



Thriving As a Minority-Owned Business in Corporate America

Building a Pathway to Success
for Minority Entrepreneurs

—
William Michael Cunningham

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THRIVING AS A MINORITY-OWNED BUSINESS IN CORPORATE AMERICA

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FOR MINORITY ENTREPRENEURS

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Supplementary material referenced by the author in this book is available to readers on GitHub (<https://github.com/Apress/thriving-minority-owned-business>).

Printed on acid-free paper

Dedicated to:

*My father, Paul Nicholas Cunningham Sr.,
my big brother, Paul Nicholas Cunningham Jr.,
my sister, Pamela Lynn Cunningham*

My beloved Aunts

Catherine Harrison

Geraldine Harrison Bland

Bertha Harrison Saunders

Marrietta Harrison Arrington Whitaker

Henrietta Harrison Jerman

Joyce Harrison Park, DDS

Rosa Harrison Lee Kyler

and, of course, my mother

Marie Harrison Cunningham

Written for

Aunt Ruth Nelson (95 and still going strong...)

...and, for the youngest, Anaya.

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About the Author



William Michael Cunningham is an economist, investment advisor, researcher, and social investing policy analyst. Cunningham researches, evaluates, develops, and creates specific socially responsible investments.

He is founder of Creative Investment Research, MinorityBank.com, DiversityFund.net, and MinorityFinance.com. Mr. Cunningham is the author of *The JOBS Act: Crowdfunding for Small Businesses and Startups*, published by Apress. He spoke at Northwestern University's Kellogg

School of Management, at the Harvard Business School, and at the Wharton School of Business DC Innovation Summit. He has given talks on impact investing in Finland, Switzerland, England, and Germany.

As a strong advocate for the integration of human values in finance, he develops new ways to combine social values and investing. His work includes creating some of the first ESG impact measurement methodologies and work on blockchain and cryptocurrency. Mr. Cunningham has been responsible for many innovative impact investing approaches, including the following: Maternal Mortality Reparation Facility for Black Women. <https://www.prlog.org/12876083-maternal-mortality-reparation-facility-for-black-women.html>; Green Mortgage Backed Security - <https://www.creativeinvest.com/EnergyEfficientMortgageMBSJune2006.pdf>; First Socially Responsible Investing Portfolio Devoted to Diversity Launched. SocialFunds.com July 31, 2006. - <https://www.creativeinvest.com/FirstInvestingPortfolioDevotedtoDiversity.pdf>; Black Bank social impact measurement - <https://www.creativeinvest.com/BlackBanksNewOrleans.pdf>

In addition, Mr. Cunningham has been an active participant in many public policy discussions, having testified before Congress several times. He is also provides expert opinion to Federal Appeals Courts: In May 2021, William Michael Cunningham filed a "Friend of the Court" in *City of Oakland vs. Wells Fargo* in the US Court of Appeals for the Ninth Circuit. He estimated the damage Wells imposed on Oakland at \$12.5 billion.

On June 17, 2015, the US Court of Appeals for the District of Columbia Circuit recognized William Michael Cunningham as a “Friend of the Court” in an action two state securities regulators brought against the US Securities and Exchange Commission (SEC).

In 2012, Mr. Cunningham submitted a “Friend of the Court” brief in the US Court of Appeals for the Second Circuit. The case concerned the rejection, by a Federal Judge, of a settlement agreed to by the US Securities and Exchange Commission (SEC) and Citigroup Global Markets Inc. (Citigroup), the latter accused of securities fraud.

Mr. Cunningham has been involved in the provision of online resources to small businesses for over 26 years, posting his first website in 1995. He graduated from Howard University with a BA in Economics and is a graduate of the University of Chicago Booth School of Business, where he earned his Master of Business Administration degree. Mr. Cunningham also holds a Master’s in Economics from the University of Chicago.

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I would like to thank my college and graduate school interns, current and former, for their help. They are a remarkable group of talented young people. I have been honored to work with them all.

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I would also like to thank Armani Jackson at FedEx Office in Maryland for printing early draft chapters for proof reading.

(Of course, any remaining errors and mistakes are mine and mine alone.)

Introduction

This book aims to be a key reference resource for minority businesses and their supporters and customers. We explore and examine current trends, provide a directory of minority business development–related resources, and document new ways minority businesses are thriving. We specifically include relevant information of the recent wave of corporate Black Lives Matter support pledges.

