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SOCIAL INNOVATION MICROGRANTS AS CATALYSTS TO COMMUNITY DEVELOPMENT IN ECONOMICALLY MARGINALIZED URBAN COMMUNITIES

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INTRODUCTION

Social innovation microgrants act as catalysts to develop communities in economically marginalized urban neighborhoods. Microgrants are a novel way to stimulate public participation in activities that lead to innovation and progress in distressed communities.¹ Microgrants are small awards of less than \$2,000 that are relatively easily obtainable and applied to accelerate local community development initiatives.² The purpose of these grants is to enable recipients to quickly deliver a visible improvement soon after a project has launched, and to demonstrate plausibility, scalability, and that change is possible.³

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¹ M. Schmidt et al., *Micro Grants as a Stimulus for Community Action in Residential Health Programmes: A Case Study*, 24 HEALTH PROMOTION INT'L 234, 235 (2009).

² UNIV. KAN. CTR. FOR CMTY. HEALTH & DEV., *Establishing Micro-grant Programs*, <https://ctb.ku.edu/en/table-of-contents/finances/invest-in-community-resources/microgrant/main> (last visited Oct. 23, 2018).

³ *Id.*

Microgrants have been shown to be a cost-effective⁴ approach for mobilizing social and health improvement action projects.⁵ Microgrants have also been touted as motivators for neighborhood-level and environmental change efforts when a premium is placed on joint decision-making and project control.⁶ In addition, microgrants appear to be a promising incentive to “stimulate community action” and progress.⁷ We argue that anchor institutions, foundations, corporations, and community groups should adopt a strategy to award targeted microgrants to accelerate community development.

II. THE POWER OF SOCIAL INNOVATION

Microgrants have been utilized in numerous ways to engage communities and stimulate improvement in social conditions.⁸ Microgrants can move individuals, groups, and communities to planning and then action, which are essential antecedents for social innovation.⁹ Microgrants have been utilized around the globe to spur social innovation¹⁰ and may be a worthwhile investment for institutions

⁴ Toni Herring Bounds et al., *The Minigrant Model: A Strategy to Promote Local Implementation of State Cancer Plans in Appalachian Communities*, 8 PREVENTING CHRONIC DISEASE 1, 4 (2011); Tammy Jordan Wyatt & Sara B. Oswalt, *Letting Students Be Innovative! Using Mini-Grants to Fund Student-Designed HIV/AIDS Education*, 12 HEALTH PROMOTION PRAC. 414, 420 (2011).

⁵ See Donna B. Johnson et al., *Small-Grants Programs: Lessons from Community-Based Approaches to Changing Nutrition Environments*, 107 J. AM. DIETETIC ASS'N 301, 301, 305 (concluding that small grants are effective in generating changes in nutrition environments); Mary Ann Phillips et al., *Georgia's Utilization Minigrant Program: Promoting Medicaid/CHIP Outreach*, 21 J. HEALTH CARE FOR POOR & UNDERSERVED 1282, 1283, 1285 (2010) (discussing how the small grants improved enrollment and utilization of Medicaid and CHIP services for children); Cristina Caperchione et al., *WALK Community Grants Scheme: Lessons Learned in Developing and Administering a Health Promotion Microgrants Program*, 11 HEALTH PROMOTION PRAC. 637, 642 (2010) (concluding the use of microgrants was an “effective approach to women’s health promotion at the community-level”).

⁶ Hans H. Johnson et al., *Creative Partnerships for Community Health Improvement: A Qualitative Evaluation of the Healthy Carolinians Community Micro-Grant Project*, 7 HEALTH PROMOTION PRAC. 162, 168 (2006); Schmidt et al., *supra* note 1, at 234–35.

⁷ Schmidt et al., *supra* note 1, at 235.

⁸ See Kari A. Hartwig et al., *The Value of Microgrants for Community-based Health Promotion: Two Models for Practice and Policy*, 12 J. PUB. HEALTH MGMT. & PRAC. 90, 95 (evaluating the effectiveness of two micro-grant implementation styles, one from a state agency and the other from an academic research institution); Caperchione, *supra* note 5, at 637, 642 (discussing the use of small grant to support the development and participation of women’s walking groups).

⁹ Schmidt et al., *supra* note 1, at 234.

