

THE 2005 STATE OF BLACK BUSINESS IN BIRMINGHAM

Full Report

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For the First Annual A.G. Gaston Economic Empowerment Conference

INTRODUCTION

If Dr. A.G. Gaston were alive today, he would look at Birmingham and be proud of what it has become. No longer the “Johannesburg of America” that it once was, Blacks now enjoy many freedoms that Dr. Gaston, as rich as he was, was denied in the Jim Crow South – the right to sit at any restaurant, the right to drink out of any water fountain, the right to vote without answering silly questions, the right to send his children to any school, the right to shop in any store.

He lived to see this day, as well as see a Black mayor, a Black city council, Blacks in all levels of government, in many sectors of Corporate America, in almost every facet of American life, earning and creating hundreds of thousands of dollars.

What he did not live to see were more millionaires like himself.

White Birmingham has scores of well-to-do families and individuals whose fortunes were built on the legacies left by their forefathers, many of them industrial barons who shaped the fortunes of the Magic City, or by ethnic immigrants, such as the Bruno family, who established retail dynasties. Others own companies in industries such as construction, mining, real estate, telecommunications, healthcare, legal and technical companies – some of them among the largest in the country – that generate millions for them.

To be sure, Birmingham has its share of successful Blacks: businessmen Jesse Lewis Sr., Jordan Frazier, Al Joiner; Black professionals such as Donald Watkins, Dr. Ross Gardner; and Black entrepreneurs such as Shelley Stewart and Tim Lewis, to name a few. There are “old money” members of the city’s Black bourgeois class and the new class of wealthy upper-middle income Black professionals and new entrepreneurs rising in Birmingham’s post-Civil Rights Era.

But more than 50 years since the Supreme Court officially struck down separate but equal facilities, 40 years after federal authorities adopted voting rights and anti-discrimination laws (largely due to galvanizing events in Birmingham), after 25 years of Black administrative leadership, Birmingham is still at a turning point in terms of economic empowerment for Blacks.

How is this so?

Because economic empowerment has to do with wealth – the ability to create it, the ability to invest it so that it works for its owner and not the other way around, the ability to sustain it and pass it on to succeeding generations.

As one of the people interviewed in conjunction with this paper stated, “It just doesn’t take much observation to see, from a racial standpoint, who has most of the money and who has the least amount.” Economic disparity is the clearest remaining vestige of racism, he said.

A.G. Gaston Economic Empowerment Conference

This paper is brief look at the State of Black Business in Birmingham in 2005 – how it came to be what it is, what strategies can be employed to boost the number and size of Black businesses, and why it is important to do so.

Much of the information here is anecdotal, largely because so few local statistics are kept about Black business. Many of the comments captured here came from others’ research, interviews and a focus group of Black business owners.

This report is written in conjunction with the First Annual A.G. Gaston Economic Empowerment Conference. The purpose of this paper is to examine the life and times of Dr. Gaston and his success – how his work philosophies shaped his business empire, and how historical conditions in Birmingham affected its Black community and business life, then and now.

It has been asked: Why does Dr. Gaston remain one of the few, if not the only, Black millionaire business titan of his day, in a time when the “Magic City” spawned huge industries and businesses that created much of the wealth that Birmingham’s White elite enjoy to this day? Why was he able to accomplish so much during an era of rigid segregation when today’s entrepreneurs, who enjoy many of the freedoms denied to Dr. Gaston, have not come close to reaching his level of success?

PRINCIPAL FINDINGS

The State of Black Business in Birmingham is better than it was in the days of Dr. A.G. Gaston in one sense, but not as strong as it needs to be as we look to the future. The 20th Century is over, and conditions must improve in the 21st Century if full economic inclusion for Blacks is to be achieved.

I. Lack of Wealth

Getting access to money and capital remains problem No. 1 for Black-owned businesses, not just in Birmingham but across the country. Without money, they cannot grow and compete against bigger, more established businesses. (“The Minority Business Challenge,” Yago and Pankratz)

This is largely due to the wealth gap between Blacks and Whites, which has been persistent, but narrowing, over the last century.

In 1959, Birmingham's Black median household income of \$1,287 was only 37% of the White median household income of \$3,456. Post Civil Rights, in 1989, the area's Black median household income of \$15,897 was 52.8% of the White median household income of \$30,102. In 1999, the Black median household income was \$25,795, about 56% of the White median household income of \$45,850. (Shattuck)

II. Lack of Parity

When he came to Birmingham last year, Ronald N. Langston, National Director of the Minority Business Development Agency (MBDA) under the Bush administration, said his goal is to see parity for minority businesses. Parity exists when the number of minority-owned businesses begins to reflect the minority percentage of the population.

According to the U.S. Census Bureau's 1997 Survey of Minority Owned Business Enterprises (the most recent SMOBE data available), Blacks comprise nearly 30% of the Birmingham area's population.

