* – 8.4%
- *Other* – 11.7%

Ethnic demographics of the region

- *Not Hispanic or Latino* – 87.7%
- *Hispanic or Latino* – 12.3%

Population of the region

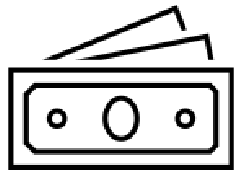
- *Total*: 10,472,518
- *Baltimore MSA*: 2,837,237
- *Richmond MSA*: 1,303,2012
- *Washington MSA*: 6,332,069

REGIONAL DATA

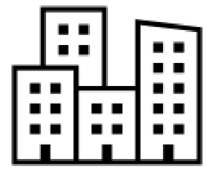
2022 Venture Capital (VC) Deals Investments

Completed Pre-Seed, Seed, Early-stage VC, Later-stage VC Deals

406
deals

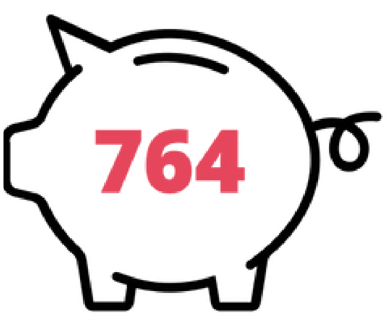


$4.53 billion
invested



365
companies

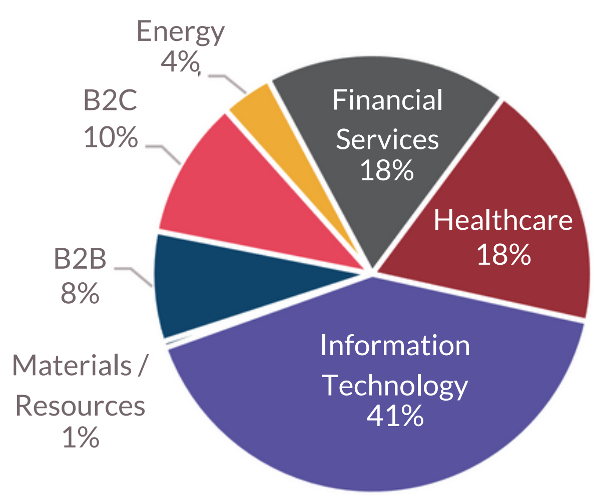
Regional Investor Activity



investors made VC investments across the region in 2022

(Pre-Seed, Seed, Early-stage VC, Later-stage VC investments)

