

THE PENNSYLVANIA STATE UNIVERSITY  
SCHREYER HONORS COLLEGE

DEPARTMENT OF MANAGEMENT AND ORGANIZATION

Supporting African American Owned Businesses Through Higher Education:  
New Directions for The Pennsylvania State University's Farrell Center for Corporate  
Innovation and Entrepreneurship

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SPRING 2021

A thesis  
submitted in partial fulfillment  
of the requirements  
for a baccalaureate degree  
in Corporate Innovation and Entrepreneurship  
with honors in Corporate Innovation and Entrepreneurship

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## **ABSTRACT**

Historically, minority-owned business enterprises (MBEs) in the United States have had to overcome more challenges than their non-minority counterparts to achieve success. This holds especially true for Black or African American business owners who face a unique set of challenges as compared to other MBEs. The purpose of this thesis is to identify the most significant challenges faced by Black or African American business owners, and then form recommendations on how the Farrell Center for Corporate Innovation and Entrepreneurship at the Pennsylvania State University can most effectively support Black or African American business owners in overcoming those challenges.

Research for this thesis was conducted in the form of a literature review, as well as independent research via interviews. All research led to the same findings: that Black or African American owned businesses are challenged by lack of capital, markets, and education and networks. Although efforts have been made in the United States to overcome the disparities between Black or African American owned businesses and non-minority owned businesses, glaring gaps still exist with regards to access to funding, government contracting and mentorship.

The Farrell Center for Corporate Innovation and Entrepreneurship - a program within the Smeal College of Business that is dedicated to serving entrepreneurs through education, outreach and research - can most effectively support Black or African American business owners by creating a multifaceted educational program, expanding its existing Propel Business New Venture & Innovation Program to include initiatives specifically targeted to Black or African American entrepreneurs and partnering with existing non-profit organizations. The implementation of these recommendations will not only inspire Black or African American students at the Pennsylvania State University to pursue entrepreneurship, it will also benefit Black or African American business owners nationwide.

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## ACKNOWLEDGEMENTS

I would first like to thank my supervisor, Dr. Shawn Clark, for his unwavering support and guidance. Your expertise inspired me at every point of this thesis writing process. Thank you for all of the time and energy you dedicated to not only this project, but also to me.

Second, I would like to thank my management professor, Erik Foley-Defiore, for his valuable guidance throughout this process. I am grateful for the contacts you introduced me to, and the networks you helped me build.

Next, I want to acknowledge the founders of Rebuildtheblock, Zelnnetta Clark and Alexis Akarolo, for their incredible input. Without them, I would not have formulated the recommendations that I did.

In addition, I would like to thank my family - my father, Greg, mother, Julie, and sisters, Ava and Bianca - for all of their support throughout this journey. I would not have accomplished this without your unconditional love and support. Plus, a special thank you to my dogs Roscoe and Louie, whose pictures kept me smiling and motivated. And my Nana who contributed financially to my frequent ice cream breaks.

Finally, I could not have completed this thesis without the support of my amazing friends, Rose Sharp, Kaelan Freund, and Axelle Wasiak who provided me with happy distractions from my research and writing - often in the form of pizza, bubble tea and late-night conversations.

## **Chapter 1**

### **Introduction**

The purpose of this thesis is to identify the key challenges faced by Black or African American entrepreneurs in order to formulate recommendations on how the Farrell Center for Corporate Innovation and Entrepreneurship at the Pennsylvania State University can most effectively support Black or African American business owners in overcoming challenges associated with conceptualizing, launching and managing a business. Black or African American owned businesses exist under the broader category of minority owned businesses (MBE). This category, which contains businesses owned by every subset of non-majority individuals, is often researched and discussed as a singular unit. However, while some challenges are shared by all MBEs, Black or African American owned businesses face unique challenges, a fact that has only become more evident in light of recent racial unrest.

The Pennsylvania State University and the Farrell Center for Corporate Innovation and Entrepreneurship recognize that Black or African American owned businesses face significant challenges and disparities and, thus, are committed to taking action to address these issues. Through their initiatives, and service portfolio, they hope to begin rewriting the narrative that exists within the Black or African American owned business community today, and providing necessary support nationwide.

This thesis will first evaluate the realm of MBEs as a whole. Before narrowing the focus to its intended subject - Black or African American owned businesses - I will first lay some groundwork and provide an overall understanding of the broad MBE category within the entirety of the United States business realm. This will involve briefly exploring details of each MBE

subset in order to develop a complete understanding of the realm in which Black or African American owned businesses exist and thus provide insight on this subset's unique challenges.

Following the summary of MBEs as a whole, chapter three of this thesis will focus entirely on Black or African American owned business. I will conduct a deep dive into the current state of Black or African American owned businesses, through general data and statistics. The primary goal of chapter three, however, is to identify the needs, shortcomings and disparities within this category. I will delve into the most significant challenges faced by Black or African American entrepreneurs, the history of said challenges, and how they affect the success of Black or African American owned businesses today.

Continuing on, chapter four will outline the various entities that currently provide support to Black or African American business owners. Seeing as the Farrell Center for Corporate Innovation and Entrepreneurship operates within a major university, however, this section will spend the bulk of its time analyzing and comparing established university programs which aim to support Black or African American owned businesses. This benchmarking exercise will garner vital insights and valuable inspiration that will be utilized in the formation of recommendations for the Farrell Center's program and service offerings.

Lastly, the fifth and final chapter of this thesis will offer concrete and practical recommendations for the Farrell Center for Corporate Innovation and Entrepreneurship to follow in order to create a program that most effectively supports Black or African American owned businesses. The proposed plan will be accompanied by clear explanations as to how each recommendation will help to overcome the challenges identified in chapter three.



## Chapter 2

### What is a Minority Owned Business?

In this chapter, I will define the unit of analysis for this thesis, namely, Black or African American owned businesses. I will also define the terms and concepts explored in this thesis, and determine a specific scope for making concrete recommendations on how the Farrell Center for Corporate Innovation and Entrepreneurship can most effectively support these businesses.

Black or African American owned businesses are a subset of Minority Owned Business Enterprises (MBEs). To best understand Black or African American owned businesses' position within the entirety of the United States business realm, one must first become familiar with the overarching framework of business ownership and its various categories and subcategories. The Survey of Business Owners (SBO), a study conducted every five years by the United States Census Bureau, defines business ownership as, "having 51 percent or more of the stock or equity in the business and is categorized by:

- gender: male; female; or equally male/female,
- ethnicity: Hispanic; equally Hispanic/non-Hispanic; non-Hispanic,
- race: white; Black or African American, American Indian or Alaska Native; Asian: Native Hawaiian or Other Pacific Islander; or some other race,
- veteran status: Veteran; equally veteran/nonveteran; nonveteran, and
- publicly held and other firms not classifiable by gender, ethnicity, race, and veteran status" (US Census Bureau, 2020).

#### **Breakdown of Gender, Ethnicity, Race and Veteran Status**

For a complete picture of Business Ownership, the U.S. Census Bureau provides a more in-depth definition of each category - gender, ethnicity, race and veteran status. While the scope

of this thesis only encompasses the race and ethnicity categories, I will briefly discuss all of the categories to facilitate a broader understanding of the entire realm. The definitions are as follows:

Gender: “At the Census Bureau, the sex question wording very specifically intends to capture a person's biological sex and not gender. Ambiguity of these two concepts interferes with accurately and consistently measuring what we intend to measure--the sex composition of the population” (*Gender*, n.d.).

Ethnicity: “The U.S. Census Bureau adheres to the U.S. Office of Management and Budget’s (OMB) definition of ethnicity. There are two minimum categories for ethnicity: Hispanic or Latino and Not Hispanic or Latino. OMB considers race and Hispanic origin to be two separate and distinct concepts. Hispanics and Latinos may be of any race” (*Ethnicity*, n.d.).

Race: “The data on race were derived from answers to the question on race. The U.S. Census Bureau collects race data in accordance with guidelines provided by the U.S. Office of Management and Budget (OMB), and these data are based on self-identification. The racial categories included in the census questionnaire generally reflect a social definition of race recognized in this country and not an attempt to define race biologically, anthropologically, or genetically. In addition, it is recognized that the categories of the race question include race and national origin or sociocultural groups. OMB requires that race data be collected for a minimum of five groups: White, Black or African American, American Indian or Alaska Native, Asian, and Native Hawaiian or another Pacific Islander. OMB permits the Census Bureau to also use a sixth category - Some Other Race. Respondents may report more than one race” (*Race*, n.d.).

Veteran Status: “A ‘civilian veteran’ is a person 18 years old or over who has served (even for a short time), but is not now serving, on active duty in the U.S. Army, Navy, Air Force,

Marine Corps, or the Coast Guard, or who served in the U.S. Merchant Marine during World War II. People who served in the National Guard or military reserves are classified as veterans only if they were ever called or ordered to active duty, not counting the 4-6 months for initial training or yearly summer camps. All other civilians 16 years old and over are classified as nonveterans” (*Veteran Status*, n.d.).

Any of the non-majority categorizations - i.e., female, Hispanic, non-White, and veteran - can technically be referred to as minorities. Traditionally, however, and for the purposes and scope of this thesis, minorities are considered to be non-majorities in the *ethnicity* and *race* categories only.

### **Minority Owned Business Enterprises**

Armed with an understanding of business ownership and its categorization, along with detailed definitions of each category, it is now important to focus on the definition of MBEs. This thesis will respect the definition outlined by the National Minority Supplier Development Council (NMSDC), which considers an MBE to be a firm in which a minority group member has business ownership. It is important to note that the NMSDC, and thus this thesis, expands upon the SBO’s definition of business ownership to include the caveat that, “the management and daily operations are controlled by those minority group members” (*What is an MBE*, n.d.). Thus, not only must 51% or more of the stock and equity of a firm be held by a minority group member, or members, but the daily operations and decisions must also be made by a minority group member. The NMSDC proceeds to define a minority group member as, “an individual who is a U.S. citizen with at least one quarter of the following: Asian-Indian, Asian-Pacific, African-American|Black, Hispanic|Latin American and Native American” (*What is an MBE*, n.d.).

### **Minority Group Members**

The focus of this thesis, Black or African American owned businesses, falls under the African-American|Black group, but I will briefly discuss all of the groups to broaden the understanding of all definitions within the realm. The breakdowns are as follows:

Asian-Indian: A U.S. citizen whose origins are from the Asian Indian region. These countries include Bangladesh; India; Indonesia; Nepal; Pakistan; Sri Lanka (*What is an MBE*, n.d.).

Asian-Pacific: A U.S. citizen whose origins are from the Asian Pacific region. These countries include the following: Cambodia; China; Guam; Japan; Korea; Laos; Malaysia; the Philippines; Samoa; Thailand; Tibet; Taiwan; the U.S. Trust Territories of the Pacific or the Northern Marianas; and Vietnam (*What is an MBE*, n.d.).

