



Strengthening Black Entrepreneurship

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On May 31, 1921, through June 1, 1921, mobs of white residents, some deputized and given weapons by Tulsa city officials, attacked black residents, and destroyed over 1,000 homes and businesses, leaving over 5,000 people homeless in the Greenwood District of Tulsa, Oklahoma. The attacks burned and destroyed more than thirty-five square blocks, leaving a death toll as high as three hundred. This event was precipitated by an allegation that a young black man had assaulted a young white female elevator operator. The tragedy of the demise of the Greenwood District in Tulsa, Oklahoma, with its loss of businesses, homes, lives, etc., cannot be overstated. It was truly a time of intense government-sanctioned racial prejudice and strife.

As I reflect on that extraordinary event over a century ago, I cannot help but be in awe of the spirit and vision of O.W. Gurley, J.B. Stradford, and other leaders who built the amazing Greenwood District of a bygone era. In view of the period of Jim Crow oppression and rigid racial segregation, Tulsa, Oklahoma's Greenwood District flourished with much affluence, though it was established in a period decades before Presidents Franklin D. Roosevelt's New Deal and Lyndon B. Johnson's Great Society initiatives. These "pioneers" had little choice but to harness their post-slavery skills and work together towards self-determination and self-interest. It was the tenets of the American free enterprise system, however, which served as the blueprint and made possible the prosperity and quality of life for those African Americans over a century ago.

The Gordy family of Detroit, Michigan, were quite entrepreneurial, and Berry Gordy became a songwriter and music producer during the late 1950s. On January 12, 1959, he founded Motown Records and it was later incorporated as the Motown Record Corporation on April 14, 1960. It had a style of soul music with mainstream pop appeal and was the most successful soul music label and highest-earning African American business for decades. He later became a film producer and television producer. These achievements also occurred beginning during the Jim Crow era.

Robert L. Johnson founded Black Entertainment Television (BET) in 1980 with a \$15,000 loan and support from a \$500,000 investor. It is an American cable television channel targeting African American audiences. It became the first black-controlled company listed on the New York Stock Exchange in 1991. Johnson sold BET to Viacom for a reported \$3 Billion in 2001 and Johnson earned over \$1 Billion from the sale, making him the very first African-American billionaire.

During the past five years both former presidents Barack Obama and Donald Trump have been accused by many in a highly polarized United States of causing further racial divisions. Obama is largely seen as a purveyor of greater opportunities for the underserved, while Trump is viewed by many as seeking to restrict those opportunities. It is true that during the periods of their strikingly different advocacies, our nation has indeed become more divided. Today, fifty-seven percent of Americans feel that race relations have worsened during the past fifteen years.

In this era of political polarization, cultural and racial conflict, it is certainly not difficult to perceive a public divided between "us" and "them". On the political left, we hear accusations of economic and political inequality, injustice, and unfairness. On the political right, we hear

accusations of anti-police sentiment, illegal immigration, voter fraud, etc., along with allegations of efforts to redistribute wealth from hardworking “haves” to the irresponsible “have-nots.” These two sides tend to form perceptions based on ideology, leadership or lack thereof, political affiliation and self-interest.

Future challenges within our society will make it incumbent on leaders to be ever-conscious of developing pathways to both preparation and opportunities for all. Preparation of individuals will obviously require education and training, while the establishment of opportunities for individuals will require greater levels of mutual respect, trust and understanding among our populace.

Among African-Americans is the dominant perception that opportunities for them are extremely limited. Furthermore, many are saddled with student loan debt while lacking the acquisition of marketable skills. Many people lack the discipline, maturity, and organization to successfully complete a lengthy academic program of training. A viable alternative is for leaders to promote vocational-technical training programs to young people, initially, which can often be certified within a year and offer attractive beginning wages. Once gainfully employed, individuals can then pursue a four-year or even a professional degree if desired. Vocational-Technical training can also be a worthwhile pathway to entrepreneurship with various training certifications allowing individuals to take advantage of opportunities to establish their own businesses.

In a quest to obtain a better education for their children, some parents choose charter schools. They were established to provide opportunities for teachers, parents, students, and community members to establish and maintain schools that operate independently from existing public school district structures, as a means of improving student learning. Parents tend to choose charter schools due to their academic reputation, proximity to home/work and safer environments. Some negative aspects include sometimes strict admission requirements, sometimes requirements for parents to cover transportation costs and less-than-optimal facilities and resources. On a positive note, however, the recent Stanford University CREDO study of charter schools in forty-one urban communities within twenty-two states found that the typical student in an urban charter school received forty additional days of learning growth in math and twenty-eight additional days of learning growth in reading compared to their peers in traditional public schools. The results were particularly strong for minority-group students and those from poverty backgrounds. Furthermore, college graduation rates range from 25 percent to 50 percent across nine charter networks, while typically about 9 percent of students from low-income families earn bachelor’s degrees within six years of high school completion. Some African-American student outcomes are as follows:

1. Two-Thirds report positive experiences.
2. Most charter schools report a slightly higher number of African-American students.
3. Overall, charter schools have about 35 percent more African-American teachers.
4. Ninety-eight percent of alumni from one charter network were likely to vote in elections compared to 40 to 50 percent their peers from traditional public schools.

