



# Minority-Owned Small Businesses

Charlotte-Mecklenburg

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# Minority-Owned Small Businesses

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**BANK OF AMERICA** 

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Prepared by

  
**UNC CHARLOTTE**  
Urban Institute

*The UNC Charlotte Urban Institute is a nonpartisan, applied research and community outreach center at UNC Charlotte. Founded in 1969, it provides services including technical assistance and training in operations and data management; public opinion surveys; and research and analysis around economic, environmental, and social issues affecting the Charlotte region.*

  
**UNC CHARLOTTE**  
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# Minority-Owned Small Businesses

## Charlotte-Mecklenburg

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# Minority-Owned Small Businesses

## Table Of Contents

5	8	16	21	31	38
Executive Summary	Introduction	Profile	Barriers	Support Organizations	Recommendations
<b>6</b> Executive Summary	<b>9</b> Introduction <b>11</b> Ecosystem <b>12</b> Methodology <b>14</b> Definitions <b>15</b> Acronyms	<b>17</b> Participant Profile <b>18</b> Business Profile	<b>23</b> Racial Inequity <b>24</b> Access to Capital <b>25</b> Access to Markets <b>27</b> Marketing & Operations <b>28</b> Regulations <b>29</b> COVID-19 <b>30</b> Capacity	<b>32</b> Perceived Support <b>33</b> Support Organization Ecosystem <b>36</b> Assets & Gaps	<b>39</b> Recommendations <b>43</b> Conclusion



# Executive Summary

# Executive Summary

## Small businesses are a key driver of the U.S. economy and personal wealth.

Defined as businesses with fewer than 500 employees, small businesses comprise 99.9% of all businesses.<sup>1</sup>

Small businesses employ 47% of the private sector workforce (61 million), and small businesses have accounted for 65% of net new job creation since 2000.<sup>2</sup> Although small business ownership plays a large role in our economic and financial wellbeing, stark racial differences in ownership persist. Eighteen percent of small businesses with employees and 31% of small businesses with no employees were minority-owned.<sup>3</sup>

Businesses and financial assets (bank accounts, mutual funds, etc.) also make up 15 and less than 10 percent of wealth for Black and Latinx households, respectively, while these assets make up a third of overall assets for White and Asian households.<sup>4</sup> The disproportionate distribution of these assets contributes to the racial wealth gap - White households have 10 times the wealth of Black

households and 8 times the wealth of Latinx households.<sup>5</sup> This gap also means that people of color have less access to personal capital to start and maintain a business. The COVID-19 pandemic has put additional strain on minority-owned small businesses and like the Great Recession, may lead to a widening of the racial wealth gap.

UNC Charlotte, in partnership with Bank of America, Duke Energy, Honeywell and Charlotte Center City Partners conducted a study to better understand the landscape of minority-owned small businesses (MOSB) and the support available to them in Charlotte-Mecklenburg, particularly focused on understanding the perspectives of MOSBs. According to the U.S. Census Bureau, there are 97,966 businesses in Charlotte-Mecklenburg. Of those, 36,742 (37%) have minority ownership, 92% of which are sole proprietorships (owned and operated by one individual).<sup>6</sup> This research study examines the specific challenges faced by these MOSBs in

Charlotte-Mecklenburg and the nature of business support available within the local ecosystem. Understanding the local context will allow the community to develop a better support ecosystem and mitigate some of the challenges minority-owned small businesses face. According to Baboolall, et al., supportive ecosystems can ease or negate the effects of structural obstacles to business building for business owners of color and add \$290 billion in business equity.<sup>7</sup>

The research team surveyed business owners as well as conducted individual and focus group interviews with business owners and representatives from organizations that provide support to them. A sample of minority-owned small businesses and support organizations were mapped to understand where and how they operate in Charlotte-Mecklenburg.

1. U.S. Small Business Administration, 2020
2. Ibid
3. Ibid
4. Federal Reserve Bank of St. Louis., 2015
5. Dettling, et al., 2017
6. U.S. Census Bureau Survey of Business Owners, 2012
7. Baboolall, et al., 2020

# Executive Summary

In Charlotte-Mecklenburg, MOSBs are generally supported by the business, government, and nonprofit sectors. These sectors provide a range of services and assistance, including financial services; services that connect businesses to resources, customers, and markets; education and professional development; and training and business incubation.

Although these support systems exist, minority-owned small businesses still face unique barriers that limit their ability to start and sustain their business. These barriers include:

- Racial inequity
- Access to financial capital
- Access to markets
- Marketing and operations
- Regulations and
- Capacity

"Anytime somebody is running a new business, the one thing they can't focus on is things that they need to. The accounting, the marketing. They're so busy in the day-to-day just trying to keep it moving, that gets missed, and that's what actually ends up hurting the business."

-Business owner

The strategies to support MOSBs will require public, private and the non-profit sector coordination with the aim of building an ecosystem that is more equitable and culturally responsive. Strategies include:

- Promoting organizational accountability
- Expanding access to capital
- Increasing access to markets
- Providing a continuum of support
- Building strong networks
- Promoting geographic diversity
- Advocacy

According to a recent McKinsey report on the minority-owned business ecosystem, an investments in a supportive ecosystem for minority-owned businesses can release part of \$1 trillion to \$1.5 trillion in annual Gross Domestic Product (GDP) that would come from closing the racial wealth gap.<sup>8</sup> A strong support ecosystem for MOSBs can also remedy the mistrust between institutions and minority business owners.<sup>9</sup> The inequities that exist in business ownership are fundamentally a structural problem, reflecting the cumulative impact of historic and current disparities. The interventions that are adopted need to address these challenges. Ensuring that barriers are addressed and that MOSBs can build a solid business infrastructure will be a critical task for the Charlotte-Mecklenburg community.

8. Baboolall, et al., 2020  
9. Ibid



# | Introduction



# Introduction

**Small businesses are a key driver of the U.S. economy. Defined as businesses with fewer than 500 employees, small businesses comprise 99.9% of all businesses.<sup>10</sup>**

Small businesses employ 47% of the private sector workforce (61 million), and small businesses have accounted for 65% of net new job creation since 2000.<sup>11</sup>

Although small business ownership plays a large role in our economic and financial wellbeing, racial differences in ownership persist. Eighteen percent of businesses with employees and 31% of businesses with no employees were minority owned.<sup>12</sup>

Businesses and financial assets (bank accounts, mutual funds, etc.) make up 15 and less than 10 percent of wealth for Black and Latinx households, respectively, while these assets make up a third of overall assets for White and Asian households.<sup>13</sup> The disproportionate distribution of these assets contributes to the racial wealth gap - White households have 10 times the wealth of Black households and 8 times the wealth of Latinx households.<sup>14</sup> The gap in racial wealth also means that people of color have less access to personal capital to start and maintain a business.

Investments in supportive ecosystems for MOSBs can release a portion of \$1 trillion to \$1.5 trillion in annual GDP (value of finished goods and services) that would come from closing the racial wealth gap. Also, it would help mend the mistrust between minority business owners and institutions.<sup>15</sup>

10. U.S. Small Business Administration, 2020
11. Ibid
12. Ibid
13. Federal Reserve Bank of St. Louis., 2015
14. Dettling, et al., 2017
15. Baboolall, et al., 2020

# Introduction

**Minority-owned businesses face a range of barriers that limit their creation and growth. Minority business owners are much more likely to be denied a bank or private investor loan than non-minority business owners.**

This disparity is due to a variety of factors, including discrimination within lending practices, personal credit score, location of business, and lack of private equity targeting MOSBs.<sup>16,17,18,19</sup>

The mere perception of discrimination in lending, along with the cost and time burden of seeking financial capital, also has a large and negative impact on minority businesses, discouraging current and potential business owners from seeking access to financial capital.<sup>20</sup> When MOSBs do receive loans, those loans are consistently smaller and have higher interest rates than loans given to non-minority owners or businesses.<sup>21,22</sup>

Due to the aforementioned barriers to acquiring capital, minority business owners are forced into a greater reliance on expensive, short-term lines of credit such as personal credit cards or personal loans from friend or family networks.<sup>23</sup>

They are also pressured to dip farther into personal or household savings than non-minority owners.<sup>24,25</sup> The consequences of these financial barriers perpetuate a cycle of debt and disparities between minority and non-minority owners.

Regulatory challenges also continue to thwart creation and growth of MOSBs. Overcomplicated and opaque processes for public contract registration, combined with strict requirements for licensing, bonding, and insurance (including payroll taxes and labor codes) disproportionately exclude MOSBs from contracting or growing.<sup>26,27,28</sup>

Additionally, access to new markets such as local, state and federal governments remains a challenge. Black-owned businesses have one of the highest bid rates for public contracts (higher than white-owned businesses) and one of the lowest success rates.<sup>29</sup>

Many MOSBs located in minority-dominant neighborhoods are excluded from wider economic activity, which exacerbates other key barriers, including access to finance, information, and networking.<sup>30</sup>

When MOSBs are located in underserved neighborhoods, it limits outside clientele and can negatively impact their ability to gain contacts, acquire customers, or participate in city procurement programs.<sup>31</sup> Other barriers, including language barriers<sup>32</sup> (which disproportionately impact Latinx owners) and discrimination among consumers<sup>33</sup> also negatively impact access to networks and markets.

This project examines these challenges and the landscape of minority-owned small businesses in Charlotte-Mecklenburg.