African-American|Black: A U.S. citizen having origins in any of the Black racial groups of Sub-Sahara Africa. These countries include Angola; Benin; Botswana; Burkina-Faso; Burundi; Cameroon; Cape Verde; Central African Republic; Chad; Comoros; Democratic Republic of Congo (DRC); Cote d'Ivoire; Djibouti; Equatorial Guinea; Eritrea; Ethiopia; Gabon; Gambia; Ghana; Guinea; Guinea-Bissau; Kenya; Lesotho; Liberia; Madagascar; Malawi; Mali; Mauritania; Mauritius; Mozambique; Namibia; Niger; Nigeria; Rwanda; Sao Tome & Principe; Senegal; Seychelles; Sierra Leone; Somalia; South Africa; Swaziland; Tanzania; Togo; Uganda; Western Sahara; Zambia; and Zimbabwe. Caribbean natives of African descent are also eligible. These islands include Aruba; Barbados; Bonaire; the Cayman Islands; Saint Croix; The Bahamas or Antigua; Cuba; Hispaniola; Puerto Rico; Jamaica; Dominica; Montserrat; Saba; Saint Kitts; Saint Lucia; Saint Thomas; Saint John; Tortola; Grenada; Saint Vincent; Guadeloupe; Martinique; and Trinidad & Tobago (*What is an MBE*, n.d.).

Hispanic|Latin American: A U.S. citizen of true-born Hispanic heritage, from any of the Spanish-speaking areas of the following regions: Argentina, Belize, Bolivia, Brazil, Central America, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Guatemala, Guyana, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, South America, Uruguay, Venezuela. The Caribbean Basin only, Brazilians (Afro-Brazilian, indigenous/Indian only) shall be listed under Hispanic designation for review and certification purposes (*What is an MBE*, n.d.).

Native American: A person who is an American Indian, Eskimo, Aleut or Native Hawaiian, and regarded as such by the community of which the person claims to be a part. Native Americans must be documented members of a North American tribe, band or otherwise organized group of native people who are indigenous to the continental United States and proof can be provided through a Native American Blood Degree Certificate - i.e., tribal registry letter, tribal roll register number (*What is an MBE*, n.d.).

### **Minority Owned Business Enterprise Facts**

The final step in crafting a thorough understanding of MBEs, before honing in specifically on Black or African American owned businesses, is examining the state of MBEs in the United States and briefly evaluating each group's individual business sector. This will complete the groundwork necessary for understanding the category which houses Black or African American owned businesses. The statistics being presented will illuminate the disparities that exist between MBEs and non-minority owned businesses and will also expose the disparities between the various subsets of MBEs themselves. This information will be a useful prelude for the discussion in the following chapter which examines the unique and significant challenges faced by the Black or African American subset.

Initially I will examine statistics involving all U.S. minority owned firms. According to a 2016 report conducted by the Minority Business Development Agency (MBDA), there are a total of 8 million MBEs in the U.S. which earned combined gross receipts of \$1.4 trillion. A notable statistic is the fact that, while 22% of non-minority owned businesses have paid employees, only 11% of minority owned firms do (U.S. Department of Commerce, 2016).

**Table 1. All Minority Firms**

|   | Black / African American | American Indian & Alaskan Native | Asian         | Hispanic      | Native Hawaiian & Pacific Islander | All Minority Firms | Non-Minority Firms | Classifiable Firms | All U.S. Firms |
|---|--------------------------|----------------------------------|---------------|---------------|------------------------------------|--------------------|--------------------|--------------------|----------------|
| Number of Firms                           | 2,584,403                | 272,919                          | 1,917,902     | 3,305,873     | 54,749                             | 7,952,386          | 18,987,918         | 27,179,380         | 27,626,360     |
| Combined Gross Receipts                   | \$150.2 billion          | 38.8 billion                     | 699.5 billion | 473.6 billion | 8.1 billion                        | 1.4 trillion       | 10.5 trillion      | 11.9 trillion      | 33.5 trillion  |
| Average Gross Receipts                    | \$58,119                 | \$142,306                        | \$364,717     | \$143,271     | \$148,614                          | \$173,552          | \$552,079          | \$440,190          | \$1,213,944    |
| Number of Firms with Employees            | 109,137                  | 26,179                           | 481,062       | 287,501       | 4,706                              | 908,800            | 4,156,683          | 5,136,203          | 5,424,458      |
| Combined Receipts of Firms with Employees | 103.5 billion            | 31.7 billion                     | 627.5 billion | 380.0 billion | 6.5 billion                        | 1.2 trillion       | 9.7 trillion       | 11.0 trillion      | 32.5 trillion  |
| Average Receipts of Firms with Employees  | \$947,905                | \$1,209,143                      | \$1,304,571   | \$1,321,717   | \$1,374,831                        | \$1,227,983        | \$2,337,043        | \$2,134,765        | \$5,990,509    |
| Number of Paid Employees                  | 975,052                  | 208,178                          | 3,572,577     | 2,329,553     | 39,001                             | 7,165,151          | 48,255,649         | 56,058,563         | 115,249,007    |

Source: (U.S. Department of Commerce, 2016)

### Statistics by Minority Group Category

Now I will discuss notable statistics and callouts within each individual minority group's business sector before getting to the information pertaining to the main focus of this thesis.

American Indian & Alaskan Native: According to the 2016 report conducted by the MBDA, American Indians and Alaskan Natives are responsible for the ownership of 272K

businesses in the U.S. and make \$39B in annual receipts. 26K firms, which account for 9.6% of this minority ownership category, have paid employees, which totals 208K people employed at American Indian and Alaskan Native owned firms. The majority of employer firms -or businesses *with* paid employees- fall under the following industries: depository credit intermediation, nonresidential building construction, and other heavy and civil engineering construction. Employer firms within the depository credit intermediation industry earn the highest average annual receipts totaling \$12.3M. The remaining businesses are non-employer firms -businesses *without* paid employees. Within that category gas stations earn the highest average annual receipts totaling \$230K (U.S. Small Business Administration, n.d.-a).

**Table 2. American Indian & Alaskan Native Firms**

|   | Black / African American | American Indian & Alaskan Native | Asian         | Hispanic      | Native Hawaiian & Pacific Islander | All Minority Firms | Non-Minority Firms | Classifiable Firms | All U.S. Firms |
|---|--------------------------|----------------------------------|---------------|---------------|------------------------------------|--------------------|--------------------|--------------------|----------------|
| Number of Firms                           | 2,584,403                | 272,919                          | 1,917,902     | 3,305,873     | 54,749                             | 7,952,386          | 18,987,918         | 27,179,380         | 27,626,360     |
| Combined Gross Receipts                   | \$150.2 billion          | 38.8 billion                     | 699.5 billion | 473.6 billion | 8.1 billion                        | 1.4 trillion       | 10.5 trillion      | 11.9 trillion      | 33.5 trillion  |
| Average Gross Receipts                    | \$58,119                 | \$142,306                        | \$364,717     | \$143,271     | \$148,614                          | \$173,552          | \$552,079          | \$440,190          | \$1,213,944    |
| Number of Firms with Employees            | 109,137                  | 26,179                           | 481,062       | 287,501       | 4,706                              | 908,800            | 4,156,683          | 5,136,203          | 5,424,458      |
| Combined Receipts of Firms with Employees | 103.5 billion            | 31.7 billion                     | 627.5 billion | 380.0 billion | 6.5 billion                        | 1.2 trillion       | 9.7 trillion       | 11.0 trillion      | 32.5 trillion  |
| Average Receipts of Firms with Employees  | \$947,905                | \$1,209,143                      | \$1,304,571   | \$1,321,717   | \$1,374,831                        | \$1,227,983        | \$2,337,043        | \$2,134,765        | \$5,990,509    |
| Number of Paid Employees                  | 975,052                  | 208,178                          | 3,572,577     | 2,329,553     | 39,001                             | 7,165,151          | 48,255,649         | 56,058,563         | 115,249,007    |

Source: (U.S. Small Business Administration, n.d.-a)

Asian: According to the 2016 report conducted by the MBDA, Asian Americans are responsible for the ownership of 1.9M businesses in the U.S. and make \$700B in annual receipts.

481K firms, which account for 25.1% of this minority ownership category, have paid employees, which totals 3.6M people employed at Asian owned firms. The majority of employer firms fall under the following industries: seafood product preparation and packaging, employment services, and management of companies and enterprises. Employer firms within the petroleum and coal product manufacturing industry earn the highest average annual receipts totaling \$31.4M. As was the case with the American Indian and Native Alaskan category, gas stations account for the highest average annual receipts in the Asian American non-employer firm category, earning a total of \$706K (U.S. Small Business Administration, n.d.-a-b).

**Table 3. Asian Firms**

|   | Black / African American | American Indian & Alaskan Native | Asian         | Hispanic      | Native Hawaiian & Pacific Islander | All Minority Firms | Non-Minority Firms | Classifiable Firms | All U.S. Firms |
|---|--------------------------|----------------------------------|---------------|---------------|------------------------------------|--------------------|--------------------|--------------------|----------------|
| Number of Firms                           | 2,584,403                | 272,919                          | 1,917,902     | 3,305,873     | 54,749                             | 7,952,386          | 18,987,918         | 27,179,380         | 27,626,360     |
| Combined Gross Receipts                   | \$150.2 billion          | 38.8 billion                     | 699.5 billion | 473.6 billion | 8.1 billion                        | 1.4 trillion       | 10.5 trillion      | 11.9 trillion      | 33.5 trillion  |
| Average Gross Receipts                    | \$58,119                 | \$142,306                        | \$364,717     | \$143,271     | \$148,614                          | \$173,552          | \$552,079          | \$440,190          | \$1,213,944    |
| Number of Firms with Employees            | 109,137                  | 26,179                           | 481,062       | 287,501       | 4,706                              | 908,800            | 4,156,683          | 5,136,203          | 5,424,458      |
| Combined Receipts of Firms with Employees | 103.5 billion            | 31.7 billion                     | 627.5 billion | 380.0 billion | 6.5 billion                        | 1.2 trillion       | 9.7 trillion       | 11.0 trillion      | 32.5 trillion  |
| Average Receipts of Firms with Employees  | \$947,905                | \$1,209,143                      | \$1,304,571   | \$1,321,717   | \$1,374,831                        | \$1,227,983        | \$2,337,043        | \$2,134,765        | \$5,990,509    |
| Number of Paid Employees                  | 975,052                  | 208,178                          | 3,572,577     | 2,329,553     | 39,001                             | 7,165,151          | 48,255,649         | 56,058,563         | 115,249,007    |