The main topic covered is the current state of minority businesses in the United States. We will look at minority businesses with an optimistic eye.

We explore the positive impact of the dramatic increase in the number of women and minority businesses created in the early 2010s and the increase in the type of firms.

We honestly discuss government contracting, including the Minority Business Development Agency (MBDA), the Offices of Minority and Women Inclusion (OMWI) from Dodd-Frank section 342. Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act contains a “provision creating an Office of Minority and Women Inclusion at various agencies to monitor the diversity efforts of the agencies, the regulated entities and agency contractors.”

The book is important because it highlights unused and unrecognized resources at the federal, state, and local levels. There are many national, state, and local organizations focused on minority business development. We list and evaluate these entities.

This book is a “need to have” title because of the comprehensive, objective, and honest advice and information it provides on minority business development (in the midst of the most challenging period for the sector).

The author is one of the longest serving analysts in understanding and analyzing minority business and impact investing trends. His performance is second to none:

- His 2015 presentation at the Texas Association of African American Chambers of Commerce resulted in successful crowdfunding legislation for the State of Texas. See www.creativeinvest.com/TexasEconomicForecastCrowdfundingBill.pdf.

- As he forecast on December 26, 2016, “Under any conceivable scenario, the current situation is very bad, and I mean toxic, for democratic institutions in general and for people of color specifically. Bottom line: our Fully Adjusted Return Forecast** indicates that, over time, things will get much, much worse....” See www.linkedin.com/pulse/trumpism-william-michael-cunningham-am-mba/.
- As he noted on June 11, 2016, “our initial 2016 Election Fully Adjusted Return Forecast indicates that Donald J. Trump will win the election for the Presidency of the United States.” See “Why Trump Will Win” at www.linkedin.com/pulse/why-trump-win-william-michael-cunningham-am-mba.

What Readers Will Learn:

- The state of minority business development in the United States
- Relevant and effective resources for minority businesses
- The difference between banks, thrifts, credit unions, angel investors, crowdfunding, venture capital, and how to approach each
- How to create a business plan, how to fill out loan, grant, and credit applications
- How to use social media in support of minority business development goals
- Social media sites and trends: current and relevant minority business–related social media sites and trends

Data files and other relevant information are available for download. The URLs are: <https://github.com/Apress/thriving-minority-owned-business> and <https://www.creativeinvest.com/thriving/>.

Minority Business Now

Defining Minority Business

On January 12, 1959, Berry Gordy started Motown Records. The company grew into a global brand and one of the most influential companies in the United States. Mr. Gordy is an African American, born and raised in Detroit, so his firm was considered a “minority business” at its start. It did not remain so. As the firm grew and prospered, the value was recognized. The firm was purchased by MCA Records in 1988. This is widely considered a successful path for a (formerly) minority-owned firm, and if this is your goal, the information contained in this book may very well help you reach it.

Of course, not all minority firms aspire to these heights. Around the same time that Mr. Gordy started his firm, my father, Paul Nicholas Cunningham, started Nicholas Architectural and Construction Co. in Washington DC. The firm grew to be a successful architectural firm, focusing on designing and building Black churches in Washington in the 1960s and 1970s. The firm was profitable enough to allow my father and mother to comfortably raise six children (to the extent that you can ever be comfortable with six children). If this is your goal, this book will definitely help.

This publication aims to be the main reference resource for US-based minority businesses, defined as business firms owned by members of any of the six recognized minority group designations in the United States (Asian (including persons from the Pacific Islands or the Indian Subcontinent), African American (Black), Hispanic and/or Latinx, Multi-ethnic, Native American, and/or Women). The book explores and examines current trends, provides a complete (as of the time of writing) directory of minority business development–related resources, and documents new ways minority businesses are profitably expanding their operating space. The book specifically includes relevant information on the recent wave of corporate support for Black Lives Matter and Black women. We interview successful minority business owners and end by showing that the key to survival is cooperation and collaboration. Our analysis outlines the continuing impacts of COVID-19 and ranks those impacts from most to least significant.