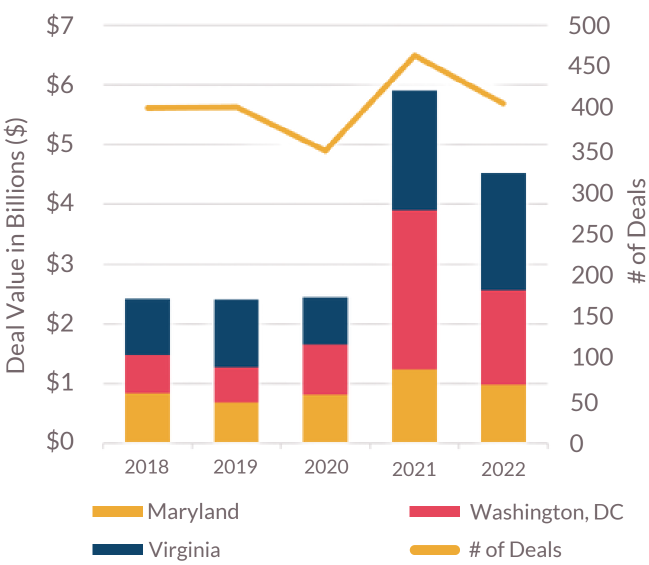
2022 VC Deals by Industry



REGIONAL DATA

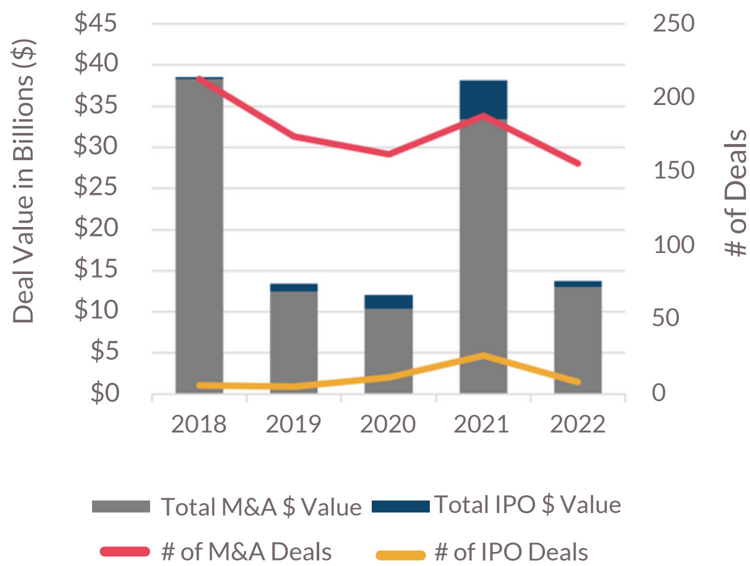
Regional VC investments YoY*

Completed Pre-Seed, Seed, Early-stage VC, Later-stage VC Deals



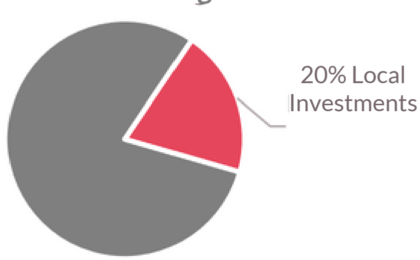
Regional YoY Exits

Completed Initial Public Offerings (IPO) and M&A Deals



Local Investments

2022 No. of VC Investments in the Region

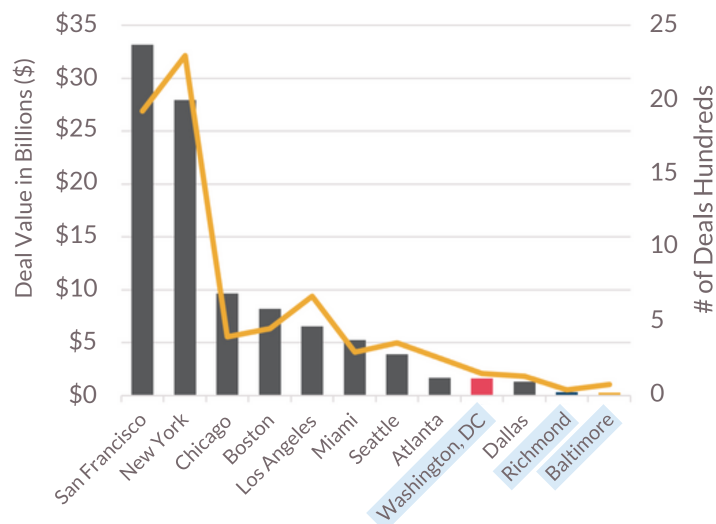


Of the number of VC investments made in the region in 2022, **20 percent were made by investors also headquartered in the region.**

This is to say, of the 945 investments in 2022, only 188 were made by local funders.**

Other Cities | 2022 VC Investments

Completed Pre-Seed, Seed, Early-stage VC, Later-stage VC Deals



*Jefferson County, WV falls within the Washington, DC MSA and therefore the super-region. From 2018 to 2022, Jefferson County saw 3 deals: 2018 – 1 deal of 0.92M; 2021 – 1 deal of unknown value; 2022 – 1 deal of $4.9M.

**Investments differ from deals; a single deal may involve several investors making investments. The super-region saw 406 deals and 945 investments in 2022. This calculation does not factor in value of investments, solely number of investments.

Footnote: The above data analyses were compiled via PitchBook in March and April 2023.
PitchBook continuously updates data retroactively so future reports could present different historical numbers.

THE REGION'S ADVANTAGE

STRONG TALENT POOL

The region often attracts talent from across the nation. Home to over 150 two-and four-year colleges and universities,[14] and 25 Fortune 500 headquarters, the region has the potential to fuel high-growth enterprises.[15] Additionally, in 2021, Washington, D.C. had the highest proportion of female tech talent in the nation (32 percent in Washington, D.C. compared to 27 percent nationally),[16] and also all three cities were in the top 10 with the highest percentage of 25 to 44-year-olds with a 4-year bachelor's degree in the nation.[17] This further underscores the opportunity to invest in diverse-led and -founded start-ups located in the region.

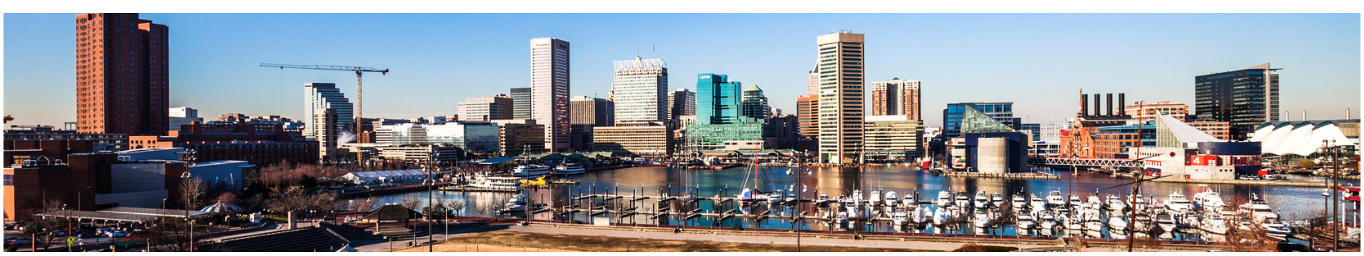
LOCAL INVESTMENTS AND ACTION

Investors across the country are taking notice of the region's economic growth potential. Revolution—a D.C.-based investor—cited that between 2011 and 2021, Bay Area- and New York-based venture capital firms invested $6.2B in Washington D.C.-based entrepreneurs. Washington, D.C. is one of the top five metro areas to receive investment dollars from these two major investment hubs.[18] Revolution also noted that some of the leading reasons investors are funding start-ups elsewhere include the spread of tech talent following COVID-19, city livability and culture, local corporations helping the entrepreneurial community, and local sectoral knowledge.[19]

Baltimore and Richmond are experiencing an increase in entrepreneurial activity as well. Investment in Baltimore start-ups is growing, despite a national decline in venture funding due to rising interest rates, macroeconomic uncertainties, and the public market downturn.[20] Baltimore's annualized venture funding and average deal size are expected to increase 11percent and 40 percent year-over-year respectively.[21] Baltimore's ecosystem growth can be attributed to factors such as a concentrated base of funders and accelerators, and continued investment in Baltimore's high-growth sectors—healthcare and cyber security.[22]

Similarly, Start-up Genome ranked Richmond in its global 2022 "Top 100 Emerging Ecosystems" report. Richmond specifically excelled regarding "Market Reach," defined as early-stage start-up access to customers.[23] Richmond has been ranked for multiple years in a row—in 2021, it was highlighted for ecosystem performance and funding, with the city seeing over $50M in exits that year.[24,25]

Many regional organizations are supporting entrepreneurs through coaching, non-dilutive capital, and networking and exposure opportunities—including Johns Hopkins University's FastForward program and organizations like UpSurge, Halcyon, All Raise, and Activation Capital—among others.



SEAT OF GOVERNMENT & FEDERAL PROCUREMENT OPPORTUNITIES

The region serves as the seat of the federal government—the world's largest buyer of goods and services—providing tremendous procurement opportunities for entrepreneurs. This region is also poised to capitalize on federal policy shifts and investments in addition to local efforts. The Bipartisan Infrastructure Law has already infused billions into the region. To date, $1B in federal funding has been allocated to Washington, D.C.,[26] $2.6B to Maryland,[27] and $4.4B to Virginia.[28] These historic investments present procurement opportunities that could enable more entrepreneurs to gain access to government contracts and subcontracts.