16. Bates, T., Bradford, W. D., & Seamans, R., 2017

17. Bates, T., & Robb, A., 2013a

18. Fairlie, R., & Robb, A., 2010

19. Robb, A., Fairlie, R., & Robinson, D., 2009

20. Neville, F., Forrester, J. K., O'Toole, J., & Riding, A., 2017

21. Bates, T, Robb, A, 2013a

22. Fairlie, R. W., & Robb, A. M., 2010

23. Bates, T, Robb, A., 2013a

24. Reuben, L. J., & Queen, P. E., 2015

25. Fairlie, R. W., & Robb, A. M., 2010

26. Dayanim, S. L., 2011

27. Griffin & Strong P.C., 2020

28. Benzing, C., Chu, H.M., & Kara, O., 2009

29. Griffin & Strong P.C., , 2020

30. Dayanim, S. L., 2011

31. Ibid

32. Fairlie, R. W., & Robb, A. M., 2010

33. Ibid

# Ecosystem

According to the latest comprehensive information from the U.S. Census Bureau records, there are 97,966 businesses in Charlotte-Mecklenburg. Thirty-seven percent have minority ownership and 92% of these businesses are sole proprietorships, and are considered small businesses.<sup>34</sup>

MOSBs function as a part of a complex landscape made up of other firms, customers, government organizations, nonprofits and other business support organizations. Minority-owned small businesses are part of that ecosystem, but face challenges that most other firms do not, including entrenched practices of lending discrimination, historic disparities in wealth and unequal access to customers and business networks. Under these circumstances, identifying and accessing available supports is crucial to start-up and survival.

**The support ecosystem is generally comprised of:**

- Businesses, including banks and the businesses that contract the services of MOSBs
- Local, state, and federal government programs including contracts
- Nonprofit lenders (Community Development Financial Institutions)
- Nonprofit affiliation or membership groups including industry organizations, chambers of commerce and other business associations; and

- Colleges and universities that, in addition to formal education opportunities and contracting with MOSBs, often support entrepreneurs and incubate start-ups

Understanding the support available in the local context allows us to develop better solutions to the local challenges MOSBs face in Charlotte-Mecklenburg. This report examines the specific challenges faced by MOSBs in Charlotte-Mecklenburg and the nature of business supports within the local ecosystem.

34. U.S. Census Bureau Survey of Business Owners, 2012

# Methodology

The report addresses the following major research questions:

Who and where are the minority-owned small businesses in Charlotte?

How do minority small business owners in Charlotte and the organizations that support them describe barriers to starting and maintaining a minority-owned small business?

How do they describe the strategies necessary to start and sustain minority-owned small businesses?

What organizations and institutions provide support for minority-owned small businesses in the Charlotte area?

What are the assets and gaps in minority-owned small business support in Charlotte?

In order to answer the research questions and better understand the landscape of minority-owned small businesses and the infrastructure to support them in Charlotte-Mecklenburg, the research team conducted the following research activities:

## Stakeholder Surveys

In order to address the inequities that exist in business ownership it was important to pinpoint the barriers that exist for minority-owned small businesses. To understand the lived-experiences of minority business owners, the research team developed a survey that asked respondents to respond to a range of questions regarding their experiences as a business owner, from business start up to their current state of maturity.

Businesses were identified by using publicly available business databases which included the City of Charlotte, Charlotte Business Inclusion (CBI) Program; NC Department

of Administration, Historically Underutilized Businesses (HUB) Office; the U.S. Small Business Administration and the Charlotte Business Alliance. Businesses were contacted by email and asked to participate in the voluntary survey. Multiple partner agencies publicized the survey as well. The survey was also publicized through QC Metro.

One hundred and thirty-nine participants completed the survey and met eligibility requirements for being a minority-owned small business. The analysis only included these participants. A total of 248 businesses began the survey, but 109 were excluded because they did not complete the survey and their minority-owned small

business status could not be determined or because they were not a small business and minority-owned.

## Stakeholder Interviews

In addition to stakeholder surveys, the research team conducted individual stakeholder interviews with business owners (n=7) and representatives from support organizations (n=8), as well as three focus groups with business owners (n=10) and one focus group of support organizations (n=6). The research team interviewed a total of 26 stakeholders, 17 business owners and 9 representing support organizations. These interviews provided greater context about the

# Methodology

barriers faced by minority-owned small businesses in Charlotte-Mecklenburg as well as the strategies needed to overcome barriers to start and sustain their business. Both individual and focus group interviews were conducted and completed virtually through Zoom communication.

Business owners opted in to interviews by completing the previously administered stakeholder surveys and indicating that they would like to participate in other components of the research study. Support organizations were identified by business owners through the stakeholder survey. Business owners identified organizations that have provided support or services to their business. These organizations were contacted about their participation in the study by email.

## Community Ecosystem

A sample of support organizations was mapped to identify what support existed in the Charlotte-Mecklenburg community. Support organizations were

identified by business owners through the stakeholder survey. Organizations or institutions in the Charlotte area that provided support to their business were asked to be listed. Only these organizations were included in the community ecosystem. The stakeholder surveys were used to provide a snapshot of the organizations in Charlotte-Mecklenburg supporting minority-owned small businesses. Additional information about the identified support organizations was collected from the organization's website and the stakeholder surveys.

## Limitations

As with all research, the study's methodological and analytical limitations warrant mention, particularly related to the study sample.

The research team invited minority-owned small businesses in Charlotte and surrounding towns in Mecklenburg County to participate in a research study based on their registration with the City of Charlotte, Charlotte

Business Inclusion (CBI) Program, NC Department of Administration Historically Underutilized Businesses (HUB) Office, Charlotte Regional Business Alliance and the U.S. Small Business Administration. Businesses were also invited to participate through partnerships with supporting organizations and through media outlets. The study only includes a sample of the businesses that chose to participate and likely underrepresents the businesses that are not registered. The findings, therefore, speak to the businesses and supporting organizations that participated in this study and does not represent the characteristics and feelings of all small minority-owned businesses in Charlotte-Mecklenburg.

Researcher and participant biases are also potential limitations in all research projects. In order to address this issue, researchers triangulated data sources, meaning that surveys and interviews were cross referenced to support findings.

# Definitions

**Wealth**, or net worth, the total of household financial and non-financial assets less any debt or liability.<sup>35</sup>

**Minority**, a group of the population that ethnically or racially differs from the majority group – White, non-Hispanic.

**Small business**, defined as an independent business having fewer than 500 employees.<sup>36</sup>

**Minority-owned business**, a company owned, operated or controlled by an individual who is an ethnic or racial minority.

**Certified Minority Business Enterprise** includes businesses that receive certification, formally recognizing them as a minority-owned business or enterprise.

**Support organizations** include organizations that provide resources, services or products to minority-owned small businesses.

**Ecosystems** include businesses and the organizations that support them. These organizations range from non-profit to private agencies.

**Infrastructure**, the physical, technical or organizational structures and/or facilities needed for the operation of an enterprise.

**Financial capital**, the money used to produce goods, provide services and fund future growth.

**Market**, selling products or services to a specific group of consumers including government, corporate, foreign, public-sector, etc.

**Gross domestic product**, monetary value of finished goods and services.

35. Federal Reserve Bank, 2015

36. U.S. Small Business Administration, 2020

# Acronyms

**MOSB**-Minority-Owned Small Business

**HUB**-Office of Historically Underutilized Business

**SBA**-Small Business Administration

**CRBA**-Charlotte Regional Business Alliance

**NAWBO**-National Association of Women Business Owners

**NAWIC**-National Association of Women in Construction

**UNCC SBTDC**-UNC Charlotte Small Business and Technology Development Center

**CPCC SBC**-Central Piedmont Community College Small Business Center

**WBENC**-Women's Business Enterprise National Council

**BBB**-Better Business Bureau

**MWSBE** -Mecklenburg County Minority Women Small Business Enterprises

**CVMSDC**-Carolinas Virginia Minority Supplier Development Council



# | Profile



# Participant Profile

Most survey participants identified as Black and had extensive professional experience in industry.

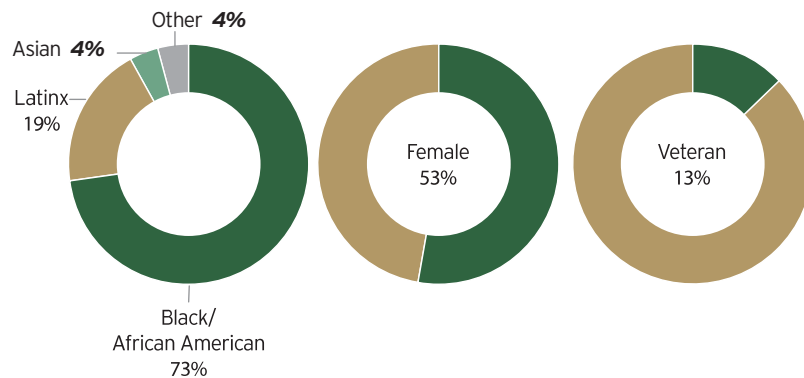
Research participants were asked basic demographic questions as part of the survey. Of the 139 minority-owned small business owners, founders, chief executive officers, or presidents that responded to the survey, the majority (73%) identified as Black or African American. Nineteen percent identified as Hispanic or Latinx, and four percent identified as Asian. Participants were split nearly evenly

by gender (53% female and 47% male). Thirteen percent of participants identified as Veterans. The vast majority of participants have high educational attainment: 71% had at least a Bachelors Degree and 44% held advanced degrees. The majority of participants (66%) were also 35 to 54 years of age, with eight percent being 25-34, 21% being 55-64 and six percent being 65 and older.

Forty-one percent of participants have owned one business, with 55% having owned two or more businesses.<sup>34</sup> The majority of participants had several years of professional experience. Sixty percent of participants had more than 10 years of experience in their industry, compared to 9% who had two years or less.

