



Venture Capital and Job Strategies for Black Community

A Report on a Policy Forum



Rainbow Research Inc.



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INTRODUCTION

The political realities of the 1980s have made it clear that low-income minority communities can no longer rely on government sponsorship of, and public subsidies for, programs to meet their growing social and economic needs. Approaches to community problem-solving have shifted from a welfare state to a more entrepreneurial strategy.

This new context must be better understood in order to take full advantage of the shift in emphasis. Blacks and other minorities must be involved in the ongoing discussions, and bring to the debates their unique insights about the needs and opportunities of their communities. Consequently, low-income and minority community leadership can empower their own communities for problem solving if the tools for policy analysis are provided. This ideological shift from a public to an entrepreneurial effort in the 80s sparked debate among Blacks on the best strategies to gain economic parity. The debate surfaced a rich diversity of opinions among Blacks regarding solutions to the problems of the growing underclass.

The debate centered on two broad strategies, one political and the other economic. Since neither strategy can stand without the other, attempts to solve Black economic problems have been mired in discussions of priority and emphasis rather than appropriate policy and action.

When the strategies are examined more closely, the discussions on political strategies seem like *deja vu* — an echo of the long, tedious and successful struggle for basic civil and human rights for Black people. These efforts led to improvements in educational, housing, and employment opportunities, along with access to public accommodations and adoption of voting rights laws.

This remarkable and highly visible Black progress has not yet been achieved in the economic domain. Blacks lag significantly behind whites in every economic category: they are unemployed twice as often as whites, earn income 60% of whites; in addition, they occupy the worst housing, are more often the victims of crimes, attend the least adequate schools, and are disproportionately recipients of public

assistance (i.e., welfare). Solutions to these problems now rest more with the Black community and less with government.

A permanent underclass, largely Black and Hispanic, is developing, characterized by high rates of unemployment, underemployment, female-headed families, teenage pregnancies, crime, and faced with inadequate housing, and inadequate education, training, and economic resources. Women and children are disproportionately represented in the underclass. Current census data show that “13.8 million or about 22% of Americans under [age] 18 live in poverty, up from 14.3% in 1969–1970. Forty-eight percent of all Black children live in poverty, up from 39.6% in 1969.”¹ (In 1983 the Federal government defined the poverty level for a family of four as an annual income of \$10,650.) Black children represent 32% of all poor children, yet they make-up only 15% of all children. Among teenagers, unemployment rates are 21% for Hispanics and 41% for Blacks. Current unemployment among Blacks is worse now that it was in 1980.

Black female-headed families have increased from approximately 25% in 1967 to approximately 45% in 1983. Research conducted by Aponte, Neckerman and Wilson suggests that the extraordinary rise in Black male joblessness is the most important factor in the rise of Black female-headed families.² Any plan to address the problems of teenage pregnancy and Black female-headed families must therefore also address increased employment opportunities for Black males.

¹ “New Class of Poor Youth is Development in the U.S.,” in *Minneapolis Star and Tribune*, Sunday, October 27, 1985, p. 23A.

² Robert Aponte, Kathryn M. Neckerman, William Julius Wilson, “Race, Family Structure and Social Policy,” Working Paper 7, *Race and Social Policy Project on the Federal Social Role*, 1985, National Conference on Social Welfare.

WINGSPREAD FORUM

In order to better focus the debate about economic conditions in the Black community the Humphrey Institute's "Fairness and Social Justice Project" sponsored a forum on "Venture Capital and Job Development Strategies for the Black Community" at the Wingspread Conference Center in Racine, Wisconsin on May 3-5, 1987. Forty-seven persons attended the forum. Participants were a diverse group of national and local representatives from business and industry, academia, churches, communities, public agencies, and foundations. The participant's areas of expertise were in finance and venture capital, neighborhood and community development, economic development, religious and ethnic underpinnings of communities, and the tools of public policy analysis.

The objective of the forum was to raise awareness about venture capital and job development strategies that could lead to increased entrepreneurial activities in (and for) the Black community. To achieve this objective, the forum was structured into plenary and workshop sessions designed to develop a consensus about what actions should be taken to improve economic enterprise and employment opportunities for Blacks.

The forum presentations and workshop discussions focused on four major areas: capital formation, new business development, promotion of public policies, and job development. This report presents a summary of workshop findings and recommendations, summarizes the plenary sessions' presentations and proposes a follow-up strategy.

SUMMARY OF WORKSHOP FINDINGS AND RECOMMENDATIONS

The workshop participants made specific recommendations for action to bring about greater economic development in the Black community. These recommendations addressed the four topical areas of capital formation, new business development, promotion of public policies, and job development.