Similarly, the region could see an influx of investment through the CHIPS and Science Act aimed at strengthening American manufacturing, which creates more vendor opportunities for new businesses in the industry. There is an opportunity to help ensure this funding reaches the region's entrepreneurs.

The region has a unique opportunity to capitalize on this moment. This report is a call to action for ecosystem players—investors, government institutions, academia, and corporations—to harness the region's collective expertise, resources, and networks to transform the region's entrepreneurial ecosystem. Supporting the region's entrepreneurs is imperative for helping to create and sustain jobs, attract talent, spur innovation, and grow the economy.

RECOMMENDATIONS

To create a competitive, diverse, and inclusive entrepreneurial ecosystem from Baltimore to Richmond, research and interviews suggest that ecosystem players can take the following actions[i]:

ACCESS TO CAPITAL - Increase and more equitably distribute the pool of capital

- Expand **publicly funded programs**, like grant or public guarantee programs. Actively seek out and explore awarding grants to diverse entrepreneurs.
- Launch and scale **corporate venture arms** that offer capital and networks to early-stage companies. Track the percentage of investments going to diverse entrepreneurs.
- Examine and adapt the investor **deal sourcing process** to address possible unconscious bias. Track distribution of investments to diverse entrepreneurs.
- Actively seek out and explore opportunities to invest **university endowment assets or pension plans** in firms owned by diverse asset managers.

ACCESS TO TALENT - Strengthen the pipeline of diverse talent

- Ensure **students of diverse backgrounds in primary and secondary school have access to entrepreneurship programming** (e.g., host speaker series exposing them to diverse entrepreneurs, invest in entrepreneurship curricula).
- Improve **representation in entrepreneurship and innovation courses** by employing diverse instructors and those with relevant industry experience.
- **Grow the investor talent pipeline** and **hire diverse** talent through programs specifically tailored to diverse students studying business and investment.

ACCESS TO MARKETS - Increase equitable access to this region's differentiated customer market

- Increase **dialogue between diverse entrepreneurs and government officials** across jurisdictions to encourage **public sector collaboration** to streamline procurement opportunities and improve partnership strategies.
- Expand **corporate accelerator programs** to expose entrepreneurs to companies' networks, expertise, and contracting processes. Actively seek out and explore filling seats with diverse entrepreneurs.
- Launch **regional innovation challenges or prize competitions** for early-stage businesses to prove product-market fit, refine business ideas, and access customers. Market to and engage diverse entrepreneurs in these competitions.

ENABLING ENVIRONMENT - Improve the region's ecosystem connectivity and brand

- Establish a **regional marketing campaign** that builds the region's entrepreneurial brand and reflects the diversity and competitiveness of the region.
- Provide **non-financial resources** like **physical space** (e.g., wet labs), **technology**, and **pro bono support** (e.g., technical assistance) that meet core entrepreneur needs.
- Create a **regional network between ecosystem players** in individual cities to increase resource-sharing and connectedness (e.g., making referrals, connecting diverse entrepreneurs with funders through in-person events in accessible spaces).

i Before taking action, consult with your organization's legal team for guidance.

THE VALUE OF DIVERSE ENTREPRENEURIAL ECOSYSTEMS

Ecosystems that *thrive* are *diverse*. Prior studies show how "open, inclusive and diverse cities are better for business and economic growth."[29]

Despite this, diverse entrepreneurs could face disproportionate challenges through every stage of their entrepreneurial journey as evidenced by our interviews[ii]:

REPRESENTATION AND NETWORKS

Perceived skill and success are often directly related to entrepreneurs' representation in the ecosystem. For example, GEM's latest Women's Entrepreneurship Report states that the "two indicators on which women trailed men were perceived start-up skills and knowing other entrepreneurs. Just over half of women in both [Canada and the U.S.] perceived that they had the skills to start a business, far lower than men (in the U.S., ~57 percent of women as compared to ~72 percent of men)." [30]Our interviews with entrepreneurs reinforced this sentiment—if entrepreneurs do not see themselves represented, they may not see themselves as successful future entrepreneurs or think that the entrepreneurial pathway is possible for them.

Moreover, without a strong network, interviewees cited a diverse entrepreneur is less likely to access capital, contracts, strategic partnerships, and coaching, which increases barriers to entry.

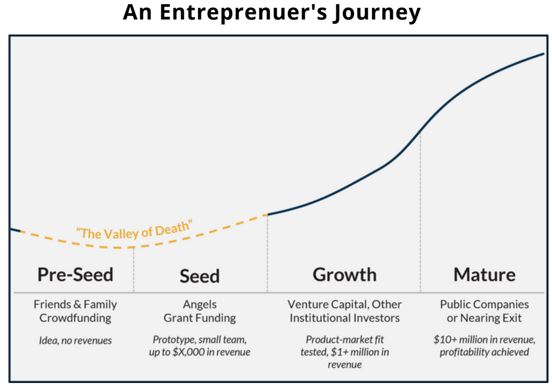
EARLY-STAGE

Early-stage entrepreneurs often rely on access to flexible, risk-tolerant capital to launch and sustain their businesses. In particular, they often look to personal savings or reliance on what is commonly known as the "3Fs"—family, friends, and fools.

"Family, friends and fools" is a common phrase used in the entrepreneurship ecosystem. Many entrepreneurs start out by requesting funding from their network which consists of family and friends. Fools are mentioned due the riskiness of investing in an early-stage start-up.

Historical racial inequality and resulting wealth disparities in the U.S. introduce distinct barriers for entrepreneurs of color. As of 2019, the median household wealth of Black and Hispanic families stands at $14,100 and $31,700, respectively—a fraction of the $187,300 median wealth of White households.[31]This gap in wealth can prevent diverse entrepreneurs from raising the capital and taking the risks required to start a business.