The preceding graphic, from our 2020 research describing the impact of COVID on minority firms, shows that the most critical factor is health: if you are no longer breathing, it really doesn't matter what kind of job or business you have. Of course, if you are still breathing, then your job matters a great deal. Education is next, and it also represents the best opportunity for a fix. By using new technology and techniques, there may be a way to leapfrog the damage done to the educational standing of millions of children and young

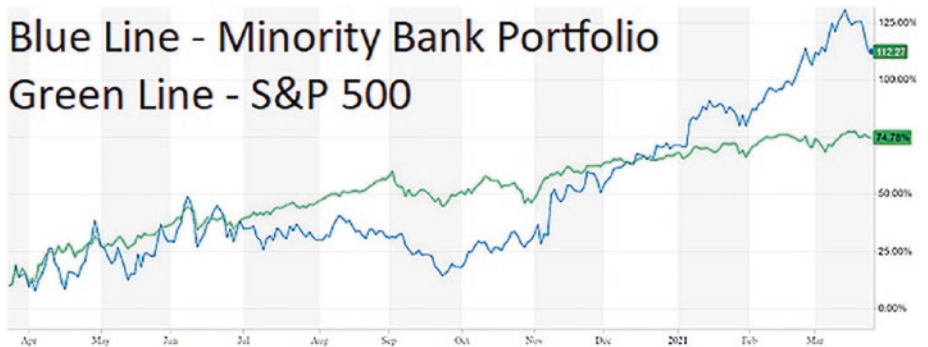
adults. Small business is next. Finally, homeownership: we believe the Federal Reserve and the Department of Housing and Urban Development will find ways to protect homeowners.¹

The main subject is the current state of minority businesses in the United States. We define “minority business” in summary earlier and in detail later.

Even in the face of an unprecedented crisis, the book looks at minority businesses with an optimistic eye. We are unabashedly favorable toward minority businesses in general, although skeptical about some “minority business” agencies at the local, state, and federal levels. Minority firms have grown despite these “helpers,” not because of them. (Promoters are not the issue: effectiveness is.)

Minority firms boost general economic activity in the United States, often innovating and adding momentum to certain US industries, as Mr. Gordy’s experience shows.

This performance continues to the present: from March 24, 2020, to March 24, 2021, a portfolio of stocks in minority banks beat the S&P 500. The S&P 500 Index (green) returned 74.78%. The Minority Bank portfolio (blue) returned 112.27%.



¹ The Reserve Bank of New Zealand is now “required to consider the impact on housing when making monetary and financial policy decisions: changes have been made to the Central Bank of New Zealand’s Monetary Policy Committee’s remit requiring it to take into account government policy relating to more sustainable house prices, while working towards its objectives.” We think similar policies will be implemented in the United States. See www.beehive.govt.nz/release/reserve-bank-take-account-housing-decision-making

We do not expect this situation to last. Most of the overperformance represented in the preceding graph is due to investments made by large nonminority banks, like JP Morgan, Morgan Stanley, Citibank, and Wells Fargo, into minority banks.²

Still, it is a good sign.

We are also optimistic that recent changes in the domestic political environment are good news for minority businesses. The more hopeful approach taken by the new administration means a more rational, fairer approach. One of the first Executive Orders issued by the new administration mandated a “comprehensive approach to advancing equity for all.”³ The order requires the US Government to “identify the best methods, consistent with applicable law, to assist agencies in assessing equity with respect to race, ethnicity, religion, income, geography, gender identity, sexual orientation, and disability.” Finally, the order requires that “each agency ... assess whether underserved communities and their members face systemic barriers in accessing benefits and opportunities available” from agency policies and programs. This review is sure to include minority business programs and will lead, hopefully, to greater opportunities.

To place minority business activity in the proper perspective relative to the total economic activity in the United States, the book starts with an examination of the demographic characteristics of the United States as a whole.

²At the Federal Reserve Bank of Kansas City in 1994, I suggested the Federal Reserve Board’s Federal Open Market Committee (FOMC) purchase mortgage-backed securities (MBS) originated by Black banks as part of open market operations. The Fed, then under Alan Greenspan, declined, saying that only Treasury securities were appropriate collateral. Since the financial crisis, the Fed has purchased trillions in securities, helping nonminority banks, broker-dealers, insurance companies, auto companies, and investment banks. Not only did few Black banks receive any assistance, but the ones that did were the wrong banks.

We still believe one possible solution to the crisis is to have the Federal Open Market Committee (FOMC) create a liquidity pool totaling at least \$50 billion by conducting repo and reverse repo transactions, purchasing Treasury, MBS securities (and/or SBA PPP loans) from Black banks with a record of actually making loans to the Black community.

We remain confident that, with the increased level of private sector interest as reflected earlier, this is a viable solution.