A common theme recurring throughout these recommendations was the issue of communications. Participants stated that knowledge which can be obtained from community resources and programs to accomplish economic development should be disseminated by a continuous, thorough, and broad base (across interest groups) communications effort. A variety of communications structures are needed, including frequent meetings, telephone calls, correspondence, newsletters, seminars, conferences and workshops.

Capital formation

Participants made a general recommendation to begin a public relations campaign to educate the Black middle and upper classes about the “hows” and “whys” of capital formation, entrepreneurial efforts and business expansion. Some of the issues to be addressed in this campaign include the Black middle class aversion to risk; the low credibility and social esteem given to all but the more glamorous business efforts; and the propensity of the Black middle class to invest in goods and services that do not increase wealth. The latter phenomenon was referred to as the “social Hercules syndrome.” Successful Black business owners should be approached about providing capital investment support for beginning and expanding Black businesses.

Methods to improve the development of capital formation in the community include:

- ***Five Percent Plans:*** Black companies would make 5% of their net earnings available for investment in the Black community.
- ***Community Cooperatives:*** Individuals, organizations or both would pool resources to provide the needed dollars for specific business enterprise efforts.

- ***Public and Private Partnerships:*** Public monies in conjunction with private investment dollars would be used to provide for comprehensive economic and social development. A segment of this effort would include private Black capital for investment in Black businesses.
- ***Organization Ownerships:*** Organization, through their memberships, could acquire franchises that can serve as “cash cows” to facilitate additional business investment in the community.

Black communities should be looked upon as a base to which Black entrepreneurship can go for investment. However, in order to foster such an entrepreneurial relationship a concerted effort must be made to better understand the demographics of this resource base. What are the total financial resources that exist in the community? How are they structured? What has been the investment history of the community, and does it need to change? What criteria will satisfy the financial/investment concerns of potential investors in the community?

Sources of investment capital include Black churches, banks, investment clubs, social clubs, fraternal organizations and other non-profits. An aggressive communication effort can help enlist the participation of these sources and show them how their self-interest and that of the community can both benefit as a result.

Sources that might be developed, expanded, or energized to stimulate capital formation and to increase Black wealth in the community are the following:

- ***Churches.*** Since the Civil War Black churches have been a significant social dynamic in the community. Their positive effects through social action have enabled the Black family, the Black community and culture, and the Black individual to survive and succeed. The unique features that enabled churches to touch and hold together all segments of the community provide the lattice for an entrepreneurial foundation and structure. Black churches have a potential for reaching those who are open to entrepreneurial effort and those who can be “converted” to this underutilized approach to individual and community wealth.

These investments can reach the masses and they are significant sources of capital, either through the churches themselves or through their congregations. There are a minimum of 40 identifiable congregations in the continental United States with net cash assets of two billion dollars or greater. Many have congregations that number in the thousands and are active in business enterprises. Their entrepreneurial crusades, ownership of rental property, daycare centers, and private schools. These

efforts appear to be disparate without a networking pattern that permits efficient use of resources and sharing of information.

- **Trade Unions.** Many trade unions have significant Black membership, and efforts can be made through the membership and the executive group of national and local unions. American Federation of State, County and Municipal Employees (AFSCME), National Education Association (NEA), United Auto Workers (UAW), and the Hotel Employment and Restaurant Employee International (HEREI) are examples of such unions.

Trade unions have supported development efforts in the majority community for many years with major capital investment through their pension funds. Some may also use their credit unions or fund projects with capital that does not come from credit unions or pension funds. The effort to release this money to organizations and to individuals in the community requires a concerted, persistent, and strenuous level of political activity that has not been forthcoming to date from Black politicians, civil rights organizations, churches, and majority friends of the Black community.

Any support for new businesses will be the result of investment history and the type of project. Each union must be investigated in terms of its potential investment contributions to Black business development.

Additional sources could include:

- **Investment clubs:** These vehicles have become increasingly popular among Black professionals with the discretionary income to seek substantial capital growth.
- **Higher earners:** Business owners, doctors, dentists, lawyers, athletes, and entertainers are the leading income earners in the community. Athletes and entertainers present a special challenge because of the investment biases built into their relationships with predominantly White agent/managers.
- **Black companies:** Successful Black companies can take a leadership position in supporting entrepreneurial efforts. In any community, this support can be an individual company effort or a cooperative venture in terms of networking, funding and providing available expertise.