Source: (U.S. Small Business Administration, n.d.-b)

Hispanic | Latin American: According to the 2016 report conducted by the MBDA, Hispanics are responsible for the ownership of 3.3M businesses in the U.S. and make \$474B in annual receipts. 287K firms, which account for 8.7% of this minority ownership category, have



paid employees, which totals 2.3M people employed at Hispanic owned firms. The majority of employer firms fall under the following industries: employment services, warehousing and storage, and management of companies and enterprises. Interestingly, businesses within the grocery and related product merchant wholesalers industry hold both the position of highest average annual receipts per firm among non-employer firms - earning \$167K - and second highest average annual receipts per firm among employer firms - earning \$13.4M. The third ranking industry within the employer firms category is warehousing and storage which earns \$11M in average annual receipts (U.S. Small Business Administration, n.d.-d)

**Table 4. Hispanic Firms**

|   | Black / African American | American Indian & Alaskan Native | Asian         | Hispanic      | Native Hawaiian & Pacific Islander | All Minority Firms | Non-Minority Firms | Classifiable Firms | All U.S. Firms |
|---|--------------------------|----------------------------------|---------------|---------------|------------------------------------|--------------------|--------------------|--------------------|----------------|
| Number of Firms                           | 2,584,403                | 272,919                          | 1,917,902     | 3,305,873     | 54,749                             | 7,952,386          | 18,987,918         | 27,179,380         | 27,626,360     |
| Combined Gross Receipts                   | \$150.2 billion          | 38.8 billion                     | 699.5 billion | 473.6 billion | 8.1 billion                        | 1.4 trillion       | 10.5 trillion      | 11.9 trillion      | 33.5 trillion  |
| Average Gross Receipts                    | \$58,119                 | \$142,306                        | \$364,717     | \$143,271     | \$148,614                          | \$173,552          | \$552,079          | \$440,190          | \$1,213,944    |
| Number of Firms with Employees            | 109,137                  | 26,179                           | 481,062       | 287,501       | 4,706                              | 908,800            | 4,156,683          | 5,136,203          | 5,424,458      |
| Combined Receipts of Firms with Employees | 103.5 billion            | 31.7 billion                     | 627.5 billion | 380.0 billion | 6.5 billion                        | 1.2 trillion       | 9.7 trillion       | 11.0 trillion      | 32.5 trillion  |
| Average Receipts of Firms with Employees  | \$947,905                | \$1,209,143                      | \$1,304,571   | \$1,321,717   | \$1,374,831                        | \$1,227,983        | \$2,337,043        | \$2,134,765        | \$5,990,509    |
| Number of Paid Employees                  | 975,052                  | 208,178                          | 3,572,577     | 2,329,553     | 39,001                             | 7,165,151          | 48,255,649         | 56,058,563         | 115,249,007    |

Source: (U.S. Small Business Administration, n.d.-d)

Native Hawaiian and Pacific Islander: According to the 2016 report conducted by the MBDA, Native Hawaiians and Pacific Islanders are responsible for the ownership of 55K

businesses in the U.S. and make \$8.1B in annual receipts. 5K firms, which account for 8.6% of this minority ownership category, have paid employees, which totals 39K people employed at Native Hawaiian and Pacific Islander owned firms. The majority of employer firms fall under the following industries: facilities support services, management of companies and enterprises, and warehousing and storage. Employer firms within the facilities support services industry earn the highest average annual receipts totaling \$9.8M. This is notable in comparison to the total industry average of \$4.6M. Non-employer firms within the other leather and allied product manufacturing industry earn the highest average annual receipts totaling \$70K. This is again notable when compared to the total industry average of \$31K (U.S. Small Business Administration, n.d.-e)

**Table 5. Native Hawaiian & Pacific Islander Firms**

|   | Black / African American | American Indian & Alaskan Native | Asian         | Hispanic      | Native Hawaiian & Pacific Islander | All Minority Firms | Non-Minority Firms | Classifiable Firms | All U.S. Firms |
|---|--------------------------|----------------------------------|---------------|---------------|------------------------------------|--------------------|--------------------|--------------------|----------------|
| Number of Firms                           | 2,584,403                | 272,919                          | 1,917,902     | 3,305,873     | 54,749                             | 7,952,386          | 18,987,918         | 27,179,380         | 27,626,360     |
| Combined Gross Receipts                   | \$150.2 billion          | 38.8 billion                     | 699.5 billion | 473.6 billion | 8.1 billion                        | 1.4 trillion       | 10.5 trillion      | 11.9 trillion      | 33.5 trillion  |
| Average Gross Receipts                    | \$58,119                 | \$142,306                        | \$364,717     | \$143,271     | \$148,614                          | \$173,552          | \$552,079          | \$440,190          | \$1,213,944    |
| Number of Firms with Employees            | 109,137                  | 26,179                           | 481,062       | 287,501       | 4,706                              | 908,800            | 4,156,683          | 5,136,203          | 5,424,458      |
| Combined Receipts of Firms with Employees | 103.5 billion            | 31.7 billion                     | 627.5 billion | 380.0 billion | 6.5 billion                        | 1.2 trillion       | 9.7 trillion       | 11.0 trillion      | 32.5 trillion  |
| Average Receipts of Firms with Employees  | \$947,905                | \$1,209,143                      | \$1,304,571   | \$1,321,717   | \$1,374,831                        | \$1,227,983        | \$2,337,043        | \$2,134,765        | \$5,990,509    |
| Number of Paid Employees                  | 975,052                  | 208,178                          | 3,572,577     | 2,329,553     | 39,001                             | 7,165,151          | 48,255,649         | 56,058,563         | 115,249,007    |

Source: (U.S. Small Business Administration, n.d.-e)

The information presented above sets the stage for the focus of this thesis - Black or African American owned business. The data will be a valuable point of reference as we examine the statistics of that category, specifically. Key pieces of data to keep in mind include number of firms, combined and average gross receipts, as well as number of firms with employees.

## Chapter 3

### Black or African American Owned Businesses

I will now transition to the focus of this thesis and examine the state of Black or African American owned businesses in America. This will establish context, put this subset into perspective relative to the previously discussed subsets of MBEs, and lay the foundation for exploring needs and identifying opportunities which will be used to form my final recommendations for the Farrell Center for Corporate Innovation and Entrepreneurship.

### Black or African American Owned Business Statistics

According to the 2016 report conducted by the MBDA, African Americans are responsible for the ownership of 2.6M businesses in the U.S. and make \$150B in annual receipts. 109K firms, which account for 4.2% of this minority ownership category, have paid employees, which totals 975K people employed at Black or African American owned firms. The majority of employer firms fall under the following industries: employment services, management of companies and enterprises, and traveler accommodation. Employer firms within the other food manufacturing industry earn the highest average annual receipts totaling \$12.3M. This is impressive compared to the total industry average of \$11.7M (U.S. Small Business Administration, n.d.-c).

**Table 6. Black or African American Firms**

|                            | Black/<br>African<br>American | American<br>Indian &<br>Alaskan<br>Native | Asian            | Hispanic         | Native<br>Hawaiian<br>& Pacific<br>Islander | All<br>Minority<br>Firms | Non-<br>Minority<br>Firms | Classifiable<br>Firms | All U.S.<br>Firms |
|----------------------------|-------------------------------|---|------------------|------------------|---|--------------------------|---------------------------|-----------------------|-------------------|
| Number of<br>Firms         | 2,584,403                     | 272,919                                   | 1,917,902        | 3,305,873        | 54,749                                      | 7,952,386                | 18,987,918                | 27,179,380            | 27,626,360        |
| Combined<br>Gross Receipts | 150.2<br>billion              | 38.8<br>billion                           | 699.5<br>billion | 473.6<br>billion | 8.1 billion                                 | 1.4 trillion             | 10.5<br>trillion          | 11.9 trillion         | 33.5 trillion     |

|   | Black/<br>African<br>American | American<br>Indian &<br>Alaskan<br>Native | Asian         | Hispanic      | Native<br>Hawaiian<br>& Pacific<br>Islander | All<br>Minority<br>Firms | Non-<br>Minority<br>Firms | Classifiable<br>Firms | All U.S.<br>Firms |
|---|-------------------------------|---|---------------|---------------|---|--------------------------|---------------------------|-----------------------|-------------------|
| Average Gross Receipts                    | \$58,119                      | \$142,306                                 | \$364,717     | \$143,271     | \$148,614                                   | \$173,552                | \$552,079                 | \$440,190             | \$1,213,944       |
| Number of Firms with Employees            | 109,137                       | 26,179                                    | 481,062       | 287,501       | 4,706                                       | 908,800                  | 4,156,683                 | 5,136,203             | 5,424,458         |
| Combined Receipts of Firms with Employees | 103.5 billion                 | 31.7 billion                              | 627.5 billion | 380.0 billion | 6.5 billion                                 | 1.2 trillion             | 9.7 trillion              | 11.0 trillion         | 32.5 trillion     |
| Average Receipts of Firms with Employees  | \$947,905                     | \$1,209,143                               | \$1,304,571   | \$1,321,717   | \$1,374,831                                 | \$1,227,983              | \$2,337,043               | \$2,134,765           | \$5,990,509       |
| Number of Paid Employees                  | 975,052                       | 208,178                                   | 3,572,577     | 2,329,553     | 39,001                                      | 7,165,151                | 48,255,649                | 56,058,563            | 115,249,007       |

Source: (U.S. Small Business Administration, n.d.-c)

There are several notable details contained in Table 6. First is that Black or African American owned businesses account for 2,584,403 of the 27,626,360 total firms in the United States - or roughly 9.4%. Now, consider the fact that Black or African Americans make up approximately 13.4% of the total United States population (U.S. Census Bureau, n.d.) and you can spot a troublesome disproportionality.

Next, note the fact that Black or African American owned businesses are the second largest subset of MBEs in the United States, behind only Hispanics. Despite this fact, however, their gross receipts are only 20% of those generated by the Asian subset of MBEs - a group which represents 500K fewer businesses. Further Black or African American owned businesses earn the *lowest* average gross receipts out of all the MBE subsets. These statistics are a numerical representation of the struggles experienced by the Black or African American owned business subset.

## Needs of Black or African American Owned Businesses

The next step is to identify the challenges that Black or African American business owners face in order to build an understanding of needs within the market. As such, this section will review the findings of various research projects and initiatives that examined challenges facing Black owned businesses. While every individual business owner faces their own challenges and has their own set of unique needs, research shows that the majority of Black or African American business owners face challenges that can be summarized in three categories: lack of funding, markets, and education and networks.

