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Powering Up Prosperity:

Accelerating Businesses of Color in North Carolina

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Introduction

Businesses across North Carolina boost local economies by bringing goods and services to their communities, adding jobs and building wealth. These businesses of various sizes and industries contribute in meaningful ways to the economic potential of the region, counties, and neighborhoods. The pioneering minds that create, shape, and lead these enterprises add significant value to their communities by expanding economic opportunity while enhancing well-being. Business ownership provides entrepreneurs the creative freedom and independence to transform their talent and aspirations into real economic benefit -- not only for themselves but for the people they employ and the investments they pour into the communities in which they live, work, and play.

In spite of enormous barriers, many entrepreneurs of color have proven that business success can uplift entire neighborhoods and communities. Enterprises such as the North Carolina Mutual Life Insurance Company, incorporated in 1899 in Durham, have stood as shining examples of ingenuity, perseverance, and innovation. Businesses of color, inspired by the legacy of North Carolina Mutual, Wheeler Airlines, and Mechanics & Farmers Bank, continue to employ, empower, and serve a diverse set of communities in the midst of changing conditions and uncertain times.

As North Carolina considers the work of building long-term resiliency, the role of businesses owned by people of color should be a central consideration. This *BTC Report* details the potential to support the economic growth of the local economy and drive wealth to communities through a focus on supporting businesses owned by people of color. The expansion of businesses of color underscores enormous potential for the broader economy in North Carolina.¹ Between 2007 and 2012, the number of businesses of color saw an increase of nearly 40 percent leading to new jobs and wealth, a boon for all North Carolinians.² However, persistent barriers mean that businesses owned by people of color could be falling

“...many entrepreneurs of color have proven that business success can uplift entire neighborhoods and communities.”

1 US Small Business Administration; Office of Advocacy- Small Business Profile https://www.sba.gov/sites/default/files/advocacy/North_Carolina.pdf

2 Ibid

short of their full potential contribution to overall economic growth. The institutions that are proven to address persistent and unique barriers faced by these businesses are critical in supporting the acceleration of existing businesses owned by people of color to expand their operations, employment base, and ability to engage with larger markets.

Barriers Frustrate Business Formation and Growth for Entrepreneurs of Color

Entrepreneurs of color face unique barriers at every stage of business formation, growth, and maturation. This section reviews evidence that historical and contemporary barriers make it much more difficult for people of color in North Carolina to start businesses, to create jobs, and to scale up to larger operations.

People of Color Underrepresented among Business Owners

People of color often face unique challenges in starting a business, which results in a business community that is disproportionately composed of white-owned companies. There are over 800,000 businesses in North Carolina,³ and nearly 80 percent of them are owned by white proprietors, even though white residents make up only 65 percent of the state’s population.^{4,5,6} As a result, people of color make up 35 percent of all North Carolinians but only own 23 percent of the state’s businesses.⁷ These disparities extend beyond simply the number of firms, with systematic barriers preventing entrepreneurs of color from securing a proportional

share of sales as well, which ultimately results in businesses of color having a smaller average employee-base than white-owned firms.

These imbalances have cascading implications. Commercial underrepresentation can reinforce negative stereotypes about communities’ ability to build their intrinsic talent into self-sufficient business success. Instead of an acknowledgment of historical and contemporary barriers steeped in the legacy of racism, under-representation offers an excuse to withhold investment of capital based on the belief that “risks” in

TABLE 1: Systemic Barriers Undermine Entrepreneurs of Color (Data from 2009)

	NORTH CAROLINA TOTAL	SHARE OF NC TOTAL	
		White	People of Color
TOTAL POPULATION	9.5 million	65%	35%
Number of classifiable firms	791,226	76%	24%
Sales of all classifiable firms ⁸	\$303.6 billion	93%	7%
Number of firms with paid employees	145,396	87%	12%
Sales of firms with paid employees	\$278.3 billion	94%	6%
Employment by firms with paid employees	1,557,838	90%	9%
Payroll of firms with paid employees	\$51.2 billion	92%	7%

a neighborhood deem the space and its potential industrialists unworthy for investment. This creates the kind of systemic deprivation that leads to the hollowing out of communities. In this environment, it becomes extremely difficult for new and established companies of color to thrive and expand.

3 Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for the U.S., States, Metro Areas, Counties, and Places: 2012 Survey of Business Owners, Table SB1200CSA01
 4 Hispanic and Latino Origin by Race: Total population 2008-2012 American Community Survey 5-Year Estimates, Table B03002
 5 Nonminority-owned. Non-Hispanic Whites own 51 percent or more of the equity, interest, or stock of the business. Definition from 2012 Survey of Business Owners, Table SB1200CSA01
 6 Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for the U.S., States, Metro Areas, Counties, and Places: 2012 Survey of Business Owners, Table SB1200CSA01
 7 The Survey of Business Owners defines “minority” business owners as including African American, Asian, Native American, Pacific Islander and Latinx proprietors, a group that will collectively be referred to as businesses of color or entrepreneurs of color in this report.
 8 Access NC Population (Census ACS, Prosperity Zones - https://accessnc.opendatasoft.com/explore/dataset/census_acs_pop)

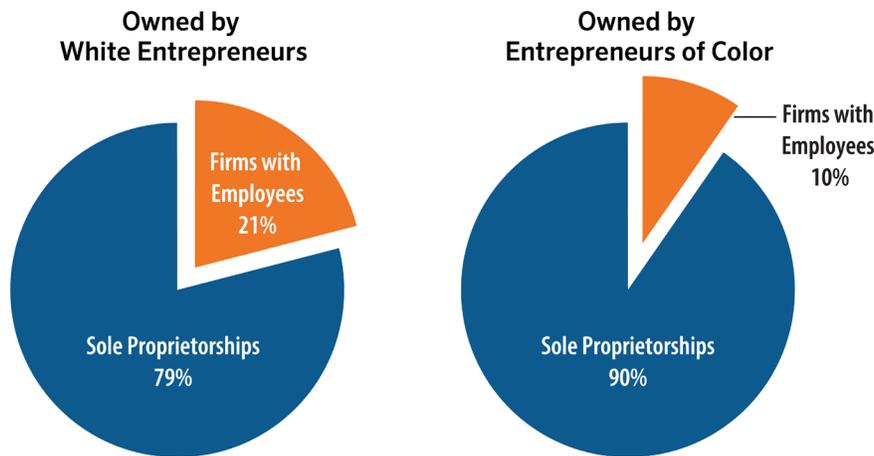
Many entrepreneurs of color prevented from expanding beyond sole proprietorships.

