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WEBINAR

# STATE OF BLACK BUSINESSES: RESILIENCE IN THE FACE OF A PANDEMIC

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PARTICIPANTS:

**Opening Remarks:**

ANDRE M. PERRY
Senior Fellow
Brookings Metro

**Panel:**

MODERATOR: DION RABOUIN
Reporter
The Wall Street Journal

SEGUN BABALOLA
City Administrator, Dellwood, Missouri
President, St. Louis African Chamber of Commerce

TYNESIA BOYEA-ROBINSON
President and Chief Executive Officer
CapEq Impact Investing

LAUREN GRATTAN
Co-Founder and Chief Community Officer
Mission Driven Finance

ERIN KILMER-NEEL
Executive Director and Chief Impact Officer
Beneficial State Foundation.

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PROCEEDINGS

MR. PERRY: Welcome to the "State of Black Businesses: Resilience in the Face of a Pandemic." And Happy Black History Month. I'm Andre Perry, senior fellow at Brookings Metro where I lead the Valuing Black Assets Initiative, which aims to mobilize a new generation of leaders around an action-oriented agenda to embrace and invest in the assets critical to wealth creation and economic growth in Black communities. That's a mouthful but we do a lot.

And before we begin I just want to make clear that viewers can submit questions by emailing Events@Brookings.edu, that's Events@Brookings.edu or tweeting to @BrookingsMetro, using the hashtag BlackBusinesses, plural.

Now we know the current pandemic and its economic fallout put many small businesses at risk of closure, wiping out the gains made in many communities. To ensure the economic recovery directly benefits the Black community, the U.S. must make an explicit national commitment to grow Black businesses. Doing so would increase Black income and wealth, boost local hiring, and anchor neighborhood revitalization.

Today's program comes out of a grant agreement with the Black-led impact investing firm, CapEq, which asked Brookings Metro to develop an index of target goals for the nation to advance Black businesses. That project, initially named Black Business Development Goals, is modeled after the United Nation's collective commitment to sustainable development goals, SDGs. The pandemic has ushered in a greater urgency to create systemic change at scale. These goals will elevate attention to this shared priority and guide business owners, private investors, and government agencies on how to remove structural barriers while building capacity of Black-owned firms across the country through strategic investment.

Today I will show findings from the recently released Brookings Report stemming from that project, Black Owned Businesses in the U.S. in U.S. Cities, the Challenges, Solutions, and Opportuneness for Prosperity.

First I'd like to thank past and present V by team members Regina Seo, Anthony Barr, Carl Romer, and Kristin Broady. Without you this report could not be published. I would also to thank all the coms people and editors who helped put this together.

We analyzed data from the 2018 and 2020 annual business survey as well as other census data at the national and metropolitan level, comparing Black and non-Black employer businesses. After showing the main findings of those who report we will have an expert panel that will explore policy solutions that can build upon the recent rise of small Black-owned firms and make structural changes that will enable the economy to work for entrepreneurs of all races.

At this time I'm actually going to share my screen. Excuse me for the wait. And hopefully you can see a picture of a Black-owned company that celebrates its ties to Fayetteville, North Carolina.

You know, Springbreak Watches is a Black-owned designer watch company based in Fayetteville, North Carolina. The company boasts of its local roots on its website. Designed in North Carolina, HBCU made, proudly Black owned. Childhood friends, Kwame Molden and Maurice Davis created the brand which has recently entered partnerships with Macy's and Nordstrom. The name Springbreak highlights the importance of education, of which the founders' views were heavily inspired by the great abolitionist, Frederick Douglas.

"We're from Fayetteville, we went to A&T, North Carolina A&T, we're HBCU graduates," Molden told ABC News affiliate WSOC TV. He continued, "So I'm able to speak to my company very freely because it's really about who me and Maurice are."

And I wanted to open with that because it really captured why we should be investing in Black businesses. Remember, Black people were the ones that were traded, sold, financed. So ownership for Black people means something a little different, using the colloquial phrase "It hits different." That when we own businesses, when we own our homes, we are closer to become fully American because we were denied those big very basic rights. It gets to the core of self-determination, of autonomy. And so I want to present the findings of this report. I wanted just to make sure that we understood where we're coming from.

Some of the major findings. No metro area in the U.S. has a share of the Black-owned employer firms, firms with more than one employee, that matches or exceeds the Black population in an area. Black entrepreneurs have found a niche in the Southeast which features a higher number of Black residents, a lower cost of living, and a historical lineage of Black people supporting Black-owned businesses.

Among the 69 Metro areas for which the 2020 ABS report data, the highest proportion of Black-owned firms among employer businesses is in Fayetteville, North Carolina at 11.2 percent, or about 585 out of 5,200 firms. And that's followed closely by St. Louis and Washington, D.C.

Just to give you a sense of proportion here. Here we see the major racial categories, their percent of the population, and the percent of employer firms in each. We see that the White race is overrepresented in employer firms as well as Asians, the Asian population where you see that the Black population, while representing 14 percent of the U.S. population, only having 2.3 percent of employer firms.

This might be hard for those to see, but you can go to the report and actually see the listing. This is the Metro areas with the highest representation of Black employer businesses. And you can see in the various columns the ratio of Black business to percent Black populations. So I'm not going to recite them all but you can see this information in the report.

And also you'll just find the number of Black businesses in the report in terms of just absolute numbers. Not surprisingly the most Black businesses are in New York, Washington, D.C., and Atlanta, just looking at overall absolute numbers.

But what I love about this report, it gets to this point around equity and stimulus. We wanted to show what business development would look like if the share of businesses matched the population. I'll just give you an example. Again, Black people comprise approximately 14 percent of the population but only 2 percent of the nation's employer firms. If Black businesses were the equivalent of the Black population there would be more than 800,000 more businesses. Again, equity is stimulus.