Yet they own just 8.1% of the Birmingham area's 62,314 total business firms, ranking it 5th among 13 peer metropolitan areas. Ranking higher were Memphis (15.6%), New Orleans (9.9%), Richmond (9.8%) and Raleigh-Durham (9.2%) in the percentage of Black-owned businesses in their respective areas. (See Table 1)

However, these numbers represent a mere sliver of the money generated by all local businesses, whether they are in Birmingham, or in any other city for that matter.

Black-owned businesses generated \$224.2 million, according to the 1997 SMOBE data. It sounds like a lot of money, and it is. But that \$224.2 million represents just 0.3% of the \$75.1 Billion in sales receipts generated by all businesses here.

It's the same nationwide. None of the total dollars generated by Black-owned firms in any of the 12 peer cities – not even in Atlanta, the so-called Black Mecca – reached 1% of all dollars generated by businesses in their respective areas. (Black businesses in New Orleans came closest, with 0.85%; see Table 1).

So for Birmingham to begin to approach parity means about 30% (rather than 8.1%) of Birmingham's businesses would be Black owned and their businesses would generate about 30% of the metropolitan area's business revenues (rather than 0.3%).

We have a VERY long way to go!

III. Weak Community Support for Black Business Empowerment

When Black & White Make Green: The Next Evolution in Business & Race is Dr. Melvin Gravely's modern tale of how Blacks start an economic empowerment movement of sorts, and how business leaders, fearing a public relations debacle, look for ways to increase minority participation in the local economy.

In the book, the team of researchers who were assigned to come up with solutions found that cities with successful minority business development programs had several things in common, including an environment that supported inclusion for minorities, and top-level support for minority economic inclusion, from the mayor, to local CEOs of top companies, to community leaders.

Here, neither the City of Birmingham nor Jefferson County (both of which have significant Black leadership) has broad-based policies that promote economic inclusion for Blacks and minorities. Nor do they have contract compliance offices that monitor minority participation in all its procurement practices, as the City of Atlanta does.

There are agencies that actively promote inclusion, such as the Birmingham-Jefferson Convention Complex, the Birmingham Airport Authority, the University of Alabama at Birmingham, the Birmingham Housing Authority, and the Birmingham Construction Industry Authority.

There are also private sector initiatives aimed at boosting the number of minority participants in local companies' procurement and purchasing practices. Yet, no agency or group has attempted to measure their effectiveness in terms of the number of Black- or minority-owned companies helped and dollars they generate through their association with Corporate Birmingham, as Gravely's recommends as one of the solutions through his book.

BIRMINGHAM HISTORICAL PERSPECTIVE

America, Land of Opportunity

The lack of wealth has never meant a lack of opportunity in America. In fact, this country prides itself on its bootstrap society, where people of modest means can lift themselves up to a higher economic level, depending on their talent and tenacity. Most of today's Americans are descendents of immigrants who yearned for freedom and the chance to achieve more here than they could in their own countries.

But America has never treated any of its newcomers as poorly as it has its Black citizens, who until recent history didn't possess the full rights of citizenship almost 100 years after their emancipation from centuries of slavery. For many of African ancestry in the Land of Opportunity, being Black meant being denied opportunity. This denial has historically kept Blacks at a spectacular disadvantage.

Yet enterprising Black people like Gaston became millionaires despite the overwhelming racial handicap.

I. Life and Times of Arthur G. Gaston

Any business venture – no matter when or where it starts, or who starts it – is based on one central premise: it sells something of value that people are willing to spend money to buy.

Dr. Gaston's recipe for success contained three key ingredients – a savvy business sense, unique market conditions and the ability to attract money.

According to Harold Jackson's 1992 article, "**True Grit – A.G. Gaston –20 Years of Black Business Leadership**" in *Black Enterprise* magazine, Dr. Gaston was born in 1892 in a log cabin that his grandparents, former slaves, built in rural Marengo County, Alabama. Even as a child, he exhibited entrepreneurial skills. He charged his childhood playmates to ride the swing in his grandparents' yard; they paid him whatever they had, usually buttons and pins.

His mother moved to Birmingham in 1900 to be a cook for A.B. and Minnie Loveman; they were the founders of what became Alabama's premier department store chain. He worked a number of odd jobs as a young man, from selling newspaper subscriptions in Birmingham to a hotel bellhop in Mobile, where he made so much money that he "got the disease ... I wanted to become rich." (Jackson, "True Grit")

Gaston's getting rich was a by-product of his entrepreneurial knack of finding a need he saw in the community and filling it. And it didn't hurt that he knew how to pinch pennies.

