The State of Black America 2010

Small Business Growth = Job Creation
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For years, minority-owned small businesses have been the catalyst of job creation, especially in urban communities. From barber shops to beauty salons, funeral homes to restaurants, minority-owned small businesses have not only generated wealth for their owners; they have allowed men and women within the community to achieve the dream of economic empowerment.

At the Urban League of Philadelphia, we’ve seen firsthand how African American businesses have provided ample opportunities for small business growth and, ultimately, job creation. Through our Urban League Entrepreneurship Center, which opened its doors in November 2008, we’ve been able to have a laser-focus on entrepreneurship in Philadelphia and its surrounding communities and why many have yet to reach the point where their success develops into success for others.

In our market, we have more than 10,000 African American businesses, yet over 9,000 of these businesses have no paid employees. What if, through our community-based support for small businesses, we helped just 100 of these businesses grow to bring on even one or two employees? Such a simple measure would actually result in the creation of up to 200 jobs. That’s 200 people who are equipped to provide for themselves and their families and be contributing members to society. This is an over simplification of how jobs are created, but nonetheless, it’s a starting point to consider how to utilize the small business market to fuel job creation on our country.

In a recent New York Times Sunday Opinion, Thomas L. Friedman wrote, “More (Steve) Jobs, Jobs, Jobs, Jobs,” a piece that left me strick not just by its title – a play on the name of Steve Jobs, who essentially created Apple in his job, but because it proclaimed 2010 as the “year of innovation, the year of making our pie bigger, the year of Start- Up America,” (New York Times, January 24, 2010). Such a proclamation could perhaps bring more public policy support for entrepreneurs and small business owners to grow their businesses.

A few years ago I had the pleasure of co-chairing the Minority Business Development Study Group, a task force convened by the Economy League of Greater Philadelphia. The purpose of the group, which came after a Greater Philadelphia Leadership Exchange visit to Chicago, was to examine economic growth opportunities for the region by looking at ways to boost our competitiveness both domestically and globally.

We saw an opportunity with minority entrepreneurship, especially given the fact that minority businesses are forming at a faster rate than businesses overall and entrepreneurship is responsible for newly created jobs in the United States. Minorities and African Americans own 15.1 percent and 4.2 percent of businesses in the country, respectively (U.S. Census Bureau). After our leadership exchange visit, many of the participants in the group ranked “boosting minority entrepreneurship” among their top priorities for our region. I believe what we saw here in the Greater Philadelphia region is also true for other major urban centers across the country where we see minority business growth as being an opportunity to create new jobs while building economic equity and developing communities.

This essay examines how the execution of a community based model to grow small businesses can in turn create more jobs. Here in Philadelphia according to the US Census 2002 Survey of Business Owners,
“Philadelphia’s Black businesses take in annual receipts of $83,000, compared to $139,000 for Hispanic businesses and $256,000 for Asian businesses. Black business owners are fewer and further between than their white counterparts; the rate of black business ownership is only 50% that of whites in Philadelphia. (State of Black Philadelphia, 2007). In spite of the disparities, minority businesses have been experiencing a tremendous growth in recent years, even on the national level. Business Week’s article states, “U.S. increased by 10% between 1997 and 2002- the number of black-owned businesses jumped 45%, Hispanic-owned ones increased by 31%, and Asian owned ones are up 24%...(Karen Klein). Given these growth and disparity facts for Philadelphia’s small businesses, it is vital that the Urban League assist them in developing sound expansion plans as part of our economic empowerment vision for the region. “Small businesses are the largest source of net new employment in inner-cities, and helping them expand will increase the need for area local businesses suppliers.” (Philadelphia Business Journal, March 28, 2008)

The benefits of growth for minority-owned firms go well beyond individual firm managers and investors. There is an abundance of empirical research that suggests minority-owned firms are more likely to hire minority employees and that minority-owned firms are more likely to use minority suppliers than non-minority firms (Policy Link, 2005).