If the number of Black businesses matched its population size and the revenue of each of those firms matched the non-Black firms' income, the total revenue of Black businesses would increase by $6 billion. And if the number of Black businesses matched the population size and the employers/employees per firm match non-Black businesses, then more than 19 million jobs would be created. This is the potential in investing in Black businesses.

And what I love about this report, if you are in an area in which the ABS reported this data you can go to your locale and see these same numbers. So here we see Birmingham, Alabama, you can go to my hometown of Pittsburg, you can go to New Orleans, and other places to really get a sense of where your Metropolitan area falls.

You know, and then I want to just talk a little bit about the unintended rise of Black businesses. As we know, Black business owners were disproportionately hurt by the pandemic because of the failures of the Paycheck Protection Program as well as the economic injury to the Vassar Loan Program, the Restaurant Revitalization Fund, the Shuttered Venue Operators Grant, really did not reach Black entrepreneurs for many different reasons we won't go into in this presentation. But they were structural failures the pandemic led to.

However, the pandemic led to a surge of new Black businesses driven largely by the impact of individual stimulus checks. Black and Asian American-owned firms were most likely to reduce their business operations in response to the pandemic, 67 percent Asian followed by Latino or Hispanic-owned firm, 63 percent, and White-owned firms the lowest there at 54 percent. In response to financial challenges Black business owners were the most likely to tap into their personal funds, 74 percent compared to Latino and

Hispanic owners of 65 percent.

Now this really points to the wealth divide. Brookings research has shown that based off of the latest Federal Reserve data that White families have eight times the amount of wealth as their Black counterparts. That's a direct result of historic discrimination throughout our time in the Americas.

And again, you can see the percentage of small business owners that reported experiencing finance challenging in a chart here, and there's several in the report in 2019 and 2020.

Systemic design failures. Again meant that Black businesses were likely to receive aid, we mentioned that earlier. And a large part of that is because many more Black Americas are unbanked. Here we see the percentage of adults that are fully banked, by race, in 2020, 88 percent White, 59 percent Black, 70 percent Hispanic, 89 percent Asian.

And then the pandemic led to a surge in new businesses, Black businesses driven largely by the impact of individual stimulus checks. A Brookings analysis found evidence of a surge in new online micro businesses which grew fastest among groups hit hardest by the pandemic. Black owners account for 26 percent of all new micro businesses, up from 15 percent before the pandemic. And our panel will certainly talk about this incidental growth. A Natural Bureau of Economic Research paper found a large uptick in new businesses in Black neighborhoods with a statistically significant correlation between upticks and new business registration. And so our report also hyperlinks those data.

I'm getting close to the closing, but I just wanted to quote my former colleague, Janet Yellen, who now heads the Treasury. She said at a recent MLK celebration that "From reconstruction to Jim Crowe to present day, our economy has never worked fairly for Black Americans, or really for any Americans of color." This stark recognition of the failure of the American government to really provide a fair distribution of goods really puts a highlight on the need for the Federal government to respond to that path of discrimination.

And in our report we cite a few things that we hope to see. We want the

Treasury to correct many of the problems, particularly with the PPP Program, before the next pandemic epidemic occurs, and we know there will be another shock to the economy. We also recommend expanding the Minority Business Development Agency, the MBDA, and its partnerships. We ask to commit to opportunities for Black-owned business in infrastructure spending, and we're already seeing a resistance from that at the state level. And largely because it was funneled to the states, and we know there's assorted history in distributing goods to Black cities.

We want to empower more Black people as public fund managers, the people who manage money. And we want to leverage philanthropy to support structural change. You know, I say this all the time as if it keeps my teeth white, but there's nothing wrong with Black businesses that ending racism can't solve. I typically say there's nothing wrong with Black people that ending racism can't solve.

And really this points to when things go wrong in Black communities, we blame Black people. We don't look at the structures that extract wealth and opportunity from Black people in communities.

And so with that I'm actually going to make a transition to my colleagues here. I'd like to introduce our distinguished moderator for today's event and the panel of esteemed experts that you will be hearing from.

Dion Rabouin is a Reporter at the Wall Street Journal, excuse me for the pronunciation. Dion is a multi-platform award-winning journalist who has interviewed sitting presidents from around the world as well as dozens of central bank governors and finance ministers. His work has appeared in financial publications, including CNBC, Routers, Yahoo Finance, and others. He actually interviewed me in an HBO series on reparation.

Tynesia Boyea-Robinson is the President and CEO of CapEq which I mentioned earlier, and exemplifies cross sector leadership. Ty's experience as an entrepreneur, Six Sigma Black Belt, and technologist, and I always trip up on the Six Sigma Black Belt, and technologist uniquely positioned her to catalyze a results-driven era of social change.

Lauren Grattan is the Co-Founder and Chief Community Officer of Mission Driven Finance. As Chief Community Officer she leads the design of community-driven strategies, providing a frame for both internal cultural and partnership relationships.

Erin Kilmer-Neel is the Executive Director and Chief Impact Officer of Beneficial State Foundation. There Erin oversees strategy and operations of Beneficial State for banking systems change.

And finally, Segun Babalola is a City Administrator of the City of Dellwood, Missouri, and President of the African Chamber of Commerce in St. Louis. Babalola is an economic development professional with expertise in community and real estate development.

It is my pleasure to not only thank our panelists for being with us here but to also welcome them to the Brookings stage. So thank you and welcome. Again, viewers can submit questions by emailing Events@Brookings.edu or Tweeting to BrookingsMetro, that's @BrookingsMetro, using the hashtag BlackBusinesses, and that is plural.