One of the most critical leaps that business owners can make is the jump from sole proprietorship to operating a company that can support employees. While one cannot assume all sole proprietorships wish to grow and expand, there is no evidence that preference in remaining a sole proprietor exists between racial and ethnic groups.⁹ That said, a transition from sole proprietor to a firm with employees generally requires more reliable sales, stronger cash flow, additional operating capital, and more complex accounting and human resources systems.

While these challenges confront all entrepreneurs, overcoming them is systematically more difficult for people of color.

Only 18 percent of all businesses in North Carolina has managed to reach a scale that can support employees, a testament to the difficulties confronting all entrepreneurs in making this transition.¹⁰ However, these challenges are even more difficult to overcome for many entrepreneurs of color, and as a result, only 10 percent of these companies grow to the point

FIGURE 1: People of Color Face Barriers to Entrepreneurial Success



SOURCE: Survey of Business Owners, US Census, 2012

where they can support employees, less than one half the share of white-owned companies that reach this stage.

One central reason that entrepreneurs of color face barriers to expanding beyond the sole proprietorship phase of business development are a lack of access to larger and more reliable contracts. Among sole proprietorships in North Carolina, entrepreneurs of color generated average sales of approximately \$25,500 in 2012, compared to \$43,600 for white entrepreneurs.¹¹ This kind of sales gap can make it particularly tricky for entrepreneurs of color to secure the capital needed to expand, which can trap them at the sole proprietorship stage even if they have the ideas, acumen, and dedication to scale up to larger operations.

Entrepreneurs of color face challenges growing their businesses

Even for entrepreneurs of color who have made the leap into hiring employees, a host of challenges often frustrate their continued growth. White-owned businesses with employees averaged sales of just over \$2 million, while the average sales for businesses with employees owned by people of color are less than \$1 million.¹² That sales gap produces an employment divide, with businesses owned by people of color supporting an average of eight employees, compared to 11 workers for white-owned businesses. Barriers to growth ultimately translate into a sizeable gap in total payroll, with white-owned businesses generating nearly \$371,000 in total payroll while companies owned by people of

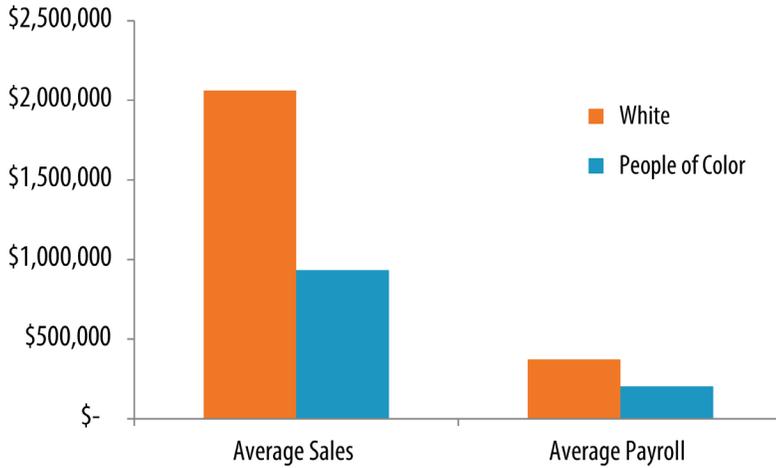
⁹ This does not eliminate the possibility that given barriers to employment, people of color are likely encouraged to form sole-proprietorships as a necessity rather than a choice.

¹⁰ Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for the U.S., States, Metro Areas, Counties, and Places: 2012 Survey of Business Owners, Table SB1200CSA01

¹¹ Statistics for All U.S. Firms by Industry, Gender, Ethnicity, and Race for the U.S., States, Metro Areas, Counties, and Places: 2012 Survey of Business Owners, Table SB1200CSA01

¹² Ibid.

FIGURE 2: Barriers Prevent Entrepreneurs of Color from Expanding Sales and Payroll



SOURCE: Survey of Business Owners, US Census, 2012

color are only able to produce an average payroll of \$204,000.¹³ (Please see *Economic disparities in Eastern N.C. are striking*, page 7.)

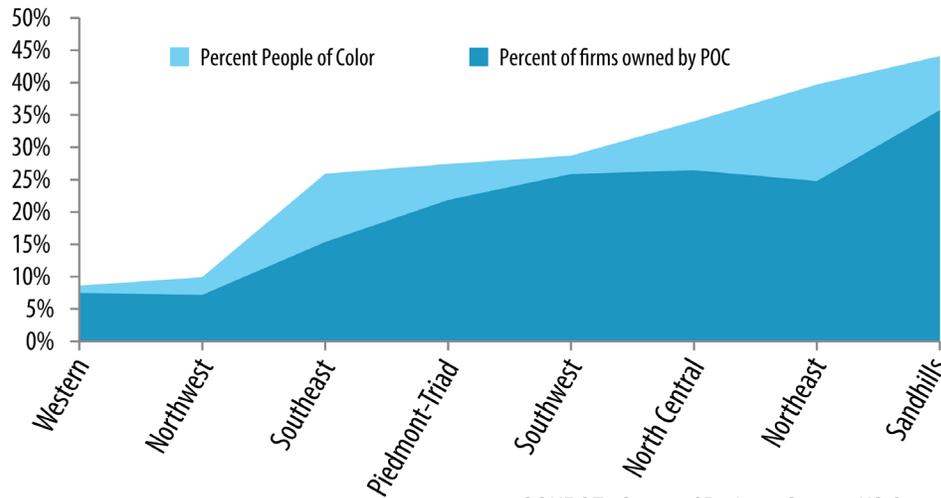
Barriers most acute in regions with larger communities of color

It is striking and disturbing that barriers facing entrepreneurs of color are often the most profound in the parts of North Carolina where non-white people make up the largest share of the local population. Particularly in Eastern North Carolina, where communities are home to proportionally larger communities of color, business ownership remains biased strongly toward white entrepreneurs.