He began selling box lunches his mother made to co-workers at Tennessee Coal and Iron (TCI) Co for 25 cents on the dollar every two weeks. Gaston was also running a popcorn and peanut stand in his spare time. He got the idea of starting a burial society after noticing that his TCI co-workers willingly chipped in whenever preachers came around asking for donations for the burial of a Black person. (Jackson, "True Grit")

In 1923, the society got a boost when a local Black minister stopped collecting money and sent his flock to Gaston instead. The burial society soon acquired the mortuary that became the home of Smith and Gaston Funeral Directors. In 1932, Gaston's burial society was incorporated as Booker T. Washington Burial Insurance Co., the source of capital for all his other ventures. It was the cornerstone Gaston used to build his empire. (Jackson, "True Grit")

Dr. Gaston and a group of investors started Citizens Federal Savings Bank, a savings and loan association, after raising about \$350,000 in 1957. Gaston's empire includes the BTW Business College, A.G. Gaston Construction Co., the A.G. Gaston Home for Senior Citizens, Citizens Drugstore, Smith & Gaston Funeral Directors Inc., New Grace Hill Cemeteries Inc., Zion Memorial Gardens and Mausoleum, Vulcan Realty & Investment Co. Inc. and BTW Broadcasting Service Inc., which included radio stations WENN-FM and WAGG-AM. (Jackson, "True Grit")

Dr. Gaston's empire stood among a thriving community in Birmingham's Black business and entertainment district along Fourth Avenue North, home of doctors, dentists, fraternal organizations, the Masonic Temple, the Carver Theater, and restaurants.

But Dr. Gaston lived in a world apart from the White community. Blacks were segregated by law and custom in a world where, despite their relative affluence, they were economically restricted.

In the first half of the 1930s, when economic conditions worsened during the Depression, fully three-fourths of Black workers lost their jobs because of segregated job patterns, according to researcher Christopher MacGregor Scribner in his book, *Renewing Birmingham: Federal Funding and the Promise of Change, 1929-1979*. Whites found ways to shirk their hiring obligations in federal programs and unions, making sure that Blacks didn't get the jobs that provided them with pay equal to Whites or ones that gave them any supervisory positions over Whites. (Scribner)

In a 1934 survey of housing conditions, more than half of Birmingham's Black population lived in the city's most blighted districts, compared to 5 percent of the White population; 90 percent of Blacks lived in substandard housing. One-third of Black families lacked indoor plumbing and electricity. (Scribner)

In 1935, 97 percent of Black families earned less than \$1,000 a year compared to 46 percent of White families. By the start of World War II, the average pay of a White school teacher was \$1,466 while Black teachers in their segregated systems earned \$682. (Scribner)

But Dr. Gaston, like his hero Booker T. Washington, learned that having money was a great equalizer. Though money didn't change his skin color, he believed business success could open many doors. "Money has no color. If you can build a better mousetrap it won't matter whether you're Black or White, people will buy it," he said. (Jackson, "True Grit")

Desegregation, Before and After

Dr. Gaston's business model worked well in the rigidly segregated South, where White funeral homes wouldn't bury Blacks, lend to them, or train them in business. What he did, he did well, believing in the dignity of his customers and giving them good service. He often worked 16-hour days, oftentimes seven days a week, according to his protégés. He had few peers in the Black business community.

In effect, he cornered the market.

In the desegregated South, however, much of Dr. Gaston's business model can not be duplicated. After integration, Blacks could no longer count on Blacks to support their businesses. And they couldn't compete with what well-established, wealthier White businesses had to offer.

In his 1992 article "**A Measure of Profits - Birmingham, Alabama - 20 Years of Black Business Leadership**" in *Black Enterprise* magazine, Harold Jackson quoted Louis J.

Willie, then president and CEO of Dr. Gaston's Booker T. Washington Insurance Co. Inc., about the effects of integration on Black businesses:

“A lot of businesses were operated strictly in the Black community” Willie recalls. “They never dreamed of having a White customer.

Then things opened up; Blacks found they could go to all kinds of places,” he continues. “During this period of experimentation and euphoria at the dropping of the bars of segregation, we left the little dining room and cafe in the neighborhood and moved downtown. After folks saw the difference, the light-colored furniture and waitresses bustling around, they didn't want to go back to the greasy spoon. Since a good number of the Black businesses were small, service types, they fell by the wayside.”

In addition, educated Blacks with strong entrepreneurial get-up-and-go got up and left the rigidly racist city in search of better opportunities across the country. Jackson also quoted Harold Gilchrist, a now deceased investment banker, who blamed Birmingham's harsh segregation for the shortage of new Black entrepreneurs two decades ago:

“You had a massive exodus,” Gilchrist says. “Some of the brightest minds in the country left here to go to other areas of opportunity. That left a big void. Those young people who might have had entrepreneurial interests went to other markets. And that's why you see some of the numbers showing up here now.”

II. The Arrington Era (1979-99)

Jackson's article centered on a 1987 *American Demographics* magazine article that listed Birmingham dead last among 48 cities surveyed for their rate of Black business ownership. The statistic was an embarrassment to Richard Arrington Jr., sworn in as Birmingham's first Black mayor in 1979.

That article – as well as a series of stories by *The Birmingham News* that showed Birmingham financial institutions made nearly three times as many home mortgage loans in White neighborhoods as they did in Black neighborhoods of similar income – intensified efforts by Arrington's administration and the business community to address economic disparities between Blacks and Whites. (Jackson, “A Measure of Profits”).

