

# **Entrepreneurship Presents a Viable Option for Black Economic Success**

**By James H. Buford**

In this season of economic doom and gloom, it is encouraging to see that black-owned businesses have become one of the fastest growing segments of the U.S. economy. A recent study by the National Urban League highlighted the fact that the number of African American businesses grew at a faster rate than any other group in the U.S. In 2007 (the time of the last economic census), there were over 1.9 million black businesses, representing a 60.5 percent increase compared to a 17.9% increase in total U.S. businesses. Additionally, black-owned firms increased their hiring by 20.6% employing over 900,000 people with revenues totaling \$137.5 billion in 2007. In 2007, the average salary of an employee at a black-owned company was \$33,000, compared to the average salary of \$21,239 for African Americans.

There were many key characteristics of the emerging African American businesses in 2007: new minority business owners tended to be younger than their white contemporaries with a higher rate of post-secondary education without a bachelor's degree. Nearly 89% of African American firms tended to be healthcare and social assistance-related or administrative and support services making up the clear majority. In 2007, retail trade and healthcare and social assistance firms were the most lucrative fields for African American businesses.

According to the Kauffman Firm Survey 2004-2008, black retail businesses tended to decline during the Great Recession while technology firms retained the highest five-year survival rate amongst black businesses.

Other surviving black businesses included professional, scientific and technical services and other services. Another characteristic of successful black firms was their ability to increase business-to-business sales and government contracts. The largest revenue increase for African American businesses came from sales to government, which increased to 12% from 4% in 2008. This illustrates the importance of access to government contracts for black-owned businesses.

St. Louis was recently recognized as the fifth best city for African-American owned businesses in the United States according to the 2011 State of Urban Business report released by the National Urban League. At 9.1%, the St. Louis metro area ranked #1 in terms of share of black-owned employer firms and #2 in average revenue with just over \$100,000 per black-owned firm. Among the factors contributing to St. Louis' African American business success have been the City of St. Louis' MBE and WBE program goals and Lambert-St. Louis International Airport's Disadvantaged Business Enterprise Program which provides certification, marketing exposure, training and technical assistance.

While there have been many successes for black-owned businesses in the St. Louis community, there is still much room for growth. African American firms often face challenges which come from economic inequality such as the inability to obtain credit and low minority participation or procurement goals for government / quasi-governmental agencies. In addition to these factors, many black businesses receive technical assistance training from lower-cost providers such as the SBA or non-profit associations. It is imperative to black firms to seek out assistance from for-profit firms and area colleges and universities with successful business incubators such as the Washington University Olin School of Business Skandalaris Center and the University of Missouri Extension Community Economic and Entrepreneurial Development. Protecting the minority participation and procurement goals of public agencies is another key to ensuring equitable

economic success for black businesses. With adherence to these goals and renewed banking partnerships we can secure the growth of African American firms and economic security into the near future and beyond.