An Entrepreneur's Journey



Entrepreneurs experience disproportionate challenges jumping from Seed Stage to Growth-Stage in their journey.

> **Due to historical economic disparities, it is not uncommon for Black founders to go to their 3Fs, and get maybe $5,000. Someone else can easily get $150,000 or more.**
>
> **LaKisha Greenwade**
> **Wearable Tech Ventures**

ii Note: Quotes represent the lived experience of interviewees.

VENTURE CAPITAL

> **As the sole founder of a tech company that produces feminine products and smart dispensers, many of the obstacles I've overcome were due to overt bias and racism. Despite being Baltimore's "Tech Company of the Year" and garnering funding from high-profile celebrities, I've had local investors advise that I'd be farther along if I had a non-minority cofounder.**
>
> **Arion Long**
> **CEO at Femly**

The venture capital industry is still predominantly White, and male-dominated.[32] This lack of diversity within venture capital firms can also result in a lack of diversity in who they fund. A 2022 Deloitte survey of over 315 venture capital firms found that of all investment professionals, only 26 percent were women, 6 percent were Hispanic, and 5 percent were Black or African American.[33] In interviews, several diverse entrepreneurs recounted the challenges they have faced getting funding for their businesses. Interviewees referenced feeling the effects of implicit bias, citing a lack of shared experience between investor and entrepreneur. To further underscore the funding gap for Black entrepreneurs, TechCrunch reported that Black founders in the U.S. raised 1 percent of the $215.9 billion in venture capital in 2022, 1.3 percent in 2021 and 0.8 percent in 2020.[34] Similarly, PitchBook reported that just 1.9 percent of venture capital funds went to all-female founded companies in 2022, illustrating the gender disparities in financing.[35]

REACHING MATURITY

Diverse representation across later-stage businesses is often sparse. For data compiled on initial public offerings (IPO) from 2013 to 2020, only 20 women founded and led a company through to an IPO of the more than 2,000 companies that went public in the same timeframe.[36]

Yet, there's clear evidence that increased diversity in venture capital often translates to better economic gains. A 2018 Harvard Business Review study on the venture capital industry found that the success rate of acquisitions and IPOs was 26.4 percent higher for those investments by partners with diverse ethnicities and 11.5 percent higher for those investments by partners with diverse educational backgrounds.[37]

Fortunately, the dearth of representation is improving. For example, in 2020, Goldman Sachs CEO David Solomon announced the company will only underwrite IPOs in the U.S. and Europe of private companies that have at least one diverse board member.[38] Additionally, there are a total of 264 U.S.-based venture capital firms that self-identify as focusing on "Minority and Women-owned" businesses in their investments. Of those venture capitalists, 31 percent were founded between 2020 and today, demonstrating an increased focus on funding diverse-owned businesses.[39]

BANKING

Experiencing bias from finance providers and lack of trust in financial institutions can hinder an entrepreneur's ability to access capital. One study shows that Black entrepreneurs apply for loans less often than White entrepreneurs largely because they expect to be denied credit, even when they have a good credit history and are applying at local banks that favor supporting new business development.[40] Black entrepreneurs who do apply for loans are often denied or given lower bank loans at more than twice the rate of their White peers.[41]

REGIONAL STRENGTHS, CHALLENGES, AND RECOMMENDATIONS

The recommendations[iii] proposed in this section are based on engagement with cross-sector stakeholders (via interviews, focus groups, and working sessions) and a landscape analysis of ongoing regional efforts and challenges. The following success factors frame each set of recommendations to guide action toward cultivating a thriving entrepreneurial ecosystem:

Access to Capital
Equity, debt, and/or grant capital to build and grow their businesses.

Access to Talent
Talent to operate and scale.

Access to Markets
Expanded and diversified business opportunities.

Enabling Environment
Mentorship and coaching, business support organizations, a favorable regulatory climate, and a culture of innovation.

See Appendix for more detail.

Each success factor is organized by a list of strengths and challenges followed by actionable recommendations for ecosystem players to pursue. Each section includes:

Strengths of the Region

Challenges of the Region

Three to four actionable recommendations with relevant stakeholder groups tagged to each:

- **Investors**
- **Academic Institutions**
- **Government**
- **Corporates**
- **Other ecosystem players** (e.g., incubators, accelerators, marketing agencies)

iii Before taking action, consult with your organization's legal team for guidance.

ACCESS TO CAPITAL

INCREASE AND MORE EQUITABLY DISTRIBUTE THE POOL OF CAPITAL

Access to capital is often cited as the most critical factor for an entrepreneur's success. Sources of diversified capital can allow entrepreneurs the runway to build on a nascent idea by having the funds to create a prototype, acquire office space, and grow their concept, particularly early on their journey.

REGIONAL STRENGTHS

DEALS IN THE REGION

Increased Deal Activity: In 2022, the region saw 406 completed deals and $4.53 billion invested across 365 companies.[42] Though less than the nation's largest ecosystems like the Bay Area and New York where annual deal counts exceed 1,900,[43] deal counts from Baltimore to Richmond are comparable to entrepreneurial ecosystems like Boston, Chicago, and Seattle which saw 451 ($8.19B), 397 ($9.67B), and 356 ($3.89B) deals in 2022, respectively.[44] Additionally, investment in this region is growing—in 2019, the region saw a similar number of deals (402) totaling $2.4 billion in investment, nearly half the value of the $4.53 billion in 2022.[45]

PUBLIC FUNDING

Presence of Public Funding: Grants—especially from the public sector—can be an important source of capital for high-growth entrepreneurs; the region is unique in that it is home to 165 government entities that invest in start-ups and high-growth enterprises.[46] Yet, many entrepreneurs expressed that they struggle to access these opportunities, and that a more streamlined process could make public funding opportunities accessible (e.g., streamlining eligibility processes for grants for minority business enterprises).