And with that over to you, Dion.

MR. RABOUIN: All right. All right. Thank you so much, Andre, for the introduction. I want to get into this panel a little bit differently than I think, you know, the typical say your name, where you're from, dah, dah, dah, dah. And I do want to go to each of our panelists and make sure they get a chance to say who they are and their perspective.

But I want to start with just asking each of you the same question. That question is: What is the state of Black business in your eyes. And I want to start with Segun because you obviously, you've got that on-the-ground prospective, also your name comes first alphabetically. So we're going to start, I'm going to kick it to you. But just talk about who you are and, you know, very quickly where you're from and the state of Black business from your perspective.

MR. BABALOLA: Thanks, Dion. I love the fact that I have that B in my last name so get to be first.  But, yes, just a quick introduction of who I am.

I am the President of the St. Louis African Chamber of Commerce and also the City Administrator for the City of Dellwood, Missouri, which was the epicenter of a lot of the civil unrest that happened after the Mike Brown unrest.

So I'm really, like you said, I am on ground and I actually see the effects of a lot of these policies on Black businesses here in the State of Missouri.  But also to what we do as the Chamber of Commerce is not only focus on just an ethnic group but also immigrant population which also makes up the Black population here in the City of St. Louis.  And really we focus on how can we help them be the best versions of themselves in terms of how can we help them achieve the goals that they are looking to get by starting their own businesses.  Even those who might just have an idea and want to start their own business.

And to your question about what is the state of Black businesses in St. Louis, I'll stay St. Louis where I am.  I will believe there's optimism and there's opportunity, right, that's where I'll start with.

As you can see with the numbers that this pandemic, yes, did affect proportionally a lot of Black businesses, but also to a lot of new businesses were started and they thrived during this time.  And I have some antidotal examples that I would like to give later on when it comes around to my turn again.

But what I've seen is that this was an opportunity for the rising star, the new entrepreneur to get a foot into the door and really, really prove themselves.  And this pandemic actually was a blessing in disguise for some businesses.

And I believe that going forward we are learning examples and learning from some of the things that have happened during this pandemic and say okay, this might be a working formula to actually helping Black businesses going forward.

MR. RABOUIN:  All right.  Thank you, Segun.  I want to go to Tynesia, you are up next.  You know, what is, in your mind, the state of Black businesses?

MS. BOYEA-ROBINSON:  I believe the state of Black businesses are in a resilient renaissance. And I can speak to that from my own personal experience. I'm the CEO and Founder of CapEq, we're an impact investing and advisory firm and we're celebrating our 10-year anniversary.

And our theme for this year is about being tenacious, it's about making sure that despite the obstacles, despite the narrative, we are still here. But we're not actually going to just take being here, we're actually going to build our own tables. We're building our own wealth, we're investing in each other.

You see that from the rise of things like 5th Century Partners with Jessica Patton and the over $100 million she raised to invest in organizations. Or Impact America Fund with Kesha Cash. You see that from Segun's example in businesses across the country. And I think what has occurred with the, you know, co-creation of all of this wealth for people who don't look like us is that we realize we're good enough, we're strong enough, and frankly we have the tools to actually fuel this growth.

MR. RABOUIN: Okay. I like that, I like that. That's good. Next I want to kick it to Lauren, I believe she's up next alphabetical.

Lauren, what is the state of Black business?

MS. GRATTAN: Thank you so much, Dion. And what a pleasure to follow Andre, Segun, and Ty. I am Co-Founder and Chief Community Officer of Mission Driven Finance, a San Diego based impact investment firm and certified B Corporation that exists to reimagine and reconnect capital and community.

And I believe that Black business is an opportunity. As Ty already said, I believe that we have opportunities to reimagine and we have untapped potential that can be unleashed if we can reimagine the systems that have been in place so far.

I think that by growing the whole pie, not just a slice of the pie, we really see opportunity for the entire economy. And we're here to help reimagine the systems that support the capital intermediaries that are in community led and representative of the full spectrum of our population.

MR. RABOUIN: All right. Thank you, Lauren. Now I want to kick it over to Erin. Erin, same question to you, what is the state of Black businesses?

MS. KILMER-NEEL: Yeah, I don't know if I have that much to add, but I'm at Beneficial State Foundation, which is the founding investor in Beneficial State Bank. So from a banking perspective I would say, oh I would say from a human perspective, from my experience on the ground, what I'm seeing is what everyone else is saying. I'm seeing creativity, excitement, energy, innovation, so much promise of creative businesses being created.

And then at the same time what we don't want is to finish that sentence with in spite of. Right? So we want to get rid of that in spite of, I think that's what banks need to do is to stop underinvesting and to make the playing field even so that all those rising stars can keep rising.

MR. RABOUIN: Okay. I appreciate that, Erin. You know, I want to say I love the optimism that I hear, but as Erin really pointed out, you know, things are not great. We're not seeing, from Andre's research that he started off with, Black folks starting businesses and owning businesses and running businesses at the same level even that we are in the population.

You know, I'm a Reporter at the Wall Street Journal and I'm interested in this topic because I'm interested in black people. And one of the things that we've seen, and again, I think this was in Ty's research, if Black folks own businesses, you know, when you own a business that net worth increase is significant. I believe your research, Ty, shows that Black entrepreneurs and business owners have a net worth that's 12 times the average Black family or Black individual.

If you could talk me a little bit through, I want to start with you, Ty, and anyone can feel free to jump in to this question afterwards if they've got something to add. But, you know, where we are right now after the pandemic. How is that different from where Black businesses were before the pandemic, and what are some of the things that we're seeing that make you optimistic and some of the things that you're seeing that make you a bit more pessimistic or things that, you know, where we really need to see more action taken that hasn't been.