¹⁰ See Heidi Muenchberger et al., *The Critical Role of Community-Based Micro-Grants for Disability Aids and Equipment: Results from a Needs Analysis*, 38 DISABILITY & REHABILITATION 858, 859 (2015) (examining micro-grants established to provide essential aids and equipment support in Australia to adults under 65 with complex disabilities); Sandipan Ray & Vural Özdemir, *Angel Philanthropy and Crowdfunding to Accelerate Cancer Research in Developing*

in Baltimore. Powerful microgrant models which have been rigorously evaluated can serve as examples for implementation locally.¹¹ For instance, the Healthy Carolinians community microgrants project¹² provided 199 microgrants of \$2,010 to a wide variety of community-based organizations to conduct activities related to the Healthy People 2010 goals.¹³ Several projects emerged including models for meal delivery for the elderly, physical education program for home-schooled children, fluoride sealants for children, and sexual assault health promotion.¹⁴ These projects enabled positive outcomes with microgrants serving as a cost-effective alternative funding approach for health promotion activities.¹⁵

Internationally, The Hague Municipal Health Service microgrant scheme sought to reduce health inequalities in six deprived neighborhoods in the Hague.¹⁶ Specifically, they funded sixty-one grants between €500 – 3,000 through initiatives that focused on physical activity, nutrition, or provided pedagogic support; contributed to empowerment; were innovative; were sustainable; and included

World, in BIOMARKER DISCOVERY IN THE DEVELOPING WORLD: DISSECTING THE PIPELINE FOR MEETING THE CHALLENGES 65, 65–70 (Sanjeeva Srivastava ed., 2016) (proposing that the use of crowdfunding and “angel investors” in the developing world would “accelerate scientific research at a grassroots level”); Annemarie Wagemakers et al., *Amsterdam’s STI/HIV Programme: An Innovative Strategy to Achieve and Enhance the Participation of Migrant Community-Based Organisations*, 74 HEALTH EDUC. J. 411, 420 (discussing how “relatively modest” grants allowed Amsterdam community-based organizations to implement diverse and innovative projects focused on sexual health).

¹¹ See generally Justin B. Moore et al., *Effectiveness of Community-Based Minigrants to Increase Physical Activity and Decrease Sedentary Time in Youth*, 22 J. PUB. HEALTH MGMT. & PRAC. 370, 370 (2016) (researching the impact of micro-grant funding on a large, but targeted sample group of fourth to eighth grade youth in North Carolina); Sally Honeycutt et al., *Research to Reality: A Process Evaluation of a Mini-Grants Program to Disseminate Evidence-Based Nutrition Programs to Rural Churches and Worksites*, 18 J. PUB. HEALTH MGMT. & PRAC. 431, 436–38 (concluding that applying mini-grants and technical assistance models to churches and worksites in rural, southwest Georgia is effective for disseminating evidence-based programs to community-based organizations).

¹² Healthy Carolinians is a statewide network of public-private partnerships established in 1993 to address North Carolina’s health objectives. Mary Bobbitt-Cooke, *Energizing Community Health Improvement: The Promise of Microgrants*, 2 PREVENTING CHRONIC DISEASE 1, 1 (2005).

¹³ *Id.* Since 1990, North Carolina has set health objectives every ten years to “mobilize the state to achieve a common set of health objectives.” N.C. INST. OF MED., *Healthy North Carolina 2020: A Better State of Health* 1, 5, <https://publichealth.nc.gov/hnc2020/docs/HNC2020-FINAL-March-revised.pdf> (last updated Mar. 2011). In 2010, the state had more than 100 objectives. *Id.*

¹⁴ Mary Bobbitt-Cooke, *supra* note 12, at 4.

¹⁵ Johnson et al., *supra* note 6, at 167.

¹⁶ Schmidt et al., *supra* note 1, at 235.

collaboration between health and community workers.¹⁷ Evaluations of the microgrant program revealed that the funding enabled commitment from organizations and individuals.¹⁸ Additionally, the microgrants set an agenda for health issues and served as an incentive for workers to develop skills and experience through increased multi-sectoral networking and information sharing.¹⁹

A. *Microgrants and Community Engagement*

Clearly, microgrants for social innovation and entrepreneurial activities have the power to instill values among community members central to the renewal of those communities: ownership, belonging, and pride.²⁰ Community engagement in turn is a form of social innovation,²¹ and engaging in projects of social value may be a step towards alleviating social ills.²² When viewing community engagement through the lens of social innovation, it is helpful to explore what community means in this context. There are many definitions of community. Some define it as a group of individuals with shared values, assumptions, and beliefs or whose material or ideological interests are bound together.²³ Anthropologists McKeown, Rubinstein, & Kelly define it as constituting of the four basic attributes of locality, biological and social members, common institutions, and shared actions.²⁴ Complementarily, Chavis and colleagues identified four elements including membership, influence, integration and fulfillment of needs, and shared emotional connection.²⁵ Generally, membership in a

¹⁷ *Id.* at 235–36.

¹⁸ *Id.* at 240.