³January 20, 2021. Executive Order On Advancing Racial Equity and Support for Underserved Communities Through the Federal Government. Online at

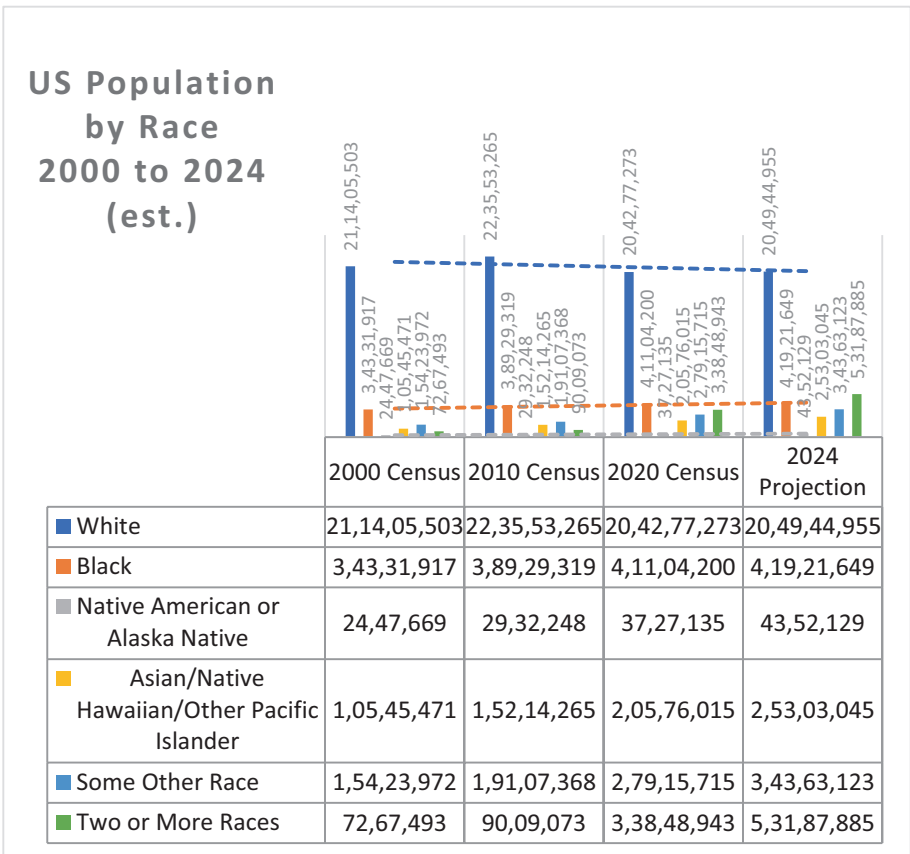
www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/executive-order-advancing-racial-equity-and-support-for-underserved-communities-through-the-federal-government/

The United States in 2020 and 2024

Population by Gender and Race

Business growth and activity is tied to population growth and activity. As of June 2020, the population of the United States stood at 331,002,651 people according to UN data. The United States represents 4.25% of the total world population.

The US population according to the 2020 Census was estimated to be 331,449,281, an increase from the 2010 Census population estimates of 308,745,538. In 2000, Census estimated the US population at 281,422,025. The best projections estimate that the US population will be 364,072,786 in 2024. While the current crisis will definitely impact these estimates, the outlook for population growth in the United States remains positive.



	2000 Census	2010 Census	2020 Census	2024 Projection	Percent Change	
					2000 to 2010	2020 to 2024
Total Population	281,422,025	308,745,538	331,449,281	364,072,786	9.7%	9.8%
Population Density (Pop/Sq Mi)	78.22	87.93	91.54	94.80	12.4%	3.6%
Total Households	105,480,443	116,716,292	125,121,015	130,291,609	10.7%	4.1%