So they worked to create “The Birmingham Plan,” which sought to expand opportunities in business, construction, housing and lending for minorities and women in both the public and private sectors. The plan included the Birmingham Community Development Corporation to provide commercial loans to disadvantaged businesses from a \$6 million loan pool (\$2 million a year over three years), and a \$25 million mortgage loan pool for low- and moderate-income groups for houses up to \$50,000 in price.

Arrington's affirmative action program – one that set aside 10 percent of city construction work and other contracts for minority- and women-owned businesses – suffered a setback. The Associated General Contractors of America Inc. filed a federal lawsuit in 1988 claiming reverse discrimination. The city settled the AGC suit soon after the U.S. Supreme Court's 1989 decision in *Crosby v. City of Richmond*. It invalidated minority set-asides in construction projects unless past discrimination could be documented.

The settlement, along with the impetus created by the Birmingham Plan, led to the creation of the Birmingham Construction Industry Authority (BCIA). The voluntary affirmative action program was designed to partner capable minority firms with majority firms in pursuit of construction projects, which at the time was estimated to generate about \$1 billion over several years.

BCIA's role also included training, education and other technical assistance for minority and disadvantaged business owners. BCIA was also to establish and monitor participation goals for minority contractors it certified as capable of performing public and private construction work in the Birmingham area. The overall purpose was to use minority participation levels in 1989 as a benchmark, the starting point from which to measure sizeable increases in subsequent years.

In his 1991 annual review of the Birmingham Plan, Arrington wrote that he was “pleased to report that, on the whole, the Plan has made reasonable progress.”

In that year, 49 commercial loans totaling \$1.7 million had been approved; the BCIA set a goal of \$24 million – 6% of the estimated \$400 million in public and private construction work – for minorities.

However, Arrington was concerned that BCIA didn't track minority participation well, especially in private sector construction work. In the public sector, BCIA found that of the 110 city jobs that totaled \$30 million, 60 had been tracked, and 30% (about \$5.8 million) went to minority and disadvantaged firms.

The only area of disappointment for Arrington was in home loans. Only \$1.5 million of the \$35 million available for home mortgages for low- and moderate-income families had been approved for loans.

On the whole, however, Arrington wrote that the plan was helping minorities stake a bigger claim in the local economy, putting them on the path to achieving the American Dream. “Together we are demonstrating that public/private partnerships relying on voluntary programs can be effective in generating greater inclusion of minorities in the full benefits of our free market enterprise,” Arrington wrote.

The Etheridge Empire

One of the few modern-day business models that closely resemble what Dr. Gaston created is the family-owned barbering and hair care franchise created by the Etheridge family. Their business benefited from some of the programs established under Arrington's administration.

Three of the five Etheridge brothers – Willie, Joe, Grant, John, and Theodore – started with a vision to control good barbering in Birmingham, according to “Black Entrepreneurs in the 20th Century: Controlling Their Own Destiny,” a paper written by Dr. Vickie Cox Edmondson, assistant professor of business at the University of Alabama at Birmingham.

They borrowed \$700 from friends to fix an old building and opened their first shop on Jan. 3, 1970. They got more loans from friends and a \$20,000 loan from a city program and moved to another location. (Edmondson)

Etheridge Brothers' clientele grew to a point that they could no longer comfortably work in the confines of one building. Eventually, each brother opened his own barbershop while Willie remained at the original location. They were not partners in a family business but used the Etheridge Brothers' name as a trademark. (Edmondson)

In addition, other family members expanded the business. Willie's daughter, a cosmetologist, opened a women's hair salon next to her father's business. In 1994, Willie purchased a car wash located across the street from the barbershop and the hair salon. Later, Willie's wife started a catering service. (Edmondson)

The Etheridge brothers believe their success hinged on exceptional business knowledge, demand for the product or service offered, good location, and motivated employees. Their motto is “Good service and promptness are the keys to success.” Willie Etheridge, the master strategist behind the Etheridge Brothers' success, said the major objective of his company is not to become rich, but to “make life better for other people.” The Etheridge brothers maintain active roles in the community by offering free car washes and giving hospital patients free hair cuts. (Edmondson)

A number of parallels exists between these entrepreneurs and Dr. Gaston. He, for instance, had a keen business sense, found a need and filled it, worked hard and was a careful money manager. He offered quality services, hired and mentored employees who became business associates.

But there are also significant differences.

Dr. Gaston was a giant among entrepreneurs and worked miracles during a period of hard, rigid segregation. But those conditions helped make his business empire what it was, said George Munchus, director of the Center for Research & Advocacy on African American Entrepreneurship.

“Most of his customers were Black. Many Whites would not accept the Black dollar, and treat them with dignity and respect. No White funeral homes would dare touch a Black body. (Dr. Gaston) saw a market and created an opportunity for himself. And he created a lot of opportunities for Black families who worked in those businesses he had. He obviously fostered a spirit of pride and a ‘we can do’ attitude.