¹⁹ *Id.*

²⁰ Ana María Peredo & James J. Chrisman, *Toward a Theory of Community-Based Enterprise*, 31 *ACAD. MGMT. REV.* 309, 320 (2006).

²¹ Ellen Hazelkorn, *Community Engagement as Social Innovation*, in *UNIVERSITY RESEARCH FOR INNOVATION* 63, 73–75 (Luc E. Weber & James J. Duderstadt eds., 2010).

²² See Brett R. Smith & Christopher E. Stevens, *Different Types of Social Entrepreneurship: The Role of Geography and Embeddedness on the Measurement and Scaling of Social Value*, 22 *ENTREPRENEURSHIP & REGIONAL DEV.* 575, 586–88 (2010) (noting that social entrepreneurs “pursue social value which involves the pursuit of social betterment through the removal of barriers that hinder social inclusion . . . [and] the assistance of those temporarily weakened or lacking a voice . . .”).

²³ Mairi Maclean et al., *Social Innovation, Social Entrepreneurship and the Practice of Contemporary Entrepreneurial Philanthropy*, 31 *INT’L SMALL BUS. J.* 747, 748 (2013).

²⁴ C. Timothy McKeown et al., *Anthropology, the Meaning of Community, and Prevention*, 5 *PREVENTION HUM. SERVICES* 35, 50–51 (1987).

²⁵ David M. Chavis et al., *Sense of Community Through Brunswik’s Lens: A First Look*, 15 *J. COMMUNITY PSYCHOL.* 24, 25–26 (1986).

community requires demonstrating commitment to the well-being of the whole.²⁶ While communities can have many cultural and economic resources and assets, when the goal is to influence and make change, social capital is arguably one of the most valuable resources a community can possess.²⁷ Social capital is defined as “the resources available to individuals and groups through membership in social networks”²⁸ and a key component of launching new ventures. Communities access other forms of capital through social capital, allowing them to move up the ladder.²⁹

B. *The Power of Social Innovation*

The discipline of social innovation is still emerging,³⁰ and the popularity of the idea has generated multiple attempts of conceptualization.³¹ Social innovation could be construed as “the process of inventing, securing support for, and implementing novel solutions to social needs and problems.”³² Economists Pol and Ville further build on the definition as “the implied new idea has the potential to improve either the quality or the quantity of life . . . innovations conducive to better education, better environmental quality and longer life expectancy [being] a few.”³³

²⁶ Charles Harvey & Mairi Maclean, *Transnational Boards and Governance Regimes: A Franco-British Comparison*, in *TRANSNATIONAL COMMUNITIES: SHAPING GLOBAL ECONOMIC GOVERNANCE* 107, 107 (Marie-Laure Djelic & Sigrid Quack eds., 2010).

²⁷ Francesc Xavier Molina-Morales & María Teresa Martínez-Fernández, *Social Networks: Effects of Social Capital on Firm Innovation*, 48 *J. SMALL BUS. MGMT.* 258, 263–64 (2010).

²⁸ Ester Villalonga-Olives & Ichiro Kawachi, *The Measurement of Social Capital*, 29 *GACETA SANITARIA* 62, 62–63 (2015).

²⁹ Pierre Bourdieu, *The Forms of Capital*, in *HANDBOOK OF THEORY AND RESEARCH FOR THE SOCIOLOGY OF EDUCATION* 241, 249 (John G. Richardson ed., 1986).

³⁰ See M. Tina Dacin et al., *Social Entrepreneurship: A Critique and Future Directions*, 22 *ORG. SCI.* 1203, 1203 (2011) (noting that social innovation is a “nascent field” which requires clarity and would benefit from becoming a “legitimate domain of academic inquiry”).

³¹ See Johanna Mair & Ignasi Martí, *Social Entrepreneurship Research: A Source of Explanation, Prediction, and Delight*, 41 *J. WORLD BUS.* 36, 37–38 (2006) (discussing the conceptual difference between definitions of social entrepreneurship amongst different people and researchers); see generally, Shakar A. Zahra et al., *A Typology of Social Entrepreneurs: Motives, Search Processes and Ethical Challenges*, 24 *J. BUS. VENTURING* 519, 522–27 (2009) (identifying three major social entrepreneurial types: social bricoleur, social constructionist, and social engineer).

³² James A. Phillips, Jr. et al., *Rediscovering Social Innovation*, 6 *STAN. SOC. INNOVATION REV.* 35, 36 (2008).

³³ Eduardo Pol & Simon Ville, *Social Innovation: Buzz Word or Enduring Term?*, 38 *J. SOCIO-ECON.* 878, 887 (2009).

