



# THE BIG OPPORTUNITY OF SMALL BUSINESSES: NEW PATHWAYS TO SUCCESS

## **Announcer 00:33**

Please welcome the panel discussion on "The Big Opportunity of Small Businesses: New Pathways to Success," moderated by Troy Duffie, director of Financial Markets at the Milken Institute.

## **Troy Duffie 01:00**

Good morning, good morning—or good afternoon. Thanks so much for staying with us. My name is Troy Duffie. I'm director of Financial Markets at the Milken Institute. Under that purview, I get the chance to lead our Inclusive Capitalism program, as well as co-lead our initiative for Inclusive Entrepreneurship. 2023 data from the US Small Business Administration reveals a remarkable figure: 33.3 million businesses in the United States qualify as small businesses, making up 99.9% of all US businesses. This number not only reflects the dominance of small enterprises in the business sector, but also shows their significance and their significant role in generating employment and contributing to economic stability, a trend that remains relevant in 2025. I'm here with Samantha Berg, co-CEO of NextStreet, Kim Folsom, founder and CEO of Founders First Capital Partners, Lauren Grattan, co-founder and chief community officer of Mission Driven Finance, and Shaolee Sen, head of small business, global philanthropy, and corporate responsibility at JP Morgan Chase. Four powerhouse experts in small business who are going to share their insights on the big opportunity for small business. I'm going to turn to Sam at this point. Sam to ground everyone in the room, why don't you tell us a little bit about NextStreet, both where you all are based, and where you all do your work?

## **Samantha Berg 02:25**

Sure. Well hi, I'm Samantha Berg, Sam. It's great to be here. Thank you for having us, and I'll tell you a little bit about NextStreet. We are a firm that has been around for 20 years. We work with governments, foundations, corporations, to deliver the right resources at the right time for small businesses. And we

work with the smallest of the small businesses, the very small businesses, the Main Street businesses, the solopreneurs. But we also work all the way up to suppliers as well. And our resources run the gamut from research, to technical assistance, to supplier hubs. And we do a variety of things, but what I'm most proud of is we work with about a thousand partners nationally, including a lot of the folks on this stage here, and we partner with them to deliver the best resources available.

**Troy Duffie 03:24**

Kim, let's go to you. Tell us a little bit about your business, where you're based, and where you do work.

**Kim Folsom 03:29**

Certainly. I'm delighted to be here. Kim Folsom, founder, and chair, and CEO of Founders First Capital Partners. We are a mission-driven alternative capital provider, first and foremost, and then we are a nonprofit accelerator that provides wraparound services. Specifically, we're a national platform, but we're based in San Diego, California. And we focus on where 80% of small businesses are—service-based businesses that are suppliers to corporations and government entities and helping them with being at their employer-based businesses so that they are the leaders in the community, driving jobs. One thing we've innovated as being the leader in providing revenue-based financing to address the gaps, the capital access gap in the market for companies that are low asset but high potential, that don't quite fit traditional financing, nor do they get access to the amount of capital that will drive what we call premium wage jobs that includes like a livable wage and benefits.

**Troy Duffie 04:42**

Awesome, Lauren, take us away.

**Lauren Grattan 04:44**

Hi, I'm Lauren Grattan. I run Mission Driven Finance, an impact asset management firm. I'm based in San Diego, like Kim, and I only see Kim in other cities. But we design, develop, and manage private impact capital vehicles that are helping to create an inclusive and robust economy, being able to blend together different kinds of capital so that we can move from a pilot, to scalable project and really build markets where markets have been broken and folks have been excluded and left out from opportunity and being able to fully embrace that. We work in a variety of different ways but focused on missing middle business financing for people who are too big for microfinance but not big enough for my colleagues at banks down the road, those that are working on building other funds and structures that need to have support for "how does it work to be an intermediary?" And then a few things in impact real estate, which is also critical as a key component of strong and resilient communities. Awesome. And Shaolee, I feel like we know what JP Morgan Chase is, but tell us—tell us what it is that you're working on, and tell us about your work there.