Although over 70 percent of inner-city parents support school choice, most of their elected representatives are not in favor of it. Among the reasons for them to be against school choice are competition from nontraditional schools for students, revenues and many of the local elected officials may be supported politically and financially by the local teachers' unions.

The good news is that many African-Americans saw their income go up along with many at the bottom of the economy from 2017 to February 2020 before the pandemic. With unemployment near historic lows, African-Americans along with Hispanics were the only two groups that had labor participation rates above what was seen January 2009. Since the pandemic began, much of this progress has been reversed as one study noted that 41 percent of black businesses were declared non-essential compared to 17 percent of white businesses. The authors concluded, "African-American businesses were hit the hardest by COVID-19. The first estimates from April 2020 for black business owners in the United States indicate a massive drop of 41 percent. Simulations indicate that the industry distribution of blacks was partly responsible placing black business owners at greater risk of losses due to the pandemic."¹

Throughout this new century, self-employment and businesses among minorities increased faster than the general population with African-American business ownership increased by 60 percent from 2002 to 2007 before slowing down to 34 percent increase from 2007 to 2012, still a good rate. Hispanics grew by 45 percent, plus both demographics were involved in more startups than white.²

According to the Census Bureau, there are four million Hispanics business formations and there are 2.6 million black business formations in this century, with Hispanics making up 20 percent of new entrepreneurs and black people make up 9 percent new entrepreneurs in 2016.³ Chauncey Alcorn in Fortune observed that 40 percent of new businesses are started by black people, Latino and Asian owners compared to 23 percent two decades ago. Alcorn stated, "African-American entrepreneurs look to new business opportunities out of necessity, because they have lower education levels than their white peers."⁴ For many minorities, forming new businesses is due to lack of opportunity where they live, and they create their own opportunities. Black entrepreneurship has existed under difficult situations due to segregation and racism, but today's obstacles included regulations, local and state regulations that make it more difficult to start a new business.

Census Bureau data shows that black entrepreneurs are 75 percent more likely to be younger than age of thirty-five than non-minorities. This is a trend across all minorities and minority firms are younger and more likely to have been in business for less than five years. Thirteen percent of black businesses have been operating for less than five years. As minority firms grow and mature, they provide wealth to the community. A minority firm that has existed over 22 years earns ten times more than those less than five years old. Nine percent of black companies are family-owned and firms with multiple owners or are family-owned outperform the single-owned businesses in sales and employment. Firms with multiple owners have five times the employees and revenues than single owner firms. 25 percent of minorities do not use financing and nearly 60 percent use either family or personal savings, and minorities depend less on startup financing than non-minorities.⁵ Minorities were twice as likely to be unwilling to seek private

financing and this does hamper business expansion since businesses that receive private loans have higher sales and employment. Black and other minority firms are an important aspect of the economy. At least 40% of businesses in the following states are minority owned: Hawaii, District of Columbia, Texas, Florida, New Mexico, California, and Georgia.⁶

Malcolm Crawford, founder of a minority business association in Chicago stated, “Entrepreneurship is just not pushed in our community. We teach our children to go to college so they can get an excellent job. We do not have any place for them to come back and use what they learned at college inside the family business.”⁷ Connie Evans, President of head of Association for Enterprise Opportunity observed, “Business ownership is the greatest equalizer in wealth disparity. In our study, which took more than a year to complete, researchers found that the gap in average wealth between black and white adults decreases from a multiplier of 13 to 3 when you compare the wealth of business owners by race.”⁸ This growth can begin an economic renaissance within the black community and begin the process of recreating wealth among Blacks, allowing them to rediscover capitalism.

Evans’s point is that black ownership will lead to wealth creation for blacks, and she added, “Most black-owned businesses are small businesses, which often hire from the communities they serve... Assuming these firms hired mostly black people from those communities, it could reduce the rate of black unemployment to about 5 percent. That would give even more people the chance to provide financial stability for their families, positioning them for success in life, while strengthening areas that need an economic boost the most. Entrepreneurship must not be stifled but nurtured and supported. It’s the pathway to the kind of change that could transform entire communities.”⁹ If black owned firms matched what other privately held firms, Ms. Evans stated it would create additional 600,000 new jobs and fifty-five billion dollars to the U.S. economy and as she paraphrases the famous John F Kennedy quote, ‘A rising tide lifts all boats.’ Evans’ point is that trickle-down economics is what the black community needs as she noted, “It’s the perfect time to remind people that entrepreneurship is a powerful vehicle for economic change, one that can and does make a difference for many communities— including the black community.”¹⁰ Evans mentioned that many black companies suffer from what she called, “The Wealth Gap, Credit Gap and Trust Gap.” The Wealth Gap translates into less income and assets from friends and family to invest in business where Credit gap is decreased access to formal credit or high rejection rates from banks. You add the Trust Gap that many blacks do feel when approaching traditional financial institutions, but many blacks are overcoming these obstacles as Evans discusses the case of Ardina Pierre who started her own herb shop and found help through a nonprofit, Access to Capital for Entrepreneurs, when she obtains loans to help grow the business.