“Segregation largely fostered the opportunity for A.G. Gaston. But I do believe if he started out in today’s market, I don’t think he would have done as well,” Munchus said. “The Black dollar is basically free, and now Whites want the Black dollar. They may not want the person who comes with the dollar, but they want it nonetheless.”

He also said that Blacks and Whites will shop with Whites, but rarely do Whites shop with Blacks.

Jackson, in his 1992 *Black Enterprise* article, quoted another Gaston protégé, Kirkwood R. Balton, who was president of both BTW Broadcasting Service Inc. and A. G. Gaston Construction Co. Balton said that Black businesses had to learn a tough lesson about the inevitable change in Black consumer behavior:

“With integration, Blacks no longer shopped with Blacks because they were Black,” he says. “They shopped because they had something to offer, and we have to keep that in mind. Yes, we call on loyalty, on Blacks to support Black businesses, but we have to warrant that support. We have to offer our products and services in a way that can compete with whatever’s out there.” (Jackson, “A Measure of Profits”)

III. The Kincaid Era, 1999 and Beyond

The most recent economic survey of minority owned businesses shows that the African American business community grew by more than 49% between 1992 and 1997 in the Birmingham metropolitan area. That was more than doubled the 20.7% growth rate for the United States and well exceeded the Alabama growth rate of 29.7%. (Shattuck)

Despite the good news, the growth of Black-owned businesses in Birmingham has not been strong enough in the minds of leaders who look at the situation in terms of parity.

Even if the latest Census data shows that the number of Black-owned businesses has increased substantially since 1997, it’s still a drop in the bucket compared to the overall Black population. The percentage of Black owned businesses will not increase so sharply as to reach parity, where Blacks would own closer to 30 percent of all businesses in the Birmingham area compared to 8.1%.

In its June 2004 issue, *Black Enterprise* ranked Birmingham 7th in its list of top 10 cities for African Americans to live. But it noted that the Magic City had the fewest number of Black-owned businesses per 100 Black residents than any city on its list.

Nearly 25 years of Black political power in Birmingham has not led to comparable economic power here as it did in Atlanta, where 34,592 Black-owned businesses generated nearly \$3 billion in sales receipts, according to the 1997 economic census data.

Former Atlanta Mayor Maynard Jackson, who came to power there in the early 70s, is widely credited with instituting policies that boosted minority participation in city contracts from less than 1% in 1973 to roughly 39% in 1978, according to a 2003 *Black Enterprise* magazine article.

But by the time Arrington came to power in the 80s, new legal standards virtually shut the door on mandatory set-aside programs in city government. Some would argue that the city's voluntary system and Birmingham Plan initiatives started under Arrington's administration have not worked as well as they could.

Current Birmingham Mayor Bernard Kincaid calls the BCIA and its voluntary structure "archaic" and "a dismal failure."

Despite Mayor Kincaid's criticism, BCIA Executive Director Michael Bell feels government leaders can do more with the power they do have. They can use their offices to encourage the private sector to invigorate what vestiges or components of the voluntary Birmingham Plan that still exist.

Bell said that BCIA continues to track minority participation in local construction contracts by companies that volunteer the information, according to court-approved guidelines. If the city administration doesn't believe the guidelines are producing the intended results, Bell said, it can negotiate further changes it deems necessary to boost the participation level of and dollars awarded to minority contractors.

Some agencies have already instituted policies that strongly encourage majority businesses to partner with "historically under-utilized businesses" (HUB) in pursuit of their contracts. Agencies with strong HUB policies include the Birmingham-Jefferson Convention Complex, the Birmingham Airport Authority, and the University of Alabama at Birmingham.

But Kincaid feels the best way to improve the economic status of minority groups is to craft new policies that would be recommended based on the results of a newly-commissioned disparity study.

The City Council recently approved spending \$575,000 for the study, the first-line defense in a legal strategy that – if historical discrimination can be documented – would allow the city to institute affirmative action policies that could be mandatory, not voluntary. And the policies could apply in both the private as well as the public sector.

"Even though one can sense and even see vestiges of disparate treatment, those have to be proved by empirical data," Kincaid said.

“What the disparity study does is launch the study of procurement policies and practices within our MSA (metropolitan statistical area) to determine if there is disparate treatment, and if there is, what the bases of that is,” he continued. “And then they would make recommendations to us, corrective actions we could take as a municipality to try to level the playing field and reduce the disparity.”

Kincaid said he has received subtle and not-so-veiled threats not to pursue a disparity study for Birmingham. “We have an obligation, I feel, to do this.”

The study team will be lead by Dan Muse, a Denver lawyer and his firm. Muse was Denver’s City Attorney at the time that officials successfully defended Denver’s affirmative action policies after 11 years of litigation.