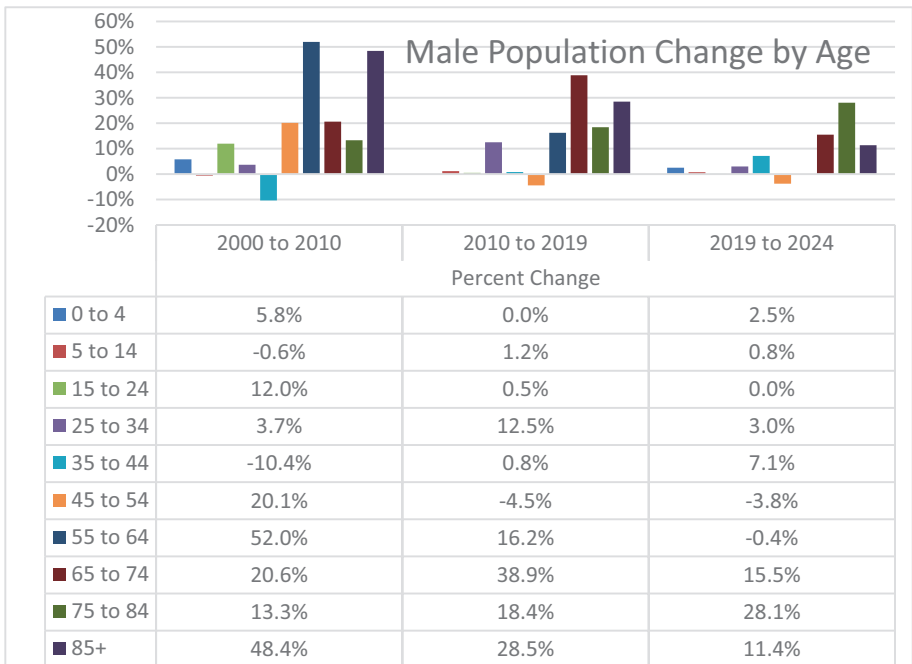
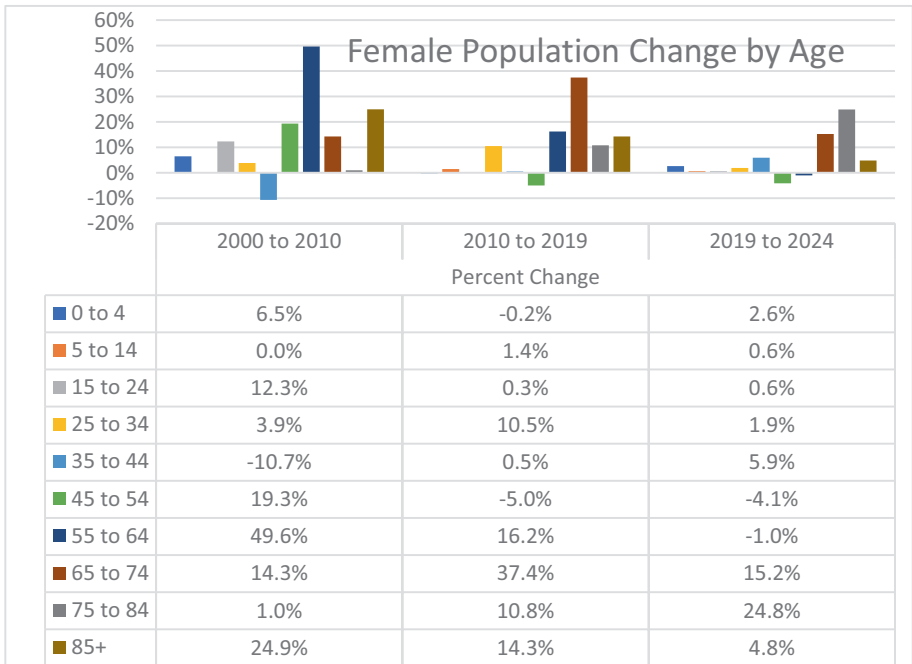
We estimate that 49.2% of the US population was male and 50.8% female, with a median age of 38 years. These factors influence business activity for certain industries and firms. If your firm provides goods and services to women, you will probably want to know the total number of potential customers in your market, even if you never reach all of them. We estimate that there are 91.5 people per square mile in the United States.

US Population by Gender 2000 to 2020						
	2000 Census	%	2010 Census	%	2020 Census Estimates	%
Male	137,907,457	49.0%	151,781,326	49.2%	163,073,046	49.2%
Female	143,514,568	51.0%	156,964,212	50.8%	168,376,235	50.8%

As we noted, depending upon your service, product, industry, and geography, understanding demographic trends in markets that you target will be important.