The success of many former slaves in the establishment of the “Black Wall Street” at the turn of the 20th Century within the Greenwood District of Tulsa, Oklahoma, was a great achievement for African-Americans. With a backdrop of Jim Crow laws and forced racial segregation and isolation, the self-determination and vision of their leadership to adopt the fundamental principles of the American free enterprise system created the pathway to opportunity for many. The stark contrast between African-Americans of that era and those of our contemporary period

is a previous hardy philosophy of individualism and personal responsibility versus contemporary overdependence on activist government which can encroach on individual freedoms and empowerment. Along with freedoms come requirements for self-determination, while opportunity requires initiative, preparation, and personal responsibility. Even now, true and committed leadership can prove notably successful in reducing poverty, empowering individuals, and sustaining families.

The establishment of African-American businesses is quite a challenge due to an overall general lack of entrepreneurial orientation and preparation, including creditworthiness, access to capital and financing, marketing, and sales ability, to mention a few. Another crucial factor is the desirability of taking the risks involved in starting a business. On the other side of such an endeavor is the consideration of criteria for occupational licensing for certain professions. A notable example is the fact that acquiring a cosmetology license in the state of Kansas requires fifteen-hundred hours of education and training while, for example, acquiring a real estate license requires less than two-hundred hours. In some cases, the requirement for excessive hours may be due to business associations lobbying to control the amount of participation, while health and safety concerns may also be factors of consideration. A profoundly serious assessment of regulatory aspects as well as “red-tape” is highly advised to encourage the participation of more African-Americans and other minority-groups in entrepreneurship and small business development.

Republican economic philosophy can present an attractive alternative to years of failed policies and social programs, with sincere messengers and well-focused narratives. Many minority-group members continue to believe that the Democrat Party and big government can best serve their interests. The need is great and the time is now to present them with awareness a clear understanding that overdependence on government takes from the individual much of his/her control over their destiny. Free enterprise, on the other hand, is the vehicle which empowers the individual within society, providing the pathway for self-determination and vast opportunities. It is the absolute best economic, political, and social alternative for all Americans.

The most effective economic and political narrative for a sincere Republican *candidate is to emphasize the individual in society more than a group*. Looking forward, an empowered individual can offer enhancements to a group. Furthermore, Republican candidates must develop a viable narrative to educate those currently experiencing hopelessness and despair due to their conditioned dependence on government. This will require a reorientation from group dependency to individual empowerment, through education and training, particularly in vocational-technical skills. These marketable skills can be acquired and certified in a brief period, thereby reducing the level of student loan debt. With a healthy level of personal initiative and responsibility, the individual is now prepared for gainful employment and future entrepreneurship!

The Republican Party’s affirmation of the free enterprise system and markets sets the stage for very effective collaboration between faith-based communities, the private sector and public

sector. When planning is focused at the state and local levels along with Federal cooperation, community development and poverty reduction can result through reforms in criminal justice, education & training, human services, workforce development, etc. Of paramount importance is the necessity that the role of government is “supporting”, while private incentives and initiatives occupy “starring” roles. Such an environment is particularly attractive to small, minority-owned businesspeople because it can facilitate strategic relationships with mainstream companies, with local CRA (Community Reinvestment Act) support from financial institutions and local entrepreneurial candidates.

In closing, the private sector is indeed frontier for small and minority-owned business development in our nation. One can readily recognize the superiority of American free enterprise over activist government programs in leading the eradication of poverty throughout our nation. Examples include public sector and private sector partnerships, major corporation, and small/minority-owned business partnerships, faith-based organizations, and workforce development partnerships, etc. We currently have essential infrastructures & technical expertise to liaison and coordinate with mayoral, congressional, senatorial and governors’ staffs to expedite development throughout our nation if the economic, political, and social wills are a reality.

Footnotes

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4. Black Businesses are on the Rise in The U.S. by Chauncey L. Alcorn Fortune Sept 1, 2016

5. Growth: A Review By Tom Donelson, Americas Majority Foundation Project Director, Research Associate JD Johannes, VCREEK/AMG Clara Del Villar, research director of Senior Initiative, FreedomWorks Foundation

6. Growth: A Review By Tom Donelson, Americas Majority Foundation Project Director, Research Associate JD Johannes, VCREEK/AMG Clara Del Villar, research director of Senior Initiative, FreedomWorks Foundation

7. Growth: A Review By Tom Donelson, Americas Majority Foundation Project Director, Research Associate JD Johannes, VCREEK/AMG Clara Del Villar, research director of Senior Initiative, FreedomWorks Foundation

8. Black entrepreneurs are the key to reducing wealth by Connie Evans, Huffington Post May 4, 2017.

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11. EJ Reedy, Kaufmann Institute

12. Kaufmann Institute 2016 data, Census Bureau

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