SBIR Grants: In 2022, federal agencies awarded a total of $2.37 billion in Small Business Innovation Research (SBIR) grants across 4,101 deals. Of that total investment, $256 million went to businesses in the region. The Department of Defense was, by far, the largest funder (77 percent of total), followed by the Department of Energy (7 percent), and National Aeronautics and Space Administration (NASA) (6.2 percent).[47]

INVESTOR FOOTPRINT

Investor Presence: As of March 2023, 284 venture capital firms, 13 corporate venture capital firms, and 24 angel groups[48] are headquartered in this region, according to Pitchbook. For context, cities Boston, Chicago, and Seattle are home to 355, 344, and 176, venture capital firms, respectively.[49] While the number of corporate venture capital firms is on par with other cities (Boston: 17 corporate venture capital firms, Chicago: 15, Seattle: 7), Baltimore, Washington, D.C. and Richmond are a corporate hub—as previously referenced, 25 Fortune 500 companies are headquartered in the region—highlighting the opportunity for more corporate involvement in the entrepreneurial ecosystem.

Local Exits: From 2018 through 2022, the region saw 949 exits—56 IPOs and 893 M&A deals—with a total value of roughly $116 billion.[50]

BRIGHT SPOTS ACROSS THE REGION

District Government & The Marathon Fund: In 2018, the District government and The Marathon Fund (TMF) created the DC Inclusive Innovation Fund, designed to increase access to capital for companies led by underrepresented entrepreneurs. The District committed $1.5 million in seed funding for TMF to start raising private capital.

Virginia Innovation Partnership Corporation, State Small Business Credit Initiative: As part of State Small Business Credit Initiative (SSBCI), Virginia Innovation Partnership Corporation (VIPC) is working closely with the Virginia Small Business Financing Authority to be able to bring funds to local start-ups through Virginia Venture Partners. Investments will focus on leading seed stage start-ups and will explore opportunities in emerging sectors in Virginia.

Capital One Venture Arm: Capital One's venture arm invests in early, late, and growth-stage companies operating in big data, enterprise tech, digital services, fintech, and cybersecurity sectors. Capital One has made a total of 102 investments and has had 17 exits according to Pitchbook.

REGIONAL CHALLENGES

LOCAL INVESTMENT

Local Investor Interest: Only 20 percent of the total number of investments made in 2022 in region-based companies came from local firms—there is an opportunity for local investors to focus more on supporting local enterprises.[51]

REACHING INVESTORS

Lack of Networks: As noted, diverse entrepreneurs can lack the relationships and networks necessary to access pathways to capital. Interviewees stated that venture capital firms in the region often rely on the traditional method of leveraging their networks to source deals, which can inherently exclude diverse entrepreneurs.

> **Your first collaborators or employees have to be individuals you can trust—friends of friends or someone recommended to you. As immigrants in the U.S., we don't have a lot of those networks to start with because we don't have family here, and our international peers in grad school are in the same situation, which shrinks our network.**
>
> **Digvijay Singh**
> **Drizzle Health**

RECOMMENDATIONS

PUBLIC PROGRAMS

Expand **publicly funded programs**, like grant or public guarantee programs. Actively seek out and explore awarding grants to diverse entrepreneurs.

DEAL SOURCING

Examine and adapt the investor **deal sourcing process** to address possible unconscious bias. Track distribution of investments going to diverse entrepreneurs.

CORPORATE VENTURES

Launch and scale **corporate venture arms** that offer capital and networks to early-stage companies. Track the percentage of investments going to diverse entrepreneurs.

ENDOWMENTS AND PENSIONS

Actively seek out and explore opportunities to invest **university endowment assets or pension plans** in firms owned by diverse asset managers.

ACCESS TO TALENT

STRENGTHEN THE PIPELINE OF DIVERSE TALENT

Entrepreneurs should have access to robust, affordable, and experienced talent to build their teams and scale their businesses. High-growth enterprises start lean and scale rapidly—they require the right talent to grow an idea into a real business.

REGIONAL STRENGTHS

ACADEMIC ANCHOR INSTITUTIONS

Academic Institution Footprint: The region is home to several anchor institutions—across academia, the private sector, and government—that attract highly skilled and specialized talent from around the country. This region boasts over 150 two- and four-year colleges and universities alone.[52]

Innovation Programs: Many of these public and private academic institutions offer distinct programs and degrees specifically for innovation or entrepreneurship; University of the District of Columbia, University of Maryland, University of Virginia, The George Washington University, and Loyola University Maryland all have programs specific to entrepreneurship or innovation, among others.

EDUCATED WORKFORCE

Higher Education: This region is also among the most educated in the U.S. In 2019, Washington, D.C. (70.4 percent) had the highest percentage of 25 to 44-year-olds with a 4-year bachelor's degree in the nation, with Maryland (44.2 percent) and Virginia (43.5 percent) also among the top ten states.[53]

Gender Diversity: Notably, the region's talent is differentiated by its diversity. Females make up 32 percent of the tech talent workforce compared to 27 percent nationally,[54]making the region the nation's most gender diverse tech talent market.

A REGIONAL WORKFORCE

Universal Licensing: This region also offers the unique strength of accessibility and flexibility across state and local borders. For example, Virginia recently enacted a new law that will recognize out-of-state occupational licenses and government certifications. This will allow individuals in D.C. and Maryland to operate freely in Virginia without going through additional training or tests.[55]Legislation like this expands the pool of talent available to high-growth enterprises operating within the metro area.

REGIONAL CHALLENGES

ATTRACTING AND RETAINING TALENT

Talent Retention: According to a recent survey by Goldman Sachs, "97 percent of small businesses [including early-stage high-growth enterprises] said difficulty hiring was affecting their bottom line—a 17-point increase from September 2021. 73 percent of small businesses having difficulty hiring said competition with larger employers on pay and benefits explains their recruiting challenges."[56]

Cost of Labor: In line with these national trends, the cost of labor in the region continues to rise, making it challenging for the region's high-growth enterprises to access local talent, especially as they chase revenue generation and profitability.