Forty-four percent of people living in the Sandhills Prosperity Zone are people of color but own only 35.8 percent of

businesses in that region.^{14 15} The mismatch is worse in the Southeast and Northeast zones. Almost 40 percent of people living in the 17 counties that make up the Northeast Prosperity Zone are people of color but make up only 25 percent of business owners, a difference of nearly 15 points.^{16 17} Twenty-six percent of the North Carolinians living in the Southeast zone are people of color, but firms owned by people of color make up 15 percent of the whole.

FIGURE 3: Entrepreneurs of Color Face Largest Challenges in Regions with Larger Communities of Color



SOURCE: Survey of Business Owners, US Census, 2012

13 Ibid.

14 Access NC Population (Census ACS, Prosperity Zones - https://accessnc.opendatasoft.com/explore/dataset/census_acs_pop)

15 Prosperity Zones were created by North Carolina General Assembly to coordinate regional economic development efforts, streamline collaboration between state and local governmental agencies, and the achieve administrative efficiencies. The eight defined Prosperity Zones range in size from 10 to 17 counties. <https://www.ncleg.net/DocumentSites/Committees/JLEDGEOC/2017-2018/Meetings/2018-01-11%20Prosp%20Zones,%20Econ%20Well-Being,%20Utility%20Acct,%20SB%20660,%20ED%20Awards/002%20Commerce Prosperity Zone Presentation 2018-01-11.pdf>

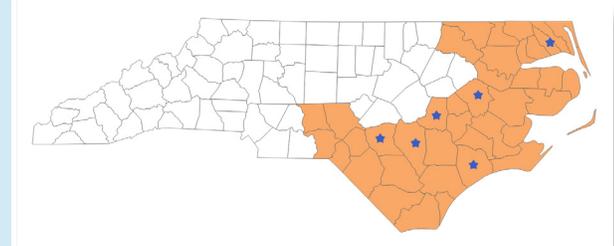
16 Access NC Population (Census ACS, Prosperity Zones - https://accessnc.opendatasoft.com/explore/dataset/census_acs_pop)

17 Access NC Business Owner Demographics, Prosperity Zones - <https://accessnc.opendatasoft.com/explore/dataset/census-sbo>

ECONOMIC DISPARITIES IN EASTERN N.C. ARE STRIKING

The need to support entrepreneurs of color is particularly vital in Eastern North Carolina.

COMMUNITIES IN THIS REGION ARE PRIMARILY RURAL, face historical barriers to building wealth, and many are home to substantial communities of color. With the exception of Fayetteville, communities in Eastern North Carolina are smaller than 200,000 residents, leaving cities like Greenville, Goldsboro, Elizabeth City, Clinton and Jacksonville to drive regional economic trends along the coastal plain.¹⁸ These cities have been slower to recover from the Great Recession compared to the major metropolitan centers along I-40 and I-85, thereby compounding the longstanding barriers to business startups, firm growth, and capital acquisition.¹⁹



For this analysis, counties included in the Northeast, Southeast and Sandhills Prosperity Zones serve as a decent approximation of Eastern North Carolina communities that face many of the same challenges.²⁰ These three zones are home to 2.3 million people and more than 180,000 firms, with nearly 44,000 of those firms owned by non-white proprietors,²¹ Across these counties, people of color represent nearly 36 percent of the total population and own 24 percent of total businesses, but only earn 2.7 percent of total sales.

	EASTERN NC COUNTIES (39)	% OF TOTAL	NORTH CAROLINA
Total population	2.3 million	24%	9.5 million
Total firms	182,872	23%	805,985
Total employed	591,716	18%	3,248,898
Total payroll	\$18.4 billion	14%	\$131.7 billion
Total sales	\$126.1 billion	15%	\$847.3 billion

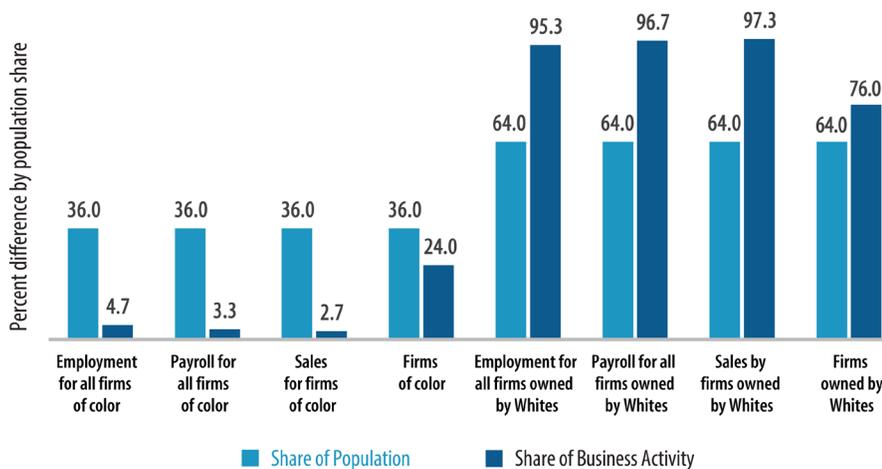
SOURCE: US Census Survey of Business Owners, 2012 via NC Department of Commerce, Labor and Economic Analysis, Access NC

Perhaps most disturbing is the average payroll disparity between white firms and those owned by people of color.

A difference of 33 percent between share of payroll and share of population suggest systemic issues and represent a missed economic

development opportunity for the region. If this were resolved, communities of color (other businesses of color) throughout Eastern N.C. would immediately benefit from an infusion of cash in the hands of workers with more disposable income to spend. The larger share of sole proprietorships amongst firms of color, which do not count the owner as an employee, also contributes to the payroll disparities between racial groups.²² Given the fact that Eastern N.C. is home to more people of color per capita than any other region in the state, the economic disparities between firms of color and those owned by whites are striking.