Microgrants have the potential to support social innovation in economically marginalized communities in Baltimore and elsewhere. We argue that providing funding and technical support directly to leaders and community members in marginalized urban communities can both fill a needed gap in available funding for new ventures and create social returns. When examining economically marginalized communities in Baltimore, it is important to evaluate the impact and history of racially-defined home lending practices in the form of mortgage redlining, restricted covenants, and blockbusting.³⁴ These discriminatory practices were widespread in major cities, affecting the racial makeup of neighborhoods in the twentieth century and resulting in disparate neighborhood wealth as measured by home value.³⁵ In a context when homeownership is an important component of household wealth, the national racial wealth gap is widespread.³⁶ In a national report, Dettling et al. found through analyzing the Survey of Consumer Finances (SCF) that 73% of white households are homeowners, compared with 45% of black and Hispanic households, and 54% of other households.³⁷ Compared with black homeowners, white homeowners not only have greater equity in their homes, but also housing accounts for a smaller percentage of the total assets.³⁸

These data points to the systematic disinvestment in communities of color. These neighborhoods are different by design, and the health and social challenges neighborhoods face contribute to less social capital and lower potential for head of household self-employment³⁹ and entrepreneurial success.⁴⁰ To combat structural

³⁴ See ANTERO PIETILA, NOT IN MY NEIGHBORHOOD: HOW BIGOTRY SHAPED A GREAT AMERICAN CITY ix (2010) (examining “real estate discrimination toward African Americans and Jews” through “restrictive covenants, redlining, blockbusting, [and] predatory lending” practices).

³⁵ *Id.* at ix–xii. The book primarily focuses on practices in Baltimore City, a city which was “not usually a prominent part of the American urban narrative.” *Id.* at x.

³⁶ See generally Lisa J. Dettling et al., *Recent Trends in Wealth-Holding by Race and Ethnicity: Evidence from the Survey of Consumer Finances*, FED. RESERVE SYS., <https://www.federalreserve.gov/econres/notes/feds-notes/recent-trends-in-wealth-holding-by-race-and-ethnicity-evidence-from-the-survey-of-consumer-finances-20170927.htm> (last updated Sept. 17, 2017) (discussing the “long-standing and substantial wealth disparities among racial and ethnic groups”).

³⁷ *Id.*

³⁸ *Id.*

³⁹ See Peter Rodriguez et al., *An Exploratory Study of How Potential “Family and Household Capital” Impacts New Venture Start-Up Rates*, 22 FAM. BUS. REV. 259, 264, 269 (2009) (discussing the influence of “family and household financial and human resources, as well as health disparities among ethnicities” on rates of new venture start-up and finding the “wide gaps in average wealth among ethnic groups partly explain the wide gaps in the observed proportions of self-employment heads of household”).

⁴⁰ See Seok-Woo Kwon et al., *Community Social Capital and Entrepreneurship*, 78 AM. SOC. REV. 980, 980, 986, 998 (2013) (suggesting “entrepreneurship-enhancing effects of community

disinvestment in communities, some institutions, organizations, and foundations have developed democratic funding opportunities to support communities of color.⁴¹ This support can come in the form of a community or individual gift or investment and is often paired with formal or informal support services.⁴² An example of formal support service could be a designed educational experience to further connect community members with resources, while informal support could be providing third-party validation to the group or optional workshops or resources. The goals of both models of formal and informal support are to educate and connect grant awardees with resources so they are able to make progress towards their goals.⁴³ Social innovation has been shown to promote social renewal in disadvantaged communities, and multiple smaller grants give individual projects the opportunity to grow their impacts.⁴⁴

III. SOCIAL CAPITAL AND FINANCIAL SUPPORT FOR NEW VENTURES

Funding support is essential for social innovation to grow. Funding sources vary with the stage of development of a particular innovation and the potential for the innovation to generate revenues to sustain future growth.⁴⁵ Funders may include individuals or institutional actors in the nonprofit, public, and private sectors.⁴⁶ Social innovations, including revenue and non-revenue generating models, are supported by friends, family, and personal equity contributions; government and philanthropic grants and awards; earned income or consulting revenue;

social capital are stronger for whites . . . than for minorities” because “poor urban minorities are less likely to benefit from their network of relations” due to lack of trust and inability to “mobiliz[e] for assistance” and finding the “self-employment gap between whites and minorities widens as social trust and connected organization membership at the community level increases”).

⁴¹ See Phills et al., *supra* note 32, at 41–42; Julia Rouse & Dilani Jayawarna, *The Financing of Disadvantaged Entrepreneurs: Are Enterprise Programmes Overcoming the Finance Gap?*, 12 INT’L J. ENTREPRENEURIAL BEHAV. & RES. 388, 388, 390 (2006) (identifying four “key barriers that cause low rates of entrepreneurship in disadvantaged and under-represented groups” and discussing New Entrepreneur Scholarship, a UK business start-up and financing initiative aimed at disadvantaged communities).