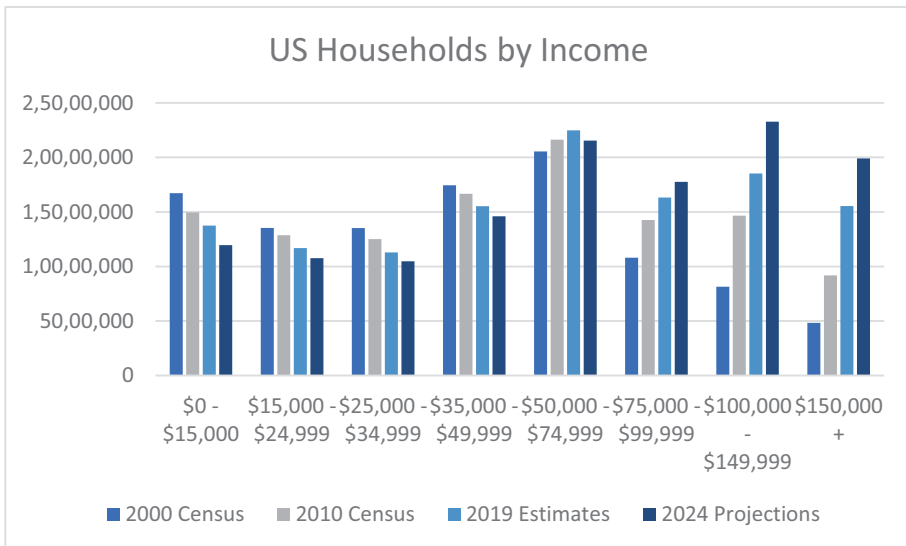
US Population by Gender: 2024			Percent Change	
	2024 Projections	%	2000 to 2010	2019 to 2024
Male	179,524,291	49.2%	10.1%	10.1%
Female	184,548,495	50.8%	9.4%	9.6%

Since the Census Bureau has not yet issued detailed population estimates by gender and age, the following tables use data from 2019 estimates, not the 2020 Census. In general, these estimates are useful placeholders until the Census Bureau releases updates sometime in late 2021.



Households

One key metric is *households*, defined as one or more people who share the same housing unit. For business selling products that provide services to more than one person, cars, for example, keeping track of these factors may be important. We estimate that there are 125,121,015 households in the United States, up from 116,716,292 households in 2010, and up from 105,480,443 in 2000. We estimate the number of households in the United States will be 130,291,609 in 2024.



In 2010, on average, US citizens spent 12.9 years living with 2.6 people in the same property. The average family consisted of 3.2 people and 1.9 vehicles.

Income

In 2019, median household income in the United States was \$60,811, an increase from \$51,362 in 2010. We estimate median household income will be \$69,997 in 2024, a gain of 15.1% from the current year. Median income is one key economic indicator, since the more money people have, the more they tend to spend.

Household income as calculated by the US Census Bureau represents the income of every resident over the age of 15 living in a given house. This metric includes pre-tax wages and salaries, along with any pre-tax personal business, investment, or other recurring sources of income, as well as any kind of governmental entitlement such as unemployment insurance, social security, disability payments, or child support payments received.

In 2019, US per capita income was \$28,088, while 2019 average household income totaled \$33,623.

Median income “divides the US income distribution into two equal groups, half having income above that amount, and half having income below that amount.” In the case of a heavily unequal distribution, median income overestimates fairness, that is, it makes the economic situation appear fairer than it is. To get a better picture, we should use other indicators for US households with positive incomes, since the mode (most frequent income) for US individuals is likely to be zero. This is due to the large number of elderly, children, and students in the US population.

Race and Ethnicity

Many, but not all, minority businesses start by selling goods and services to persons in the same ethnic group as the owners of the firm. Motown started selling records that specifically appealed to African Americans, for example. Having an understanding of general minority and ethnic population trends will be important to you if this product and service sales strategy applies to your firm.

In 2020, the population of the United States was 61.6% White (alone), 12.4% Black (alone), 1% Native American, 6% Asian (alone), and 0.2% Pacific Islander. Eight percent (actually, 8.4%) of all 2020 Census respondents self-classified as belonging to Some Other Race alone.

■ **Note** The 2020 Census also allowed respondents to select the category “in combination” for each racial grouping. The Census Bureau uses three categories to discuss race:

Race alone – Membership in one racial category

Race in combination – Membership in more than one racial group

Race alone or in combination, adding data from the preceding two categories.

The following chart displays general trends. Note that the White (alone) population, still the largest race or ethnicity group in the United States, decreased by 8.6% from 2010. This decline should be placed in context, however. While the White alone population category declined, the White in combination population category increased by 316%.