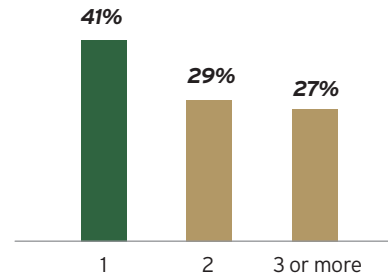
Demographic Characteristics of Survey Participants

n=139



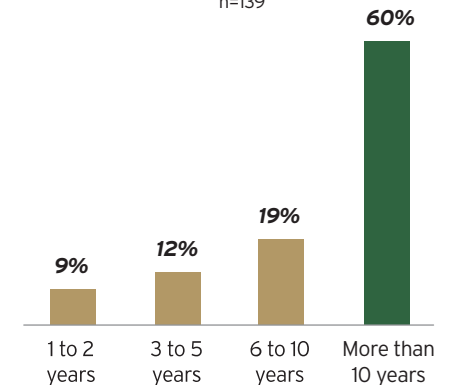
Number of Businesses Owned

n=139



Number of Years of Professional Experience in Industry

n=139

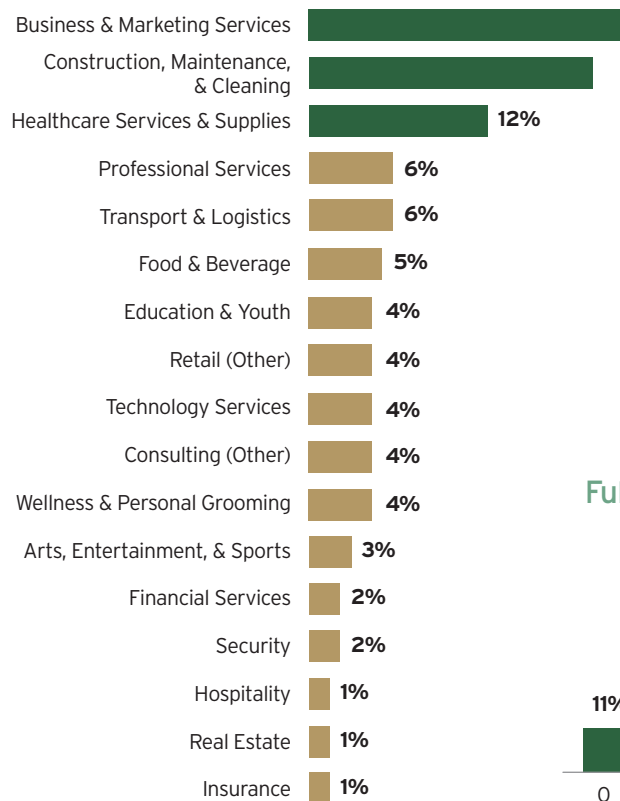


37. Four percent (or 5 respondents) reported that they did not own a business. This may be because some participants (e.g. CEOs, Presidents) do not consider themselves the owners of their companies.

# Business Profile

## Services and Products Provided

n=139



69% of businesses were certified minority-owned enterprises and 53% of businesses stated they had 0 to 1 full time employee.

Businesses provided a range of services, most commonly business & marketing services (22%); construction, maintenance, and cleaning (19%); and healthcare services & supplies (12%).

Sixty-nine percent of businesses were certified minority-owned enterprises, while 31% were not. Participants without a certification cited a lack of knowledge (24%),

difficult registration process (14%), cost (8%), and lack of time (5%) as barriers to certification. Some participants (19%) did not see the benefit of certification for their business; another 19% were in the process of certifying, or planned to do so.

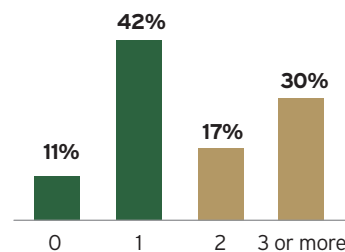
As of 2021, 11% of businesses had no full-time employees, 42% had one full-time employee, 17%

had two employees and 30% had three or more. These figures are similar to those in 2019, prior to any staffing impacts caused by the coronavirus pandemic.

Business ages were widely dispersed. Twenty-four percent of businesses were older than 10 years, while 20% were established for less than three years.

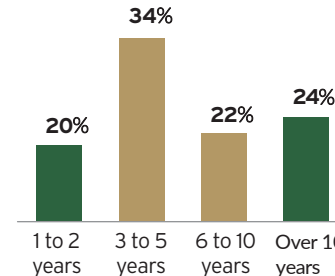
## Number of Full-Time Employees

n=139



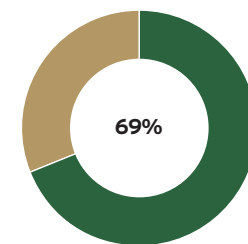
## Age of Business

n=139



## Certified

n=139



# Business Profile

**Only 14% of businesses had access to a bank loan at start-up.**

The majority (61%) of businesses were limited liability companies, followed by corporations (23%), and sole proprietorships (9%).

More than three-quarters of businesses represented in the survey reported less than \$500,000 in both annual revenue and sales. Seven percent of businesses had more than \$2 million per year in

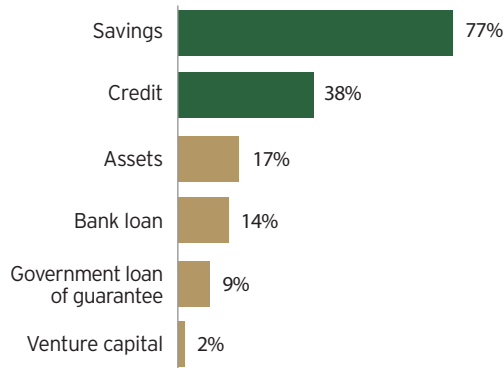
revenue. At least part of the reason reported for low revenue and sales numbers are capacity constraints. The majority of business owners had personal savings (77%) available to them when they started their business, followed by credit 38%.

Only 14% obtained a bank loan, and 9% obtained a government loan

or guarantee. Participants were also asked about sources of expansion capital. Compared to start-up capital, participants reported less availability to savings (38%) but more availability to bank loans (19%) and government loans or guarantees (18%). Thirty-two percent indicated that expansion capital was not available to them.

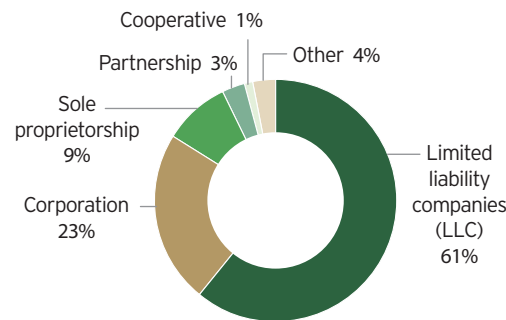
**Start-up Capital Available to Business**

n=139



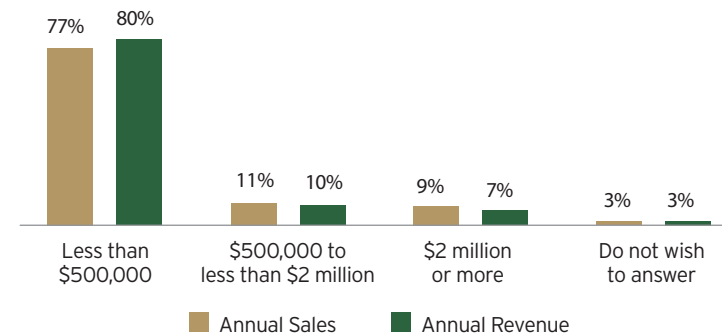
**Ownership Status**

n=139

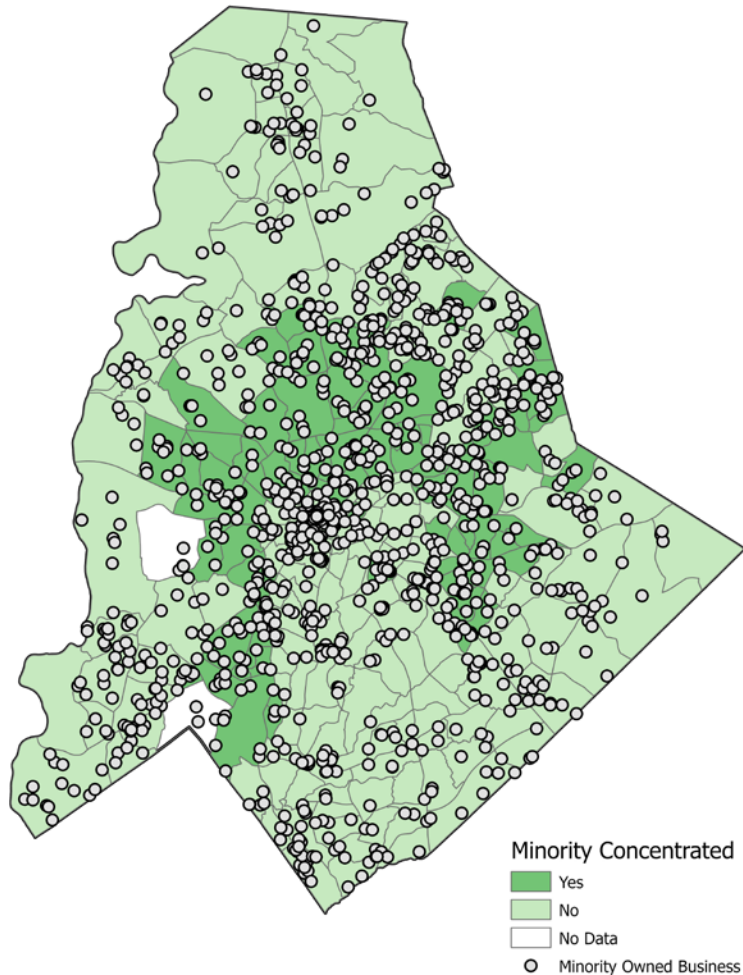


**Annual Sales & Revenue**

n=139



# Business Profile



Out of the 1,351 minority-owned small businesses identified, 507 are located in neighborhoods which are minority concentrated, representing more than one-third (38%) of the businesses studied.