⁴² Adora Holstein, *The Evolving Tech Startup Ecosystem in Pittsburgh: Economic Impact and Case Studies*, in PROCEEDINGS OF 31ST INTERNATIONAL BUSINESS RESEARCH CONFERENCE 2-3 (2015).

⁴³ *Id.*

⁴⁴ See Pol & Ville, *supra* note 33 (discussing the impact innovation has on a community); Phills et al., *supra* note 32, at 41–42 (discussing the impact social innovations have on “underserved and neglected segments of society”).

⁴⁵ Geoff Mulgan et al., *Social Innovation: What it Is, Why it Matters, and How it Can Be Accelerated 20–25* (Mar. 2007) (working paper) (available at <https://youngfoundation.org/publications/social-innovation-what-it-is-why-it-matters-how-it-can-be-accelerated/>).

⁴⁶ Phills et al., *supra* note 32, at 41.

and - in the case of revenue-generating models - bank loans or venture capital.⁴⁷ At the early stage of idea formation, risk-tolerant, “patient” sources of funds are important to testing a new idea.⁴⁸ This is the case for most new ventures, as the less formal venture capital market—including business angels and friend and family, “love money” contributions⁴⁹—are much larger than formal, institutional investments, by as much as five times the amount of capital contributed and twenty times the number of deals in the United States.⁵⁰ Friends and family money is increasingly important for innovative ideas intended to create social benefit, and these funds act as a signal for later funders through early accumulated capital.⁵¹

One important function of a community is as a social network of support for emerging entrepreneurs.⁵² Research into factors correlated with entrepreneurial success demonstrates the importance of social networks at all stages of firm maturity.⁵³ Entrepreneurs, as innovators, rely on social networks for financial capital, information, advice, contacts

⁴⁷ See Wolfgang Spiess-Knafl & Ann-Kristin Achleitner, *Financing of Social Entrepreneurship*, in *SOCIAL ENTREPRENEURSHIP AND SOCIAL BUSINESS* 157, 158–70 (Christine K. Volkmann et al. eds., 2012) (explaining the “different financing sources and instruments” used by social enterprises).

⁴⁸ Rodriguez et al., *supra* note 39, at 262.

⁴⁹ Arvind Ashta et al., *Dialectic Evolution Through the Social Innovation Process: From Microcredit to Microfinance*, 3 *J. INNOVATION & ENTREPRENEURSHIP* 1, 16 (2014) (“If the micro-entrepreneur has difficulty saving his own money, his next step for funding would be to turn towards love money from friends and family.”).

⁵⁰ Lloyd Steier, *Variants of Agency Contracts in Family-Financed Ventures as a Continuum of Familial Altruistic and Market Rationalities*, 18 *J. BUS. VENTURING* 597, 599–600 (2003) (citing William E. Wetzel, Jr. & John Freear, *Promoting Informal Venture Capital in the United States: Reflection on the History of the Venture Capital Network*, in *INFORMAL VENTURE CAPITAL: EVALUATING THE IMPACT OF BUSINESS INTRODUCTION SERVICES* 61–74 (Richard T. Harrison & Colin M. Mason eds., 1996)).

⁵¹ See Massimo G. Colombo et al., *Internal Social Capital and the Attraction of Early Contributions in Crowdfunding*, 39 *ENTREPRENEURSHIP THEORY & PRAC.* 75, 76–78 (2015) (discussing the impact crowdfunding has on attracting later funders by diminishing “uncertainty”); see also Garry Bruton et al., *New Financial Alternatives in Seeding Entrepreneurship: Microfinance, Crowdfunding, and Peer-to-Peer Innovations*, 39 *ENTREPRENEURSHIP THEORY & PRAC.* 1, 13 (2015) (“[E]ntrepreneurs are likely to have a first preference for personal financial resources, followed by soft funding sources from family and friends, and often pursue external sources last”).

⁵² Howard Aldrich & Catherine Zimmer, *Entrepreneurship Through Social Networks*, in *THE ART AND SCIENCE OF ENTREPRENEURSHIP* 3 (Donald L. Sexton & Raymond W. Smilor eds., 1986).