- ***Nonprofit organizations:*** These organizations, community agencies, professional associations, social and advocacy groups, need to enter the ownership arena to reduce the funding cycle dependency, increase the wealth and create employment. Some already represent excellent examples of successful ownership, licensing and subcontracting enterprises. However, Black non-profits in particular must become more assertive in developing equity and ownership positions.

Business enterprises

Although its role in the community before and after the Civil War has been largely forgotten, Black entrepreneurship is not a novel concept. The Black community's risk aversion to entrepreneurship and investment in the community must be addressed. Increasing Black business ownership requires a support base (marketing, production, financing, planning and human resources) that addresses the numerous stresses and potential obstacles to be confronted. Given these factors, the following were recommended to increase business starts:

Business Development Center (BDC): This one-stop-shop located in the Black community would serve many functions to meet the multidimensional need horizon. These functions would be:

- Expertise in the areas of marketing, finance, distribution, production, and appropriate packaging of the commercial opportunity being presented to the lender. Both established and start-up businesses would be served.
- Train community leaders about the importance, role and impact that Black businesses can have in the community.
- Develop business-oriented programs for youth such as those sponsored by Junior Achievement, Chambers of Commerce, and Economic Education Associations.
- Offer education programs and disseminate (public) information about capital programs available from private, public and nonprofit sectors.
- Brokering and packaging business deals to facilitate use by those with funds or those seeking funds for investment.

Land Acquisition: Many Black urban communities are contiguous with major downtown areas where expansion activities are part of the immediate planning

horizon. Such communities provide prime opportunities for development. Other more rural Black communities face development opportunities provided by expanding urbanization. In either case, urban or suburban/rural, the opportunities to partake of the development pie and to ensure Black business development are extensive. Blacks should view themselves as participants, not spectators in such development.

Education: Implement an education program highlighting the positive aspects of investment that reach across community income levels, what is needed to begin and how those with needs can be matched with those resources.

National Conference on Black Economic Development: Convene a national conference where four urban areas could be selected to serve as pilot projects in which public and private partnerships would be developed for comprehensive economic and social development. The Board of Economists of Black Enterprise could provide advice on the overall design, including business development strategies.

Clearinghouse: A state or national clearinghouse could provide entrepreneurs and community organizations with information about economic development projects.

Community businesses can provide some small reduction in unemployment as well as economic base out of which other Black businesses can tap into the market for services. Also, community businesses can provide role models and leadership to fill in the vacuum that has resulted from suburban flight. Their efforts can be assisted by developing or taking advantage of the following:

- The economic advantages of locating in the community, labor force, lower acquisition costs and building and rental options.
- Urban redevelopment projects with commercial complexes, industrial parks, and malls that include ownership components for Black businesses.
- Creative strategies which attract mainstream businesses in Black communities through the use of various government financial incentives.
- Information about the working relationship between developers, chain retailers and franchises with specific developers must be disseminated.
- Identification and support of the ownership of businesses that meet basic needs of the Black community.

Identify black enterprise investment opportunities

The Black middle and upper classes must come of age and better understand and participate in those financial investment opportunities which support new and expanding Black businesses. The BDC and clearinghouse functions mentioned earlier are possible mechanisms for fostering greater involvement by these segments of the Black community. Through these they can identify successful or potentially successful Black businesses that can provide or need seed capital. Examples that other communities successfully replicate could result from these efforts.

Promotion of public policies

Black capital investment can lead to a reduction in Black unemployment. The “generation and regeneration” of capital are the keys; government policy “has not always been a good option.”³ Recent Federal funding reductions have “ripped the bottom from the support framework for Black youth.”⁴

Workshop participants recommended key public policy changes to reduce Black unemployment:

- Seeking changes to welfare regulations that act as an impediment to those individuals who seek self-employment.
- Establishing public-private partnerships that include more business as well as social development.
- Following the lead of Detroit’s Executive Order 22 which requires that not less than 50% of local government contracts be awarded to city residents, not less than 25% to minorities and at least 5% to women. Programs such as this require a sophisticated monitoring system to minimize corruption, but the benefits that accrue to the community include:
 - Increasing the amount and frequency of set-asides for Black entrepreneurs.
 - Enabling Black businesses to gain greater access to government contracts.

³ Quotes from Workshop participants.

⁴ *Ibid.*

- Initiating and building better relationships between Black businesses and decision-makers.
- Encouraging more networking through professional associations, chambers of commerce, business associations, and elected officials to instill in these organizations a better understanding of the problems and needs facing Black entrepreneurs.

JOB DEVELOPMENT

For many forum participants job development is, at least in part, a separate issue from business development and wealth creation. In fact, many suggested that job development requires public-private partnerships that extend beyond the scope of the conference topics. In addition, Professor William Bradford of the School of Business and Management at the University of Maryland, noted that current initiatives by Blacks in the business sector tend to have little impact on Black unemployment.