MOSBs were identified by using databases available online which included the City of Charlotte, Charlotte Business Inclusion (CBI) Program; NC Department of Administration, Historically Underutilized Businesses (HUB) Office; and the U.S. Small Business Administration. The databases included basic information about minority-owned small businesses including name, location and capabilities.

The research team identified a sample of 1,351 minority-owned small businesses operating in Charlotte-Mecklenburg and mapped them to determine where they were located within the Charlotte-Mecklenburg area. The map shows neighborhoods where more than 73% of the population is non-white and are considered minority concentrated.

Out of the 1,351 minority-owned small businesses identified, 507 are located in neighborhoods which are minority concentrated, representing more than one-third (38%) of the businesses studied.

Many minority-owned small businesses located in minority-dominant neighborhoods are often excluded from the wider economic activity of an area, which contributes to and exacerbates other key barriers, including access to finance, information, and networking. Geographic location can also limit outside clientele.<sup>38</sup> One of the most important factors in the growth of any business is access to markets beyond their immediate geographic location.<sup>39</sup>

Source: U.S. Census Bureau 2015-2019 American Community Survey 5-year Estimate

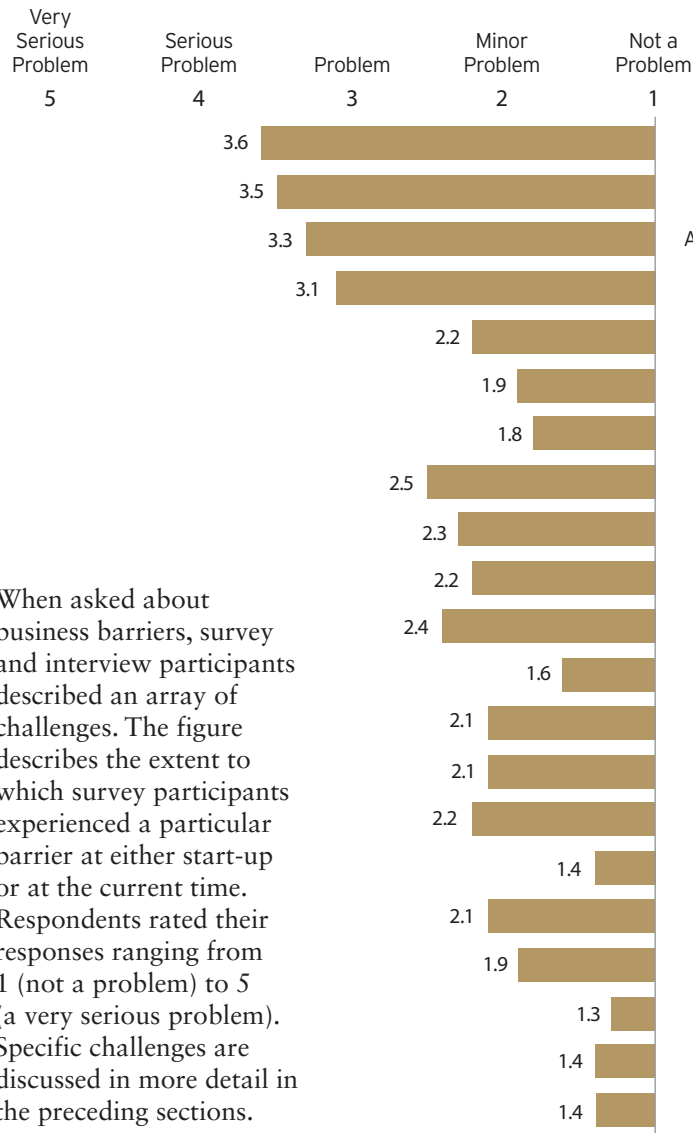
38. Dayanim, S. L., 2011  
 39. Dadzie, K.Q., & Cho, Y., 1989



# | Barriers

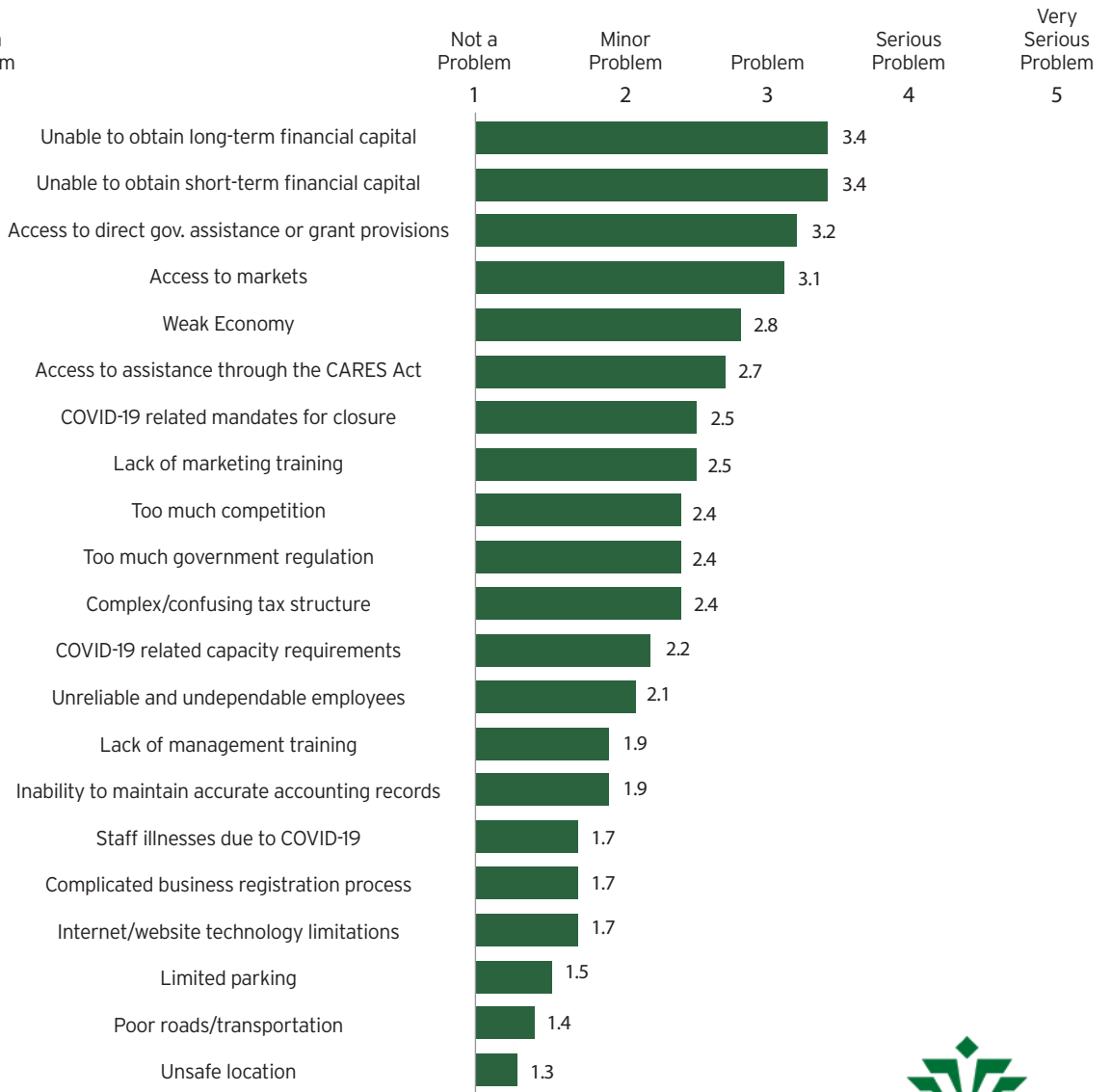
## Barriers at Start-up

n=139



## Current Barriers

n=139



When asked about business barriers, survey and interview participants described an array of challenges. The figure describes the extent to which survey participants experienced a particular barrier at either start-up or at the current time. Respondents rated their responses ranging from 1 (not a problem) to 5 (a very serious problem). Specific challenges are discussed in more detail in the preceding sections.

# Racial Inequity

Interview participants identified racial and institutional inequities as barriers to them starting, sustaining and growing their business. Participants consistently brought up historically rooted, lingering, and systemic racial inequities as significant barriers to their ability to succeed in the business realm as people of color. First, participants described how the business industries that typically represent minority-owned businesses were not receiving the same level of attention as those businesses owned by non-minority owners.

Business owners also framed the problem in terms of the system dynamics that create inequitable access to opportunities for people of color, which also often translates to the

“When we talk about what’s helpful, let’s be really real about what the problem is and can be. And then, I think we can start working toward those solutions.”

-Business owner

differential access to networks between minorities and non-minorities. This limited access to networks further compromises connectivity and success in business ownership.

Business owners discussed challenges as it relates to institutional equity in lending practices and contract procurement.

Participants also described the challenges related to being certified as a minority-owned business. They described that the process to be certified, which is required for certain funding opportunities, is onerous. Once you make it through this difficult process there is again another challenge, a “stigma attached” to being certified as minority-owned. Interview participants explained feeling “targeted” and felt like it may provide the receiving party “the ammunition” that they need to deny them.