FIRMS OF COLOR FACE PARTICULAR CHALLENGES IN EASTERN NC



¹⁸ Social Explorer Profile via US Census Bureau, 2016 American Community Survey (ACS), 1-year estimate

¹⁹ Uneven Recovery Highlights Pockets of Economic Distress - <https://www.ncjustice.org/?q=budget-and-tax/prosperity-watch-issue-80-no-1-uneven-recovery-highlights-pockets-economic-distress>

²⁰ NC Prosperity Zones - <https://www.nccommerce.com/about-our-department/north-carolina-prosperity-zones>; Survey of Business Owners (SBO) - Survey Results: 2012. <https://www.census.gov/library/publications/2012/econ/2012-sbo.html>; North Carolina Department of Commerce, Labor and Economic Analysis Datasets, 2015

²¹ NC Prosperity Zones - <https://www.nccommerce.com/about-our-department/north-carolina-prosperity-zones>; Survey of Business Owners (SBO) - Survey Results: 2012. <https://www.census.gov/library/publications/2012/econ/2012-sbo.html>; North Carolina Department of Commerce, Labor and Economic Analysis Datasets, 2015

²² See Appendix for full demographic and commercial breakdown

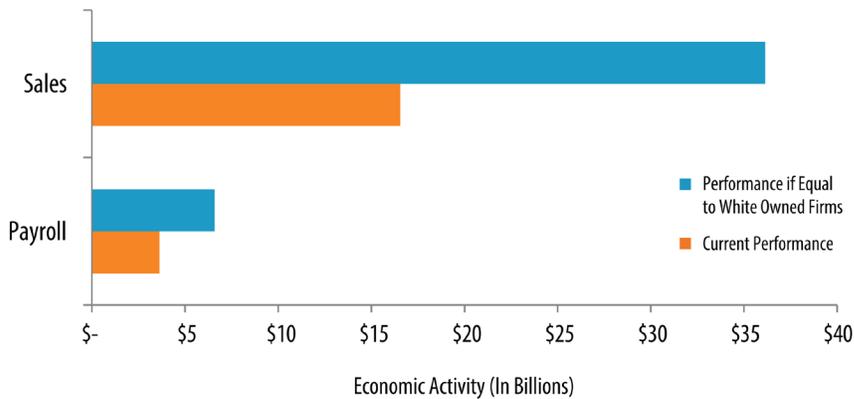
Bringing Things Level

Overcoming the barriers facing entrepreneurs of color represents an enormous opportunity to build stronger and more economically resilient communities across the state. Should multiple policy measures achieve parity between businesses of color and those owned by whites, the state would realize significant benefits. For example, if long-term investments and strategies brought sales for businesses of color equal to those of whites, companies of color would secure over \$36 billion annual sales, an increase of nearly \$20 billion. Achieving employment equity would boost jobs supported by businesses of color from 145,000 to nearly 200,000, propelling total payroll from \$3.6 billion to \$6.6 billion each year.²³

TABLE 2: Leveling the Playing Field Would Profoundly Expand Business Opportunities

	SALES	EMPLOYMENT	PAYROLL
Bringing firms of color to the same rate of white businesses	\$36.1 billion	195,356	\$6.6 billion
Benefit of closing the gap with white businesses	\$19.5 billion	50,803	\$3 billion
Benefit per business for firms of color	\$1.1 million	3	\$20,448

FIGURE 4: Overcoming the Barriers Facing Entrepreneurs of Color



SOURCE: Analysis from Access NC Business Owner Demographic Data (2018)

How to Overcome Key Barriers to Scaling Up

Business owners of color across North Carolina face several barriers in starting, developing, and scaling up their enterprises. Many companies struggle to attract clientele, build a reputation and customer base, prove to creditors that they can support

expansion debt, and secure larger contracts that allow them to expand employment. However, these hurdles are often particularly difficult to overcome in companies of color.²⁴ There are concerns that the cost and complexity of the process of obtaining a business license, bonding and insurance further exacerbate the challenge of not having freely available capital. Firms of color regularly experience even more profound challenges in accessing capital, accessing technical expertise, and attracting larger public and private sector contracts.^{25 26}

²³ Analysis from Access NC Business Owner Demographic Data

²⁴ Reuben, L. J., & Queen, P. E. (2015). Capital constraints and industry mix implications for African-American business success. *The Review of Black Political Economy*, 42(4), 355-378.

²⁵ Fairlie, R., Robb, A., & Robinson, D. T. (2016). Black and white: Access to capital among minority-owned startups. *Stanford Institute for Economic Policy Research discussion paper*, 17-03.

²⁶ Carpenter, C. W., & Loveridge, S. (2018). Differences Between Latino-Owned Businesses and White-, Black-, or Asian-Owned Businesses: Evidence From Census Microdata. *Economic Development Quarterly*, 32(3), 225-241.

Access to Capital

Business owners of color find it difficult to sustain and grow due to a dearth of capital. Discrimination in lending practices, both overt and subtle, present significant barriers to expansion. Indeed, research demonstrates that while firms owned by people of color are equally well-positioned for growth as peer firms, they encounter systematic denial of capital.²⁷ Fairlie, Robb, and Hinson (2010) show that, among firms with under \$500,000 in receipts, 23 percent of firms owned by whites were awarded loans compared to 17 percent to firms of color.²⁸ When sales exceed \$500,000, 52 percent of firms owned by whites received loans compared to 41 percent to firms of color.²⁹ The authors reveal that young firms of color create jobs at similar rates as other firms over the first four years of operation but often face crippling setbacks in receiving lower loan amounts than peer firms.³⁰ According to analysis, high performing firms of color receive loans averaging \$149,000, less than half the average loan size for white-owned businesses.³¹

If long-term investments and strategies brought sales for businesses of color equal to those of whites, companies of color would secure over \$36 billion annual sales, an increase of nearly \$20 billion.