⁵³ Ha Hoang & Bostjan Antoncic, *Network-based Research in Entrepreneurship: A Critical View*, 18 *J. BUS. VENTURING* 165, 175–76, 178–79 (2003) (researching the “development and evolution of networks over the venture formation process”). See generally Aldrich & Zimmer, *supra* note 52, at 3 (indicating that research should focus on the “process” of entrepreneurship and the “linkages or relations” between key aspects of the process).

and leads, and reputation.⁵⁴ This is true at the individual and community level, with evidence indicating “that the entrepreneurship-enhancing effect of community social capital is stronger for white than for minority individuals.”⁵⁵

In an analysis of the U.S. Bureau of the Census’ 1992, The Characteristics of Business Owners Survey, professor of Labor and Urban Affairs Timothy Bates concludes that “successful small businesses tend to be those created with a substantial investment of the owner’s financial capital, along with the strong educational credentials of business owners.”⁵⁶ While the importance of informal and “love money” contributions to early ventures is clear,⁵⁷ the household racial wealth gap at the national level has implications for minority-led, early-stage venture finance opportunities. According to Bates, compared to non-minority firms, African American-owned small businesses held a mean value of 49% of equity capital.⁵⁸ The 2016 Survey of Consumer Finances reveals that “black families’ median and mean net worth is less than 15 percent that of white families, at \$17,600 and \$138,200, respectively.”⁵⁹ Given the importance of social capital and networks in supporting innovation and the role of household wealth and informal, friends and family funding for new ideas, there is a strong case for microgrants to supplement these funds at the earliest stage of an innovation’s development.

A. *The Potential of Microgrants*

Microgrants are a ubiquitous approach to funding community projects.⁶⁰ Microgrants offer small, one-time, cash awards to individuals or organizations to complete a project selected for its potential social

⁵⁴ See Jan Inge Jenssen, *Social Networks, Resources and Entrepreneurship*, 2 INT’L J. ENTREPRENEURSHIP & INNOVATION 103, 108–09 (2001) (discussing the importance of an entrepreneur’s social network for the creation and sustainability of a new business venture); Maria Ripollés & Andreu Blesa, *Personal Networks as Fosterers of Entrepreneurial Orientation in New Ventures*, 6 INT’L J. ENTREPRENEURSHIP & INNOVATION 239, 241–43 (2005) (detailing the influence personal networks have on entrepreneurial activity).

⁵⁵ Kwon et al., *supra* note 40, at 986.

⁵⁶ TIMOTHY BATES, RACE, SELF-EMPLOYMENT, AND UPWARD MOBILITY: AN ILLUSIVE AMERICAN DREAM 4 (1997).

⁵⁷ See Allen N. Berger & Gregory F. Udell, *The Economics of Small Business Finance: The Roles of Private Equity and Debt Markets in the Financial Growth Cycle*, 22 J. BANKING & FIN. 613, 618, 625, 660 (1998) (noting that much of the start-up money “often comes in the form of equity and debt from family and friends”); Steier, *supra* note 50, at 600.

⁵⁸ BATES, *supra* note 56, at 4.

⁵⁹ Dettling et al., *supra* note 36.

⁶⁰ UNIV. KAN. CTR. FOR CMTY. HEALTH & DEV., *supra* note 2.

benefit.⁶¹ Microgrant opportunities are often administered by individuals, neighborhood associations, private companies, universities, or foundations.⁶² These grants range from as small as \$400 to as large as \$2,000 and like many other grants, many of these microgrants have special requirements for eligibility such as gender, race or ethnicity, cause, or location.⁶³ They are often competitively awarded through an application process, but can be more accessible than traditional large-scale philanthropic grants due to the typical organizational maturity level needed to access larger sums of money.⁶⁴ “Attracting [larger] grants...require[s] the ability to communicate, measure, and report the impact of the organization,” which are attributes of organizations with advanced maturity.⁶⁵ In addition, microgrants help community organizations build credibility they are competent and can be used as leverage to secure additional funding.⁶⁶

There is dearth in the literature evaluating the sources that fund microgrants, but through our review it appears that local institutions, family foundations, and universities provide the bulk of support. Although national philanthropic sources exist, local support naturally drives social innovation because the focus of resulting improvements tends to be at the neighborhood-level, although locally networks can be supplemented by national-level funders.⁶⁷ In Baltimore, one example of a university-managed social innovation microgrant program is The Social Innovation Lab at Johns Hopkins University.⁶⁸ This program pairs a small financial award with dedicated support in the form of mentors, training, and connections to a network of supporters beyond the home

⁶¹ *Id.*

⁶² See *infra* text and accompanying notes 68, 73, 74, and 76.

⁶³ See *supra* text and accompanying note 2; *infra* text and accompanying notes 75 and 77.

⁶⁴ See Berger & Udell, *supra* note 57, at 622–24 (discussing financing changes as firms evolve and achieve certain levels of production and growth).

⁶⁵ Peter Vandor et al., *Supporting Social Entrepreneurs – The Effects of Organizational Maturity and Business Model on Perceived Support Needs*, in 10TH INT’L CONFERENCE INT’L SOC’Y FOR THIRD SECTOR RES. 7 (2012).