MS. BOYEA-ROBINSON: Sure. The region that we worked on is actually follow on to the 80/40 that was released in 2018. That was called *The Tapestry of Black Businesses*. That if 15 percent of existing Black businesses could hire one employee, it would result in $55 billion to the economy.

Now according to the Brookings research that is the floor, not the ceiling. That's not parity, that's 15 percent. And if I think about where we were versus where we are, in 2018 when we really started to pull together the key performance indicators and really try to mobilize organizations across the country towards this 15/55 goal, we were in a position where we were trying to figure out how to get people convinced that Black business is back.

How do I get on the radar screen where people are even thinking about the state of Black businesses, particularly when you think about the leaders that people prefer to poll are education or housing. But even in the philanthropic community you see that. Investing in businesses seems like something that doesn't help people, it doesn't allow you to have kind of the paternalistic approach of grooming someone who's less than or inferior. And I'm sorry, Dion, but I'm going to tell it like it is if you don't mind me pulling punches here. I'm not pulling punches.

But post-George Floyd everybody wants to do something to help the Black people. And it doesn't matter what the area was. So I think post-George Floyd it actually has raised the profile in a way where people can't pretend that they don't see that the challenges that our country faces are borne on the backs of Black and Brown people, and that you cannot look in the face a data set that says wealth stats can be closed by 12 times, and not do something about it.

And so I think that's what makes me optimistic. I think what makes me pessimistic and what's challenging right now and what Path 15/55 is working to help is that there's a lot of activity but not a lot of coordination. There are a lot of folks who are just now waking up and realizing about the underinvesting in businesses across the country and starting their own little thing. And it's really important that we align our work together.

So when you think about 15/55, the three strategies are: Focusing on growing existing Black businesses. Since 98 percent of Black businesses are sole proprietorships and they on average have less revenue and less growth, are in lower margin industries, so we have to grow what we have. We also have to invest in the systems and the structural barriers that have prevented that growth, intentionally mind you, and reimagine the possibilities. Not look at Black businesses as deficits or charity cases, but look at them for the places of innovation that they often are.

And I think that the work that both Lauren and Erin doing in partnership with Path 15/55 and in addition to it, really does give me hope about what some of the structural changes can look like on the ground.

MR. RABOUIN: Yeah. And I do. That was a great way to end it because I actually want to kick it Lauren and Erin. And, Erin, I'd like to go to you first, but, Lauren, I want to make sure that you weigh in on this as well.

You know, what does that piece look like? Because you, I think both of are in this space because you see the distribution of wealth and you see the ability to get loans, to get funding, to get revenue. And you see the inequality there. And I think you both have stepped in and you're working with companies that are working to resolve that. But obviously, you know, neither you nor the CEO of JP Morgan Chase or the CEO of Citibank or, you know, these folks with, you know, hundreds of billions of dollars, right?

So talk to me a little bit about it, and, Erin, I want to start with you. The inequities that are in the system and what some of the things that you folks are doing to kind of make that more equal, but how those could be expanded so that we can get right to exactly what Ty's talking about and some of those issues.

MS. KILMER-NEEL: Yeah, thanks, Dion, appreciate the context there. I'm definitely not the CEO of Chase, I can tell you that right now.

So first of all our work is around the banking system actually, right? So that it may be obvious but I think it's worth saying there's a couple of main reasons why that is. The first is size, right? So for many of us who have been paying attention to who's investing, who's investing in underinvested communities, and looking at the CDFI industry right now. Our bank is a CDFI but it's also a bank.

And if you look at our economy and the assets in our economy, CDFIs make up less than 1 percent of that. So if we --

MR. RABOUIN: I know we have a very knowledgeable audience here --

MS. KILMER-NEEL: Yes.

MR. RABOUIN: -- but if you could just explain a little bit about CDFIs and the difference between banks.

MS. KILMER-NEEL: Absolutely. So CDFI stands for Certified Development Financial Institution. So that's the treasury certifies different kind of lenders to say we are certifying you because you are investing in underinvested communities. That could be by race, that could be by income. So those certified organizations can be either banks or non-banks. So there's been a lot of stimulus dollars going into CDFIs and that's great. And that is where innovation is happening, that's where truly people are investing in low income and communities of color. And it's 1 percent of the assets of the banking industry.

So what we need to do is take that innovation, do the destruction. I hate the word destruction but I'm going to use it. Dismantling the racism that is in our financial system, not just in those innovative bright spots but in our actual entire economy, which is trillions, right?

So what we need to do is change the banking system and not only because of its size but because the banking system, just like every other system, has been built on and from and still perpetuates racially inequitable structures. Right?

So Wall Street was a slave trading post, right? Enslaved peoples used as collateral by banks, right? Banks in the past decade, having plenty of examples of conscious and unconscious bias. So it is very deeply in the system. So our work is to change the actual banking system. And we have two different programs. And I don't know, Dion, if you want me to jump into both or how much time - -

MR. RABOUIN: I want you to jump all the way in there.

MS. KILMER-NEEL: I'm jumping all the way in. All right.

So we got two different programs that I think are really important to talk about in this context. The first is our Underwriting for Racial Justice Program. And that's how I know Ty because we've been working together on this program to bring together people across the country in a working group that includes banks, non-bank lenders, academics, civic leaders, a regulator or two, economic justice advocates, racial justice advocates, to say how are we going to look at the way banks currently do underwriting, which is the 5 Cs of Credit. And boom, boom, boom, you go down each one of those and you see where it's racially inequitable.