Since 1990, a number of affirmative action policies around the country have been struck down as unconstitutional as courts drew stricter legal requirements for instituting race-based remedies. But in 2003 seven of the nine U.S. Supreme Court justices, by refusing to hear an appeal of the Denver case, upheld a lower court’s ruling that Denver’s policies were narrowly tailored to address disparate treatment of minorities documented there.

For instance, Muse said, the Denver study showed that the same majority contractors that used minority-owned sub-contractors and prime contractor firms for public sector work would not allow those firms to accept bids from them in private sector work, where the work is more lucrative.

The study showed that African Americans were three times, and Hispanics 1.5 times, more likely than Whites to be rejected for business loans. The average loan to a Black-owned construction firm was \$49,000 less than the average loan to an equally matched non-minority firm. And in Denver, minority construction firms are three times as likely to be rejected. Minority businesses are viewed as bad risks and less desirable. Thus, the legitimate capital needs of such businesses are ignored. (“Affirmative Action in Public Contracting: The Final Years of the Clinton Administration,” by Georgina Verdugo)

Birmingham’s team of disparity researchers should not have to look hard to find discriminatory and disparate treatment of Blacks.

Blacks were “far and away the largest minority group discriminated against in Alabama,” according to a 1999 study of Intentional Job Discrimination in Metropolitan Areas. “The risk of discrimination existed 30% or at least one-third of the time a Black worker sought an employment opportunity.” (Blumrosen and Blumrosen)

The final report in 2002 of a housing discrimination study found patterns of differential treatment for both African American and Hispanics that were significantly higher than the national average in the Birmingham market, one of 23 cities where Black and White test couples were sent to “find” places to live.

In fact, the report said “Birmingham, Alabama exhibits the highest overall levels of adverse treatment against Black homebuyers of all metro areas in our sample.” (“Discrimination in Metropolitan Housing Markets”)

Homeownership – and the equity houses can produce for owners depending on the location of their houses – is considered one of the primary wealth creation tools in America.

The wealth gap between Black and White remains wide in Birmingham, even after Civil Rights gains.

For instance, in 1959, Birmingham’s Black median household income of \$1,287 was only 37% of the White median household income of \$3,456. In 1989, the area’s Black median household income of \$15,897 was 52.8% of the White median household income of \$30,102. In 1999 a Black median household income was \$25,795 – about 56% of the White median household income of \$45,850. (Shattuck)

THE FOCUS GROUP AND EMPOWERMENT STRATEGIES

Despite real or perceived discrimination and a relative lack of wealth, Blacks in Birmingham have continued to go into business for themselves, some after years of working in the corporate world, others because they had an entrepreneurial bent, which usually ran in their families.

I. The Focus Group

Six African-American business owners were interviewed for this paper in a focus group. Their companies spanned a range of industries (service, professional, and biotech), years in business (6 to 25 years) and number of employees (3 to 25). Their annual revenues went from thousands to hundreds of thousands of dollars annually (some didn’t disclose exact amounts).

They were asked a series of questions during the discussion that focused on: why they went into business; what contributed to their business success; what difficulties do Black businesses face; to what do they contribute the relatively small number of Black business ownership in Birmingham.

Their answers highlight many of the concerns and perceptions of Blacks about the current state of Black business in Birmingham.

1. Why become an entrepreneur rather than an employee?
 - Most of the entrepreneurs said owning their own businesses meant they could control their own destinies.
 - It allowed some to turn their talents honed in Corporate America to their advantage, where they could set their own salaries and not kiss up to bosses.

- They inherited an entrepreneurial bent from family members or saw it in the communities where they lived.
2. To what do you attribute your business success?
- Hard work
 - A passion for what I do
 - Finding a need and filling it
 - Hiring the best people
 - Some also desired to offer services and products to combat stereotypes that Black businesses don't offer quality work and service
3. What difficulties do you face?
- Lack of access to capital (usually have less wealth, so businesses start smaller)
 - Need more information to run business
 - Too much paperwork to fill out to qualify for loans and contracts as certified minority businesses
 - Clientele – stereotypes that when you're a Black owner, your customer base is Black only; but when you're a White business, the general marketplace is your customer base
4. Why don't Black businesses succeed; why do they represent such a small fraction of the entire business market?
- Lack of capital and start-up resources/ inability to get bank loans
 - Blacks don't pool/leverage their own money like other minority groups
 - Lack of vocal advocates/support in government leadership to help Black businesses
 - Much of the entrepreneurial talent still working in Corporate America / lack of risk-taking attitude
 - Lack of entrepreneurial training in schools/ too few examples of Black business owners in the community as in days before integration
 - Many Blacks don't understand the "rules of the game" when running a business/ can't manage money/ don't know how to make tax system work for them
 - Some don't market, sell their business or don't deliver what they promise
 - Too much passivity, expectation of hand-outs, don't work hard
 - Fear of being too successful, and becoming a target of discriminating Whites kicking you down from above, or jealous Blacks pulling you down from below
 - Lack of support from Black customers

Their final point is particularly bothersome, because the problems some of them experienced – Blacks not supporting Black-owned businesses – comes from inside, not outside, the Black community.