⁶⁶ Katherine A. Tamminen et al., *A Qualitative Examination of the Impact of Microgrants to Promote Physical Activity Among Adolescents*, 14 BIOMED CENTRAL PUB. HEALTH 1, 9 (2014).

⁶⁷ See generally YOUNG FOUND. & NESTA, MAKING THE MOST OF LOCAL INNOVATIONS: WHAT MAKES PLACES INNOVATIVE AND HOW LOCAL INNOVATIONS CAN BE BEST EXPLOITED 3 (Nov. 2007), <https://youngfoundation.org/wp-content/uploads/2013/03/Making-the-most-of-local-innovations-November-2007.pdf> (discussing the importance of “using local insights and initiatives to address very local problems”).

⁶⁸ SOCIAL INNOVATION LAB AT JOHNS HOPKINS UNIVERSITY, 2017 IMPACT REPORT (2017), https://issuu.com/siljhu/docs/2017_sil_impact_report [hereinafter 2017 IMPACT REPORT]; see generally SOCIAL INNOVATION LAB, <https://ventures.jhu.edu/sil/> (last visited Dec. 27, 2018).

communities of the entrepreneurs supported.⁶⁹ For example, the Social Innovation Lab selected ten teams to join its 2017 cohort, and each team was supported with \$1,000 and a combined 503 hours of mentoring assistance to support achievement of forty milestones.⁷⁰ In the philanthropic sector, the Baltimore-based Warnock Foundation also provides small grants to twenty-four local social innovators in two cohorts a year.⁷¹ In addition to funding, Warnock Social Innovation Fellows receive informal mentoring, networking and social capital development coaching, and third party validation which benefits social capital creation.⁷² In the nonprofit sector, which is supported by philanthropic donors, Baltimore Corps provides \$10,000 in funding, training, and connections to entrepreneurs of color with lived experience in Baltimore through their Elevation Awards program, which in 2018 graduated 12 unique ventures supported over a 9-month period.⁷³

Beyond university and philanthropic programs, Baltimore also has other forms of investment in community-led social innovation. Corporate examples include the 2017 Red Bull Amaphiko support for Baltimore-area projects,⁷⁴ and the SmartLogic microgrants that support building the capacity of local women in tech.⁷⁵ Government managed grants include Parks and People's Neighborhood Greening Grant,⁷⁶ and the Hoop House Public Art Microgrants program run by the Baltimore Office of Promotion and the Arts.⁷⁷ Together with university and philanthropically supported funding opportunities, Baltimore has a handful of microgrants for community leaders and citizens to gain small scale resources to fund their social innovations.

⁶⁹ See 2017 IMPACT REPORT, *supra* note 68.

⁷⁰ *Id.*

⁷¹ *Become a Warnock Foundation Innovator*, WARNOCK FOUND., <http://warnockfoundation.org/get-involved/become-a-warnock-foundation-innovator/> (last visited Nov. 15, 2018).

⁷² *Id.*

⁷³ *Elevation Awards: Community Leaders with Community Solutions*, BALT. CORPS, <http://www.baltimorecorps.org/elevation-awards/> (last visited Nov. 15, 2018).

⁷⁴ *Red Bull Amaphiko Academy, Baltimore*, RED BULL, <https://www.redbull.com/int-en/events/red-bull-amaphiko-academy-baltimore> (last visited Nov. 15, 2018) (describing a ten-day academy program which provides participants with a mentor to develop a business over the next eighteen months).

⁷⁵ *Baltimore Women in Tech Micro Grants Program (BWIT)*, SMARTLOGIC, <https://smartlogic.io/bwit/> (last visited Nov. 15, 2018).

⁷⁶ *Grant Opportunities*, PARKS & PEOPLE FOUND., <http://parksandpeople.org/grants/grant-opportunities/> (last visited Nov. 15, 2018).

⁷⁷ *Hoop House Public Art Microgrants*, BALT. OFFICE PROMOTION & ARTS, <http://www.promotionandarts.org/hoop-house-public-art-microgrants> (last visited Nov. 15, 2018).