So expecting people to have collateral when we've been stealing and denying land, housing, housing prices, from people for 400 years from Black communities. Expecting people to have their own capital to bring to their table, just as Andre explained earlier, right? People are expected to not only take out that loan to build a business but also to have their own capital. Well if you've been denied income and capital your life and all of your ancestors' life, how are we expecting people to bring that to the table in an equitable manner, right?

So we're going down each of those elements of the credit memo, per se, and saying how do we undo that and do things differently so that when somebody, a Black entrepreneur, comes to a bank to apply for a loan they're on equal footing with anybody else.

So that's one thing that we're doing is looking at that together and saying how can we make those changes. And our outcomes under that are One, to do pilots at other banks and lenders across the country to try some of the innovative solutions that we're seeing participants that are already doing.

And then, Two, to advocate for changes, policy changes and other supports in the industry and in the system to change things. So policy changes. For example Federal banking policy says we gotta do fair lending, fair lending basically means treat everyone equally. We know that doesn't work. All right. So we need equitable lending, we need to argue for changes in our regulations and our laws so that banks can actually be comfortable and willing and able and not get dinged for actually providing some support, some economic redress to Black communities and Black entrepreneurs.

And then finally, capital. So how do we support banks in taking those risks, right? So if they are making those changes and they're saying we're doing things differently it's risky and our job is to protect the capital of our depositors. Well if we want them to take those risks we can use government capital, we can use philanthropic capital support and do a loan guarantee and then the banks can actually take their risks.

And I'll end with this. That those risks are not, we're taking a risk because we're giving a loan to a Black entrepreneur. It's not the Black entrepreneur that's the risk, it's the new process that's a risk. Right? And so we need to de-risk that process, let people see that this is actually going to do all that lifting up that we're talking about if we can change things around, remove those structures, try new structures, and then support it with a little bit of risk mitigation. I'll stop there.

MR. RABOUIN: Okay. I appreciate that. Lauren, I want send kind of that same question to you. From your vantage point what are you seeing?

MS. GRATTAN: I've seen so many of those same pieces that Erin just shared. I have one of my favorite books behind me is Emergent Strategy by Adrienne Maree Brown. And Adrienne talks about fractal energy. And for those of you who don't nerd out on geometry, fractal are infinitely repeating patterns where the micro spirals up to create the macro.

And as Chief Community Officer, a role that most people don't know what that is, that's my role, is really how do we reconnect these narratives and how individual interactions are creating the patterns and systems of our economy, of how we work as people together.

And so when I hear Erin talking about the 5 Cs of Credit, which is one of my least favorite things in the financial system, they're not actually 5 Cs of Credit that are being used. They're heavily overweighed to two of them, which is capital and collateral.

Do you already have money? In which case then you can have some more. If we are not taking into account the other aspects of the 5 Cs of Credit in character, which is also a big piece of how that informs conditions, those are individual perceptions of what is risky and what is bold. And by rewriting narratives and understanding really as an individual, business owner and entrepreneur level what are the challenges that are being faced, that helps us to design systems that actually work better for everyone.

Andre talks about there's nothing wrong with Black people that ending racism can't solve. It's true. And by ending racism and racist systems and practices we will grow the economy overall. This is good for all sorts of proximal communities.

So what we're looking at is related to the work in the Underwriting for Racial Justice, but how we can actually take these stories of, you know, folks that are working in supplier adversity. I was talking with my team earlier this morning and framing what is it that growing businesses, tapping into really exciting and lucrative corporate contracts, what's that experience really like?

The hot topic whenever I join a supplier diversity conversation is payment schedules, AR aging. Maybe it's the least cool thing to talk about in the middle of the day, but knowing that it's really like turn this from these oblique terms into real stories. This means a really exciting opportunity comes your way, you have the ability to work with a Fortune 100 client, and you're saying wow, if I can sell into this I can grow 10X, I can add five more people to my team. That's going to change those peoples' lives.

But the way to do this requires that I don't require payments up front from this person, the customer is always right. So I'm going to just be deferential in my payment structure so that I can land this big fish. But then you have to hold on to and float the cash flow of having these really exciting contracts for me to get paid on a net 60 basis. That's extremely challenging if you don't already have the capital.

So it's really taking these kinds of stories and it's both the micro to the macro and the macro to the micro. How does a net 60 payment schedule from an anchor institution like a hospital, effect small businesses who are trying to sell into that? It means that we have to change the way that we're underwriting, needs to change how we are looking at structuring our financial supports to really lift up these opportunities and put them within reach of those that don't have access to intergenerational wealth.

So I'm seeing, as Ty said, bright spots across the country. Many people have recognized these same things. I am not alone in itemizing what are some of the challenges that are facing Black business owners. But it's really how do we work together in concert to shift these pieces together.

Mekaelia Davis from the Surdna Foundation, who is just delightful human, talks about that redlining as a system, and if we want to undo redlining we're going to need an entire systemic approach. And so really it's how do we work together in concert to achieve that.

MR. RABOUIN: I hear that. I want to kick it to Segun because you're the man who's on the ground, you're talking to these local small business owners and you're in an area where, as Andre pointed out, you've seeing a higher concentration of Black business owners than most other places in the U.S. I think it's the second highest. But you still don't see that representation as in the same number of Black business owners as there are Black people representative of the population.

So if you could just speak to both of those things, you know, the success of St. Louis as a place where you do see more than average Black business owners, but still not to the level of representation at a population level.

MR. BABALOLA: Absolutely. So I think a lot of what Erin and Lauren have said is really the same challenges that Black business owners are having here in the City of St. Louis also.