These categorizations are backed by various studies, including one by McKinsey, which determined that the three greatest challenges faced by Black or African American business owners are, “insufficient access to capital, knowledge, and support” (Baboolall et al., 2020). Similar findings were presented by Ascend - an initiative funded by JP Morgan, committed to supporting businesses owned by people of color and aiming to minimize the discrepancies in median revenue in businesses owned by people of different races (Foster Consulting and Business Development Center & JPMorgan Chase & Company, 2019). In their report *“Helping Entrepreneurs of Color Grow their Business: Early Insights from the Ascend 2020 Initiative,”* Ascend determines that the overwhelming majority of needs within the minority owned - and thus Black or African American owned - business market can be summed up into “the Three-Ms,” namely: “management education, access to money, and access to markets” (JPMorgan Chase & Company et al., 2018). Finally, The U.S. Senate Committee on Small Business & Entrepreneurship surmised that there is “still a disparity when it comes to access to capital, contracting opportunities and other entrepreneurial development opportunities for minority-owned firms” (*Minority Entrepreneurs*, n.d.).

Each of these sources label the categories into which they group the needs of Black or African American business owners slightly differently, using terms such as capital, money, opportunities, markets, support, entrepreneurial development, etc. But while the terminology is different, the concepts and underlying needs are all similar and can be boiled down, as stated previously, to insufficient access to the following necessities:

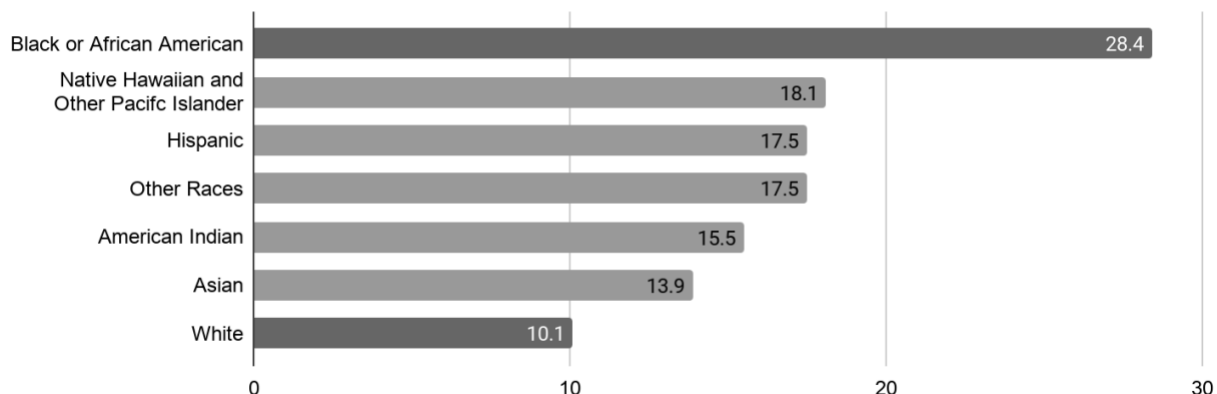
1. Funding
2. Markets
3. Education and Networks

I will now delve into the specifics of each of these categories and explore the key challenges they present to Black or African American business owners. In order to eventually outline recommendations for best practices to support Black or African American owned businesses, it is crucial to first establish a deep understanding of the problems they face.

### **Funding**

According to the U.S. Commerce’s MBDA, “capital access remains the most important factor limiting the establishment, expansion and growth of minority-owned businesses” (*Executive Summary - Disparities in Capital Access between Minority*, 2017). Research by the Kauffman Foundation found that Black or African American business owners are nearly three times more likely to experience a negative impact on profits due to lack of capital, than white business owners. This is portrayed in Figure 1.

% of firms that experience a negative impact on profits due to lack of capital



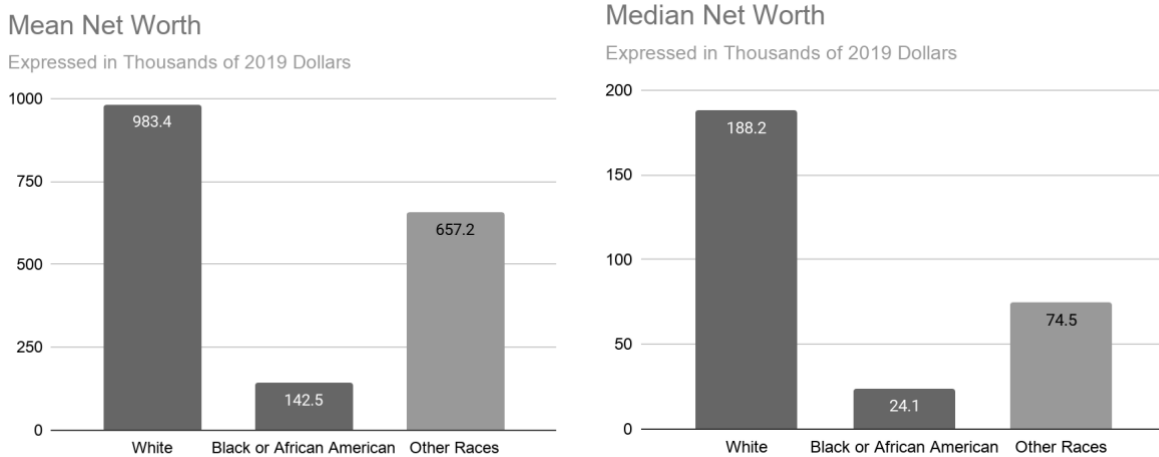
**Figure 1. Percent of Firms that Experience a Negative Impact on Profits Due to Lack of Capital**

Source: (Robb & Morelix, 2016)

### **Household Income and Personal Wealth**

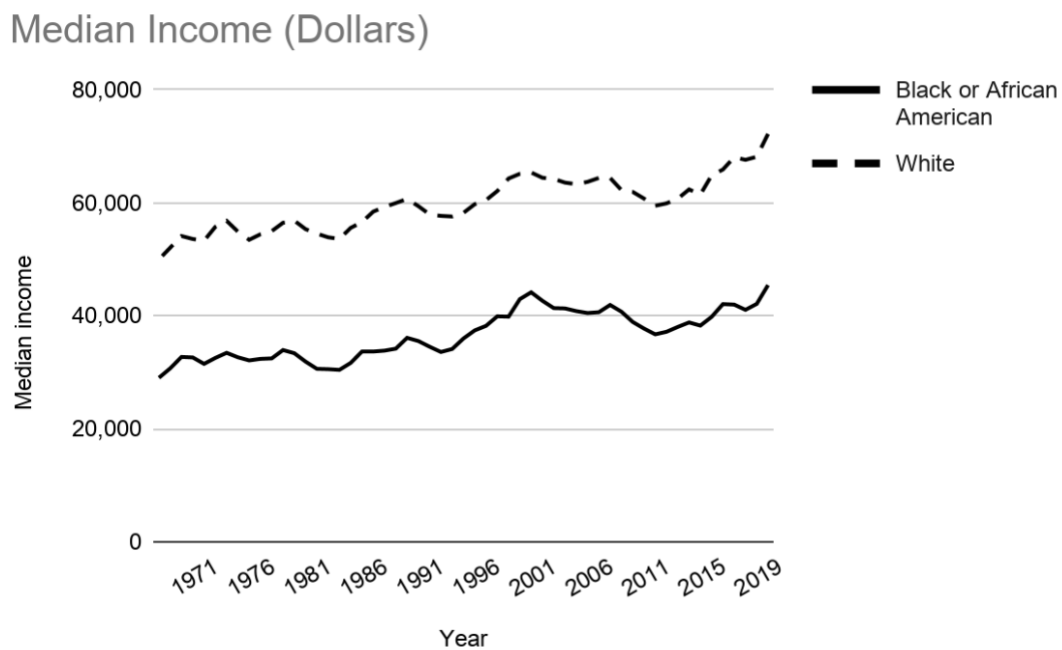
There are many factors that contribute to the glaring minority funding gap in the United States, one simply being the wealth disparity between minority and non-minority Americans. Figures 2 through 4 portray the significant difference in income between black and white households in the U.S. in 2018, with white households earning an average of \$84,600 per year versus \$51,600 per year in black households. This means that, on average, black households earn only 61% of the income of average white households (*In the U.S., Black-White Income Gap Has Held Steady since 1970*, 2020). Another study by the MBDA found that, “half of all African American families [have] less than \$5,446 [in wealth]. Wealth levels among whites are 11 to 16 times higher” (*Executive Summary - Disparities in Capital Access between Minority*, 2017).





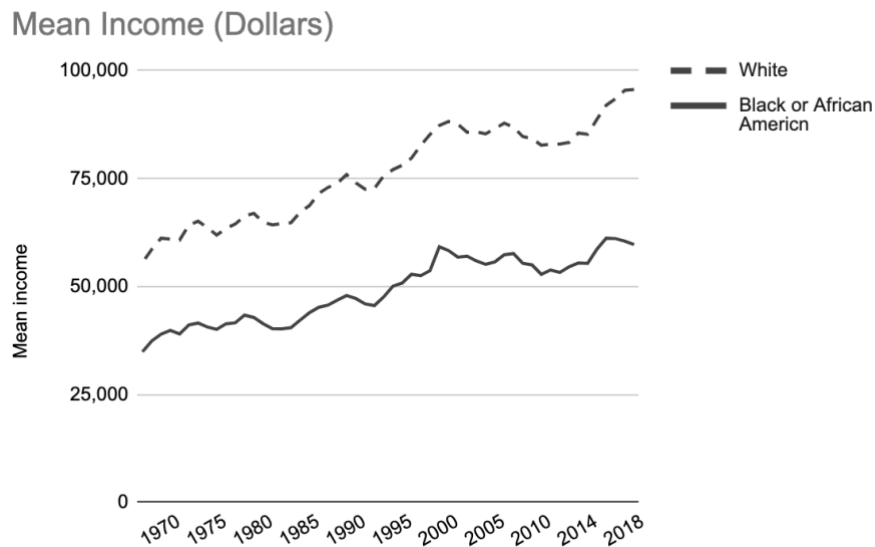
**Figure 2. Mean and Median Net Worth Comparisons**

Source: (*Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances, Accessible Data, 2019*)



**Figure 3. Median Income Comparison**

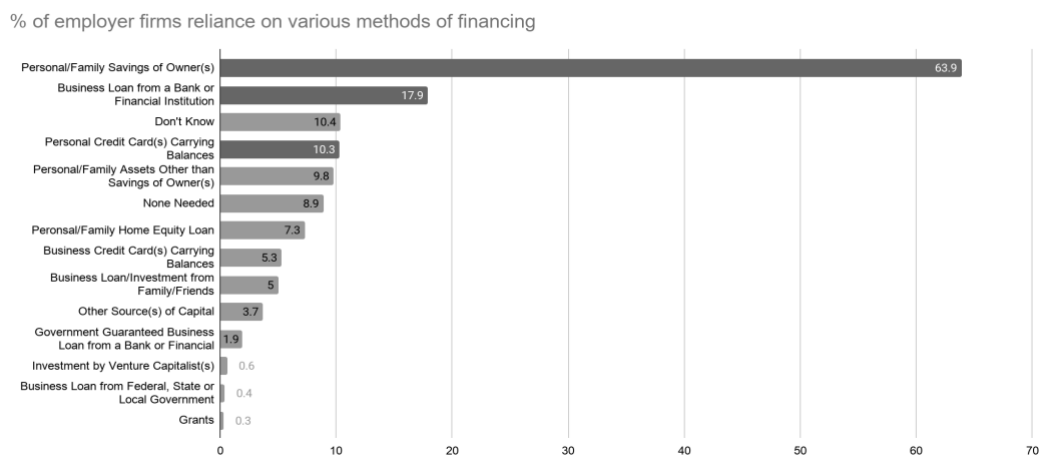
Source: (US Census Bureau, 2020b)



**Figure 4. Mean Income Comparison**

Source: (US Census Bureau, 2020b)

This disparity has a significant impact on the minority funding gap, as 63.9% of all employer businesses, owned by people across all races, rely on ‘person/family savings of owners’ to fund their business. This is followed by 17.9% of firms relying on ‘business loans from banks,’ and 10.3% on ‘personal credit cards’ (Robb & Morelix, 2016).