**Shaolee Sen 06:08**

So in global philanthropy, our focus is on wealth building across the US and in small business, particularly. We, you know, for years, for over a decade, have really invested in the [inaudible] infrastructure, in really, every city, every state, where we have presence, and have grown that, and have seen great outcomes, and you know, see that fair—or that shot at the fair access for capital and opportunity that all businesses deserve, that Senator Warner talked about this morning. And we've seen outcomes in revenue growth and credit scores, but we also know that small businesses tend to start small and stay small. Our own JP Morgan Institute found through their study that, you know, only 10% of small businesses reached past that million dollar threshold within its first five years. And so, that got us thinking about making sure that we were looking expansively at small business support that really helped businesses grow beyond that million dollar mark so that we can create wealth generating businesses for generations. And with that interest, we, you know, started to look, above and beyond the CDFI community and the products and services that it offers, to look at the full capital stack and where there are gaps in friends and family, and starting assets, and wealth and equity, and patient capital, like my colleagues here spoke about, and really are focused on growing that capital stack in every community that we are serving in. And another area that we're focused on to help with this larger business growth is growing through acquisition. You spoke about the size of the small business market. There's a big market and retiring business owners that have the opportunity to transfer the wealth from their business to new owners. And, of course, procurement and market access opportunities that have always existed for business owners.

**Troy Duffie 08:08**

I couldn't say any better myself, Shaolee, around this idea of not just small businesses being able to start, but how do they scale, right? And so much of you all's work is focused on the scalability and removing some of the barriers and challenges that small businesses face in that. Can you all take us through what it is you do on a day-to-day basis around removing some of those barriers and helping small businesses to scale? And I'll start at the end with Shaolee, and we'll come back this way.

**Shaolee Sen 08:35**

We support the partners that are on this panel with their focus on product innovation. So, like I was saying, it takes more than debt to grow a small business, and unfortunately, most of our underserved communities are over saturated with debt products. And we see CDFI partners in several economic cycles refinancing debt that's extracting cash from small businesses. So looking at what we call patient capital, or products that have that hybrid features that allow businesses to really think about—not worry about their debt payments and really think about the patient capital that's needed to grow. So that's one focus area that we have, is investing in innovations in those types of products.

**Lauren Grattan 09:26**

I wish I could tell you that there is a single—like a clear day in the life. Every day is different at Mission Driven Finance, but many things that we do that crossover are working with local partners, whether that is a municipal government that is implementing a program, working with a tribal nation and their partners, and thinking about like, "We've got this capital coming. How do we put it together in ways that are reflective of what our community context is, our local geography, what industries that supports, what kinds of business sizes we have, and what those relationships look like?" How can we design these capital products so that they're in right relationship with our people and our specific needs? We've got these great ideas coming from top-down, but also, how do we marry that with bottom-up? And that's often what we're doing—is a mixed race, I often joke about, but it's very much true that I grew up translating between my family that was all speaking English but not saying the same things, and that positions us well for Mission Driven Finance, to be able to be that translator and conduit between local community efforts and capital partners. So, putting that together takes a lot of a lot of trust and a lot of code switching. And that's what we do, is putting—making that really feasible so that we can get capital out the door and into the hands of great small businesses that are hiring from their community, delivering goods and services into their communities, and supporting with job growth.

**Troy Duffie 11:09**

And I—the small business community from a top-down to a [inaudible] can seem very esoteric. Can you talk us through maybe just one example of what it looks like as you [inaudible]. How do you take large dollars and get them to the communities that need it the most?