Underscoring the need for capital is the fact that firms of color have historically had lower levels of home ownership and liquid capital compared non-POC business owners, thus depriving them of the most dependable component of wealth building. Homeownership rates in North Carolina for Black and Latinx families is 45.6 percent and 42.3 percent, while the rate for white families is 72.5 percent.³² Liquid assets tell a similar story. According to the U.S Census Bureau, Black and Latinx households hold \$2,450 and \$3,400 in assets at financial institutions while white households hold \$10,740.³³ This is explainable given the history of how communities of color have been systematically denied the capital necessary to invest in their neighborhoods, thus perpetuating present disparities. Segregation, redlining, and occupational racism have created a legacy of isolation and differential earning outcomes, which have exacerbated the racial wealth gap since Emancipation. This has manifested in the form of far less generational wealth being transferred to present day entrepreneurs of color. Where non-POC entrepreneurs are much more likely to be able to borrow the necessary capital from an affluent family member or friend to start, maintain, and grow a business, firms of color are less likely to have similar access to those resources.

Still wishing to achieve their dreams, businesses of color often turn to less conventional forms of capital acquisition, such as high-interest credit cards, title loans, and other financial products that prove more exploitative than mutually beneficial.³⁴ The nature of these vehicles creates a high risk of default endangering the business and damaging the owner's creditworthiness. This has a cost. Research reveals that firms of color (42 percent loan denial rate) are three times more likely to be denied loans than non-POC firms (16 percent loan denial rate) when receipts are under \$500,000, pointing towards harm done to creditworthiness by these lending products.³⁵

Technical Support

Companies of color often have less access to technical expertise in the form of formal business support services and informal network connections to the broader local business community.

Many firms of color confront barriers to accessing existing technical support systems. Persistent segregation across the everyday lives of communities often translates into a lack of shared information

27 Fairlie, Robert W., Alicia M. Robb, and David Hinson. "Disparities in Capital Access between Minority and Non- Minority-Owned Businesses." (2010).

28 Ibid.

29 Ibid

30 Ibid.

31 Ibid.

32 2014 American Community Survey. Washington, DC: U.S. Department of Commerce, Census Bureau, 2015.

33 U.S. Census Bureau, Survey of Income and Program Participation, 2014 Panel, Wave 2, Internet Release Date: 9/17/2018

34 Fairlie, Robert W., Alicia M. Robb, and David Hinson. "Disparities in Capital Access between Minority and Non- Minority-Owned Businesses." (2010).

35 Ibid.

and understanding about the business support services that are available across all groups.^{36 37} There is a deep-seated and historically justified distrust in governmental systems designed to assist firms of color. Nunnally (2012, pg. 9) argues that, from the impact of ending Reconstruction to redlining Black neighbors, governmental systems in the U.S. have earned a warranted level of distrust from people of color.³⁸ Having been consistently harmed or ignored by government-funded equalizing institutions designed to build wealth and equitable representation, communities of color do not readily engage support systems supported by taxpayer dollars. To further exacerbate this trend, institutions such as chambers of commerce and professional leagues have traditionally not embraced effective outreach to communities of color, further isolating their businesses from support.

Beyond formal support through business planning, accounting, and marketing, the lack of mentorship experienced by business owners of color present barriers to realizing their full potential. Existing and successful business owners can be critical to supporting budding entrepreneurs in developing new enterprises.³⁹ Historically speaking, nonminority male business owners often enjoyed the benefits of having more close family members who were business owners than their peers in communities of color, giving them a profound leg up in getting their businesses off the ground.⁴⁰ Regarding prior work experience in a family member's business, only 12.6 percent of present-day Black business owners can claim such training compared to 23.3 percent of white business owners.⁴¹ These disparities add up to a substantial advantage for white entrepreneurs, who often find it much easier to get the council and support that most fledgling business owners need to get their enterprises up and running.

Tenuous or nonexistent connections to the broader business community also plague businesses of color. Many companies owned by people of color do not enjoy the density of business contacts that are often the source of customer referrals, contracts, talented employees, and capital compared to white business owners. Opportunities to network and build relationships have been historically limited for companies of color as decades of legal segregation prevented owners of color from engaging chambers of commerce and country clubs where many deals originated and were finalized.⁴² Fairlie and Robb (2007) show that, over time, differential opportunities to acquire business human capital through varied commercial experiences hamstrings firms of color, often preventing them from opening up new markets, integrating into existing supply chains, and expanding business practices.⁴³ While many local communities have business organizations whose mission it is to strengthen their business community, the intentional focus on inclusion of all business owners, regardless of their skin color, is often secondary or absent entirely. Without the potential to network and connect with the broader business community, many businesses owned by people of color will continue to face barriers to scaling up.

Access to Large Contracts

For most companies outside of the retail, hospitality, and food service industries, reaching scale relies on landing and retaining larger contracts. However, securing substantial contracts from large corporations and public entities often presents challenges that are particularly daunting for businesses of color.

One specific consequence of being excluded from many traditional business community networks is

36 Association for Enterprise Opportunity. (2017). *The Tapestry of Black Business Ownership in America: Untapped Opportunities for Success* (Rep.). Washington, DC.

37 Bonds, M. (2007). Looking beyond the numbers: The struggles of black businesses to survive: a qualitative approach. *Journal of Black Studies*, 37(5), 581-601.

38 Nunnally, S. C. (2012). *Trust in Black America: Race, Discrimination, and Politics*. New York: NYU Press.

39 Allen, W. D. (2000). Social networks and self-employment. *The Journal of Socio-Economics*, 29(5), 487-501.

40 Boston, T. D. (2001). Trends in Minority-Owned Businesses. In *America Becoming Racial: Trends and Their Consequences*, Volume II. Washington, DC: The National Academies Press. <https://doi.org/10.17226/9719>

41 Fairlie, R. W., & Robb, A. M. (2007). Why are black-owned businesses less successful than white-owned businesses? The role of families, inheritances, and business human capital. *Journal of Labor Economics*, 25(2), 289-323.