But one thing I would definitely give the civil leaders and the private sector here in the St. Louis area is this renewed focus to say hey, what can we do to help Black businesses grow? And this has been happening for the last 10 years in the St. Louis region. And I'm so glad that Erin had brought up CDA 5 because really that is where the success story really comes from. Accelerator programs too, that is where we are seeing the indicators moving businesses from say getting loans, being able to start their businesses and able to grow their businesses.

Like I said earlier, one of the antidotal examples I have is a lady by the name of Rebecca who owns Dellwood Pharmacy, right in the city that I administer. And she was looking for a loan. She had gone to conventional banks trying to get a conventional loan, could not get it. Right? They were just not approving her. She went to a CDFI, Justin Peterson here in the St. Louis area, was able to get $150,000 loan to buy the independent pharmacy that she owns. This pharmacy served over 20,000 individuals during the pandemic by giving them vaccines during the pandemic. And now she's boasting of a revenue over 1.5 million. Right?

This is an example of where CDFIs were able to close that gap that the conventional banks were not able to. This is a lady who was a pharmacy, well qualified, knew what she was doing, but just did not have the collateral that the banks were looking for, which is these traditional metrics that they use. So what Erin was speaking to is exactly what we're seeing here in the St. Louis area.

So it is vitally important that we have to understand that it has to be a mix of it all, right? So we also accelerated programs opening up here in St. Louis. We have the Arch Grant. We also have universities participating in accelerated programs, helping businesses, holding their hands through the process. And now too there are so many accelerator programs where you have to be there, you know, 9:00 to 5:00 during the day, but these people have to work, right? So you now have to figure out how do we tailor it to a situation where these business owners can go to work, earn a living, and come back and work on their business. How do you make that happen? By understanding the population that you serve. And I think that's what St. Louis really has done.

As you know, Jobs Aside, just recently ranked St. Louis as one of the most successful cities when it comes to minority-owned businesses. That is why these numbers are showing up in St. Louis. We still have a long way to go and that's because of years and years of the disparity that we all know, right, on the issues that we all mentioned earlier. So we're now trying to catch up, right?

But that's why earlier in my first submission I did say that there's optimism. I think we are finally getting it. And I think if you're noticing the conversation, we're circling around the same solutions on how to get this to work.

So that's the story of St. Louis, that's why you see those numbers.

MS. KILMER-NEEL: Can I just briefly add, thank you, Segun. One of our client partners is in St. Louis running one of those accelerators, and just like connecting some of these other dots, they needed access to capital to fit the needs of trying things differently.

So WEPOWER runs an accelerator for Black and Latin entrepreneurs in St. Louis, and trying to create capital strategies where the programming supports business owners where they're at, and sometimes it is side hustle turning into a full-time then and then an employer firm that's adding more jobs to the economy. But sometimes it's also that they need to have access to capital that meets their business where they're at and has the kinds of structures that allow for flexible growth.

So I'm just really excited, there's so many fantastic things that are happening, that are going right in St. Louis, and just happy to be part of that.

MR. BABALOLA: Absolutely. And I do want to add, I do want to add, also with this example that I just gave, she called me, which is with the African Chamber of Commerce, she's a member of the Chamber of Commerce. And she had called me that she had identified a grant with the county and she wanted to apply but she didn't have the capacity to do so. So I got my team on it, we were able to help her get the grant, and that was really a catalyst for her being able to get a lot of funding for her to be able to serve the community that she lives.

This is a predominately Black community and she was able to be the number one server in terms of vaccines in this area. So we understand the impact that helping Black businesses can do to our community. So I just wanted to point that out.

MR. RABOUIN: I appreciate that. And I appreciate that extra context. I want to jump into some of the questions that we got from the audience. I'm told we had over 700 people on the audience watching us today and we got some questions in earlier. And, you know, again, if you want to submit a question, please make sure to do that. You can email Events@Brookings.edu or use the hashtag BlackBusinesses as Andre so eloquently stated when we started, on Twitter, get those questions into us.

But I want to go to a question that we had that came in even before we started. And I want to really put this to everyone. Ty, I feel like you are in a unique perspective to answer this so I want to put this to you. But please, anyone else, feel free to jump in and answer this question.

And it's a very simple question. It comes from Robert James III of the James Group in Huntsville. He asks: How do Black business organizations gain access to real capital? Because I think that really hits a lot of exactly what we're talking about. We've talked about CDFIs, we've talked about, you know, a lot of the organizations that you all represent. But we're still talking about, you know, whether it's hundreds of thousands or millions. We're not talking about billions and we're not talking about trillions, which when we talk about the buying power of Black Americans, we're talking about trillions.

So how do we get access to real capital? And, Ty, I want to start with you.

MS. BOYEA-ROBINSON: Sure. And I want to start with this is not the Black businesses' challenge, this is investing, landing in a way that's racist and biased. And so how Black people get access to the real dollars is for the way dollars to land could be less biased.

So we worked directly with Policy Link and Global Impact Investment Network. The Network has about 15,000 investors globally on developing a racial equity theme for investing. And it's really about shifting power, it's about redefining risks, and it's about promoting justice.

So you hear a lot of these threads from Erin and Lauren, but when we think about, and even Segun, when we think about what it means to shift power, what the research shows is that if people of color have access to the capital, so they're the fund managers, they're the ones supporting the capital, they are more likely to distribute it to people of color. So you really have to shift the way the thinking industry works overall. And not just CDFIs, and not just financial institutions, private equity firms, venture capital firms. Most of that, less than 1 percent, as people know, of venture capital goes to Black owners.

And so you really have to change the way that that capital is distributed by who is actually investing. The second thing is you have to redefine the risk. So you're heard a lot about what risk looks like in the financial industry in terms of lending, but you have those same issues in terms of the equity market.