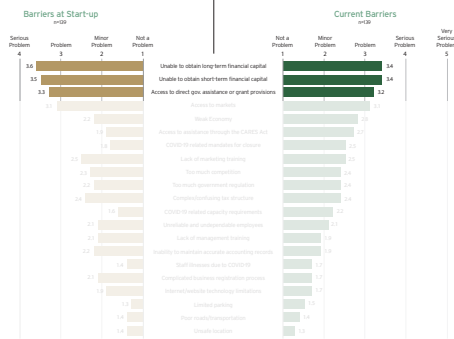
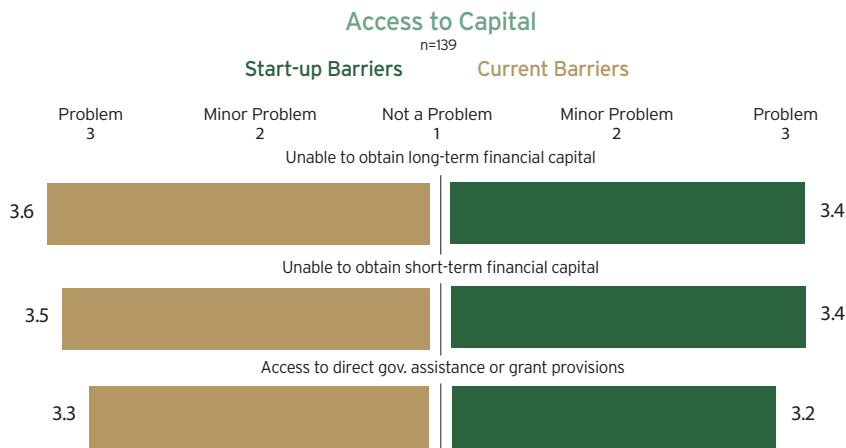
To counteract these barriers study participants called for system changes, including: accountability from the private sector given their unique

“There aren’t a lot of businesses with people of color. We’ve networked with who we know. You don’t jump out of a tank. You just keep swimming in the tank you’re in”

-Business owner

positionality to drive support for minority-owned small businesses; development of long-term solutions that create opportunities for people of color to be included; targeting disparate and inequitable access to education and opportunities among youth of color, with a focus on developing talents that will adequately prepare them for entrepreneurship and for penetrating innovative promising industries that lack diverse representation; and regulating funding use among large, more competitive businesses while mandating partnership with minority-owned small businesses.

# Access to Capital



Business owners that participated in the stakeholder survey were asked about the problems faced by their business. They responded to a series of possible barriers on a scale of Not a Problem (1) to Very Serious Problem (5). To determine the magnitude of the barrier, responses were aggregated and classified as a minor (rating between 1 and 2), moderate (rating between 2 to 3) or large barrier (rating of 3 or higher).

Obtaining long-term and short-term capital as well as other forms of capital such as government assistance or grant provisions were large barriers for business owners when starting and sustaining their business. White households have substantially more capital to use towards investments in a company when compared to other racial and ethnic groups.<sup>40</sup> Among minority groups in this sample, Latinx respondents reported fewer barriers to capital and this difference was statistically significant. This held true when examining start-up and current barriers.

Minority-owned small women business owners faced fewer barriers to obtaining capital than men. This difference was also statistically significant. This may be a testament to targeted support for women-owned enterprises in the Charlotte-Mecklenburg community.

During interviews with business owners and support organizations, financial capital was consistently framed as a barrier to starting, sustaining, as well as growing minority-owned small businesses in Charlotte-Mecklenburg. MOSBs were at a disadvantage when trying to access these resources. Specifically, business owners mentioned a lack of income or revenue and a lack of personal capital, credit and/or savings as reasons why they were denied funding. Business owners have had to rely heavily on personal savings and credit as well as investments from family and friends. Seventy-seven percent of survey respondents stated that savings was available to them at start-up compared to 14% that mentioned bank loans and 2% that mentioned venture capital. Also, culture and language was especially highlighted as a barrier in accessing funding for Latinx entrepreneurs.

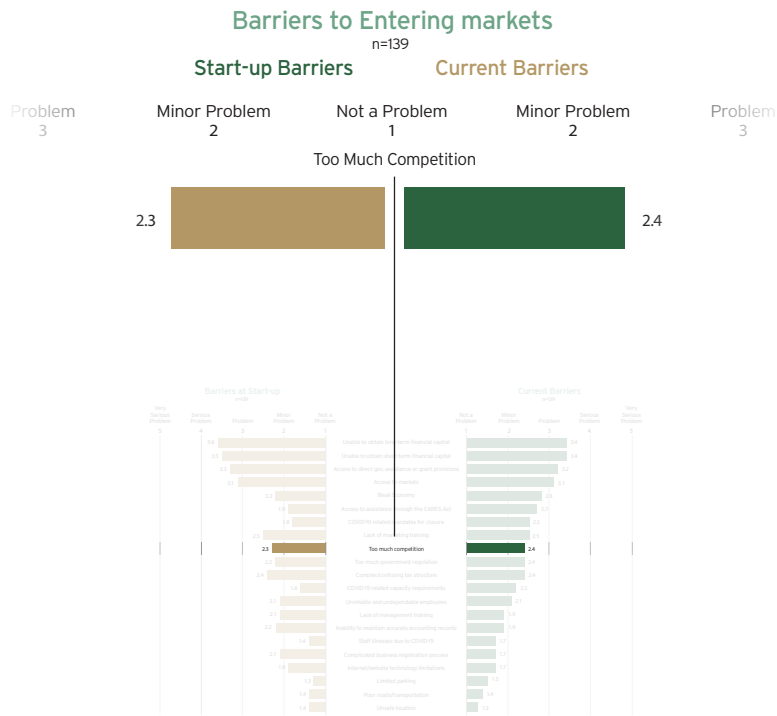
A lack of financial capital created additional challenges for these businesses as they were unable to hire staff to better support their business, purchase new materials and equipment, and finance infrastructure that would ensure future sustainability.

40. Thomas, et al., 2019.





# Access to Markets



Organizations that support small MOSBs also identified the current government contract structure as a barrier for businesses. Currently, if a contract is received, payment terms are too long, and small businesses do not have the ability to float a 90 to 180 day payment term for the contract. Organizations and business owners explained that lenders will not provide access to capital to meet the government contracts even if a business has been awarded it. MOSBs that are awarded these contracts therefore do not have the capacity to scale upward so that they are able to fulfill the contract terms. There is also no feedback provided to businesses when they do not receive the contract. This lack of feedback ill prepares them for the next bid.

Furthermore, businesses emphasized the strong relationship between networks and access to markets. Business owners thought

it was difficult to obtain contracts because larger companies would receive them. They also conveyed that the same companies would receive these contracts time and time again. They felt discouraged by these closed networks.

Survey participants also recognized competition as a moderate barrier (rating between 2 to 3) to starting and sustaining their business.

Although they recognized breaking into certain networks was difficult, they tried to utilize their own networks to enter markets. Business owners have networked with stakeholders of the market or industry they wish to enter. They have also forged partnerships with individuals and organizations they wish to serve in the future.

# Marketing & Operations

## Operations & Marketing Barriers

n=139

### Start-up Barriers

### Current Barriers

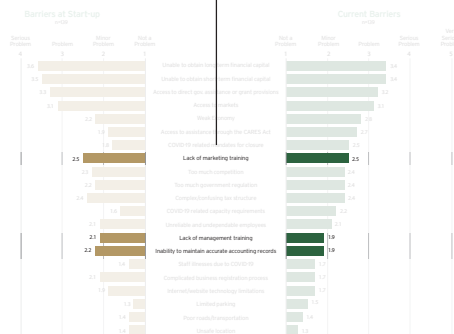
Problem  
3

Minor Problem  
2

Not a Problem  
1

Minor Problem  
2

Problem  
3



Survey participants indicated that a lack of marketing training was a moderate barrier (rating between 2 to 3) when starting and sustaining their business. Companies with 0 to 1 full-time employees reported higher barriers related to marketing than companies with 2 or more full time employees. A lack of management training and the inability to maintain accurate accounting records was also a moderate barrier (rating between 2 to 3) at start-up but only a minor barrier (rating between 1 and 2) at the current time.

Interview participants also highlighted accounting, management, technology and marketing as barriers when starting, maintaining and growing their businesses. Although they recognize these operations as important to their business they also acknowledge the time and/or costs associated with them as well their lack of expertise around these areas.

Because these small minority business owners often operate their business without or with limited employees they do not have the time to complete these other operations alongside providing quality products and/or services.

The limited capital afforded to these businesses also prohibits them from hiring staff to complete these tasks. Therefore, operations that are needed for business success are often limited due to constrained resources.

Business owners noted their lack of expertise around technology, accounting and marketing in particular. Business owners were interested in learning how to use technology to better support and grow their business. Businesses were also seeking ways to promote their business whether it be online or through other avenues. They acknowledged the importance of doing so. When asked about the single most critical factor for business' survival, the top critical factor included marketing and promotion (22% of survey respondents selected this option). According to support organizations and businesses, accounting was also an area of their business that needed more support. COVID-19 exposed some of these accounting deficiencies as companies had opportunities to apply for funding but did not have compliant accounting systems or records.

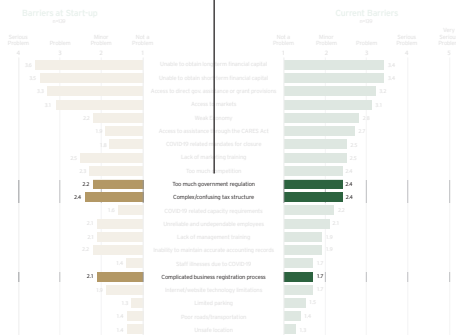
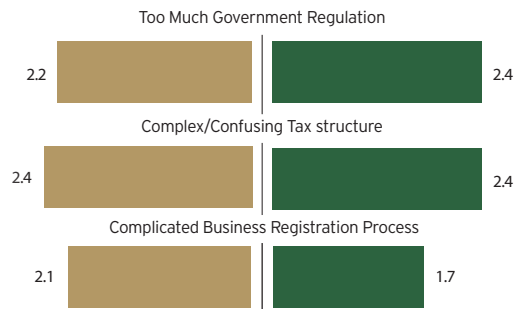
# Regulations

## Regulation & Legal Requirements Barriers

n=139

Start-up Barriers      Current Barriers

Problem 3      Minor Problem 2      Not a Problem 1      Minor Problem 2      Problem 3



Government regulation, tax structure and registration were moderate barriers (rating between 2 and 3) for business owners surveyed currently and at start-up. Businesses rated the complicated business registration process as a larger barrier at start-up.