Creating an Employment Training and Placement Center (ETPC) was suggested as a possible job development strategy. This strategy has the following three interactive components:

- ***Community:*** The ETPC will serve members of the community. These individuals may receive funding from capital sources via the BDC.
- ***Self-Employment:*** Funds from capital sources would be used for small entrepreneurial efforts that would lead to self-employment. Such efforts would not provide significant employment for the community but would provide the individual entrepreneur with economic shelter.
- ***New Business:*** Funds from capital sources via the BDC can be used to fund new business that will employ community persons.

Community persons trained by the ETPC can provide the work force for new Black businesses and be available for the general job market.

Plenary Session I

William Bradford

In order to fully grasp the Black business sector's current status, it is necessary to have a perspective of how that sector has been changing over time. Timothy Bates used data from the 1960, 1970 and 1980 decennial Censuses to trace changes over that twenty-year period. The 1960 data showed a Black business with little promise of making a significant economic impact. The 1980 data show a similar pattern, but beneath the aggregate statistics two distinct groups emerge. The first, which includes traditional businesses such as personal services and retail trade, is comprised of owners with generally low education and earnings levels and shows signs of continuous decline. The second, an emerging group which included general contractors, wholesalers, business and professional services, finance, and to some extent, manufacturing, has owners who are generally younger and better educated who have a tendency toward higher earnings.

In addition, using Dun & Bradstreet data, Antonio Furiono found that these emerging Black firms were just as profitable, and sometimes more profitable than similar White firms, however, and business participation rates are still substantially lower for Blacks than for Whites.

Low business formation rates for Blacks are probably a major cause of this difference since the other major factor affecting business participation — business failure rates — is comparable between Blacks and other groups. Low business formation rates can result from one or more of the following:

1. lack of positive role models;
2. low social status of business ownership among Blacks;
3. lack of business knowledge;
4. limited seed capital;
5. business opportunity restrictions.

Capital

Although the above factors are all significant, capital is a critical ingredient for business formation and growth. Peter Bearse found that possession of financial assets was positively correlated with entrepreneurship. Lack of equity capital has long been a characteristic of Blacks, whose mean household net wealth was \$20,241

as of 1984, only 23.4% that of Whites. Federal business financing programs have aided business formation but simultaneously biased the debt/equity ratios toward higher debt, lower equity positions.

In the case of established minority businesses that have survived at least three years, Blacks have relied primarily on assistance from commercial banks. Compared to similar White firms, Black firms generally experience lower success rates, and need more personal collateral to secure loans. Thus, some of the low business formation rates among Blacks may still be related to differential treatment in decision making by financial institutions. In this way lower levels of equity capital, combined with harder-to-obtain debt capital may contribute significantly to the low business formation rate among Blacks.

Government Financing

President's Fiscal Year 1988 Budget, submitted to Congress in January, proposes increasing the use fees for Small Business Administration loans and phasing down the proportion of a loan which the government will guarantee. An increase in user fees will make financing more costly for Blacks and other business borrowers, and a reduction in the level of government guarantees will increase the interest rate and/or reduce banks' willingness to lend to small businesses, although they are not overwhelmingly negative in their impact.

A proposal receiving increased support in legislative committees is the Corporation for Small Business Investment (COSBI), a capital bank which would provide small business investment companies (SBICs) more dependable access and leverage with the capital markets. If an agency such as COSBI is created for SBICs in 1987, minority enterprise small business investment companies (MESBICs) could directly add \$1.5-\$2.5 billion to risk capital to the Black business sector over the next ten years. Indirectly, MESBICs could add even more due to their role as intermediaries for other financing sources.

Although the proportion federal procurement and small business procurement contracts awarded to Black firms under SBA's 8(a) program declined between 1981 and 1986, the 8(a) program will remain a significant source of revenue for the Black business sector. In addition, Black businesses are becoming more effective at competing directly with other firms for federal government contracts. Thus, the non-8(a) procurement areas hold some opportunities for appropriate Black businesses. In general, however, federal procurement dollars awarded to Black firms have declined relative to those of other minority firms and all federal procurement expenditures.

Although hard data on state and local government procurement is difficult to obtain, these represent potential growth areas for Black businesses, especially in large urban centers. The increased political influence of Blacks in some urban areas has led to a substantial increase in local procurement contracts awarded to Black firms.