Organizational behavior scholars Phills, Deiglmeier, and Miller define social innovation as “more . . . sustainable . . . than existing solutions.”⁷⁸ If community projects receiving microgrants are examples of social innovation and anticipate growing into more sustainable ventures, they will require further sources of funding. The sixty-two ventures that the Social Innovation Lab has supported since 2011 have raised \$23 million dollars in funding and created about 350 jobs.⁷⁹ In addition, graduates of the program have later won Echoing Green Black Male Achievement Fellowships, TED fellowships, Ashoka Emerging Innovator Award, Forbes 30 under 30, and Open Society Institute Community Fellowships.⁸⁰ These national funding opportunities and larger grant programs represent national sources of support that are well suited to supporting innovative solutions with additional resources including both funding and more informal social capital building opportunities. If community projects are supported with the opportunity to grow, they would arguably be able to access a larger range of national innovation funding opportunities, potentially from sources such as the Kauffman Foundation, Bill & Melinda Gates Foundation, W. K. Kellogg Foundation, David and Lucile Packard Foundation, Ashoka Changemakers, Echoing Green, and others. Microgrants from community institutions are well placed to position social innovation for these opportunities.

IV. RECOMMENDATIONS

We recommend that anchor universities, foundations, corporations, and community groups invest in microgrants as a strategy to build a supportive ecosystem for social innovators. Local institutions are best positioned to support economic growth and progress by increasing access to both financial and social capital. Additionally, these institutions are best situated to address historical and structural disinvestment in minority communities by spurring innovation with microgrants. Microgrants, when provided as a supplemental source of early-stage funding, can serve as a subsidized replacement of funding lacking from informal social networks, such as friends and family support available from wealthier networks.

Beyond direct microgrant financial awards, local institutions should also work to provide innovators with information, advice, connections, and leads. These types of informal resources, prevalent in

⁷⁸ Phills et al., *supra* note 32, at 36.

⁷⁹ 2017 IMPACT REPORT, *supra* note 68.

⁸⁰ *Id.*

wealthy areas, are often difficult to access in impoverished communities.⁸¹ Yet, they are just as invaluable as monetary support to achieve successful early stage ventures and social innovation. The Johns Hopkins University Social Innovation Lab's investment in additional mentoring and capacity building beyond the \$1,000 provided to each team is an example of one such investment.⁸²

While microgrants and other low-cost sources of capital can supplement early stage social ventures in communities, we recommend further research to determine the extent of subsidy required to address this gap at national, and local levels, an important task for area philanthropy. Additionally, while microgrants can replace informal sector capital contributions from friends and family, funding alone cannot replace the full benefit of social capital, which also offers connections, advice, credibility, and financial capital.⁸³ Microgrant providers recognize this need, and are developing support ecosystems around the funding provided, but this could be strengthened with further investment in additional non-financial services such as capacity building training and education.⁸⁴

We also recommend further research to evaluate the effectiveness of microgrants. Many microgrant programs do smaller scale program evaluations to demonstrate their effectiveness and impact, but there is a dearth of empirical evidence in the literature for evidence for health or social improvements resulting from microgrants.⁸⁵ Randomized-controlled trials of microgrant impacts, such as those conducted by Porter and her colleagues in assessing 28 microgrant programs,⁸⁶ should be planned prior to the initiation of this driver of social innovation and entrepreneurship.

Lastly, we encourage institutions providing microgrants to pursue and deepen relationships with community leaders and activists as

⁸¹ Timothy Bates, *The Urban Development Potential of Black-Owned Businesses*, 72 J. AM. PLAN. ASS'N 227, 234 (2006); Timothy Bates & Alicia Robb, *Impacts of Owner Race and Geographic Context on Access to Small-Business Financing*, 30 ECON. DEV. Q. 159, 167 (2015).

⁸² 2017 IMPACT REPORT, *supra* note 68.

⁸³ Vantor et al., *supra* note 65, at 11–12, 16; Alexander Newman et al., *How Does Microfinance Enhance Entrepreneurial Outcomes in Emerging Economies? The Mediating Mechanisms of Psychological and Social Capital*, 32 INT'L SMALL BUS. J. 158, 170 (2014).

⁸⁴ Newman et al., *supra* note 83, at 164.

⁸⁵ See Tamminen et al., *supra* note 66, at 2 (noting there is “no research examining microgrant funding for programs targeting children or adolescents”).

⁸⁶ See Christine M. Porter et al., *Minigrants for Community Health: A Randomized Controlled Trial of their Impact on Family Food Gardening*, 22 J. PUB. HEALTH MGMT. & PRAC. 379, 379–80 (2016) (evaluating the impact of twenty-eight minigrant programs).

active partners in this process. Institutions which support community projects must meet communities where they are by attending neighborhood association meetings and community events to identify and support innovative, promising work already happening in neighborhoods and communities. By increasing the opportunity for good projects to receive the necessary support to grow, microgrants can increase access to funding and social capital in economically marginalized urban communities, many of which have been denied such opportunities by discriminatory policies which have limited opportunity.⁸⁷

⁸⁷ See generally Kwon et al., *supra* note 40 (discussing the lack of entrepreneurship-enhancing effects of community social capital for minorities, immigrants and recent entrants).