**HOW DO WE GET THERE?**

Growing minority businesses is no easy feat. According to *Realizing the New Agenda for Minority Business Development*, a report by James H. Lowry of the Boston Consulting Group, “minority-owned businesses often lack the size, scale, and capabilities of their mainstream counterparts, minority-owned businesses are disproportionately represented in low-growth and no-growth sectors; minority entrepreneurs tend to rely on personal debt and family financing rather than on business loans, equity, and other tools in the capital markets. Closing the gap for minority businesses requires that all major players in the field – large corporations, government officials, and minority entrepreneurs – shift their mindset to focus on six strategic imperatives.

First, they must think differently and strategically about minority business development  
Second, they must develop large minority businesses with strong capabilities  
Third, they must collaborate on ways to develop minority businesses of size  
Fourth, they must use emerging domestic markets as growth engines  
Fifth, they must globalize minority businesses  
Sixth, they must embrace innovative strategies for financing the growth of minority businesses.

The minority business development study group report, *Everyone’s Business: Building Minority Businesses to Scale*, cited three impediments to scaling up: “Network failures - ...much of everyday business is conducted on the basis of pre-formed relationships – with vendors, banks, accountants, lawyers. For minority entrepreneurs from disenfranchised communities, accessing these networks can be a major challenge. Less advantageous market sectors ...A growing body of research has revealed common tendencies of minority business owners that appear to be inhibiting their growth. First and foremost is the nature of the industries that minorities choose. Risk aversion – minority business owners generally have been found to have more conservative management philosophies. If we want to help build more minority-owned businesses to scale, we must help fuel their growth by working with them to embrace and secure forms of high-risk capital. This accounts for why we’re not seeing more minority-owned companies break into the ranks of large, established businesses.”(fn)
An example of one that is making the leap:

In 2009, the Urban League of Philadelphia presented PRWT Services, Inc. with its Spirit of Innovation Award, recognizing the company as a minority-owned business that over the last 20 years has strategically put down roots and planted itself as a major business in the country. PRWT Services, Inc. is a national, diversified enterprise operating in pharmaceutical manufacturing and distribution, facilities management and maintenance businesses headquartered in the Greater Philadelphia Region. Founded in 1988, PRWT is certified minority business enterprise with the National Minority Supplier Development Council. It has been ranked in the Top 100 Minority-Owned Businesses in America by Black Enterprise magazine for the past eight years and earning the publication’s endorsement as Company of the Year in 2009. This after the company, through its wholly-owned subsidiary Cherokee Pharmaceuticals acquired a manufacturing facility from Merck & Co. With the creation of Cherokee and the acquisition, PRWT became the first minority-owned manufacturer of Active Pharmaceutical Ingredients (API’s) in the United States.

According to Harold T. Epps, president & CEO, “PRWT is ok with being the first minority-owned company to grow to this level of scale in the Greater Philadelphia Region but we don’t want to be the only one to get there.”

What about businesses which are not ready yet?

The Philadelphia market has a critical need for spurring the growth of its minority businesses. Recent studies conducted by Urban League of Philadelphia (State of Black Philadelphia, 2007) and the Economy League of Greater Philadelphia (Everyone’s Business: Building Minority Businesses to Scale), paints a picture of the significant and growing disparities among Philadelphia’s communities. While the nature of the disparities is far-reaching, many of the symptoms are inter-related, and economic issues seem to be the common thread among these disparities. Clearly, history has proven that securing a solid community of small businesses leads to economic prosperity, and fostering entrepreneurship leads to individual wealth creation and new employment opportunities. The Urban League of Philadelphia is focused on ensuring economic advancement and the general quality of life for African Americans, being able to support Philadelphia’s entrepreneurial community is critical to allowing the organization to be able to fulfill its mission.

By opening an entrepreneurship center in Philadelphia, the Urban League of Philadelphia hopes to facilitate the path for minority businesses and contribute to the economic growth of the region. According to the US Census 2002 Survey of Business Owners, Philadelphia’s Black businesses take in annual receipts of $83,000, compared to $139,000 for Hispanic businesses and $256,000 for Asian businesses. The State of Black Philadelphia reports that the rate of Black business ownership is 50% that of Whites. Furthermore, Everyone’s Business: Building Minority Businesses to Scale reports that “in a comparison of eight other regions, Philadelphia’s minority-owned firms [all minorities] have the smallest average employment size (36 total employees). Only five Philadelphia minority-owned firms have more than 50 employees, and just one has more than 200 employees.” Philadelphia’s businesses also report lower net profits per employee, and as a result they have a harder time growing to scale.