**Figure 5. Employer Firms' Reliance on Various Methods of Financing**

Source: (Robb & Morelix, 2016)

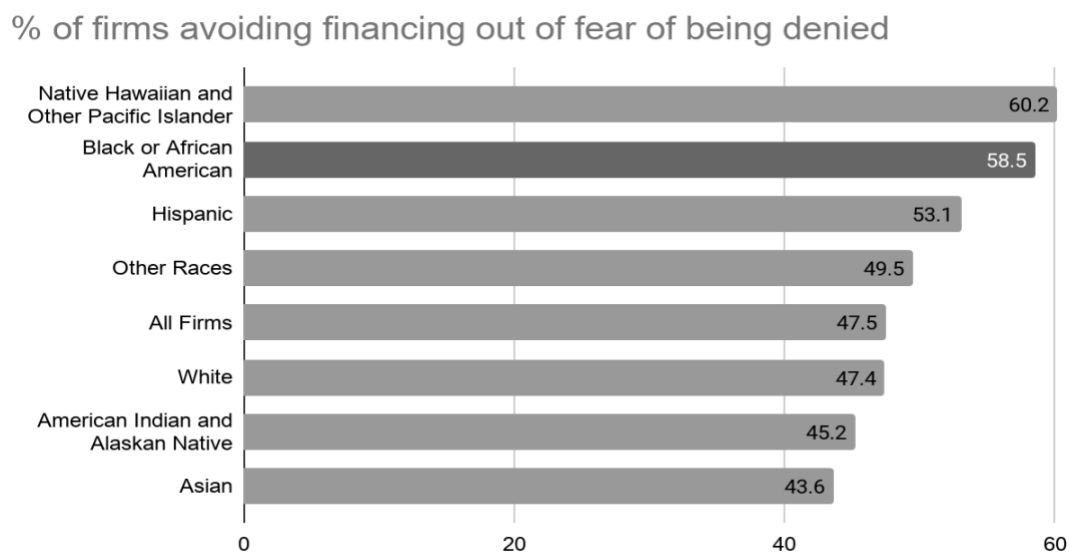
Far fewer Black or African American business owners, however, are able to rely on ‘personal/family savings of owners’ as neither themselves nor their family and friends have access to the capital necessary to fund a new business. Because of this, Black or African American business owners rely much more heavily on ‘personal credit cards’ for their funding, with 17.6% of firms reporting this as their primary means of raising funds, the highest of any race category (Robb & Morelix, 2016). Clearly then, “low levels of wealth and liquidity constraints create a substantial barrier to entry for minority entrepreneurs” (*Executive Summary - Disparities in Capital Access between Minority*, 2017).

### **Difficulty in Securing Loans**

The second contributor to the minority funding gap is banks’ unwillingness to provide Black or African American business owners (even those with credit scores above 750) with business loans and equity. For example, in 2016, while 7% of white business owners were able to secure business loans, only 1% of Black or African American business owners were able to do the same (Flitter, 2020). The MBDA found that, for firms with gross receipts less than \$500,000, 42% of minority owned firms were denied a loan, whereas only 16% of white owned businesses were denied the same loans (*Executive Summary - Disparities in Capital Access between Minority*, 2017). It is important to remember that the MBDA data takes into account all MBEs, not just Black or African American owned businesses, and the percentage of Black or African American business owners who were denied loans is the highest of any minority group (Harrison, 2020).

This has led to a great deal of discouragement among Black or African American business owners regarding their perceived chances of securing a business loan, as “37.9% of Black employer firms reported being discouraged, compared to 12.7% of white-owned employer

firms” (Arora, 2020). This is further supported via a study by the Kauffman Foundation which found that many Black or African American business owners simply do not apply for business loans, out of fear of being denied lending (Robb & Morelix, 2016). This is portrayed in Figure 6.



**Figure 6. Percent of Firms Avoiding Financing Out of Fear of Being Rejected**

Source: (Robb & Morelix, 2016)

Not only, however, are Black or African American business owners more likely to be denied by banks for business loans, they also receive less capital and have higher interest rates if and when they are actually approved. According to the MBDA, “minority firms average \$29,879 in external debt compared with \$36,777 for non-minority firms. Minority firms [have] the most trouble obtaining external equity with \$2,984 on average compared with \$7,607 on average for non-minority firms” (*Executive Summary - Disparities in Capital Access between Minority*, 2017). Finally, the MBDA reports that there is a greater than 1% difference in the average interest rate paid by minority versus white owned businesses. “For all firms, minority firms paid 7.8 percent on average for loans compared with 6.4 percent for non-minority firms (*Executive Summary - Disparities in Capital Access between Minority*, 2017).

## Markets

In their paper titled, *“Enhancing product market access: Minority entrepreneurship, status leveraging, and preferential procurement programs,”* authors Lois M. Shelton and Maria Minniti claim that, “access to product markets is a key barrier faced by minority entrepreneurs” (Shelton & Minniti, 2017, p. 481). Similarly, JP Morgan’s Ascend 2020 Initiative states, “contracts with government agencies as well as corporations, universities and hospitals (i.e., anchor organizations) are critical for the survival and growth of small businesses” (JPMorgan Chase & Company et al., 2018). For the purpose of this thesis, the term markets refers to contracts, primarily government contracts, defined as “agreements that outline business transactions between companies and government entities” (*Government Contracts Definition - Entrepreneur Small Business Encyclopedia*, n.d.). Note that, although government contracts are the primary focus, contracts with large corporations, universities and hospitals are also included in this definition and discussion.

Federal law requires that a minimum of 23% of the government’s goods and services contracting budget be allocated to small businesses. Of that, only 5% is allocated specifically to minority owned businesses (Weltman, 2012). Not having access to these government contracts is harmful to the growth of Black or African American owned businesses. Case in point, research done for the Ascend 2020 Initiative found that “government programs designed to increase the number of contracts with minority-owned businesses have in fact increased rates of African American entrepreneurship in industries heavily impacted by these government programs and the share of government contract dollars awarded to minority-owned businesses” (JPMorgan Chase & Company et al., 2018).

## **Education and Networks**

The last major category of needs I identified is the lack of education and networks for Black or African American business owners. Many emerging Black or African American entrepreneurs did not receive the same quality of education as their non-minority counterparts and were not privy to the same educational resources. They often lack knowledge of even the most basic fundamentals of entrepreneurship - such as how to create a business model. In addition, Black or African American business owners must often navigate the entrepreneurial realm without any of the support, guidance or mentorship that has proven vital to the longevity of a new business venture.

### **Education**

Lack of access to education begins as early as Pre-K for some Black or African American students and can be tied directly to income and wealth disparities. As mentioned in a previous section, “half of all African American families [have] less than \$5,446 [in wealth]” (*Executive Summary - Disparities in Capital Access between Minority*, 2017). Further data by the U.S. Census Bureau shows that in 2019, 18.8% of Black or African American families lived below the poverty line (US Census Bureau, 2020b).

While these statistics themselves are concerning on a human rights level, they are also a major factor in the lack of education for Black or African American students - and in turn business owners. Research shows that schools in impoverished communities and neighborhoods are sorely lacking resources. In fact, “40 percent of high-poverty schools are not getting a fair share of state and local funds” (National Association of Secondary School Principals, 2021). Lack of funding and limited budget cause a trickle-down effect, leaving schools in high-poverty areas unable to hire properly accredited instructors, supply students with helpful resources, or

even prepare students for college, trade school or the workforce (National Association of Secondary School Principals, 2021). Further, statistics from 2012 highlight that only 57% of Black or African American students have access to a full range of STEM classes in high school. And finally, “schools with 90 percent or more students of color spend \$733 less per student per year than schools with 90 percent or more white students (United Negro College Fund, 2020).

Factoring in the statistic that, as of 2018 only 38% of Black or African American 18-24 year olds were enrolled in college (National Center for Education Statistics, n.d.), it is not difficult to conceptualize how this lack of education affects future Black or African American entrepreneurs and business owners.

### **Networks**

According to a study by McKinsey & Company, “Black entrepreneurs might also lack access to the networks and relationships that could help them make optimal business decisions” since “founders who are mentored by top-performing entrepreneurs are three times more likely than their co-located peers without mentors to become top performers themselves” (*Baboolall et al., 2020*). Research by Entrepreneur discovered that, in 2013, 80% of CEOs reported that they received mentorship in some capacity, and 93% of entrepreneurs at startups attributed a portion of their success to having received mentorship (Eugenio, 2016).

Not only does mentorship increase a business owner’s chance of success, it also promotes the legitimacy of a small business, which in turn boosts that business's longevity. According to the SBA, “70 percent of small businesses that receive mentoring survive more than five years – double the survival rate of non-mentored businesses” (Lower Rio Grande Valley District Office, 2018). Further, mentorship expands a business owner’s network, which can form, build and

cement relationships with important stakeholders in any given business ecosystem (*Baboolall et al., 2020*).

### **Summary of Needs**

In summary, the key struggles experienced by Black or African American business owners can be grouped into three overarching categories: lack of funding, markets, and education and networks. The funding disparity is largely attributed to the overall gap in personal and household income between Black or African Americans and their non-minority counterparts, as well as the difficulty Black or African American entrepreneurs face when trying to secure grants and loans. Lack of markets is an issue due in part to the fact that non-minority firms receive systematic preferential treatment in regards to securing contracts- a vital source of revenue for businesses. Finally, lack of education can often be traced all the way back to Pre-K, as it stems from a lack of funding and resources in high-poverty school districts. Insufficient exposure to business principles and the field of entrepreneurship in particular, leaves many Black or African American business owners at a disadvantage as they navigate the launching of their new business venture. They often lack support and guidance, which, in turn, limits these emerging entrepreneurs' ability to build vital partnerships and networks, which have been proven to increase a new business's chances for longevity.