You know, White people, particularly White males, are often invested in based on potential. And people of color, particularly Black people, are invested in based on proof. Which means there's this big gap in terms of when we get capital versus when other people do. And imagine if you're in an innovative industry that gap in time is the difference between being a first mover and a lager. So we really have to make sure that we're redefining what risk means. And this group called Adasina Capital that's really been responsible for this commitment called the Due Diligence 2.0 Commitment that really pushes on venture capital investors and others on changing how they define what risk is. Which frankly oftentimes risks means you don't look like me. And that's actually not what is going to get us the innovation and the growth that we need.

And the last thing we need to make sure is we're actually promoting racial justice. You know one of my favorite stories is, for those people who grew up in New York, and one of my really dear friends is like, and Brooklyn. Brooklyn 'til you die person. And they had a gypsy cab. I'd never seen a gypsy cab, I grew up in the South. I was like what the heck is this. Oh, it's a gypsy cab and we all get a gypsy cab, it's coming in our neighborhood, and like it's a way you can get around. Where is Lyft and Uber? Nothing but a gypsy cab with some technology.

The difference is people saw that as an investible opportunity but the innovation happened way before Lyft and Uber. How many gypsy cab businesses are actually out there? And the thing about gypsy cabs, it actually is promoting justice because we as people of color could not get access to transportation in our neighborhood because we weren't getting those resources. And so it's not just about making the money to make the money, it's actually doing it in a way that's restorative and reparative.

So that's actually, I want to commend the person who's saying about getting more access to capital. I think the other piece that has nothing to do with the big organizations changing how they deploy their capital, it's also to pay attention to all of the different investors of color now. There's real capital that venture capital focus. I already mentioned Impact America Fund. There's JAQNO Group Fund. I mean there's tons and tons of private equity firms, venture capital firms who look like us, who are saying enough is enough, we have our own capital and we're going to invest it in our own communities. And so I think that's another key piece of it. We need the systems and the structures to change but we also need to open our eyes to see that people who look like us are now stepping out in a different way to really provide that capital.

MR. RABOUIN: And did anybody else want to jump in on that before I move on to the next question?

MS. GRATTAN: Presentation matters so much that is such a key piece from Ty. It's not just check box diversity, it's really coming back to how do I assess risk versus what is bold. And like our team is intentionally diverse, 67 percent women, 50 percent people of color. That's on purpose because we believe that that changes what we actually see as investible. And that's true across the board and we need to see that happening in banks, we need to see that happening in private equity firms, we need to see that happening in CDFIs.

One of the bright spots within this beautiful report from Brookings is talking about Carver State Bank, that is a Black-owned institution and helped get more PPP dollars out to Black businesses in North Carolina. That is because they can have relationships. And that is the kind of thing that we're talking about, is when you have a business that it's really no fun to walk into a branch and say can I get a loan for this business, and the people there don't recognize what your market is, they don't see any value in it.

We talk about Impact America Fund, they supported Naveen, which is an incredible haircare company. But they did not, like Naveen got turned down for tons and tons of things because nobody saw investing in Black women's haircare as something that was a viable market.

When you actually have representation then you see wow, that is something that's worthwhile, that's something that is incredible opportunity and growth.

MR. RABOUIN: Yeah, absolutely. I think the next question I want to ask, which comes from Demetri Brown, she's in Dallas with the DEC Network, really is the next, it's the next logical question following that question I think.

How do we innovate and scale alternative funding models to support micro businesses that may have no collateral and poor credit history? Erin, do you want to jump in and take that one?

MS. KILMER-NEEL: Sure. I mean that is exactly what we're trying to do.

And the how of it is with bringing all these different people together from all the perspectives, right, making sure we have all perspectives at the table from both the racial diversity perspective, but from a functional perspective.  And a piece of that is also making sure that the people making the decisions are people of the community, right?  So you don't just have one chief credit officer there making the decision, but you actually have a community of people who are from literally that community who are helping to make those decisions, who are informing that.  And also that you build your products from the ground up with input from the community.

So one of the things that we're working on with Ty is an applicants of color advisory council.  So we're actually going to go into the communities and say what is it that you haven't countered exactly, what can we do to build something differently.  So when that product exists it exists because it meets those needs of those micro businesses, those entrepreneurs, and the people making the decisions also get it, to Lauren's point.

So I think all of those things coming together can really make the difference. And then you place those sparks, you try those out in different communities across the country and you share and you have those conversations, you make those connections that Ty was talking about so that they come faster and faster.  And you already have a template and the risk is getting smaller and smaller and the time and the investment gets smaller until that flywheel turns and it becomes the new way of doing things.

MS. BOYEA-ROBINSON:  I want to add real quickly to what Erin said, also shout out Demetric from the DEC.  So one of the things that we're doing in addition to what Erin said is raising a fund for the Path, the 15/55 cause.  And so the purpose of the fund is all of these communities who have an exciting opportunity to things they want to do, the capital is still not necessarily landing in waves that are mindful of the opportunity and they're more grounded in the risk.  So the 15/55 fund is there to provide catalytic capital to allow folks to do exactly what Erin said, to deploy capital in a different way.  And you can't accept a dollar of the 15/55 fund unless you agree to change in your behavior.

So the question was how do you change the practices, how do you up the scale. The only way to scale is to get people to take these practices and imbed them upstream in the way that they do their work.

MR. RABOUIN: Absolutely. Yeah. I wanted to go to Segun because I feel like, you know, we're talking about the supply. I'm interested in hearing from you about the demand.

What is it that you're hearing from folks on the ground in terms of, you know, those folks who may not have collateral, may have poor credit history, in terms of them saying, you know, I wish this was easier, I wish I could do this.