Financial institutions

Over the last few years, mixed profits results have plagued the commercial banking industry. However, it has experience some favorable developments. Assets grew by 12% in 1986, and commercial banks gained more latitude to diversify geographically. Black commercial banks have also shared in this trend. In 1986, for the third straight year, although no new Black banks were opened, total assets of Black banks grew by 1.9%.

In addition, the Reagan Administration's decision not to shut down the SBA maintained the existing protection available to banks making small business loans and, thus, helped sustain their willingness to lend to small businesses. A higher proportion of Black banks' commercial loans are SBA-guaranteed than in the industry as a whole.

These favorable results do not overshadow the fact that Black banks continue to represent a very small segment of the commercial banking industry. Recent analyses by Dr. Bradford indicate that while commercial loans are not unprofitable investments for Black banks, the communities served by Black banks may not be conducive to much commercial lending relative to other types of Black bank investments.

Plenary Session II

Steven Balkin

A “bottom-up approach to job creation” targets people at the “bottom rung” of the employment ladder. This perspective is part of a more balanced, comprehensive approach that also includes macro-economic policy, industrial development policy, improved education and training programs, welfare reform strategies, and enhanced enforcement of laws relating to hiring practices. In addition, this job creation perspective does not focus on Black or any other specific communities, per se, but rather on low-income, less-educated people in general.

Research on ways to help ex-offenders enter the mainstream of our economy has revealed that many individuals who have been involved in criminal activity have personalities more commonly found in entrepreneurial settings than in “wage work” types of employment activity. Many have legal, marketable skills which could be channeled into legitimate business opportunities. In addition, strategies that provide successful self-employment opportunities for a groups as hard to work with as ex-offenders may also find successful replication among other hard-to-employ groups such as youths, the elderly, displaced homemakers and low-skill individuals.

Key elements to consider

In initiating activities designed to foster employment among any of these groups, it is important to consider a number of key elements. First, it is important to encourage a “can do” attitude where a “can’t do” attitude may have been present. Second, it is important to reduce failure rates among those who do undertake self-employment activities. Successful attempts to reduce failure rates include measures to

1. provide good market information;
2. provide step-by-step, early planning assistance rather than training;
3. link fledgling micro-businesses with related, supportive vested interests;
4. remove unnecessary government impediments.

In the Minneapolis–St. Paul area the Women’s Economic Development Corporation (WEDCO) has successfully implemented these strategies in addressing problems that can often lead to failure.

Finally, there is a need to encourage an early focus on acquiring “affinity capital.”

Sources of affinity capital

In the early stages of a micro-business, affinity capital — that which comes from personal savings, friends, relatives, associates, etc. — not only is easiest to obtain, but is also often a path toward leveraging capital from other sources, such as banks and venture capital pools. Some sources of affinity capital include:

- ***Marriage:*** Marriage, or other kinds of stable relationships, can provide an individual with an expanded family and financial support network from which to draw while undertaking an entrepreneurial activity.
- ***Increased personal savings:*** Increased savings can be achieved primarily by reducing living expenses related to housing, food, clothing, etc.
- ***Wills:*** Wills can be focused to encourage entrepreneurial activities among one's beneficiaries.
- ***Lottery and gambling monies:*** Such expenditures, if channeled creatively into development pools, could be a significant source of capital while still allowing for prize incentives among contributors.
- ***Churches:*** Churches could, in more instances, establish revolving capital development funds for members, or serve the role of broker for other loan monies or “angels” (wealthier, often external venture capitalists).
- ***Non-sectarian institutions:*** Fraternal and lodges often serve as a source of “mutual aid” for members and could focus on venture capital as a form of such aid.
- ***Community-based organizations:*** Such organizations can establish ventures, but they can also spin-off micro-business in a “franchising” sort of approach.
- ***Sole proprietorships:*** The future of sole proprietorships from retiring entrepreneurs with no natural successors could be an opportunity for financing new entrepreneurs.

Some sources of non-traditional capital

Some other sources which could be more helpful in fostering self-employment opportunities include:

- ***Incubators:*** Currently, incubator facilities do not serve marginal micro-enterprise very well, although the potential is there.
- ***Trade associations:*** Such associations could provide more mentoring and venture capital support, particularly if they strived to be more inclusive in their membership.
- ***Development banks:*** Commercial banks and other financial institutions could incorporate more “development banking” approaches to riskier enterprises through subsidiaries and other similar institutions.
- ***Suppliers and vendors:*** Suppliers and vendors have potential customers to gain by better targeting their investment into new enterprises such as micro-business.
- ***JTPA:*** The Job Training and Partnership Act has provided roughly \$3,000 per participant in training costs. Some of those funds might be more effective if allocated toward seed capital activities.
- ***Welfare payments:*** This type of public assistance could be better structured to encourage entrepreneurial activity among those receiving assistance. A Self-Employment Opportunity Act is being proposed as a way to encourage such opportunities among those collecting unemployment.
- ***Private foundations:*** These institutions can best serve the needs of the unemployed by funding creative demonstration initiatives which, if successful, may be carried on through other private or public mechanisms.