Cost of Living: Annual income in the region is also amongst the highest in the nation, with D.C. and Maryland having the two highest median household income rates in the country ($90,842 and $87,063, respectively).[57] The cost of living in these areas further exacerbates the importance of paying talent competitive wages.

> **"From General Dynamics to Hilton Worldwide to the region's smallest start-ups, the labor costs, burgeoning inflation and resulting wage pressure have remained top of mind. Marriott International Inc. noted a 10 percent year-over-year increase in hourly wages."**
>
> **- Washington Business Journal, July 2022**

ACCESSIBILITY & REPRESENTATION

Exacerbated Talent Barriers: These realities can impact diverse entrepreneurs even more so given their more limited access to finance and networks. As mentioned, diverse entrepreneurs are less likely to have access to funds from personal networks, intensifying their need for affordable talent, particularly early in their journey.

Distribution of Resources: In interviews, ecosystem players acknowledged that while this region offers several resources to aspiring entrepreneurs such as accelerators, mentorship programs, and more, these opportunities are often concentrated in higher-income neighborhoods and factors like metro accessibility and event timing are not always taken into consideration.

Diversity in Education: One interviewee also emphasized the importance of more diversity in entrepreneurial curriculum, sharing that in her experience as an educator, "participation increased when we approached the curriculum with a mindset of representation; Black/Hispanic and students of color became much more engaged when it was designed with them in mind."– *Kezia Williams, The Black upStart*

RECOMMENDATIONS

ENTREPRENEURSHIP EDUCATION IN K-12

Ensure **students of diverse backgrounds in primary and secondary school have access to entrepreneurship programming** (e.g., host speaker series exposing them to diverse entrepreneurs, invest in entrepreneurship curricula).

DIVERSE INVESTORS

Grow the investor talent pipeline and hire diverse talent through programs specifically tailored to diverse students studying business and investment (e.g., training programs that offer courses to aspiring angels and VCs).

DIVERSE INSTRUCTION

Improve **representation in entrepreneurship and innovation courses** by employing diverse instructors and those with relevant industry experience.

ACCESS TO MARKETS

INCREASE EQUITABLE ACCESS TO THIS REGION'S DIFFERENTIATED CUSTOMER MARKET

Without customers, enterprises lack the ability to prove product-market fit. Access to markets is a driving force for entrepreneurs—even with the capital and talent needed to build upon an idea, an enterprise's customers are a primary determinant to whether they scale or fail.

REGIONAL STRENGTHS

CORPORATE EPICENTER

Fortune 500 Companies: Twenty-five Fortune 500 companies are headquartered in the region with $596.8 billion in annual revenue, creating significant opportunity for high-growth enterprises to access new vendor opportunities.[58]

Industry Concentration: In 2019, Jones Lang LaSalle research showed that "companies in the Dulles [Virginia] tech corridor already have 37 percent share of all federal technology contracts."[59] Concentrated pockets of industry like this throughout the region represent unique market opportunities for highly specialized enterprises.

While the presence of big corporates in the region also poses an opportunity, many "don't lean in to look at start-ups as potential vendors."

Paul Nolde
Lighthouse Labs

FEDERAL GOVERNMENT PROCUREMENT

Federal Government as a Customer: The region is also home to the largest source of procurement: the federal government. This massive customer segment spends $650 billion on goods and services annually, introducing a unique market opportunity for high-growth enterprises in the region.[60]

Emphasis on Small Business Procurement: In 2022, 27.2 percent or $154.2 billion in federal prime contract dollars were awarded to small businesses, including start-ups, according to the U.S. Small Business Administration.[61] This was an $8 billion increase from the previous fiscal year and supported over one million jobs in the U.S. economy.[62]

Support for Accessing Government Opportunities: Niche investors and support organizations are also popping up in the region to help high-growth entrepreneurs navigate and access government procurements. Women-led and D.C.-based venture firm, Dcode Capital, has worked with over 100 venture-backed tech firms to help them access more than 160 federal contracts.[63]

REGIONAL CHALLENGES

ACCESSING FEDERAL GOVERNMENT CONTRACTS

Pathways to Entry: High-growth enterprises have an opportunity to tap into the spending power of the federal government located in the region, but many do not know how to access the appropriate pathways to entry. In our interviews, entrepreneurs noted they view the government as opaque and difficult to navigate.

Limited Capacity: Many high-growth enterprises also cited lacking the time and resources to pursue these relationships and navigate onerous contracting requirements. These barriers to entry have the unintended consequence of deterring early-stage, high-growth enterprises from entering federal or local markets.

LESS CONTRACTS AWARDED TO DIVERSE ENTREPRENEURS

Access to Government Contracts: The federal government fell short of its goal of 5 percent of contracts to women-owned small businesses in 2021 (actual: 4.63 percent, $26.2 billion). Additionally, in 2020, only 1.7 percent of prime federal contracts went to small Black-owned businesses and 1.8 percent went to Hispanic-owned businesses.[64] Moreover, interviewees shared that pursuing government contracts is complex and burdensome and seek a more transparent feedback process for applicants.

Access to Corporate Contracts: High-growth, diverse-owned enterprises may also lack contacts in many of the region's corporates, hindering their ability to access contract opportunities. Some corporates have accelerators to support entrepreneurs through grants, and while that helps expand an entrepreneur's network, entrepreneurs that have worked with corporates find they could have benefited more from that financial support if coupled with longer term partnership opportunities, technical assistance, or higher dollar value investments (i.e., $50k investments instead of $5k investments).

RECOMMENDATIONS

GOVERNMENT OPPORTUNITIES

Increase **dialogue between diverse entrepreneurs and government officials** across jurisdictions to encourage **public sector collaboration** to streamline procurement opportunities and improve partnership strategies.

CORPORATE ACCELERATORS

Expand **corporate accelerator programs** to expose entrepreneurs to companies' networks, expertise, and contracting processes. Actively seek out and explore filling seats with diverse entrepreneurs.