## **Chapter 4**

### **Benchmarking**

This chapter will focus on evaluating and comparing existing programs in the U.S. that support Black or African American owned businesses. By analyzing different characteristics of already established programs, I will identify aspects of successful programs which I will then suggest incorporating into the new program at the Farrell Center for Corporate Innovation and Entrepreneurship. This process of evaluating and analyzing different organizations or programs and using them to formulate possible plans for the Farrell Center is known as benchmarking. Typical benchmarking is defined as “a process of measuring the performance of a company’s products, services, or processes against those of another business considered to be the best in the industry” (Shopify, n.d.). The traditional goal of benchmarking is to identify and highlight areas of weakness, or spaces for improvement within a company or firm. In the case of the Farrell Center, however, there is no established program for supporting Black or African American owned businesses to measure against other existing programs. So, in this scenario, I am using benchmarking as inspiration, or as a means of collecting insight which I will apply to my suggestions for the Farrell Center’s future endeavors.

Before delving into the benchmarking process, it is important to define the various types of institutions from which Black or African American entrepreneurs receive support. I have identified five broad categorizations of entities that provide support via programs, grants, funding or opportunities for Black or African American business owners: government funding programs (federal and state), corporate assistance, non-profit organizations, venture capital funding, and university programs. It is important to note that individuals can also provide support

to Black or African American business owners, but for the scope of this thesis, I am more focused on official, organized and recognized programs.

### **Government Funding Programs**

While the federal government doesn't provide capital to businesses directly, there are many government funding programs which support all MBEs, and some which target Black or African American owned businesses specifically. Examples of these funding programs include: The Small Business Association's 8(a) Business Development and Mentor-Protégé Programs, the Minority Business Development Agency's grants and loans programs, and the U.S. Department of the Treasury's Community Development Financial Institutions Fund. While every program operates slightly differently, they share a similar goal, which is to support Black or African American entrepreneurs by providing them with the capital and services vital to starting or expanding their businesses (Ludwig, 2020).

Individual states also have their own programs in place to support Black or African American owned businesses. An example is the Pennsylvania Minority Business Development Authority (PMBDA), which "provides low-interest loans to businesses owned and operated by ethnic minorities [for] land and building acquisitions, building construction and renovations, machinery and equipment costs including acquisition and installation [and] working capital costs" (Pennsylvania Department of Community and Economic Development, 2020). Other programs include: The Minority Business Development Agency Business Center of Pennsylvania, the Eastern Minority Supplier Development Council, and the Philadelphia Industrial Development Corporation.

## **Corporate Assistance**

Many large corporations in the U.S. support Black or African American owned businesses in an effort to give back to the community. Capital and grants are the most common ways that big companies support Black or African American business owners, but there are also programs in place to provide Black or African American entrepreneurs with mentorship, resources, networks, etc. PepsiCo, Lowe's and Netflix are three examples of large corporations that have established programs meant to support Black or African American businesses. Just recently, in 2020, PepsiCo pledged to donate \$400 million to support Black or African American communities and businesses, Lowe's announced a \$25 million grant fund for Black or African American business owners, and Netflix donated \$500,000 to Black or African American owned businesses in Los Angeles, California (Robinson-Jacobs, 2020).

Support for Black or African American owned businesses from other corporations and companies goes further than simply donating money, or creating grant funds. JPMorgan Chase, for example, has a much more involved program called Ascend 2020. In addition to donating capital, the Ascend 2020 initiative "formalize[s] business education, consulting services, and partnerships with anchor institutions that are committed to increasing spending with minority-owned firms" (JPMorgan Chase & Company, 2018). The program, which was launched in 2016, has already helped more than 140 businesses earn \$8 million in investments - broken down into \$5 million in contracts and \$3 million in capital (JPMorgan Chase & Company, 2018).

## **Non-Profit Organizations**

The next category of support for Black or African American owned businesses is non-profit organizations. These social enterprises are founded with the sole purpose of aiding Black

or African American owned businesses. An example of a non-profit is Code2040, which aims to “dismantle the structural barriers that prevent the full participation and leadership of Black and Latinx technologists” (Startup Champions Network, 2019). Similarly, The Black upStart is a non-profit organization that “teaches aspiring Black entrepreneurs how to start a successful and profitable business through an intense, culturally-relevant popup school” (theblackupstart, n.d.).

Another, more personal, example of a non-profit organization which functions to support Black or African American owned businesses is Rebuildtheblock. This organization is personal, as it was co-founded by a Penn State Schreyer Honors College alumna. Rebuildtheblock “serves as a bridge of resources [by] providing outreach and resources to the community and serv[ing] as a host to redistribute wealth and knowledge” (Rebuildtheblock, n.d.). I am making special note of this organization right now, as it will factor into my recommendations in the next chapter.

### **Venture Capital Funding**

Venture capital firms are also a potential source of funding for Black or African American business owners. Securing any type of loan or grant comes with some level of difficulty; venture capital funds, however, are even more difficult to secure. Even for non-MBEs, the probability of a new business venture acquiring venture capital is approximately 0.0005 (Rao, 2013). The low probability of this option, however, does not negate the possibility of Black or African American business owners securing venture capital for their companies.

In addition to well-known venture capital firms - such as Accel, Sequoia Capital and Bessemer Venture - there are also a handful of venture capitals dedicated specifically to investing in Black or African American owned businesses. A few of these firms include: Black Angel Tech Fund, which invests in early-stage tech firms, Eniac Ventures, a seed-stage

investment company, and Diverse City Ventures, a firm dedicated to overcoming racial inequalities in tech and entrepreneurship (Abe Legal, n.d.).

### **University Programs**

The last category, and the one most relevant to this thesis, is university programs designed to support Black or African American business owners. The programs in this category are the ones I will benchmark and use to gather insight for the Farrell Center's program. It is important to note, that these programs are not focused solely on Black or African American owned businesses. Instead, they cater to all MBEs, or in the case of some, a select few minority groups. That being said, they still offer valuable information and experience which can be adapted to fit the Farrell Center's program.

Drexel University: After receiving a \$500,000 grant from the Raynier Institute & Foundation, Drexel University partnered with the University City Science Center in Philadelphia to manage a seed fund dedicated to minority entrepreneurs. Drexel University aims to “provide access to funds, guidance and networks early in the entrepreneurial process” in order to overcome “inequity around capital [and] untapped potential” (Faulstick, 2021). In addition to managing the Raynier seed fund, Drexel University is also involved in the Innovation Center@3401 incubator space, which aims to “grow companies faster through collaboration, with support” (IC 3401, 2021). While this program doesn't only support MBEs, 79% of its member companies have been founded by minority, female or immigrant entrepreneurs (Faulstick, 2021).

Ferris State University: Designed to support LatinX and Hispanic entrepreneurs, Ferris State University launched a Latino-Centric Leadership & Professional Development Program called LEADeres. This program is a six-month, non-credit lab that builds “identity formation and

personal development in the areas of cultural awareness, leadership, professional development, and community and civic engagement” and equips graduates with “the skills, resources, and confidence necessary to support each other as leaders professionally and in their community” (Ferris Latino Business & Economic Development, 2019). There is no financial support component to the LEADeres program, instead it is solely focused on facilitating professional development and leadership skills, while building networks necessary for new business ventures.

University of Minnesota: Every year, the University of Minnesota’s Carlson School of Management hosts the MN Cup startup competition. This event is open to all Minnesota entrepreneurs, not just minority entrepreneurs, and aims to attract entrepreneurs from all over Minnesota in order to “connect them with education, mentorship and support to launch and accelerate the development of their new ventures” (University of Minnesota, 2021). The MN Cup also acts as a pitch competition, in which entrepreneurs promote their startup idea in an attempt to win a portion of the \$400,000 total prize money. In addition to the general competition, which is open to entrepreneurs of all races, the MN Cup also has a minority entrepreneur initiative which aims to “acknowledge and address the specific challenges and opportunities that minority entrepreneurs face when trying to access capital, networks, and market opportunities” (University of Minnesota, 2021).

University of Washington: The Foster School of Business at the University of Washington hosts an annual Minority Business Executive Program (MBEP). Unlike the other programs discussed thus far which focus on budding minority entrepreneurs, MBEP is geared towards minority group members with established positions within the business realm. Through this program, Black or African American businessmen and women “learn to utilize financial tools to make better business decisions, develop strategic plans for growth and sustainability,

identify new technologies to scale operations, market their products and services more effectively, explore strategies to access global markets, and develop their leadership acumen” (Foster School of Business, 2021). There is no financial component to this program.

University of Buffalo: Aided by a donation from the Allstate Foundation, the University of Buffalo’s School of Management’s Center for Entrepreneurial Leadership alongside the University’s Center for Urban Studies launched the Allstate Minority and Women Emerging Entrepreneurs Program (MWEE). This program is available to women and minority entrepreneurs in the Buffalo-Niagara region, who own businesses that earn less than \$300,00 per year. The goal of the MWEE Program is to guide emerging entrepreneurs as they take their business to the next level by “work[ing] with a mentor, attend[ing] biweekly business development seminars and networking events, and complet[ing] a revised or newly developed business plan” (University at Buffalo School of Management, 2020). There is no financial component to this program.

Georgia College: Founded in 1985, the Minority Youth in Business Program (MYB) hosted by Georgia College is a free, one week, sleep away program for young, aspiring, minority entrepreneurs. Over the course of the week, participants of the MYB program are tasked with “develop[ing] a business concept or product, and writ[ing] a business plan to support their idea” (Georgia College & State University, 2021). They also attend classes hosted by Georgia College students, faculty and staff, and have the opportunity to participate in a mock pitch competition at the end of the week. The MYB program is invested in inspiring and educating young minority group members and equipping them with the awareness and skills necessary to pursue entrepreneurship in the future.

This is not a comprehensive list of universities with programs in place to support and educate Black or African American entrepreneurs. This list of universities and programs is, however, a good representation of the variety of methods used in creating and tailoring programs. Table 8 portrays this array of approaches, as it compares the target audiences and offerings of each university's program.