42 Boston, T. D. (2001). Trends in Minority-Owned Businesses. In *America Becoming Racial: Trends and Their Consequences*, Volume II. Washington, DC: The National Academies Press. <https://doi.org/10.17226/9719>

43 Fairlie, R. W., & Robb, A. M. (2007). Why are black-owned businesses less successful than white-owned businesses? The role of families, inheritances, and business human capital. *Journal of Labor Economics*, 25(2), 289-323.

that many entrepreneurs of color do not learn about larger public and private sector contracts that may be coming available. Particularly on the private sector side, where requirements for opening bidding processes rarely exist, this can mean that businesses of color are never informed about upcoming opportunities to grow.

Larger contracts also often come with more stringent technical, accounting, delivery timeline, and other strings attached, compounding the challenges facing businesses of color that are not deeply integrated into the technical assistance ecosystems in their local business communities. Without technical assistance and mentorship, many businesses of color face distinct challenges in bringing their production, delivery, and logistical processes to the level of sophistication that is often required to secure larger contracts.

Landing substantial contracts is also one of the specific areas where lack of access to capital bedevils many firms of color. Delivering on larger contracts generally entails a significant outlay of capital before any payment is received, as companies are often forced to hire new employees, purchase new equipment, and obtain the raw materials needed to do the work. Particularly for entrepreneurs of color who are seeking to scale up, but do not have an existing track record of delivering on larger contracts, obtaining capital to finance these upfront costs can be an impassible barrier.

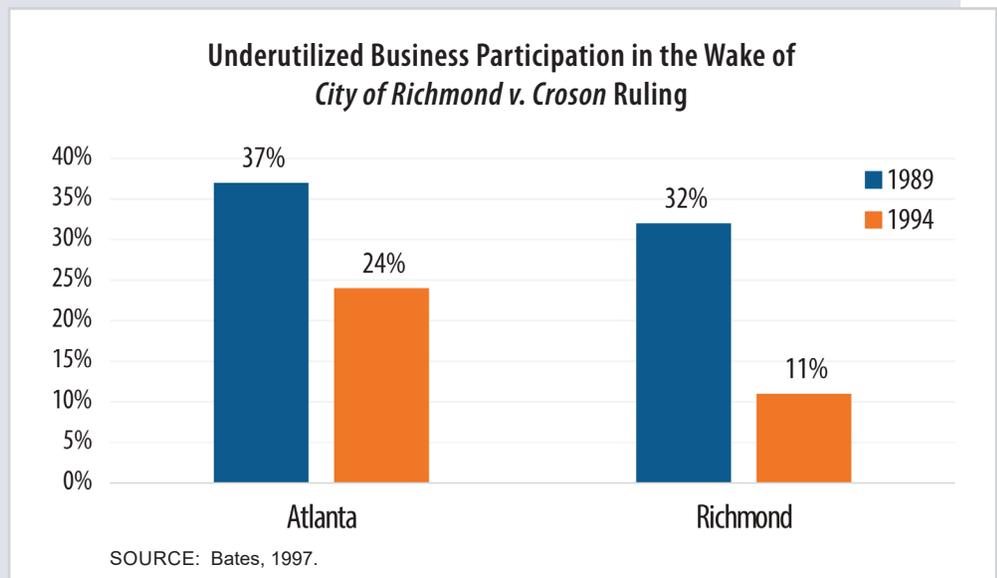
THE LEGACY OF PROCUREMENT POLICY

Boston (2001) reported that the sector diversification and growth of firms of color during the decades following the Civil Rights movement was driven in part by “public-sector, affirmative-action programs in contracting and procurement.”⁴⁴ While growth by firms of color has continued to increase since the 1960s, numerous deficiencies have emerged in procurement policy nationwide that reduce its present effectiveness.^{45 46}

After the 1989 Supreme Court ruling in *City of Richmond v. Croson* that significantly weakened set-aside programs nationwide, contract utilization with firms of color dropped precipitously.⁴⁷ Bates (1997) reported that underutilized business participation dropped from 37 percent to 24 percent in Atlanta and 32 percent to 11 percent in Richmond within five years of the ruling.⁴⁸

Without policy champions, there is a lack of a race equity lens embedded in the procurement process, and this, coupled with unchecked discretion has contributed to utilization decline.^{49 50} Intentional procurement processes have the benefit of ensuring that firms of color get a fair chance of securing public contracts and driving tax

dollars back into local communities. Often the barriers to large contracts are noted as due to the size, capital, and insurance of the firm, but these cannot be addressed without a proactive agenda to remove the barriers above and put in place systems that support contracts.



44 Boston, T. D. (2001). Trends in Minority-Owned Businesses. In *America Becoming Racial: Trends and Their Consequences*, Volume II. Washington, DC: The National Academies Press. <https://doi.org/10.17226/9719>

45 Ibid.

46 US Small Business Administration; Office of Advocacy- Small Business Profile https://www.sba.gov/sites/default/files/advocacy/North_Carolina.pdf

47 Dixon, D. E. (1989). The Dismantling of Affirmative Action Programs: Evaluating *City of Richmond v. JA Croson Co.* *NYL Sch. J. Hum. Rts.*, 7, 35.

48 Bates, T. (1997). *Banking on Black Enterprise: The Potential of Emerging Firms for Revitalizing Urban Economies* (Washington, DC: The Joint Center for Political and Economic Studies, 1993). 4.

49 Bates, T. (1985). Impact of Preferential Procurement Policies on Minority-Owned Businesses. *Review of Black Political Economy*, 14(1), 51-65.

50 Munn, W. (2017) BTC Report: Historically Underutilized Businesses: Opportunities for Growth in N.C.

The Accelerator Model

The challenges faced by businesses owned by people of color to start up, grow up and stay up call for a focused response to support their growth. As such, a growing number of communities are developing business accelerators committed to the advancement of firms owned by people of color. “Minority” business accelerators are institutions committed to providing eligible firms with the technical and financial support needed to compete for larger contracts while connecting them directly to anchor institutions. A mix of non-profit entities, universities, community colleges, and local chambers of commerce serve as host organizations providing the structure and personnel for accelerators while engaging their corporate and public sector partners to do business with identified firms.