**Lauren Grattan 11:26**

Yeah. Shaolee mentioned retiring business owners. One fascinating example that we've had recently is with the tribal SSBCI, sorry, acronyms—State Small Business Credit Initiative program out of Treasury. Capital got allocated to states, to other jurisdictions, including tribal nations, and we're working closely with tribes and their implementation partners for what does this look like, how do we get the capital out the door? So we partnered with the Cheyenne Arapaho CDC—they're in the Greater Oklahoma area, and made a loan together to a small business that a lovely gentleman who's an enrolled member of their tribe, bought the business from his friend who was ready to retire, ready to move on to a life of more leisure. And so we helped with their business expansion. They sell goods and services to the FAA. There's a big aeronautical complex in Oklahoma that they support, and they had multi-year contracts, but they needed to have a new 28-foot truck. And really the Cheyenne Arapahoe CDC, our partner in this, this was their very first loan. They had just formed a way to move this capital. And they said, "We need somebody that has done these kinds of loans before that can structure this, can think through it, put it together, and you lead first, and then maybe we can build our capacity and through that learning by doing, be able to take on the lead role in a future transaction." But \$80,000 later, they've got a great truck. They're moving things around this giant complex for the FAA and working on those contracts.

**Troy Duffie 13:17**

Kim, talk us through what it means to pull back those barriers. You've mentioned, revenue-based financing that you've spent a lot of time working on. You bring together capital, you do technical assistance. What does that look like for you, either on a day-by-day basis, or a specific example?

**Kim Folsom 13:31**

Certainly. As Lauren mentioned, the different lens coming into this. So I look at it as I went from the other side of the table for the entrepreneurs. So Founders First is my seventh venture. I was a serial tech entrepreneur for running six companies, raised over 30 million before I started Founders. And it's more than money. It's the social capital, it's the continuous evolution of—once you figured out getting to a million, it's a different business at two, and then three and then five and so forth. And so I bring the fact of having grown a business, raised capital, and having to navigate adding—growing and scaling a company to the solutions that we bring to the market, and recognizing that because of some of the unfortunate social barriers, some of the characteristics of these great companies may not happen to have a fit with the traditional banking or even CDFIs. One of the innovations that we do is we use revenue as an asset to overcome the fact that FICO score and actual personal collateral make it a barrier to get access to capital. And so being able to help these companies get relevant, flexible capital so that they can scale to be that \$5 million, \$10+ million and transition them to traditional institutions, be it a CDFI or a traditional bank. But there's so many really great companies, and perhaps I can use an example. As part of this IIE initiative, in addition to us being a capital provider, we partnered with some 30 different institutions such that we identify these companies, figure out what their specific challenges may be. You have a passport funding readiness platform that does an assessment, gives them education, and then connects them to the relevant capital, depending on their requirements. One particular company based in New York, great company. She was at 5 million in revenue, but because of COVID, she took a step back and went to two and a half million. Going and finding capital with that particular element, in addition to having not the best FICO and not any personal assets to pledge, can put you in a difficult position. We were able to get some of the funders, including some CDFIs, to provide her with a good six figures of capital. She has doubled her revenues back at 10 million and will be on the Inc. 5000 this year.

**Troy Duffie 16:04**

Wow. Can we applause for that? [Applause] Sam, I really want the room to appreciate the scale at which you all do business at NextStreet. Give us some specific examples of where you're targeting, pulling back some of those barriers for small businesses around the country.

**Samantha Berg 16:24**

So, at NextStreet last year, actually, we served over 200,000 small businesses. But I want to just give you a perspective, because Troy, you had shared some interesting stats on small business. And one stat I wanted to add on to your stats is: 2024 there were 430,000 new small business starts, which is 50% more than there were in 2019, and there are also 140,000 small businesses that have the intent to hire in 2024, which is 30% more than 2019. There is huge demand for small business services, and people just don't