Plenary Session III

Cicero Wilson

The money and capital available through government programs pales in comparison to the vast pools of money available in the private sector. In order to better tap into some of these resources, the Black community will have to resolve a number of problems and fill a number of gaps. Before addressing these issues, however, it is important to understand the purpose of venture capital.

First, venture capital directs and controls development. For example, the prospect of a \$100 million deal will tend to attract others who want to do business. Even if the \$100 million in investment capital is really only \$2 million in cash-on-hand, its potential for leveraging the remaining capital from financial institutions will be attractive to other would-be investors.

Second, venture capital provides equity which fills in financial gaps and helps establish ownership. Equity can also be brought to the table in a variety of forms, including land, political strength and tax credits. For instance, a \$2.5 million historic school property renovation may carry with it \$1 million in tax credits. A Community Development Corporation can put this form of equity on the table because it has access to the tax credit.

Third, venture capital helps leverage debt from other sources, based on existing equity in any given development prospect.

“Money is out there chasing deals.” Some of the most lucrative commercial and housing developments are happening in urban communities in or very near Black neighborhoods. In addition, the new tax law has freed up a lot of capital — capital belonging to people with much money to invest and fewer loop-holes through which they can divert it. Unfortunately, the community development movement has moved so slowly that many of the targets of its work will be gone by the time those involved get their act together. The pace of development is simply moving too fast for them.

What’s missing in the black economic development framework?

Mechanisms aimed at promoting Black business development have remained essentially the same over the past two decades. These include tax incentives, loan programs, minority enterprise small business investment companies (MESBICs), entrepreneurial training programs, business assistance programs and housing and

commercial development grant programs. Money is still available through government programs offered by agencies such as the SBA. It is important to remember, however, that government sources of capital are “about the size of a dime compared to private capital which is about the size of a room.”

Friends, family and (business) associates (FFA) are a significant source of capital for small businesses. Currently there are proposals (one by Paul Pryde) to create tax write-offs for FFA types of financing in order to spur better utilization of this resource.

Although the Black consumer dollar has all too often been seen as a non-growth sector with limited or unreliable sources of investment capital, it represents too much money to simply ignore. More attention to capturing more Black consumer dollars could yield some surprising benefits to Black entrepreneurs.

Obstacles or opportunities? Three gaps in the framework

A major gap in the framework to foster more Black entrepreneurship is a lack of “vehicles” through which Black investment dollars can be effectively pooled. Those vehicles which do exist generally are not under the control of Black leadership. Unfortunately, this problem stems in part from a lack of “thematic consistency” with the Black community, where, too often, Black leaders and business people themselves have little or no faith in the prospect of finding entrepreneurs among their community’s young and poor. A community’s capacity for entrepreneurship is based much more on specific talents and expertise than on higher levels of education. Therefore, leaders and business people should focus on and nurture those talents among the young and poor that may lead to success in entrepreneurial activity — while not discouraging community efforts aimed at providing general educational opportunities.

Given the trends in social policy, government should not be considered a reliable source for prosperity in the Black community. Hence, a second major gap requiring attention is the investable assets that have developed within the Black middle class. Currently, there is too much chasing of the materialistic side of the American Dream and not enough Black middle class dollars invested in economic development, education (i.e., the United Negro College Fund), and other income-generating investments. In addition, there is a need for better financial management within the Black middle class community. The average Black family spends \$1,000 too much in taxes and roughly \$1,500 too much on food and other consumables.

A final gap in the Black economy that could be turned into a strong asset is the local Black church. Churches can provide confidence and support for local investment opportunities and offer other assets such as an assemblage of land, and talented people in a context of integrity. Unfortunately, the local Black church is often not used to its potential. For example, in one Black church with 600 middle income families the average weekly collection for the entire congregation yielded only \$176. While this may be an extreme example, it does point to a need to better examine and utilize the community development potential which may lay untapped among many Black churches.

Plenary Session IV — Part I

Reverend David L. Gray

It is important to note the influence of churches in their surrounding communities, as well as the values and riches found in the people of the inner-city — especially those individuals whose talents and contributions are currently underutilized.