Accelerators that focus on businesses of color have developed a range of approaches to address the challenges outlined in the previous section. While local context and the needs of individual firms influence the practical mechanisms for delivering assistance, common interventions include:

- **Access to capital.** By leveraging relationships with banks, venture capital, and other investment vehicles, accelerators can form capital fund establishments. These organizations have enormous flexibility to raise significant capital from financial entities and distribute directly to firms of color who have qualified and are participating in the accelerator programs.
- **Technical support.** Host organizations like chambers of commerce, universities, and non-profits retain and deploy technical expertise to assist participating firms in areas such as business plan organization, communication, and technology strategies, human resources, mentorship, lobbying, and many other areas of need.
- **Access to larger contracts.** Accelerators enlist their corporate and public sector partners in the program and provide partner firms of color contracts. These contracts provide firms of color the guidance, resources, and exposure needed to grasp the nuances of the industry, master their craft and expand their operations and staff.

Given the precedent of exclusion, segregation, and violence that has hampered socio-economic mobility in communities of color, several forward-thinking chambers of commerce have committed to supporting Black and Latinx firms directly.

Examples of Targeted Accelerators

Cincinnati Minority Business Accelerator

In 2003, Darrin Redus, a business consultant, convinced the Cincinnati Chamber of Commerce to commit to the development of firms owned by people of color.⁵¹ His message that firms of color in southwestern Ohio reflected the talent and ingenuity of their communities and thus had the potential to transform neighborhoods across the entire region led to the creation of the Cincinnati Minority Business Accelerator (CMBA). Since then, the CMBA has created a track record of strategically investing in Cincinnati’s regional entrepreneurial community of color.

The CMBA works on two fronts by 1) creating supply by building capacity with firms of color and 2) creating demand by connecting these positioned firms with corporate partners that can provide contracts or access to capital. The Cincinnati MBA identifies promising enterprises, called *Portfolio Firms*, and supports them in building sound business strategies, illuminating pathways to capital, and connecting with corporate organizations from the host organization.

⁵¹ Barry, L. (2014). A Business Accelerator Focused on Economic Development. Association of Chamber of Commerce Executives, (Winter).

The Cincinnati MBA requires the firms it works with to document baseline annual revenues, possess a clear growth strategy that outlines potential for accelerated growth in 2 to 5 years, gain certification as a minority business enterprise (MBE) by a local minority business supplier development council or a government agency, and be headquartered or have a significant presence in the Cincinnati region. After identifying firms that are primed for growth, the CMBA convenes corporate partners to commit to doing business with the region’s minority firms, thus creating demand to meet supply. Corporate partners commit to creating inclusive vendor environments, setting utilization goals, and sharing progress with the Cincinnati chamber. These arrangements facilitate new business relationships, which generate mutually beneficial partnerships between budding companies and the established corporate community.

The Cincinnati MBA has been extremely successful. The aggregate annual sales base for its participating enterprises total more than \$1 billion, and firms it works with currently employ 3,500 workers -- 50 percent of whom are people of color, and 40 percent are women.⁵² Supporters, observers, and those who initially criticized the effort acknowledge the importance of shifting demographic trends and point to the tight integration between *Portfolio Firms* and corporate partners as a major contributor to its success.⁵³ These relationships have provided *Portfolio Firms* with the necessary capital to expand and hire while the experience allows them to build reputations as reliable and capable partners. The strategic selection of firms has provided the accelerator with the right mix of companies. The criteria set forth by the Cincinnati MBA allows for a showcasing of diverse industry enterprises while relying on their strong business vision to ensure sustainability.

Investors have taken notice of the CMBA’s vision and strategy and have committed resources to help further their goals. In 2010, the Cincinnati Minority Business Collaborative (CMBC) was formed to provide capital and customer readiness support to high-potential enterprises of color in the Cincinnati region.⁵⁴ In March of 2018, CMBC partner organization KeyBank Business Boost & Build provided \$100,000 in seed money to support 50 firms of color to add 500 more jobs and \$5 million more in revenues collectively.⁵⁵ The next month, L. Ross Love GrowthBridge Fund, an investment initiative of the Cincinnati MBA, made direct capital investments of \$250,000 in two *Portfolio Firms*, Orchestrate Technologies and SureFire Innovations,⁵⁶ to help position these enterprises to scale and grow to the next level.

Greensboro Minority Business Accelerator

Borrowing heavily from the Cincinnati accelerator model, the Greensboro Minority Business Accelerator (GMBA) was founded to embrace the voices and perspectives of well-positioned businesses of color in Guilford County.⁵⁷ Since the beginning of the taskforce in 2015, its mission has been to foster the growth of local firms of color and to expand the region’s diverse entrepreneurial business sector. In an effort to situate business support, as the foundation of its efforts the GMBA has sponsored workshops, seminars, credit counseling, and wraparound services that focus on topics such as how to win a bid and managing business finances. Leaning into Cincinnati’s Portfolio Firms strategy, the GMBA focused on ten businesses with \$1 million in revenue to promote the firms with the best chance of success.⁵⁸ The accelerator strategically connected these firms of color to the Guilford business community by building corporate relationships with BB&T, Cone Health, and Duke Energy. This has built capacity and experience and serves as a form of mentorship. Additionally, the

52 Cincinnati Business Courier. (2018, January 19). Cincinnati Minority Business Accelerator gets national attention. Retrieved from <https://www.bizjournals.com/cincinnati/news/2018/01/19/cincinnati-minority-business-accelerator-gets.html>

53 Barry, L. (2014). A Business Accelerator Focused on Economic Development. Association of Chamber of Commerce Executives, (Winter).