know where to go. It's a very fragmented market out there. There are a lot of well intentioned people who offer small businesses advice and guidance, and they have lots of, you know, ideas to share, and you know, some of the stuff that's out there just isn't as responsible as what small businesses need. So we really try to bring together, as I mentioned, the best of the best, and put it under one roof. We do a lot of collaboration work to provide technical assistance, to provide access to capital, and having it all in one place really, really helps. And I want to call out the importance, and I know a lot of discussion has been around this today, around the importance of public private partnerships, and what SSBCI, the State Small Business Credit Initiative, and through the work of IIE, has really brought together public and private. And I'll use the example, because I think it's really important to bring to life—in California, we have something called the California Loan Match, right? Which really is a true public-private partnership. We work in conjunction with CRF, which is a large CDFI. They run a platform, and we drive—and we have a statewide go-to-market so that everybody knows where to go. And there are a number of funders that support this initiative. They have one single place to go to get access. And through that California Loan Match, we've been able to really, really get to some of the hardest to reach small businesses, and also, as Lauren mentioned, some of those businesses—where it's their first time getting capital, which is really, really exciting for us. I just want to quickly call out two examples of businesses that have received funding through the California Loan Match. One is a woman named Charice. She has a business that she started. Her partner worked in the military. They're at Camp Pendleton, and they were able to—she took care of the kids, she saw an opportunity to provide childcare services at Camp Pendleton. And she was able to get a \$10,000 loan. Now, for many of us in the room, that \$10,000 may not really resonate, but it's really hard to get access to capital at that very, very small level. And so it's really important to have a place to go to be able to get those small dollar loans. We also have worked at higher levels, and I want to give a shout out to mission driven finance. We recently closed a loan for a woman named Baya. And she came with her family from Mongolia, and her husband was affiliated with logistic companies, FedEx, et cetera. And her and her husband, when he got laid off during COVID, decided to use their savings to buy an \$8,000 van so that they could do some logistic services on their own. They received their first bit of capital, also through the California Loan Match, and I also want to call it the Loan Guarantee Program affiliated with SSBCI. And they got 250,000. That 250,000 enabled them to get—to fulfill a contract with Staples, to do short deliveries. And that is transformational for their family. And this is the impact that bringing all these different groups together under one roof, making sure it's responsible, making sure you're bringing the best of the best under one roof. That's what is really important. So people know where to go, because a lot of these are new businesses, first generation businesses. And you know, there's just a lot out there.

#### **Troy Duffie 20:53**

There's an African proverb that says, "If you want to go far, go alone—if you want to go fast, go alone. You want to go far, go together." And we've heard a little bit about the Initiative for Inclusive Entrepreneurship. Can you raise your hand if you know what that is in the room? Initiative for Inclusive Entrepreneurship? So a lot of non believers yet. And so, let's make some believers in the room, shall we? Tell us about the Initiative for Inclusive Entrepreneurship, why JP Morgan Chase decided to fund the program in its infancy, and why it's continuing to fund it as a mature public, private-partnership.

#### **Shaolee Sen 21:23**

Sure, building on what Sam was saying. You know, the small business capital and technical assistance marketplace is so fragmented. And I think coming out of COVID and recovery, we saw the importance of centralized information and helpful mouthpieces to really reach businesses that, you know, mainstream market activity wasn't reaching. And when we learned about this next generation of SSBCI work and the ambitious targets around not only the amount of capital that was going to be flooded into the market, but also just making sure, this time that that the equity dollars particularly reached the underserved communities that we wanted to reach. And the other ambitious goal that really attracted us was this idea of this ecosystem building and centralizing information and resourcing that would last. And I think there was—we had a lot of hunger for that at the time. And that that ecosystem—I know we use the word ecosystem a lot, but the IIE initiative was really tackling it on multiple levels. One was state and federal partnership and figuring out program and implementation. The second is in the community and the types of partnerships that we talked about, that Sam talked about with IIE partners. And then the third is kind of replicating the learning and the knowledge that's being built that our NextStreet partners have helped create this knowledge center so that we can transfer some of the activity and innovation into other markets. So, those were very ambitious targets, and we saw product innovation coming out of it, shared deal making, training of new product innovation, like Kim's organization with revenue-based financing. And that's the type of activity that we really want to see continue when we kind of built something that brought all these partners together in a very, very intensive, extensive exercise for a multi year view of their work, and, you know, really challenge them to build something that will last for several years.