Elements of a Kansas City success story

Starting with a basic goal to create positive community images where negative ones existed, Reverend Gray and his congregation focused early efforts in the Kansas City community on acquiring and renovating a run-down building for use as a food distribution center for the local hungry. Out of this initial, successful effort, they gathered needed momentum which eventually resulted in the following successful projects:

- Building a prayer house along a very visible, but deteriorating neighborhood street. Although this building was burned to the ground by local vandals, they asserted their perseverance by rebuilding the prayer house at the same location.
- Building a print shop in the same neighborhood area. At this facility, local residents have been able to learn printing and other related skills.
- Buying a service station and beginning a training program for young people on how to run such a small business. Gray emphasized here that if one can demonstrate a positive community image and positive role models, others will eventually try to replicate it.
- Buying a theater downtown. In this facility, Gray and his colleagues established a school of drama, held local musical productions, showed films, etc.
- Establishing a bookstore. Gray and his church have produced a variety of publications over the years; therefore it seemed natural to undertake such a small business in the local community.
- Buying a school building and establishing a school for pre-school through twelfth grade. Most teachers have their masters degrees and are making a personal and financial sacrifice to demonstrate that if they can give their best to the school and community, parents and students can as well.

- Acquiring a new school building to accommodate the expanding enrollment. Gray and his colleagues had to persist through roughly eight years of bureaucratic and political red-tape before a local resident became chairman of the school board and agreed to sell them a run-down building. Currently they are renovating it step-by-step.
- Operating a local television station and a newspaper with a national circulation of 40,000.

Although there is some controversy regarding whether a church should pursue such an active economic mission in the community, it is important for the church to be a force for positive change.

Financing the projects

Throughout all of these projects, only one outside grant for \$6,000 has been received by the church. The rest of the financial resources used to generate these economic development projects came from Gray's congregation. One 76-year-old retired schoolteacher recently donated \$10,000 of her hard-earned savings to help get a specific project off the ground. Through personal sacrifice on these projects, members of the congregation have developed a deeper love for one another.

Final observations

It is important to create a positive image in the community and establish role models for the young. People in the community must learn to share and capitalize on what they have if they hope to spawn growth and improved quality of life within the community.

Plenary Session IV — Part II

Beverly Harper

Beverly Harper started Portfolio Associates in 1969. Her company provides assistance to identify and solve communications skills problems relating to advertising, public relations, graphic design, audio/visual applications, focus groups and training. For example, from 1972 to 1976, the organization started and developed a Black film festival in Philadelphia. Since the early 1970's, they have specialized in promoting public participation in transportation planning, working with architects and engineers to promote, manage and develop materials which encourage residents to become more involved in such planning processes. In 1976 they developed a mobile Black history exhibit and book — just a small piece of the thousands of pages of published materials they have designed and produced over the years.

The 8(a) program

Since 1977, the Small Business Administration's 8 (a) Program has allowed Portfolio Associates to stabilize salaries to meet its various obligations in a consistent manner. Many businesses exist solely on government contracting work. Under programs such as the 8(a) Program, Harper believes that Black businesses can do so as well. Working with such contracting does require effective financial planning, and "creative debt management" is especially important to managing cash flow and financing a range of projects. Large contract payments can be placed in a certificate of deposit which can in turn be used as collateral for a line of credit.

The "Brain Trust"

In 1981, Harper and some of her Philadelphia colleagues decided to establish a minority business action group to conduct research and push for legislation aimed at improving the climate for Black businesses in the city. Their "Brain Trust" conducted research about how the City of Philadelphia handled its contracting work; how much city contracting actually took place; and what other cities such as Atlanta, Los Angeles, and Washington DC were doing in this area. They concluded that Philadelphia's contracting system was lacking in a number of areas and decided to push for legislation.

One piece of legislation they supported singled out women as a group to whom more priority should be given in minority contracting. Their proposal included a

“sunset provision,” a grievance procedure and legislative findings. Toward this proposal’s passage and other similar ends, the group set-up a 501(c)(6) organization which, which under Federal tax law allows them to lobby for legislation.

The Philadelphia City Council appeared totally ignorant about the opportunities available to Black lawyers and investment bankers through the city’s bond issues. In spite of such a lack of knowledge, the group was able to appeal to the council members on a “political turf” level and win unanimous support for their proposal (even to the point where the Council overturned a veto by the mayor).

Harper made a number of observations which come directly out of the local lobbying efforts. It is not enough to simply pass legislation on a political level, however. On the administrative side of the contracting business, it is the staff people below the political appointment level who have the most control over contracting. It is these individuals who all too often draw-up specifications which result in the effective exclusion of minority contractors. The day-to-day administration of contracts much be monitored to assure that it addresses the intent of the legislation in very real terms.