INNOVATION FUNDING

Launch **regional innovation challenges or prize competitions** for early-stage businesses to prove product-market fit, refine business ideas, and access customers. Market to and engage diverse entrepreneurs in these competitions.

ENABLING ENVIRONMENT

IMPROVE THE REGION'S ECOSYSTEM CONNECTIVITY AND BRAND

A friendly enabling environment goes beyond a supportive regulatory system and offers the non-financial resources necessary to grow—a supportive culture, mentorship in industries of focus, pro bono services, and a reputation of entrepreneurial success.

REGIONAL STRENGTHS

LEVERAGING SUPPORT ORGANIZATIONS

Footprint of Support Organizations: High-growth entrepreneurs have access to support organizations and networks across the region including 97 accelerator/incubators with local headquarters, according to PitchBook.[65] Many of the coworking and networking spaces cater to diverse entrepreneurs, for example Hutch, a support organization in Baltimore that hosts an "intensive 24-month program that provides underrepresented entrepreneurs with a blueprint for building successful and impactful government digital services firms."[66]

DIVERSITY IN THE REGION

Presence of Diverse-Owned Businesses: The region also has the potential to become an epicenter for diverse entrepreneurs. As an example, Washington, D.C. has the second largest number of Black-owned businesses in the country (7.0 percent) after Atlanta (7.4 percent), with both Richmond (5.9 percent) and Baltimore (4.5 percent) landing in the top ten.[67]

Diverse Population: As noted above, this region has the nation's most gender diverse tech talent.[68] Additionally, all three MSAs also have some of the highest percentages of Black residents ranging from 25.1 percent to 29.2 percent,[69] with the national average for Black residents landing at 13.6 percent.[70]

Public Recognition: Several outlets have reported this region as a destination for Black entrepreneurship (e.g., Technical.ly, Essence, Incfile), suggesting that this region has the unique potential to offer diverse entrepreneurs access to larger networks of peers and mentors who share their experience.

REGIONAL CHALLENGES

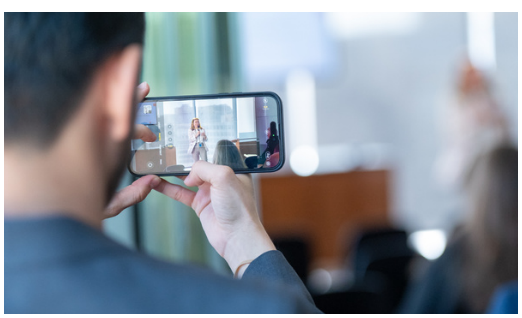
REGIONAL COLLABORATION

Regional Connectedness: While the region offers a vast number of resources and opportunities for entrepreneurs, not all high-growth enterprises have access to them. The region lacks connectedness, and while some ecosystem players collaborate, particularly those within a specific city, there is an opportunity to increase collaboration and partnership across state and district lines to promote the visibility of programming available to entrepreneurs regionwide.

Local Convenings: Local incubators and accelerators lead in hosting city-specific convenings, but there are few to none focused on the full region. Some entrepreneurs have even launched their own interstate, informal meetup groups to broaden their networks and share lessons learned.

Density of Support Organizations: Furthermore, the density of programs for entrepreneurs is significantly greater in ecosystems like New York Metro Area and the Bay Area (382 and 547 support organizations, respectively)[71] as compared to the region (97 support organizations). Despite these areas being larger entrepreneurial hubs of activity, the population sizes across these regions are comparable.

BRANDING AS AN ENTREPRENEURIAL HUB



Cohesive Regional Brand: The region also has an opportunity to amplify success stories of entrepreneurs and businesses. In the past two years, both Washington, D.C. and Richmond launched branding campaigns for their cities. These city-wide campaigns offer an opportunity to highlight the region's entrepreneurial successes and place diverse entrepreneurs at the forefront of the cities' economic success.

RECOMMENDATIONS

REGIONAL BRAND

Establish a **regional marketing campaign** that builds the region's entrepreneurial brand and reflects the diversity and competitiveness of the region.

REGIONAL NETWORK

Create a **regional network between ecosystem players** in individual cities to increase resource-sharing and connectedness (e.g., making referrals, connecting diverse entrepreneurs with funders through in-person events in accessible spaces).

NON-FINANCIAL RESOURCES

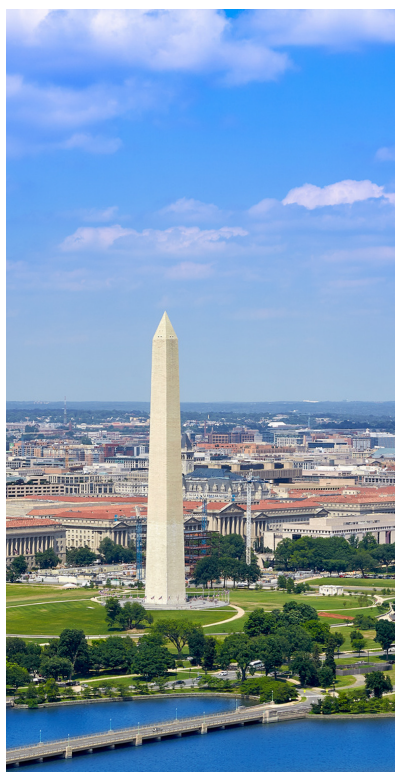
Provide **non-financial resources** like **physical space** (e.g., wet labs), technology, and **pro bono** support (e.g., technical assistance) that meet core entrepreneur needs.