54 HCDC Business Center. (n.d.). Cincinnati Minority Business Collaborative. Retrieved from <https://hcdc.com/incubation/cincinnati-minority-business-collaborative/>

55 Key Bank. (2018, March). Grant to Boost Hiring and Revenue of Cincinnati Minority Businesses | KeyBank. Retrieved from <https://www.key.com/about/community/articles/cincinnati-minority-businesses.jsp>

56 Cincinnati Business Courier. (2018, April 16). Two emerging Cincinnati minority-owned businesses awarded \$250K. Retrieved from <https://www.bizjournals.com/cincinnati/news/2018/04/16/two-emerging-cincinnati-minority-owned-businesses.html>

57 Gorham-Worsley, J. (2018, July 16). Interview by W. Munn (Written notes). History of the Greensboro Minority Business Accelerator, Greensboro Chamber of Commerce. Greensboro, NC

58 Ibid.

Greensboro accelerator leans on the generosity of the Greensboro Community Development Fund as a provider of capital for entities consistently denied resources. The GMBA facilitates this process by periodically hosting events that bring together banks, credit unions, and historically underutilized businesses. As a result, the accelerator has the commitment of 10 banks who are building a fund from which firms of color in the region can access capital.⁵⁹

The coordinated effort appears to be working in Greensboro. Not only has the accelerator helped to generate \$2.1 million in revenue, but several companies have also increased their workforce. Testimonials laud the effectiveness of the program, specifically its focus on relationship building. C2 Contractors owner CC Lamberth said that there “was nothing like the GMBA in the state.”⁶⁰ Geoff Foster, who owns Portfolio Firm Core Technology Molding Corporation, credits his long-term contract with aircraft engineering and maintenance company HAECO (formerly TIMCO) to the leadership and vision of the GMBA.⁶¹

Additional Accelerator Examples

Other notable examples of targeted business accelerators include:

- **Greenville, SC:** The Minority Business Accelerator is the Greenville Chamber of Commerce’s primary economic development initiative designed to build a well-rounded resilient economy based on the region’s rich diversity.⁶² As Greenville is the major economic engine of upstate South Carolina, the Chamber has committed to fast-tracking the development of high potential enterprises of color by investing in their readiness and deliberate supplier diversity efforts.
- **Chattanooga, TN:** Chattanooga’s INCubator has engaged 556 companies with a three-year program designed to help entrepreneurs take advantage of progressive development and a startup ecosystem. Housed in a space larger than two football fields, the Tennessee Small Business Development Center has created an “entrepreneur’s paradise.” Motivated individuals have the freedom and resources to plan, develop, attract, and build success in the third largest incubator in the country.⁶³
- **Boston, MA:** In January of 2018, the Greater Boston Chamber of Commerce launched its Pacesetters Initiative, where local firms of color are paired with chamber member organizations, based on the model of the Cincinnati MBA.⁶⁴ By March, the Initiative inked its first deal between Done Right Building Services and Tufts Health Plan, demonstrating a commitment to address wealth and opportunity disparities in the region.

Conclusion

To position companies of color for greater success throughout North Carolina, researching and implementing successful business accelerator lessons may be a worthwhile approach. It is evident that cities mentioned in earlier sections have leveraged the incredible business potential from communities of color and matched it with mentorship, access to capital, and demand. However,

⁵⁹ Ibid.

⁶⁰ Triad Business Journal. (2018, September 6). The advocates: Triad programs match women, minority business owners with opportunities. Retrieved from <https://www.bizjournals.com/triad/news/2018/09/06/the-advocates-programs-match-women-minority.html>

⁶¹ Ibid.

⁶² Greenville Chamber. (n.d.). Minority Business Accelerator. Retrieved from <http://greenvillechamber.org/diversityinclusion/minority-business-accelerator/>

⁶³ Chattanooga Area Chamber of Commerce. (2018). Incubator: The Hamilton County Business Development Center. Retrieved from <https://www.chattanoogachamber.com/incubator>

⁶⁴ Greater Boston Chamber of Commerce. (2018, January 17). GBCC Launches Pacesetters Initiative Aimed at Uniting the Business Community’s Response to Economic Inclusion. Retrieved from <https://bostonchamber.com/about-us/media-center/gbcc-launches-pacesetters-initiative>

consideration must be given to the challenges inherent in smaller North Carolina population centers. Identifying HUBs and HUB-eligible enterprises and pairing them with willing corporate partners, while simultaneously attracting investment dollars, may prove heavy lift for towns like Shelby, Wilson, Rocky Mount, and Marion given structural barriers and historical precedent.

An effort to expand accelerators should, therefore, be paired with intentional policy and systems change that can drive public contracts to businesses of color, ensure capital is available for expansion, and technical assistance systems are embedded in existing service networks and consistently measured for their engagement of firms of color.

By innovatively matching supply with demand, accelerators have created a system where firms of color have a path to build experience and relationships with corporate partners resulting in mutually beneficial outcomes. Accelerators employ strategies that mitigate the impact of many longstanding barriers such as access to capital, access to business support and differential contracting opportunities, and inequitable procurement policy. When executed successfully, firms of color thrive. ■

Data Appendix

	EASTERN NC COUNTIES (39)	PERCENT OF TOTAL	NORTH CAROLINA
Total population	2.3 million	24%	9.5 million
Total firms	182,872	23%	805,985
Total employed	591,716	18%	3,248,898
Total payroll	\$18.4 billion	14%	\$131.7 billion
Total sales	\$126.1 billion	15%	\$847.3 billion

	EASTERN NC COUNTIES (39)	NORTH CAROLINA
Share of white population	64 percent	65 percent
Firms owned by whites	138,922	630,091
Sales for all firms owned by whites	122.7 billion	\$826.5 billion
Sales per firm owned by whites	\$833,258	\$1,355,470
Payroll for all firms owned by whites	\$17.8 billion	\$128.1 billion
Payroll per firm owned by whites	\$128,399	\$205,806
Employment for all firms owned by whites	564,118	3,104,345

	EASTERN NC COUNTIES (39)	NORTH CAROLINA
Share of population of color	36 percent	35 percent
Firms of color	43,950	183,380
Sales for all firms of color	\$3.4 billion	\$20.7 billion
Sales per firm of color	\$77,968	\$113,308
Payroll for all firms of color	\$570.5 million	\$3.6 billion
Payroll per firm of color	\$12,982	\$19,771