It is important to remember that minority businesses vary in types and kinds. Black architects and engineers, for example, experience difficulty in meeting insurance premiums and professional liability, both of which are required for participation in public works projects. Many Black construction companies cannot get the level of bonding they need to undertake major public construction projects. And, many Black suppliers of goods and services need more capital for bid bonds and performance bonds needed in city contracting activities.

Minority development issues are not on the agenda of major, national social service agencies — or on the agendas of most Black politicians, for that matter. Too often the progress of such disadvantaged sectors as the Black business sector suffer from information overload among academics and researchers, who are apt to be too cautious and conservative in the policies and approaches they put forth.

Follow-up strategy

The purpose of this forum was to raise awareness about venture capital and job development strategies for the Black community that may lead to increased enterprise activities. In this regard the forum’s mission was accomplished. However, the participants of this forum came to Wingspread with an already high level of awareness. This awareness came from their many years of experience in conducting effective economic enterprise activities in Black communities. Thence, our second

objective at this forum was to move on to the next stage: taking the awareness present at the forum and sharing it with others in ways that may lead to effective action.

The following actions have been taken or are being contemplated to achieve the next stage:

- Prepare and distribute a summary report to all participants and a select number of non-participants. Make additional copies of the report available for broader distribution.
- Planning is underway to test business development strategies discussed in the forum in the context of capital formation and community economic development initiatives in Minneapolis and Chicago. One strategy to be studied is the role of the church, especially the Black church, as economic developer and supporter of economic development activity.
- A one to two forum on the church and economic development activity in the Black community is being planned for later Winter or early Spring 1988 at the Humphrey Institute. The Reverend David L. Gray of Pleasant Green Baptist Church, Kansas City, Kansas, Cicero Wilson, Urban Strategies, Inc. and Reverend Wayne Gordon of Lawndale Community Church, Chicago, will be invited to present at this forum.
- Funding proposals are being developed by the Humphrey Institute to provide support for testing, evaluation and monitoring of certain capital formation and business development strategies discussed at the forum. In addition, funding is being sought to develop a national communications network for gathering and disseminating information about Black economic development activity.

We recognize that few of the recommendations contained in this report are novel, and that many are already being implemented in one form or another in different communities. What is different about what we propose is that it is a more concerted and focused initiative, undertaken in a spirit of cooperativeness. In addition, we are promoting improved transfer of information from those who have it to those who want it and need it, along with a strategy for using the information.

APPENDIX

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Our mission is to help increase the effectiveness and impact of socially concerned organizations in responding to social problems. We work in support of organizations and communities to help them achieve their goals.

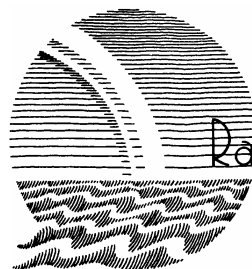
Your organization and community can experience these results from participation in Rainbow Research activities – tailored studies, workshops, and partnerships – and use of our tools and publications.

We can help you to:

- Improve your understanding** of key program elements that contribute to program effectiveness.
- Improve program impact** through integrating principles of program effectiveness into day-to-day operations.
- Improve management** of resources to achieve program purposes.
- Improve the fit** between your organization's activities and your community's needs and opportunities.
- Improve commitment** of staff and Board to your organization's mission.
- Improve communication** between your organization and its various stakeholders and publics.
- Improve linkages** between your organization and other like-minded organizations.
- Improve access** to tools and support services that strengthen program performance.

Related Rainbow Research Publications:

- **Promoting Job Opportunities: Towards a Better Future for Low-Income Children and Families;** by Tom Dewar and David Scheie; *98 pages plus appendices (1995); #160 – Free*
- **Promoting Job Opportunities: Strategies for Community-Based Organizations;** by David Scheie; *6 pages (1997); #907A – \$5.00*
- **Guidelines for Community Economic Development Organizations;** by Rainbow Research, Inc.; *ii plus 19 pages (1990); #108A – \$10.00*
- **Self-Assessment Tool for Community Economic Development Organizations;** by Rainbow Research, Inc.; *iv plus 31 pages plus attachments (1990); #108B – \$15.00*
- **Better Together: Religious Institutions as Partners in Community-Based Development;** by D. Scheie, J. Markham, T. Williams, J. Sletton, S. Ramirez, S. Mayer; *80 pages (1994); #134 – \$8.00*
- **Religious Institutions as Partners in Community-Based Development;** D. Scheie, J. Markham, T. Williams, J. Sletton, S. Ramirez, S. Mayer; *v plus 81 pages plus appendix (1991); #125 – \$8.00*



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