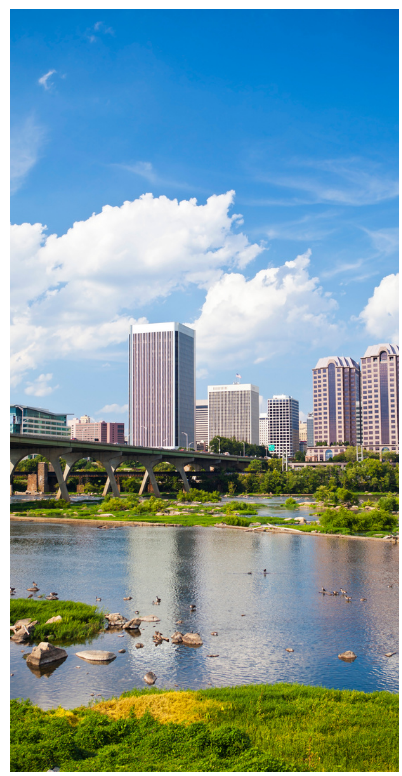
CONCLUSION

The region has an opportunity to build on the growing attention, investment, and energy to support entrepreneurial talent and success. By leveraging these recommendations, there is greater potential to build an ecosystem that supports diverse entrepreneurs—those who often face barriers to growth—and entrepreneurs writ large to produce economic outcomes and prosperity that benefit all of the region's communities.

The case is clear. The region has a robust pool of educated talent, market opportunities, and a strong regional and diverse identity. Ecosystem players—across corporations, support organizations, academic institutions, and government actors—can act collectively to help create an entrepreneurial landscape that reflects and supports the diversity of the region.

Through collective action, there is an opportunity for the community to be greater than the sum of its parts. By increasing connectivity, sharing learnings, and building on successes, there is an opportunity to cultivate a thriving entrepreneurial ecosystem and make the entire region, from Baltimore to Richmond, vibrant, economically competitive, and prosperous for all.





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APPENDIX

ENTREPRENEUR SUCCESS FACTORS FRAMEWORK METHODOLOGY

Leveraging existing frameworks on entrepreneurial ecosystems to guide our research, we identified four key success factors to achieve a thriving entrepreneurial ecosystem:

Access to Capital

Access to Markets

Access to Talent

Enabling Environment

A detailed view is provided below:

Access to Capital

Do businesses have the right type of capital?

Availability of capital across growth spectrum: Diversified capital options including funding from angel investors, venture capital and private equity firms, and debt lenders

Flexible terms and conditions: Ability to access financing with terms and conditions that satisfy business needs and that are appropriate for the business's stage of growth (e.g., capital type, ticket size, valuation, repayment terms)

Variety of investor experience and expertise: Presence of financiers with various professional backgrounds and demographically diverse backgrounds

Investor networks: Expanded networks beyond personal connections for deal sourcing

Access to Talent

Do businesses have access to staff with the right skillsets?

Training programs for entrepreneurs: Access to high-value, affordable formal or informal learning opportunities (e.g., courses, meetups)

Cost of talent: Access to and retention of high-caliber affordable talent to build and sustain business operations

Pipeline of talent for new businesses: Access to skilled talent across technical and business domains

Presence of anchor institutions: Concentration of research and/or academic institutions, incl. those that offer programs for entrepreneurs

Strength of mentor network: Access to a diverse network of seasoned entrepreneurs who offer business management and technical expertise

Access to Markets

Are there opportunities to reach new customers and scale?

Market size: Degree of economic activity in a geographic area (e.g., as measured by GDP, GDP per capita)

Diversified customer base: Access to public and private sector customers and individual purchasers

Corporate footprint: Presence of global corporations and leading institutions in high-growth sectors

Enabling Environment

Is the regulatory environment easy to navigate and conducive to growth?

Ease of doing business: Local, regional, and national laws, policies, and processes that enable businesses to open and operate efficiently and seamlessly

Access to resources: Access to physical space and infrastructure like high-speed internet, as well as professional support services

Supportive culture: Degree to which entrepreneurship as a career choice is celebrated and promoted (e.g., success stories)

Geographic hubs: Physical concentrations of entrepreneurial activity within a region

Media / brand: A defined and promoted "brand" for a region

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ABOUT GREATER WASHINGTON PARTNERSHIP

Greater Washington Partnership is the first-of-its-kind nonprofit alliance of the region's most influential leading employers across diverse industries in Maryland, Virginia and Washington, DC – all committed to championing the region's economic growth and vibrancy. Together, we identify shared opportunities and core challenges and offer solutions to the region's most critical issues including skills and talent, regional mobility, infrastructure and inclusive economic growth. Our goal is to ensure the region, from Baltimore to Richmond, remains vibrant, economically competitive, prosperous and is the best place to live, work and build a business as a model for a thriving super-region. We do this through thought leadership, intentional convenings and collective action. We work with our thought partners and stakeholders to create a table and the tools that help the region consider these shared challenges, offer solutions, guidance and recommendations for long-term investments and economic growth.

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7 U.S. Census Bureau data shows that in 2020 the 13,680 new firms in the DC, Baltimore, and Richmond metro areas led to 73,552 new jobs. Equating to every firm adding ~5.4 new jobs. We used this average of 5.4 jobs to calculate that >20K new businesses would contribute >100K new jobs in the region.

8 Sourced from PitchBook. Created a cohort of companies in the region—specifically, those founded in the region from 2015 to 2020 who received Seed funding (no time horizon for this deal), and searched what percentage of those companies have received Series A funding (no time horizon for this deal). Of the 350 companies founded in the region between 2015 and 2020 who have received Seed funding, 87 of them, or 24.86 percent have received Series A funding. Meaning, 75.14 percent failed to make this jump.

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50 Sourced from PitchBook. Search terms: Screeners > Companies & Deals; Deal Status: Completed Deals; Deal Option: Search on a full transaction; Deal Type: IPO, M&A; Deal Location: all post codes in the region, search HQ only. Manual data cleanup.

51 Sourced from PitchBook. Search terms: Screeners > Investors & Funds, Investor Type: VC, angels, academic, government; Investor Location: all post codes in the region, search HQ only; Deals: Include active investors. Manual data cleanup. Of the 945 investments made in region-based companies in 2022, 188 of those investments came from funders located in the region (while only 381 companies were involved in deals in the region in 2022, several of those investments involved more than one funder, hence, 945 investments).

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