During interviews businesses and support organizations also emphasized that regulatory and legal requirements were barriers to starting and maintaining businesses.

Ensuring that all activities and requirements, including business structure, registration, tax requirements, licensure, permits, insurance,

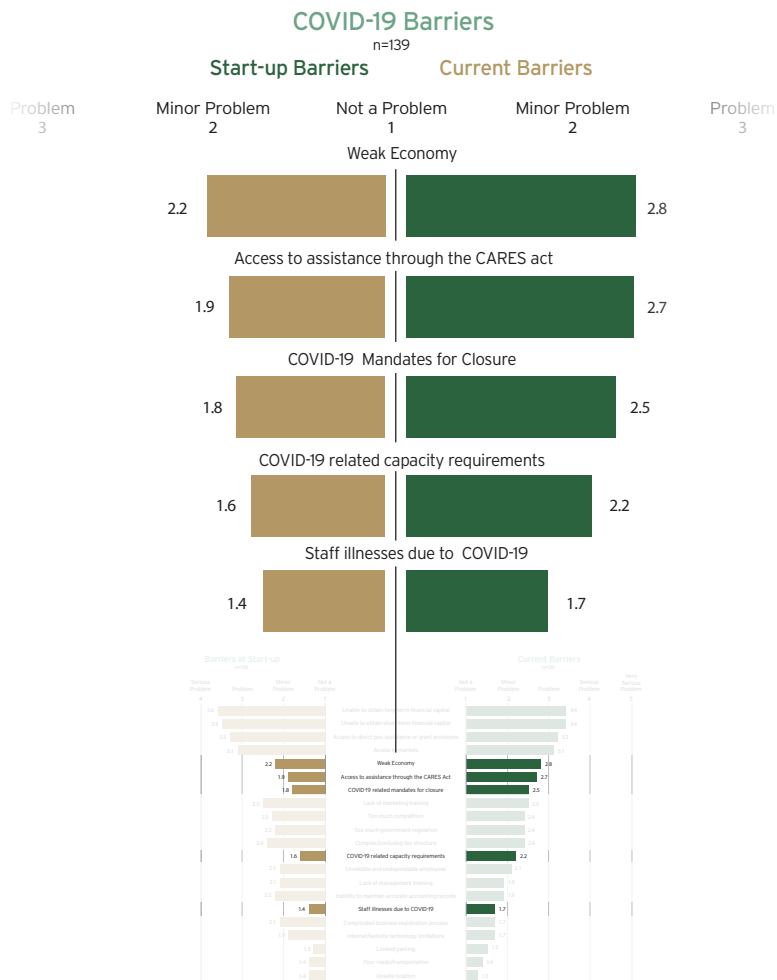
bonding and copywriting have been met was an obstacle for businesses. There was no central place to find what the regulations and requirements were or to obtain a better understanding of what these activities mean for them and their business.

To ensure that businesses met these requirements, planning and information gathering was needed. Businesses were forced to navigate several resources and try to understand complicated language in the effort to start their business or to ensure they were compliant with changing regulations.

“For startup companies, just knowing what’s expected of you on a regular basis so that you keep your company in compliance is critical and specific”.

-Business owner

# COVID-19



Moderate barriers (rating between 2 and 3) for businesses surveyed include several COVID-19 related factors. Latinx survey participants reported slightly higher barriers to some factors related to COVID-19 (weak economy, mandates for closure, capacity requirements) than Black respondents, though these differences were not statistically significant.

The majority of small businesses that participated in the survey also stated that they received funding from the federal government's coronavirus relief package (56%). Those that did apply but did not receive the funding said that being a new business, insufficient accounting records, and credit worthiness were the main reasons for not being able to obtain assistance. Those that did not apply for funding cited they would not be able to meet the criteria due to a lack of revenue, the length of time in businesses and/or the number of full-time employees that they have.

Most businesses interviewed described that COVID-19 posed moderate challenges for their business. While some MOSBs were uniquely positioned to pivot, providing virtual services and/or safely providing products or

“To the minority community it was devastation because they didn't have, they lost their jobs or lost their businesses. They didn't have the viability [...] to be able to pivot on”

-Business owner

carrying out services, other minority business owners felt that the pandemic made it more difficult for minority-owned businesses to connect to available resources or develop their social networks, thereby reinforcing existing disadvantage.

COVID-19 created an opportunity for businesses to make necessary adjustments to their accounting and other areas of their business. Businesses also sought assistance from support organizations to better plan for future events like this one.

# Capacity

Survey participants identified the availability of employees as a moderate barrier (rating between 2 and 3) to starting (2.1) and sustaining (2.1) their business.

During interviews, capacity was also recognized as a barrier for those maintaining and growing their business. Minority business owners with one or no employees are often occupied with providing services and products to their customers and look towards ways of increasing their knowledge, time, resources, and capabilities. They grapple with the difficult task of providing services and products while also building a solid foundation on the backend for their business to maintain and grow.

Business owners wanted to obtain skills, knowledge, tools and other resources needed to run their business more efficiently. Minority-owned small businesses often time lack the capital to hire employees in any one area of expertise. Therefore capacity building was integral for these small businesses.

Central to building capacity was accessing information about available resources and obtaining access to education, training and mentorship or coaching

opportunities. Information, education, training or mentorship focused on business planning, business operations (i.e. accounting, etc.), marketing, regulation, accessing markets (i.e. bidding process) and accessing capital were highlighted by business owners and the organizations that provide support to them.

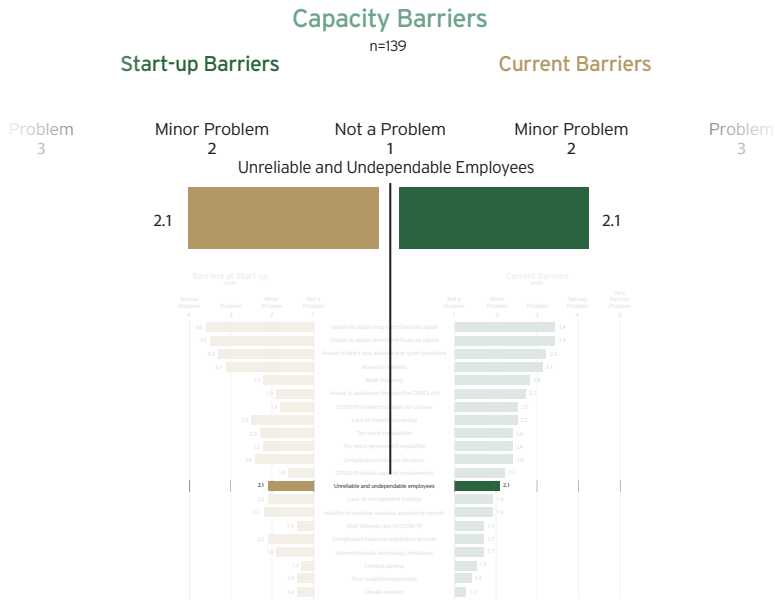
More than 90% of survey participants agreed that strategic business planning was essential for their business.

Providing information and services in Spanish as well as English would help more business owners to gain access to needed supports.

Networking and partnerships have also been used to build capacity for those companies that have limited resources. Having a network of people that could lend their expertise allowed owners to take on various contracts and projects that they would not have on their own. Businesses have also used their networks to gain more information and insight about their own business operations.

“I see something about double timing. I’m doing client work, how do I build a foundation, the backend of my business while I’m dealing with the front end of my business ...when my time is so limited.”

-Support organization



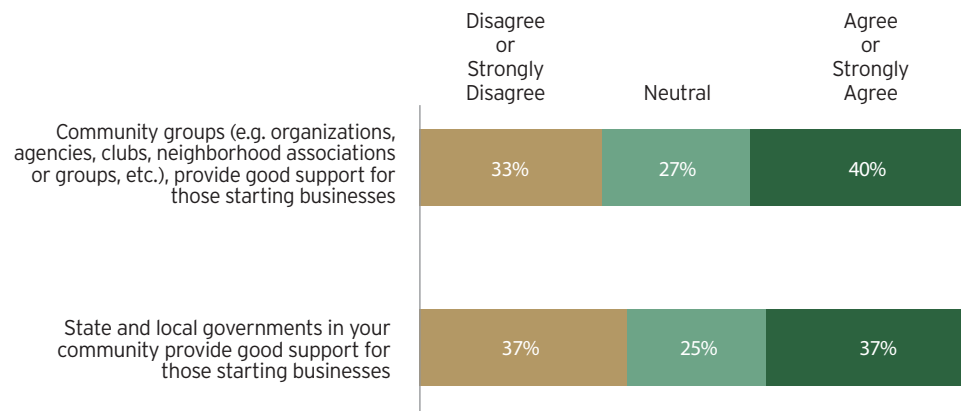


# Support Organizations

# Perceived Support

Participants were divided about support given by community organizations and state and local governments

n=139



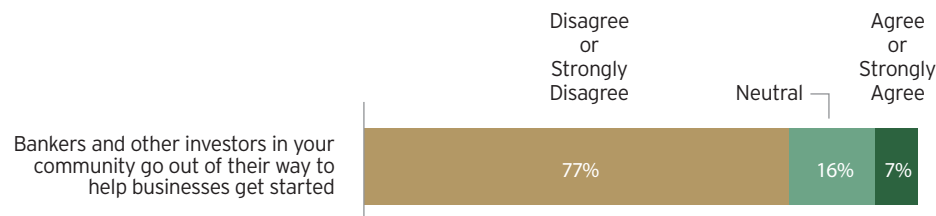
While physical access to economic activity is important for Minority-owned small businesses (MOSBs), access and perceived access to support during various stages of organizational maturity creates a landscape conducive to thriving firms.