**Table 7. Benchmarking Table**

| University               | Program Title  | Target Audience                 | Capital | Education | Mentorship | Networking |
|--------------------------|--|---------------------------------|---------|-----------|------------|------------|
| Drexel University        | Raynier Institute & Foundation                             | all minority entrepreneurs      | YES     | NO        | NO         | YES        |
| Ferris State University  | LEADeres   | LatinX entrepreneurs            | NO      | YES       | NO         | YES        |
| University of Minnesota  | MN Cup   | Minnesota entrepreneurs         | YES     | YES       | YES        | YES        |
| University of Washington | Minority Business Executive Program                        | established minority executives | NO      | YES       | NO         | YES        |
| University of Buffalo    | Allstate Minority and Women Emerging Entrepreneurs Program | emerging minority entrepreneurs | NO      | YES       | YES        | YES        |
| Georgia College          | Minority Youth in Business Program                         | minority high schoolers         | NO      | YES       | NO         | NO         |

Through this benchmarking exercise, I determined that there is not one perfect formula for supporting Black or African American owned businesses. Instead, as outlined in Table 8, there are a variety of paths that universities have employed to launch successful programs. In Table 8, I identified categories of needs that established university programs have addressed and how the programs differ from each other in doing so. This summary is useful in crafting a



strategy for the Farrell Center and making decisions regarding the direction of their future program.

The first differentiator is the target audience of each program. As outlined in Table 7, each of the established programs is tailored to reach a slightly different subset of entrepreneurs or business people. When making recommendations for the Farrell Center, with this benchmarking data in hand, I will evaluate which audience I think the Center is most equipped to focus on. It seems only logical that the Farrell Center would focus their efforts on students, but as Table 7 points out, many successful university programs reach a much broader audience than simply their student body, which is something to consider when making my recommendations.

The next four columns of the table - capital, education, mentorship and networking - capture the offerings of each of the programs. These are critical attributes to analyze, considering that they represent the most significant challenges facing Black or African American owned businesses today, as previously discussed. When crafting my recommendation for The Farrell Center then, I must determine how to build a program that provides as many of these offerings as possible.

Overall, this exercise provided valuable insight into the characteristics, attributes and service offerings of the most successful, already established university programs. Through the process of comparing, analyzing and building the benchmarking table, I was able to gather valuable knowledge and inspiration which I will use when forming my specific recommendations for the Farrell Center's program.

## Chapter 5

### Recommendations for the Farrell Center for Corporate Innovation and Entrepreneurship

#### Farrell Center for Corporate Innovation and Entrepreneurship

To begin, it is important to formally introduce the Farrell Center for Corporate Innovation and Entrepreneurship at the Pennsylvania State University. Formed in 1992 after a generous donation from Michael J. Farrell - President and CEO of the investment banking firm Farrell and Company - the Farrell Center for Corporate Innovation and Entrepreneurship plays a variety of roles within the Pennsylvania State University's Smeal College of Business, including "the creation and management of educational programs in corporate innovation and entrepreneurship, research, and outreach" (Smeal College of Business, 2021a).

In the realm of educational programs, The Farrell Center houses the Corporate Innovation and Entrepreneurship (CIENT) major, the Intercollege Entrepreneurship and Innovation (ENTI) minor, as well as a variety of graduate level MBA programs focused on Corporate Innovation and Entrepreneurship. The Farrell Center's dedication to outreach is embodied in their executive education and general enrollment courses titled "Management of and Investment in Innovation." Finally, in regards to research, the Farrell Center - aided by funding from corporate partners - is currently involved in researching the following topics:

- "the relationship between ownership structure and return on private equity investment within venture capital funded companies
- best practices for knowledge management in global corporations
- metrics for innovation management
- quantification of corporate propensity for change" (Smeal College of Business, 2021a).

The infrastructure established within the Farrell Center for Corporate Innovation and Entrepreneurship is ideal for implementing a program specifically tailored to supporting Black or African American entrepreneurs and businesses. The proposed program will align perfectly with the Farrell Center's focus on education, research and outreach, and it will also benefit from the association with a highly influential and globally recognized institution such as the Pennsylvania State University's Smeal College of Business. Backed with all of the research presented in this thesis thus far, I will now outline my recommendations for how the Farrell Center for Corporate Innovation and Entrepreneurship can implement a program to most effectively support Black or African American owned businesses.

### **Recommendations**

My recommendations fall into three broad categories which align perfectly with the Farrell Center's dedication to education, research and outreach. My first recommendation is for the Farrell Center to implement a multifaceted educational program that encompasses Pennsylvania State University students as well as Black or African American business owners nationwide. Second, I recommend that the Farrell Center expand upon its existing Propel Business New Venture & Innovation Program to launch a platform specifically for Black or African American business owners, that will provide an array of virtual entrepreneurial advisory and support services, as well as facilitate community building and networking. Third, I propose that the Farrell Center form a partnership with non-profit organizations that specialize in supporting Black or African American owned businesses - such as the aforementioned organization, Rebuildtheblock. Not only do these recommendations increase the impact of the Farrell Center's mission, they are also tremendously beneficial in aiding Black or African

American entrepreneurs - whether curious, emerging or already established - as they strive to overcome the previously discussed challenges with which they are confronted.

### **Multifaceted Educational Program**

My first recommendation for the Farrell Center for Corporate Innovation and Entrepreneurship is to implement a multifaceted educational program that will impact students at Pennsylvania State University as well as Black or African American entrepreneurs nationwide. This program will exist on the university level, via new core courses and academic partnerships, then extend into the community and greater business realm through seminars and events hosted by the Farrell Center.

### **Educational Programs Within the Pennsylvania State University**

I recommend that the Farrell Center for Corporate Innovation and Entrepreneurship, home to the CIENT major and ENTI minor within the Smeal College of Business, implement a new core class into the curriculum of both the major and the minor. This class, which I will call ‘the History of Black or African American Business Ownership in America’ only as an example, will cover the history of Black or African American owned businesses in the United States, as well as the challenges and disparities that still exist today. Further, I recommend that the Farrell Center partner with the African American Studies (AFAM) program within the Pennsylvania State University’s College of the Liberal Arts to offer entrepreneurship and business courses that focus on the experiences and needs of the Black or African American community. This type of collaborative partnership is currently in effect at the Pennsylvania State University between the Smeal College of Business and the College of Engineering, thus the groundwork for pursuing a partnership between the Farrell Center and AFAM program has already been laid.

This partnership will increase the impact of the Farrell Center's educational efforts. First, it will educate CIENT majors and ENTI minors on the challenges presented to Black or African American entrepreneurs. Even if the students in the courses are not Black or African American themselves, as emerging entrepreneurs, they will soon find themselves in greater positions of power and decision making in the business realm. It is important, then, that they are aware of the struggles Black or African American business owners face, so they can begin to rewrite the narrative. Second, partnering with the AFAM program will introduce a greater number of Black or African American students to the field of entrepreneurship and provide them with vitally important business knowledge.

The implementation of a new core course and this academic partnership will not only complement the Farrell Center for Corporate Innovation and Entrepreneurship's dedication to education and outreach, it will also help to overcome lack of education - one of the most significant challenges Black or African American entrepreneurs face. The Farrell Center will enlighten future business leaders and entrepreneurs in the CIENT major and ENTI minor, as well as inspire Black or African American students in the AFAM program who are passionate about the needs of the African American community but may not otherwise have the opportunity to learn critical business and entrepreneurial skills.

### **Educational Programs for African American Business Owners Nationwide**

Beyond introducing a new core course for CIENT majors and ENTI minors and partnering with the AFAM program at the Pennsylvania State University, I recommend that the Farrell Center for Corporate Innovation and Entrepreneurship also launch a series of educational events geared towards Black or African American business owners nationwide. This program

will be modeled after the already established ‘Executive Education’ events that the Farrell Center currently hosts.

These seminars, which will cover topics such as ‘How to Start a Business,’ ‘How to Pitch to a VC,’ ‘How to Build an Online Presence,’ ‘How to Write a Business Model,’ etc., will be held at the Pennsylvania State University and be led by professors within the Smeal College of Business, as well as specialists brought in by the Farrell Center. Not only will these events align with the Farrell Center’s mission for education and outreach, they will also be valuable networking tools for the Black or African American business owners in attendance. As identified previously in this thesis, lack of networks and mentorship is another significant challenge faced by Black or African American entrepreneurs; a challenge the Farrell Center can help to overcome through the implementation of this educational series.

### **Expansion of Propel Business New Venture & Innovation Program**

Currently, the Farrell Center for Corporate Innovation and Entrepreneurship offers an initiative for Smeal College graduate students and alumni who are interested in creating new businesses called The Propel Business New Venture & Innovation Program. Propel Business is “a curated and moderated portfolio of services and resources . . . that includes: a finance clinic (including financial modeling and venture funding), digital library, faculty assistance, and legal assistance support” (Smeal College of Business, 2021b).

Leveraging this existing program, the Farrell Center for Corporate Innovation and Entrepreneurship can launch a platform with similar services targeted specifically to Black or African American entrepreneurs. I propose, however, that this offering not be limited to Smeal alumni, but open to all Black or African Americans nationwide. Providing this broad portfolio of advisory and support services will have a substantial impact on reversing the lack of education

faced by this community. Additionally, by encouraging and providing a means for digital networking within the platform, the expanded Propel Business Initiative will aid in overcoming the lack of networks so often faced by Black or African American entrepreneurs. This will provide them with the much needed opportunity to form vital partnerships and connections. When marketing this program, it will be important to differentiate it from the Propel Business Initiative that exists today, promoting it as a targeted support and networking service for Black or African American entrepreneurs that addresses the unique challenges they face.

### **Partnership with Rebuildtheblock**

My final recommendation is for the Farrell Center for Corporate Innovation and Entrepreneurship to develop a partnership with the non-profit, Rebuildtheblock. Co-founded by a Pennsylvania State University alumna, this organization is dedicated to “redistributing wealth and knowledge within the black community” (Rebuildtheblock. (n.d.). This non-profit offers the following array of resources to Black or African American owned businesses around the United States: mental and emotional health resources, education and stem resources, as well as criminal justice resources.

This partnership will form a symbiotic relationship between Rebuildtheblock and the Farrell Center for Corporate Innovation and Entrepreneurship - as each organization possesses beneficial attributes that the other lacks. For example, Rebuildtheblock has obtained a flow of capital from sponsors, and established a successful infrastructure of employees and partners. The Farrell Center, on the other hand, doesn't currently employ staff or have funds dedicated specifically to the mission of supporting Black or African American business owners. They do, however, possess the nationwide - and even global - notoriety and prestige that accompany the Pennsylvania State University and Smeal College of Business names, a level of status and

influence which Rebuildtheblock has not yet achieved. Clearly, these two entities will benefit from partnering and lending each other their assets.

Partnering with Rebuildtheblock will allow the Farrell Center for Corporate Innovation and Entrepreneurship to further achieve their goals of education and outreach. They will be able to offer internships to students in the CIENT major and ENTI minor, thus exposing them to the unique needs of the African American community and Black or African American business owners. The Farrell Center will also be able to educate and influence a broader audience of Black or African American entrepreneurs - ones they may never have reached without the existing network that Rebuildtheblock has built.