One said a "brother" advised him to trick his Black customers into thinking a White man owned his business so that they would better patronize his establishment. Another said, "There is an active, unannounced boycott by African-Americans of African-American owned businesses."

Another business owner (who was not part of the focus group) put it like this: “We as a race are not as supportive of our own businesses. I don’t think we quite understanding the connection, that, if (a Black business woman) is doing well, it means she will make more money. She will have extra money to pour back into the community and she can empower others in the community.”

Economic Empowerment: The Issue of Our Time

Getting money and access to capital remains problem No. 1 for Black-owned businesses, not just in Birmingham but across the country. Without money, they can’t grow and compete against bigger, more established companies and businesses, most of them White-owned or controlled.

Today’s business climate is tough for Blacks who still face discrimination, yet many government-sponsored affirmative action programs are falling under constant legal attacks.

Many diversity procurement officers universally complain that minority companies and vendors with which they try to do business aren’t prepared to provide the level of product or service required by their bosses, or that they pay more to buy goods and services from minorities (largely because they can’t offer volume discounts like larger firms can).

In the meantime, Black business owners, especially those who have to cater to a broader clientele, feel shut out and suspect – rightly or wrongly – that their inability to land bigger contracts, reach more customers or clients, and sell their products or services in the public and private sectors, is stymied by their skin color.

So how does anyone tackle the thorny economic empowerment issue of our time?

The first may be to make people, especially the majority population, understand that economic empowerment is not just a Civil Rights issue, but a common sense issue. Diversity is upon us.

America’s skin color is turning darker by the day, according to demographic studies of the U.S. population shifts. Minorities now comprise about 30% of the population, but will grow to more than 50% by 2050. From now until then, 90% of population growth will be among people of color, particularly Hispanics.

Reports commissioned by the U.S. Department of Commerce and the Minority Business Development Agency show that minority-owned businesses will play a crucial role in overall American economy’s growth.

In fact, one report said, “Failure to invest in this business sector will lower productivity and likewise act as a brake on the economy.” (Yago and Pankratz)

The second step is to establish greater community consensus around the idea that increasing the number and capacity of Black-owned businesses is good for the local economy.

In *When Black & White Make Green*, Dr. Melvin Gravely’s uses a modern-day story to convey the importance of that idea. The story starts with frustrated and angry Blacks in an American city who start an economic empowerment movement of sorts. White business leaders, fearing a public relations debacle, look to a Black business leader’s experience to help find strategic ways to increase minority participation in the local economy.

The team of researchers who were assigned to come up with solutions found that cities with successful minority business development programs had several things in common: an environment that supported inclusion for minorities; top-level support in the cities from the mayor, top CEOs, and community leaders; and a belief that accelerating economic inclusion for minorities businesses gave their city a competitive advantage over other cities.

“Organizations and communities that did the best job accelerating minority business believed they would be . . . more attractive communities in which to live and work,” the researchers concluded.

“They thought they would improve their tax base, their homeownership rates, their public school systems, and the general quality of life. The best corporate programs are run by corporations who believe that developing minority businesses would be able to do things like develop more loyal customers, be able to lower their costs and attract a more talented workforce. The motivation in these cases was not a social one, but one of competing in the market.” (Gravely)

In Birmingham, little will change until its business elite and those who live in prosperity are willing to work with city government and Black entrepreneurs to devise a vehicle to spur economic parity, says Munchus, with the Center for Research & Advocacy on African American Entrepreneurship.

“Ray Charles could see and feel the economic disparities between Black and White in this country . . . We all know what the problems are,” Munchus said. “Isn’t it time we work on the solutions?”

II. Empowerment Strategies

A number of people besides the focus group were interviewed in conjunction with this paper. Their comments and suggestions, besides proposals made in other books and reports, point to several broad-based strategies that can lay the groundwork for improving the State of Black business in Birmingham.

A. Encourage and strengthen community-wide support for Black business empowerment as an economics issue, not just a civil rights issue.

1. The buying power of Blacks, Hispanics and other minorities grows substantially every year, according to the Selig Center for Economic Growth at the University of Georgia's Terry College of Business.

“The buying power of African Americans, Hispanics, Asians, and Native Americans is energizing the U.S. consumer market as never before. Today, African-Americans have \$723 billion in spending power, and Hispanics have \$686 billion. These groups' economic clout is surging, and it is reshaping the commercial and retail landscape of America,” said Jeff Humphreys, Selig Center director about the most recent report of minority buying power, which he authors annually.

The same increases in buying power that give minorities the muscle to reshape the retail marketplace to service their needs, of course, will eventually allow them to reshape the political landscape. “Ultimately, economic power begets political power,” Humphreys said in an August 2004 press release of his latest report.