When the research team surveyed and interviewed business owners, they discussed both the strengths of their environment and where they felt there was limited or no support.

Positively, business owners indicated that they felt supported by the social norms and culture of their own communities. The majority of survey respondents (58%) agreed that the social norms and culture of their community – the people and community practices - encourage creativity and innovation. Fifty-three percent agreed that the social norms and culture also support the risk-taking needed to start and sustain a business.

77% of participants disagree that bankers and other investors go out of their way to help businesses get started

n=139



However, survey findings also show that business owners are divided about support provided by community organizations and the government at start-up. The majority of business owners, however, agreed about the lack of support received from bankers and other investors. The survey suggests an opportunity to better support MOSBs operating in Charlotte-Mecklenburg.



# Support Organization Ecosystem

As noted earlier, MOSBs are generally supported by the business, government, and nonprofit sectors that provide a range of services including financial services, services that connect businesses to resources, customers, and markets, education and professional development, and training and business incubation. The research team developed a support organization ecosystem map based on survey participant responses to two questions:

**What organizations and institutions in the Charlotte area have provided support to your minority-owned small businesses?**

**What services do they provide?**

## Major Types of Support Organizations

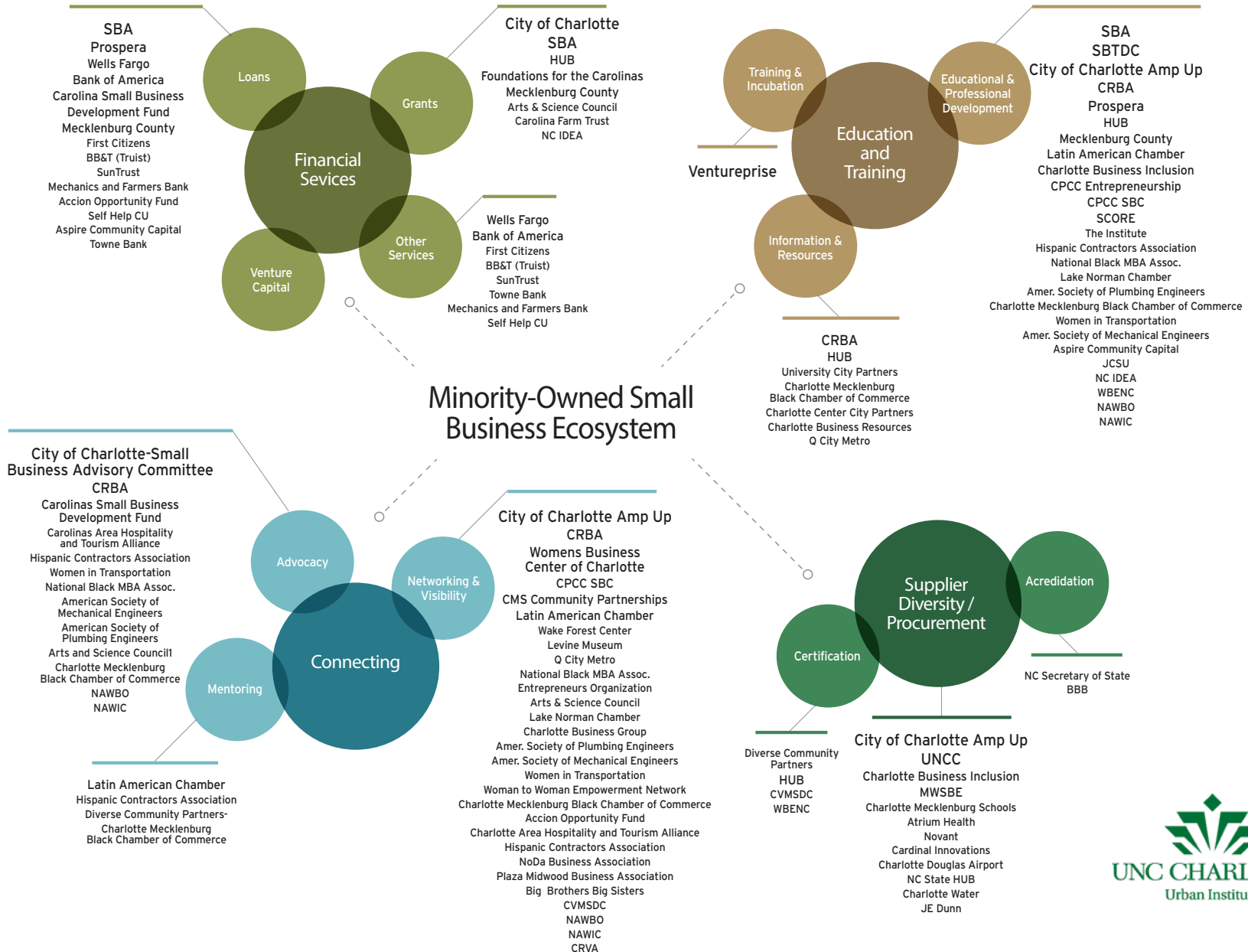
- Businesses, including banks and the businesses that contract the services of MOSBs;
- Local, state, and federal government programs including contracts;
- Nonprofit lenders (Community Development Financial Institutions, Micro-Enterprise Development Organization);
- Nonprofit affiliation or membership groups including industry organizations, chambers of commerce and other business associations; and
- Colleges and universities that, in addition to formal education opportunities and contracting with MOSBs, often support entrepreneurs and incubate start-ups

## Major Types of Support Services

- **Financial Services** – business loans, grants, other services, venture capital
- **Connecting** - networking, mentoring
- **Education & Training** - information & research, education and professional development, training and incubation
- **Procurement & Supplier Diversity** – including certification and accreditation

# Support Organization Ecosystem

The ecosystem map below depicts the 75 organizations identified by the 139 survey participants and the services they provide. The larger the name of the organization, the more times it was mentioned by respondents (please note this is not a random sample of support organizations in Charlotte-Mecklenburg and results should be interpreted with some caution). For organizations with multiple programs, such as the City of Charlotte, all programs are given equal weight based on the number of times that organization was mentioned.



# Support Organization Ecosystem

The current support ecosystem provides MOSBs in our sample with financial services, opportunities to connect, education and training, as well as services related to procurement and supplier diversity.

A range of different organizations in the local community provide these services. Although the majority of survey participants indicated that they received support from an organization, 27% of survey participants indicated that no organization provided support to them.

Survey participants commonly mentioned networking and strategic partnerships as support provided by organizations. Technical expertise, shared vision and values as well as trust and transparency were the characteristics mentioned most frequently when describing important factors in selecting a strategic partner for their business.

Funding (through grants, loans, credit, etc.) or funding opportunities (information about funding, assistance with applications, etc.) was also underlined as a support. However, organizations that provide support in the form of venture capital were not mentioned by survey respondents.

Support organizations also provide a range of training opportunities in areas such as business planning and development.

Organizations that provide support or services to MOSBs also offer their expertise

by providing technical support, assistance with certifications, assistance with contracts and grants, and bookkeeping assistance. There were only a few participants that stated they received support for marketing and promotion, although that was recognized as a barrier for MOSBs.

MOSBs surveyed also identified the services and support they still need to sustain and grow their business. Funding support was mentioned the most. This included financing, contracts, grants, and credit. Marketing, exposure, marketing training, and advertising were also commonly mentioned needs.

Networking, strategic partnerships, training and education, general business and technical support were also highlighted as needs. Staff needs were also cited frequently, especially the need to hire, train, and retain reliable staff. Interview participants also mentioned a need for these types of support as well as support that assists businesses as they grow.

Government entities such as the U.S. Small Business Administration, UNC Charlotte, and the City of Charlotte, were organizations that were most mentioned as providing support to minority-owned

“I need something different than how to prepare a budget or marketing for success. I have completely different needs than people that are at a different level. And so there needs to be more in terms of moving up to a continuum and going along with companies as they grow. It’s almost like they believe that women and minority-owned companies, that we get to a certain level and that’s it. And that’s not the case... all of the resources are out there, only at a certain level.”

-Business owner

small businesses (support organization ecosystem map). This may be due to these organizations offering a wide range of services, services that have been identified by MOSBs as a needed support to sustain or grow their business.

# Assets & Gaps

The study suggests a number of assets and gaps in the Charlotte-Mecklenburg community for minority-owned small businesses.

Assets include:

**Minority Communities:** Business owners felt supported by the social norms and culture of their communities. The majority of survey respondents agreed that the social norms and culture of their community supports risk-taking. Fifty-eight percent agreed that the social norms and culture also encourages creativity and innovation.

**Breadth of Support:** The community ecosystem also highlights the breadth of support that is available in the Charlotte-Mecklenburg community. Support is provided from a range of organizations. As it relates to services, there is strength around financial services, networking, mentoring, education, training, procurement and supplier diversity but these services

must be tailored to meet the needs of minority-owned small businesses to ensure business success.

Although research suggests important assets in Charlotte-Mecklenburg for MOSBs, it also suggests gaps and opportunities to improve the ecosystem for MOSBs. Gaps include:

**Start-up Support:** The survey findings show that business owners are divided about support provided by community groups and the government at start-up. A little more than one-third agreed and about one third disagreed that community groups and state and local government provide good support for those starting their business. The majority of surveyed business owners agreed about the lack of support

received and available from banks and formal financial institutions (77%).