What are some of those things that they're saying that they really need that they're not seeing out there?

MR. BABALOLA: I mean obviously if you ask the majority of these businesses they always will tell you capital is the issue, right?

MR. RABOUIN: Right.

MR. BABALOLA: And that's really the main issue. And then so you now have to start kind of dissecting and figuring out where's the bottleneck, what is causing you not to be able to get that capital. And then you have to now say okay, who's in the best position to be able to help you in this situation?

Now I love the work that Erin is doing and the other folks on the panel are doing because us, we are the front-end folks, right? We just kind of, first initial idea, business idea, you want us to help you set up your LLC, get you going, and then we pass you on to other individuals who really, really will be able to go into the nitty gritty and say hey, what do you need to get that business going, right?

So that's really, I would leave it to the experts to say figuring out how do you create a structure that really, really would be an innovative way to solving this problem. But from our perspective it's also being able to identify the key individuals or key institutions that should be participating in this, that should be helping when it comes to giving Black businesses access to capital.

And so in an institution like ours, which is, you know, the Chambers of Commerces, the other capacity building entities out there, they should be able to identify these partners and say here's where you need to be going to get that help.

MR. RABOUIN: And how has that been? I mean have you been able to match those, you know, small businesses with folks, or are you finding that there's not enough of those lenders or potential capital providers out there?

MR. BABALOLA: Traditionally there has not been enough, but I would say like when we're looking at the numbers in St. Louis we're getting there, we're working on it. And we're gradually start having defined partners that are willing to help with that mission, with that problem.

And so we are really focused on saying how do we get traditional banks, how do we get the traditional banks, how do we get the traditional lenders to be able to say we want you at the table, we want your input, we want you to start the budge in terms of making this a reality for us.

And so, yes, I would say there is a gradual change in that space.

MR. RABOUIN: Okay. All right. Well we appreciate that. We are running close to time here. I want to get one last question and everybody wants to really quickly, or if someone wants to really quickly jump into this. Because I thought this was a very interesting question about the Path to 15/55 that came in from Aisha Verdesi (phonetic). I apologize, Aisha, if I butchered your last name there.

But how is Path to 15/55 working with Fortune 500s or initiatives like 110 to increase Black owned business profiles? And I thought that was just particularly interesting. Ty, I think obviously you would be in a good position to answer that one.

MS. BOYEA-ROBINSON: Happily. And I first shout out Aisha. So Path to 15/55 partners. One of the way we need to shift how this works overall, we talked a lot about the financial industry. But the corporate industry has changed as well, corporate culture overall. So we've partnered with Kathy Hughes, a member of the Corporate Racial Equity Alliance, which is the partnership with Policy Link, Just Capital, SFG, and others to really imbed racial equity across all leaders of a company.

You know, it's about keeping racial equity from being bolted on and instead making sure it still stands. So what that looks like if you think about a partnership like 110, which is really around growing the talent base, imagine if Black businesses are growing, you know, one in five Black people are already hired by Black business owners.

So having the partnership with 110 allows that stream of talent not just for the Fortune 500 companies of the world but also for the Black businesses.

Another piece that's huge is the procurement. When you think about the way procurement systems run, they often have the same biases, and in fact it's kind of a compounded issue.

We get that big Fortune 100 client like Lauren said, and they require you to have certain stuff on your balance sheet. They require you to wait to get paid. And so companies have a big role to play, not just changing how their procurement systems are done.

And when you think about the corporate blueprint or the CEO blueprint for racial equity, it's one of the first resources that we've seen that really look at every level of the business.

Every time people think about racial equity in the past it's been about who is the person in the seat, as opposed to a business stepping back and seeing how you make your money, how you spend your money, and how you invest in your people in a way that drives racial equity in all levels.

So that's how we have been partnering with CEOs and other corporation for Path to 15/55 and other ways, and we're hoping we get to partner with you soon.

MR. RABOUIN: Okay. All right. We'll set up there. So I want to turn back over to Andre Perry from Brookings. I think he's got some closing thoughts. So, Andre, kicking it back to you.

MR. PERRY: Wow, wow. Well thank you Dion, Ty, Lauren, Erin, Segun, that was incredible, so many thoughts.

I do want to riff off Ty. Ty always makes it plain because when you're working in this space around business development you see literally billions being poured into "Moon shot ideas" for White men largely.

But when we're talking about things that we know will grow in terms of Black business, we have folks jump all kind of incredible hoops when in fact our businesses are just as worthy of that investment.

One of the studies that preceded this one, my colleagues, again the B by team, Jonathan Rothwell, David Harshbarger, we scraped all the Yelp data from businesses all across the country to get a sense of quality, and what we found is that Black, Brown, and Asian-owned firms are scored just as high on Yelp but they get less revenue as they are situated in Black neighborhoods. And you can see the perception of Blackness impacting our perception of quality on a business.

And that's a metaphor for so much of being Black in America, that there's this perception that precludes many from investing fully, fully into Black people.

And so for me what I take away from this meeting is that we've got to dive in completely. We have to invest in not only Black business owners but Black institutions, Black people generally, and not in a charity type of way but one that will expect returns.

And I don't want to project the sense that we should invest Black businesses because of the financial gains, it's really because it's the right thing to do. But it will benefit everyone.

So on behalf of my Brookings team and everyone involved in this project, I want to say thank you for joining us. This has been an incredible ride. We will expect to do this every February, Ty, and present another wrinkle of Black business development, but look out for reports throughout the year and activity throughout the year on this very issue. But we will certainly highlight Black businesses during Black History Month.

Again, thank you. And I'm out.

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