**Troy Duffie 23:34**

And I'd love to hear from you all what you've gotten out of it so far. Your organization's MDF, Founders First, NextStreet, are part of that public private-partnership. Tell us a little bit about the value. You mentioned, Sam, already that you've done a deal with MDF, but we'd love to hear a little bit about those things.

**Samantha Berg 23:49**

I think your proverb really resonates. Sometimes it requires a little funding to collaborate and to do some of the hard work. And what this funding has enabled us to do is work with a very—a group of people, and we can do the work together. So I think that is, like, really, really important, because sometimes, you know—if you have a limited amount of resources, you're like, "I'm just going to go it alone." And so we've been able to build these partnerships. I mean, we had relationships with CRF, with MDF, with Founders First before, but being able to really intentionally work together, I think, allows us to have more impact. And so that's something that I'm really excited about. And also, I think the ability to test new things. We've tested some different things around go-to-market strategies. Shaolee mentioned the Knowledge Network. We have these TA cohorts. We've put together, you know, 246 I think, resources through the Knowledge Network. Like, there's a lot of stuff that we can do, because we have the support of this collaboration and also some funding to be able to do the work.

**Troy Duffie 25:05**

With the few minutes that we have left, I want to make sure that we're thoughtful about it. I had a great conversation with our panelists backstage, and we talked about the history of entrepreneurship in our families. And how that made a difference in our perspectives of the world and what we worked on now. It's really impossible to build resilient communities without small businesses. So many of our families on the stage built businesses because they were denied opportunities elsewhere. And so I want to talk about the power of that in your own life and what that means for your work. Now we have one minute remaining, I'm told. And so, give us just a tidbit of what you shared backstage around bringing your own family history to bear in your work. And I'll start at the end, and then work our way down.

**Shaolee Sen 25:52**

My mother worked at a bank as a teller for many years when she first came to this country, and then she really wanted to build something for herself. She said, If I could sell all of these products for the bank, I could do it for myself. So she started a jewelry business, importing jewelry from India and captured the tri-state community in the Northeast with her business. You know, that's the business that created all of the financing to put my sister and I through college and today, you know, the legacy of that business is the jobs that she had created during that time that created income for a whole other set of families.

**Lauren Grattan 26:30**

I am an accidental entrepreneur with no history in my immediate family of other people starting businesses, but I do think about how I, as a business owner now, and working with business owners—what that helps me to bring is like navigating all this jargon, how to make sense of it. And really reminded of some of the other stats that you shared, that you know, small businesses employ about half of our country, and every year, two thirds—give or take—of new jobs come from small businesses. And I do a lot of that and think a lot about that, and what that lived reality is, so that we can meet business owners where they're at.

**Kim Folsom 27:12**

So, I shared that I am a first generation entrepreneur. My first exposure to entrepreneurship was—my grandmother was a domestic worker, but she had a side hustle. On the weekends, she was one of the leading numbers runner in Philadelphia, and how she ran that business was very powerful. And those additional dollars allowed me to get involved with a lot of extra activities, but Maggie Clay was a really great role model of a early entrepreneur in her day. And I want to make her proud with what I do.

**Troy Duffie 27:51**

Awesome.



**Samantha Berg 27:53**

I'll give my two quick stories. My mother started a business at the age of 60, after she had retired. That was sort of my immediate exposure. But I will also say that my grandparents were impacted in the McCarthy era and couldn't find work, and they opened a retail business and did that till things sort of passed. And that helped them survive. And then they went back into what they were doing before.

**Troy Duffie 28:24**

We've heard a lot of great stories today, a lot of great data. We want to make sure that you all get involved. And so, look forward to seeing our panelists backstage as well. Okay, give a round of applause, please.

*Disclaimer: This transcript was generated by AI and has been reviewed by individuals for accuracy. However, it may still contain errors or omissions. Please verify any critical information independently.*