The study findings also show that barriers at start-up include financial capital, access to markets, operations, marketing, regulations, and capacity. Additional start-up support should be provided to minority-owned small businesses as it relates to these areas.

**Tailored Support:** Although organizations in Charlotte-Mecklenburg offer a range of services to MOSBs they may not be tailored to the specific needs of these businesses and/or might not have a deep understanding of the racial and systemic barriers that thwart their success. Service providers must be able to meet businesses where they are, while addressing their barriers to success.

# Assets & Gaps

Tailored support should also provide businesses the opportunity to build capacity. Due to the lack of available capital and subsequently support staff, businesses need to be able to build capacity to ensure they are able to sustain and grow.

Another component of tailored support is advocacy. Advocacy that is coordinated, bringing together all organizations, is needed to obtain

greater support for minority-owned businesses. An understanding of the barriers that exist for these businesses is needed for effective advocacy.

**Building trust:** It is also important to recognize that the long-standing history of institutional discrimination targeted at communities of color have led to distrust. Thus, before any meaningful change can be achieved, the first step will require building trust. Engaging

in the process of racial healing can be a useful tool, having the potential to promote trust and support authentic relationship building to bridge existing gaps.<sup>41</sup> Reciprocity between business owners and resource gatekeepers is instrumental to the process of building trust. Institutional efforts and programs have the opportunity to formalize, solidify, and expand these types of mutually beneficial relationships.<sup>42</sup>

41. Williams et al., 2021

42. Carney, 2007



# | Recommendations

# Recommendations

The barriers that persist for minority-owned small businesses reflect the long-standing and pervasive racial inequity within institutions and systems.

Solutions to address these barriers will require the public, private and non-profit sectors to evaluate the current ecosystem of support for

MOSBs and to create a more equitable landscape for them to succeed. The remainder of the report briefly describes recommendations that synthesize

this research and the larger evidence based on best practices of support for minority-owned small businesses.

## Organizational Accountability

Transform organizational actions **through policies and practices that explicitly, intentionally, and meaningfully begin to** address structural racism and the systemic inequities it allows in order to work towards equitable outcomes.<sup>43</sup>

Examine needs with the stakeholders in your organization with the aim of

enhancing shared decision-making, and incorporating organizational changes targeting antiracism.<sup>44</sup>

Reflect on the current articulation of the institution's mission, values, beliefs, and vision.<sup>45</sup>

Racial diversity and a strong commitment to racial equity should be visible across all levels of employment.<sup>46</sup>

Continuously evaluate outcomes based on articulated goals as they pertain to antiracism and racial equity. Transparency during the analytical and dissemination processes is also important and can contribute to trust building among communities of color.<sup>47</sup>

43. Teasley, et al., 2021  
44. Ibid  
45. Ibid  
46. Ibid  
47. Ibid

# Access to Capital

Provide greater access to **more affordable, long-term small business-specific loans and government assistance programs** such as **grants or debt forgiveness**. This would provide greater availability of financial capital from banks and venture capitalists and would reduce MOSBs' reliance on short-term personal credit and personal savings.<sup>48,49</sup>

Foster the **development of private equity funds** which **target MOSBs** and the granting of **investment tax credits** to private investors and entrepreneurs.<sup>50,51,52</sup>

Encourage **greater partnerships with and use of** institutions which exist to assist MOSBs, institutions such as **Microenterprise Development Organizations (MDOs)** and

**Community Development Financial Institutions (CDFIs).**<sup>53</sup>

Create **additional oversight of the lending community** and **create more avenues for minority business owners to report discrimination** or **engage in accountability processes** to help reduce discrimination in lending.<sup>54,55</sup>

# Access to Markets

**Establish well-designed preferential procurement programs. These programs** can be instrumental in giving minority entrepreneurs **more access to profitable product markets** and a wider, more lucrative customer base. These programs, if intentional and well-designed, would increase and strengthen the relationships between minority entrepreneurs and key resource

providers. Ensuring that government contract structure is aligned with MOSBs' ability to pursue them and succeed is an important objective.<sup>56,57</sup>

**Promote diversity mandates in government procurement programs.**<sup>58</sup>

Channel more funding to the **Minority, Women and Small Business Enterprise (MWSBE) Program** with

**more robust goals** for MOSBs in subcontracting, **contracts which can only be bid on by small businesses**, required vendor rotation, and **mandatory subcontracting and joint-venture projects** for contracts worth over a certain amount.<sup>59</sup>

48. Bates, T., & Robb, A., 2013a

49. Reuben, L. J., & Queen, P. E., 2015

50. Fairlie, R. W., & Robb, A. M., 2010

51. Reuben, L., & Queen, P., 2015

52. Servon, L. J., Fairlie, R. W., Rastello, B., & Seely, A., 2010

53. Ibid

54. Robb, A., & Fairlie, R., 2006

55. Bates, T., & Robb, A., 2013a

56. Shelton, L. M., & Minniti, M., 2017

57. Bates, T., & Robb, A., 2013b

58. Shelton, L. M., & Minniti, M., 2017

59. Griffin & Strong P.C., 2020



# Technical Assistance

Utilize or invest in **technical assistance programs** focused on **business planning, marketing, operations management, technology, legal literacy and accounting**. These **programs** could reduce many of the

technical and formal networking barriers for minority business owners, as well as increase minority business owner's capacity to self-advocate.<sup>60</sup>

Address language barriers (solutions which are specifically targeted towards

Latinx entrepreneurs) by embedding and advertising **Spanish-speaking service providers** into natural local business networks or creating **subsidized, parallel service organizations which conduct business in Spanish**.<sup>61</sup>

# Continuum of Support

Provide **targeted, individualized support** for MOSBs at **each developmental stage** (starting, maintaining, and growing). This support allows businesses with limited capital and resources to build capacity and have a road map to success. Support should include **mentorship and coaching** opportunities, **education and trainings, partnership and**

**networking** opportunities (in both public and private sectors), **information sharing**, etc. Training, education and information should focus on areas such as **technology, marketing, accounting, management, legal literacy, business planning, accessing funding, and accessing markets** as these were identified as barriers by business owners and support organizations. Support

for other needs specific to individual businesses should also be provided.

Provide a **website** for MOSB owners that **shares resources for capital, technical support and other opportunities** for each developmental stage. Study participants shared that resources could be better marketed to businesses.<sup>62</sup>

60. Fairlie, R. W., & Robb, A., 2006

61. Carpenter, C. W., & Loveridge, S., 2019

62. Servon, et al., 2010

# Strong Networks

Networks, identified as a strategy needed to start, sustain and grow businesses, require matching solutions. **Local business mentorship programs<sup>63</sup>, preferential procurement programs** from large corporations or local governments<sup>64</sup>, and the **creation of a city-wide microenterprise intermediary<sup>65</sup>** have all been put forward as possible best practices to mitigate the negative effects of network barriers.

**Reciprocity between business owners and resource gatekeepers** is instrumental in **building trust in business sub-groups** (an ethnic minority, for example). Institutional efforts and programs should formalize, solidify, and expand such relationships.<sup>66</sup> Engaging **in international trade and activities** is related to better business performance across most metrics. Many immigrant-owned businesses can utilize

existing cross-border connections or networks, cultural knowledge, and language skills to capitalize from international activities. Institutions involved in **lending or supportive practices** could **lend additional support** in these areas, allowing MOSBs to further profit from international trade.<sup>67,68</sup>

# Geographic Diversity

Many MOSBs located in minority-dominant neighborhoods are excluded from the wider economic sphere.

Emphasizing **geographical diversity in city contract procurement** would help overcome spatial barriers and create

more equitable neighborhood growth and development.<sup>69</sup>

# Advocacy

**Ensure past and proposed legislation and regulations do not create barriers** for MOSB creation and success,

**advance the economic concerns of MOSBs, and coordinate community** (government agencies, elected officials,

advocacy organizations, non-profits and private sector entities) **efforts** to support these businesses.<sup>70</sup>

63. Carpenter, C. W., & Loveridge, S., 2018  
64. Shelton, L. M., & Minniti, M., 2017  
65. Servon, L. J., Fairlie, R. W., Rastello, B., & Seely, A., 2010  
66. Carney, M., 2007  
67. Ibid  
68. Wang, O., & Liu, C.Y., 2015  
69. Dayanim, S. L., 2011  
70. Maxwell, C., Hamilton, D., Perry, A.M., & Solomon, D., 2020

# Conclusion

As the McKinsey report notes, “entrepreneurship and business ownership, particularly of community-based businesses, are crucial ways to develop community wealth, for both business owners and the people they employ.”<sup>71</sup> But minority-owned small businesses face unique barriers to starting and sustaining their business.

A supportive ecosystem for these businesses could mitigate these challenges and free part of \$1 trillion to \$1.5 trillion in annual GDP that would come from closing the racial wealth gap.<sup>72</sup>

In order to build a more equitable and a more supportive ecosystem, all sectors

need to work together to ensure that there is developmentally appropriate support - from start-up through maturity - for MOSBs to tackle barriers and thrive. In addition to providing a

continuum of support for MOSBs, recognizing that all organizations have a responsibility to tackle barriers born by systemic racism is important to create a more equitable business landscape.

“Minority businesses are not starting from the same starting line. Institutional inequalities in the banking, financial sector and inaccessibility to government/corporation contracts are a major problem. Whatever remedies you’re looking at should be institutional..... What we have right now is a good start but is still tailored to benefit entrenched and well established “majority businesses.”

-Business owner

71. Baboolall, et al., 2020

72. Ibid

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