Along with aiding Black or African American business owners in overcoming the hurdles of lack of education, networks and resources, partnering with an organization that provides capital to Black or African American owned businesses will also help to improve the funding gap discussed previously. The corporate partnerships that the Smeal College of Business has already established as well as the prestige and reputation of the university will prove to be valuable in helping Rebuildtheblock expand its funding efforts.



## **Chapter 6**

### **Conclusion**

The purpose of this thesis was to identify the most significant challenges faced by Black or African American business owners, in order to form recommendations on how the Farrell Center for Corporate Innovation and Entrepreneurship at the Pennsylvania State University can most effectively support Black or African American business owners in overcoming those challenges. This thesis determined that the three greatest challenges faced by Black or African American business owners are: insufficient access to funding, markets, and education and networks.

In regards to funding, Black or African American entrepreneurs have historically endured a glaring gap - brought on by less personal wealth, and banks' unwillingness to provide loans to Black or African American business owners. This lack of funding not only dissuades many entrepreneurial Black or African Americans from even attempting to start their own business, it is also the reason many Black or African American owned businesses never make it off the ground.

Markets - or government, university, or hospital contracts - are an unmatched means of generating revenue and ensuring the longevity of a business. Unfortunately, in the United States, the vast majority of these contracts are secured by non-minority owned firms. It is vital for the future of Black or African American owned businesses, that these contracts begin to be distributed evenly among capable Black or African American firms and non-minority firms.

The final challenge discussed in this thesis is the lack of education and networks available to Black or African American business owners. The education dilemma can be traced all the way to the Pre-K and Kindergarten level, as a high percentage of Black or African

American children grow up in high-poverty school districts that lack proper funding and resources. Beyond that, Black or African Americans are less likely to be introduced to the principles of entrepreneurship. This means that a large portion of Black or African American business owners are never taught the skills and knowledge necessary for running a successful business - such as creating a business model.

Lack of networks between Black or African American entrepreneurs is loosely attributed to insufficient education. Many Black or African Americans venture out on their own in an attempt to start a business, without any guidance or support. This guidance, or mentorship, is essential for building broader networks, which are beneficial for longevity in a business. Beyond that, mentorship itself has proven to be one of the keys for long term success in a startup.

This thesis then provided a brief summarization of the various entities that provide support to Black or African American owned business - i.e., government funding programs (federal and state), corporate assistance, non-profit organizations, venture capital funding, and university programs. This analysis led to the creation of a benchmarking table, which compared and contrasted the various attributes of existing university programs tailored towards supporting Black or African American business owners. The table was then taken into consideration when forming the recommendation portion of this thesis.

The final aspect of this thesis was the presentation of recommendations on how the Farrell Center for Corporate Innovation and Entrepreneurship - a program within the Smeal College of Business that is dedicated to serving entrepreneurs through education, outreach and research - can most effectively support Black or African American business owners. There are three recommendations outlined in this thesis.

First, is for the Farrell Center to implement a multifaceted educational program that encompasses Pennsylvania State University students and Black or African American business owners nationwide. On a university level, this thesis recommends that The Farrell Center introduce a new core class into the curriculum of both the CIENT major and the ENTI minor, that will discuss the history of Black or African American owned businesses in the United States and the challenges and disparities that still exist today. Further, this thesis recommends a partnership between the Farrell Center and the AFAM program within the Pennsylvania State University's College of the Liberal Arts. This will introduce a greater number of Black or African American students to the fundamentals of entrepreneurship, while enlightening business students on the experiences and needs of the Black or African American community.

The second recommendation is for the Farrell Center to expand upon their existing Propel Business New Venture & Innovation Program by launching a digital platform dedicated specifically to Black or African American business owners. This will provide these entrepreneurs with a broad portfolio of advisory and support services - including assistance with financial modeling, answers to legal questions, input on business strategy planning, and more - which they can access virtually. Further, the Black or African American focused Propel Business Initiative will encourage and facilitate vital networking and partnership formation.

The third and final recommendation is for the Farrell Center to develop a partnership with the non-profit organization, Rebuildtheblock. The combination of Rebuildtheblock's established infrastructure and flow of capital with the Farrell Center's notoriety and prestige will form a symbiotic relationship in which the Farrell Center and Rebuildtheblock are able to both prosper while supporting Black or African American business owners across the country.

The implementation of these recommendations by the Farrell Center for Corporate Innovation and Entrepreneurship will not only increase the Center's impact on entrepreneurs through education, research and outreach, it will also provide vital support to Black or African American business owners as they strive to overcome the challenges they are presented with. The Farrell Center has a unique opportunity to become an incredible source of support for Black or African American entrepreneurs - emerging, established or otherwise; an opportunity which can be achieved by following the recommendations outlined in this thesis.

## Appendix A

### Interview Consent Forms

#### CONSENT FOR RESEARCH The Pennsylvania State University

Title of Thesis: How the Farrell Center for Corporate Innovation and Entrepreneurship Can Most Effectively Support Black or African American Owned Businesses

Principal Investigator: Zara J. Moss  
141 S. Garner Street, Apt 403, State College Pa, 16801  
(724) 910 - 0166

Faculty Advisor: Dr. Shawn Clark  
(814) 865 - 4449  
smc9@psu.edu

Subject's Printed Name: Zelnnetta Clark

**We are asking you to be in a research study. This form gives you information about the research. Whether or not you take part is up to you. You can choose not to take part. You can agree to take part and later change your mind. Your decision will not be held against you and there will be no penalty or loss of benefits to which you are entitled. Please ask questions about anything that is unclear to you and take your time to make your choice.**

1. Purpose of the Study: The purpose of this thesis is to study the challenges faced by black or African American entrepreneurs as they work to start a business. We aim to determine the most effective ways that the Farrell Center for Corporate Innovation and Entrepreneurship at the Pennsylvania State University can support these Black or African American business owners.

2. Procedures to be followed: Subjects will be tasked with answering a series of questions about their experience starting a business as a Black or African American individual, and the challenges they faced throughout their journey.

3. Discomforts and Risks: There are no risks in participating in this research beyond those experienced in everyday life.

4. Benefits:

4a. Benefits to you: You will not directly benefit from this thesis.

4b. Benefits to others: This thesis will result in suggestions to the Farrell Center for Corporate Innovation and Entrepreneurship at the Pennsylvania State University to help them best support Black or African American business owners.

5. Duration: The study will last no more than 1 hour.

6. Statement of Confidentiality: Your participation in this research is confidential. No identifying information is stored in the data file. If this research is published, no information that would identify you will be written. The following may review and copy records related to this research: The Office of Human Research Protections in the U.S. Department of Health and Human Services, the Social Science Institutional Review Board and the PSU Office for Research Protections.

7. Right to Ask Questions: Please contact Zara J. Moss at (724) 910 - 0166 with questions, complaints or concerns about the research. You can also call this number if you feel this study has harmed you. If you have questions about your rights as a research participant, contact Penn State's Office for Research Protections at (814) 865-1775.

8. Compensation: There is no compensation provided for participating in this research.

9. Voluntary Participation: You do not have to participate in this research. You can end your participation at any time by telling the person in charge. Refusal to take part in or withdrawing from this study will involve no penalty or loss of benefits you would receive otherwise.

\*\*Completion and submission of the survey is considered your implied consent to participate in this study. Please print this form for your records.

CONSENT FOR RESEARCH  
The Pennsylvania State University

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Subject's Printed Name: Alexis Akarolo

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## ACADEMIC VITA

**Zara J. Moss**

### **Education**

**The Pennsylvania State University, University Park, PA**

Class of 2021

*Schreyer Honors College Scholar*

Bachelor of Science in Corporate Innovation and Entrepreneurship

Thesis: “*Supporting African American Owned Businesses Through Higher Education: New Directions for The Pennsylvania State University's Farrell Center for Corporate Innovation and Entrepreneurship*”

### **Work Experience**

**Varsity Fencing Team Student-Athlete**

(Aug 2017– present)

*University Park, PA*

- Adeptly balance honors-level coursework with demanding athletics schedule
- Interact with local media: conduct interviews for newspapers, television, and social media
- Travel and compete nationally and internationally with both Penn State and Team USA
  - 4 time All-American
  - Runner-up at 2018 and 2019 NCAA National Championships
  - Member of 2017 and 2018 USA Fencing Junior World Teams

**Del Monte Pittsburgh Grocery Sales Intern**

(Jun 2020- Aug 2020)

*Pittsburgh, PA*

- Supported sales retail operations and financial reporting
- Executed on-time, accurate daily and weekly reporting for Del Monte Sales teams for Regional and Grocery businesses
- Interacted with a variety of cross-functional teams such as sales, shopper marketing, analytics, and category management

**Member of Student Athlete Advisory Board (SAAB)**

(Aug 2018-present)

*University Park, PA*

- Nominated as Women’s Fencing Team representative
- Serve as liaison between student athletes, Penn State Athletics, BigTen and NCAA
- Serve on Communications sub-committee, running SAAB’s various social media platforms

**Lead Counselor at Penn State Fencing Camp** (Summers 2018-19)  
*University Park, PA*

- Coordinated daily activities of campers in grades 7-12, ran drills, taught classes
- Oversaw other college-age counselors
- Served as liaison between campers, counselors, coaches and parents

**Employee at Mops & Muscles** (2014 – 2019)  
*Cranberry Twp, PA*

- Cleaned commercial buildings
- Assisted with creation of new marketing collateral

**Volunteer at Pennsylvania Institute for Conservation Education** (2016-2017)  
*Lewisburg, PA*

- Performed over 1,600 hours of outreach activities
- Selected to be monthly blogger for Wildlife Leadership Academy
- Wrote articles that were published in various magazines and newspapers

**Volunteer at Powdermill Nature Reserve** (2014-2017)  
*Rector, PA*

- Assisted ornithologists at Avian Research Center with bird banding, data entry, and field research
- Interacted with youth at Powdermill Public Days

### **Skills and Activities**

- Experienced in Microsoft Office Suite
- Proficient in Spanish
- Active on social media
- Nominated member of the Athletic Director's Leadership Institute
- Schreyer Honors College representative at prospective student seminars
- Student representative at the Schreyer Honors College External Advisory Board meeting
- Frequently conduct interviews and appear in videos to promote Schreyer Honors College
- Member of Blend of Traditional Heritages (B.O.T.H.) organization

### **Honors and Accomplishments**

- 4 Time Fencing All-American
- Runner-up at 2018 and 2019 NCAA Fencing National Championships
- Member of the 2018 USA Fencing Silver Medal Winning Junior World Team