The Urban League of Philadelphia’s Entrepreneurship Center (ULEC) will focus on helping African-American owned businesses grow to scale so that they can have greater market presence, increase revenues and create additional jobs for the region. Through this program we consult, coach and encourage businesses owners to expand their thinking, knowledge and experience. We provide
technical assistance, networking opportunities and linkages to financial, management and legal resources for these emerging businesses. We also assist businesses to reorganize and restructure to achieve efficient, effective and productive delivery of their product or service to its customer base and their new markets. All of these services are offered through both training in group sessions as well as one-on-one consulting.

How does a community based organization execute small business programming?

**Target market**

The Urban League of Philadelphia primarily focuses on African-American businesses that gross revenues between $50,000 - $500,000 dollars annually. We offer a tiered level of services based on a company size, years of experience and gross revenues. This allows us to better match these businesses with a consultant best qualified to address their needs. The companies have a local presence in the Philadelphia metropolitan area, which includes the City of Philadelphia and its surrounding counties of Bucks, Chester, Delaware & Montgomery, as well as businesses operating in Camden County (NJ) and New Castle County (DE).

Our secondary market focuses on businesses that have gross revenues of more than $500,000 dollars annually. Again, we provide services in a tiered format to ensure that companies of similar experience and size are grouped together in workshops.

Lastly, we focus on aspiring African-Americans entrepreneurs to create a linkage between them and industry opportunities through training. We encourage entrepreneurs to pursue opportunities in growth markets and emerging industries where traditionally there is a lack of African-American presence.

**Intake process**

Our service delivery begins when the potential client either calls or walks through our office doors for information. Potential clients are interviewed to allow us to see what type of business support is needed. Once the intake process is finished, we pair the client to a business coach to conduct the assessment process. After that, a client who decides to utilize our services is able to participate in an array of opportunities to help grow their business, including, but not limited to one-on-one consultations to information sessions and workshops on topics ranging from using social media to market their business to properly managing the business’ books to avoid a financial misstep in the future. The ULEC provides individual sessions and conduct group sessions and workshops around specific business topics. Lastly, the consultant develops an action plan with the entrepreneur or business owner to begin implementation and place them on the path to power.

**Assessment Tools/ Progress tracking**

As a part of the intake process we utilize a web-based self assessment tool that allows for client tracking and management to track the evolution of businesses as they move along the mentoring and coaching continuum. The system is used for maintaining client data, reporting, monitoring trends and tracking workflow.

**Coaches/Consultants**
The Urban League has developed a pool of coaches and consultants who are matched with clients based on their expertise and the client’s needs as outlined during the intake process. Coaches primarily provide advice and counsel to clients, while consultants hold them accountable for results to improve their business. Consultants must have a minimum of three years of business consulting experience in a specialty field:

- Accounting
- Advertising/Copywriting
- Business Plan Preparation
- Cash Flow Management
- Environmental Issues
- Exporting
- Financial Management
- Government Procurement
- Government Regulations
- Graphic Design
- Insurance
- Intellectual Property
- International Trade
- Legal Issues
- Loan Packages
- Marketing
- Market Research
- Personnel Management
- Product Development
- Sales
- Technology Commercialization

**Networking**

As many of us well know, the old adage, “It’s not what you know, but who you know,” is especially true when it comes to starting and maintaining a business. Networking and building relationships are key components to a small businesses growth strategy. Through the Urban League Entrepreneurship Center model, relationships are forged when minority business owners meet together at many of the workshops and information sessions presented by business experts. Understanding that business owners often don’t have regular 9 to 5 jobs, the ULEC makes sure that their events are held at various points of the day to allow business owners to effectively run their companies and obtain useful information when their time permits. The events average 40 to 50, allowing business owners to not just learn more about properly running a business, but expanding their network and getting information about their skills and services out to a wider audience. One recent success has been the “Thursday Brown Bag Lunch” series, where business owners bring their lunch to our office and hear from subject-matter experts on a range of areas. This series runs just 50 minutes, allowing business owners to step away from work for just a short while and providing ample food for thought on how they can be the best business owners they can be. Recent topics have included:

- Prospecting Techniques for Small Businesses
- Generating Leads Through Technology
- Maintaining Customer Loyalty
- Women in Charge: Leadership, Vision and Growth
- The Talent Pool is Full-Hiring the Right Employees
- Five People You Need to Meet to Help Grow Your Business
- Becoming a Dynamic Salesperson
Strategic relationships

Strategic partnerships are extremely important to our ability to serve all segments of the community through entrepreneurship. We realize that this venture and our service delivery will not be based on being all things to all businesses. So, it is vital to identify organizations with similar objectives and goals to meet the economic needs of the African-American entrepreneur through business support and education.

This relationship with other agencies and with the local business community is a key component to the Urban League of Philadelphia having a strong support network for the entrepreneurs and businesses that we serve. The strategic partner must have a proven track record in providing quality technical assistance and education to small business in the African American community. An example of a strategic business relationship is the one the Urban League has with the Greater Philadelphia Chamber of Commerce, which launched its CEO Access Network in 2009. The CEO Access Network, a mentor protégé program that pairs business leaders with operators of smaller minority-owned companies, is an initiative with an agenda to bring greater diversity to chamber operations and help minority-owned businesses grow. The program included 11 pairings in first year and is expected to expand to 20 in its second year. Likewise, the City of Philadelphia, through its Office of Economic Opportunity, which now resides in the Commerce Department, a strategic move by the Mayor, has set a goal to increase its M/W/DSBE participation from 17.8% in FY2008 to 25% by the end of FY2011. According to OEO’s strategic plan, “the universe of economic opportunities being considered need no longer be limited solely to “City Contracts,...the Administration can take a more comprehensive approach to both entrepreneurship and employment opportunities and broaden the discussion of diversity and inclusion to a regional and even global stage.” (fn)

HOW ARE WE DOING?

After just one year, our ULEC has provided services to more than 100 small businesses utilizing this model. Salon Tenshi, a full-service hair salon, came to the Urban League in January 2009 shortly after the salon’s grand opening. With just two employees and revenue of $120,000, Salon Tenshi’s owners were assigned a consultant who assisted them with a business growth strategy. The owners were also paired with a consultant to help strengthen their strategic planning and operations. In just one year Salon Tenshi’s revenues grew to exceed $200,000. The salon also expanded to seven employees and introduced a new make-up product line.

Another ULEC client, Natural Pest Control, experienced significant growth since becoming engaged with the Urban League. The founder and president had been running his pest control business for more than 30 years with revenues at $500,000 and eight employees. While he had managed to sustain his business with small projects here and there, the owner was unable to really land the major commercial deals that bring in greater revenue and visibility for additional contracts. It wasn’t a matter of knowledge in this case; it was clear the business owner needed a marketing strategy. His ULEC consultant advised that he take advantage of several training workshops, including the EZ200 series co-sponsored with the SBA. His consultants, a financial management, operations, strategy planning experts all worked closely to help him align his business practices with sales, technology and procurement opportunities. Today, Natural Pest Control is looking to hire four additional technicians and support services representatives thanks to a multi-million contract what will tremendously increase the
company’s revenue. An added bonus is that the owner intends to use the Urban League of Philadelphia’s Career Center to hire additional staff, clearly understanding his role in our circle of connecting people to opportunities.

In both of these cases, the owners have used their success to empower others. They can look right here in Philadelphia at PRWT Services, Inc., which grew from a start-up in 1988 to a company bringing in $167,000,000 in just 20 years later and employing 1,500 people. (Black Enterprise May 2009). There’s a PRWT Services, Inc. out there in every community. A small business yearning to get access to capital and people, ready to demonstrate its ability to provide quality services and eager to pay it forward and bring others along.

While these minority-owned businesses, like Salon Tenshi and Natural Pest Control, are not yet on the same scale as PRWT Services, Inc., they know they can help make a difference and bring resources to their communities. Some people want to own a business to power trip on others, but minority-owned businesses, whether major players in the game like PRWT Services, Inc., or emerging leaders like Salon Tenshi and Natural Pest Control, want what we all want and need to see happen – small business growth and the creation of jobs for all.

References

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