2. Several reports commissioned by the Minority Business Development Agency (MBDA) show that people of color are also starting businesses at rates six times greater than the national average. Thus their businesses represent a significant emerging economic market segment, one that creates more wealth for owners, more jobs for minorities, and an economic base for aging baby boomers' Social Security payments.

As this segment continues to grow, it will become a critical component of the U.S. economy. But their growth is stunted by lack of funding; venture capitalists and institutional funds invest less than 1% of their monies into ethnic- and gender-based business funds.

“It has become increasingly evident that this is not simply a minority issue but an American issue. Absent broad-based institutional investor participation in the minority and immigrant business communities – soon to be the majority of businesses – continued growth in the American economy is impossible,” according to one report. (Yago and Pankratz)

3. Use Mayor Kincaid's disparity study efforts and the advocacy efforts of other groups to spur dialogue and action that promote Black economic inclusion in Birmingham's public and private sectors.

Muse said part of the disparity study process is to hold community meetings to share the findings with stakeholders in town hall meetings, private meetings and other venues.

The idea, he said, is to build community consensus, to convince a wide array of people that there is a problem with parity for minorities and that something needs to be done about it.

B. Supporting a Fair Trade Policy in the larger community

Munchus said one solution to persuade the larger community to support Black economic inclusion is to establish a fair trade policy. That policy means that Blacks would spend their money with companies and corporations that do business with Black businesses and Black consumers.

If Black households in Birmingham carefully looked at which companies send and spend dollars with them, then “the dollar that goes north also goes south on some occasions,” he said.

“As Black businesses grow so do Black consumers. And as Black consumers grow, so do White consumers and White businesses as well,” Munchus said. “Money is one color and it’s green.”

C. Creating a “Wealth Mindset” in the Black community

Some of the solutions Blacks face, as business owners and as members of a community, must come by dealing with their own internal issues. They can no longer count on solutions coming from government programs nor from the goodwill of the majority population, said James Stewart, owner of Christian Financial Management and a minister who started a preaching series on Black history and economic empowerment.

“We have to deal with why we have Black-on-Black crime, why we have such a high number of single-parent households, why there is a health disparity, why we’re more susceptible to cancer, and other diseases cited by the CDC (Centers for Disease Control),” Stewart said. “We have to deal with some of these issues. When we deal with our issues, it’s easier to go to the table with the other folks.”

Stewart said more Blacks need to realign their thinking from being just consumers to being creators and investors of wealth. And this is not just for themselves or their children, but for their grandchildren and beyond.

This will start with a generation of Blacks who sacrifice immediate gratification for the good of future generations, he said.

“Someone has got to give up the Lexus so they can invest more in the stock market. Someone is going to have to give up the Tommy Hilfiger and the Fubu clothes so they can buy real estate, some rental or commercial property,” Stewart said. “You can pass on commercial real estate or stock portfolios, not cars or clothes.

“Your children can only start where you stop. If you stop broke, they start off broke,” he said. “One generation has to decide, ‘It starts with me.’”

As Dr. Gaston learned, wealth creates freedom, even in segregation. It creates opportunity for future generations of Black folk to live in better neighborhoods, which gives their kids access to better schools, which gives them more opportunities and economic freedom.

CONCLUSION

We hope the issues of economic empowerment and improving the State of Black Business in Birmingham will be closely monitored by academicians, by progressive government officials and by local business leaders.

Already, Dr. Vickie Cox Edmondson has started a study on Black businesses in Birmingham with her students. Their work, done in conjunction with the A.G. Gaston Economic Empowerment Conference, is called, “Where is the Black Power in Birmingham?”

They are studying the Birmingham area to answer these questions:

1. How can Blacks use their power to influence the Birmingham MSA economy?
2. What opportunities/resources are available for Black business (government, educational system, major corporate alliances, and organizations)?
3. Where are the current Black businesses located and how are they faring?
4. What recommendations can we give to improve the Black powerbase by 2007?

Results from their study will be released at the next conference. And also at the next conference, we will report on findings from the latest Survey of Minority Owned Business Enterprises. It should provide a more up-to-date measure of the state of Black business in Birmingham. And we will report on the activities related to the results of Birmingham’s first disparity study, which will take 9 to 12 months to complete.

It is our hope that government, business and civic leaders will strive together for a better Birmingham, where economic opportunities are available to all.

Focus Group Participants

Tim Clay – ABC Inc.
P.J. Lewis – Sandy’s Flowers
Debra Love – DHL Analytical Labs
Ed Sanders – Sanguard Security Services
Yolanda Thompkins – Kids First Developmental Academy
Floyd Yelling – Ophelia’s Art Gallery

Interviews with:

Bernard Kincaid, Mayor of the City of Birmingham
Robert Kelly, Kelly Construction Co.
Tim Lewis, T.A. Lewis & Associates
George Munchus, Center for Research & Advocacy on African American
Entrepreneurship
Ken Owens, The Owens and Woods Partnership Architects
James Stewart, Christian Financial Management

Supporting Documents

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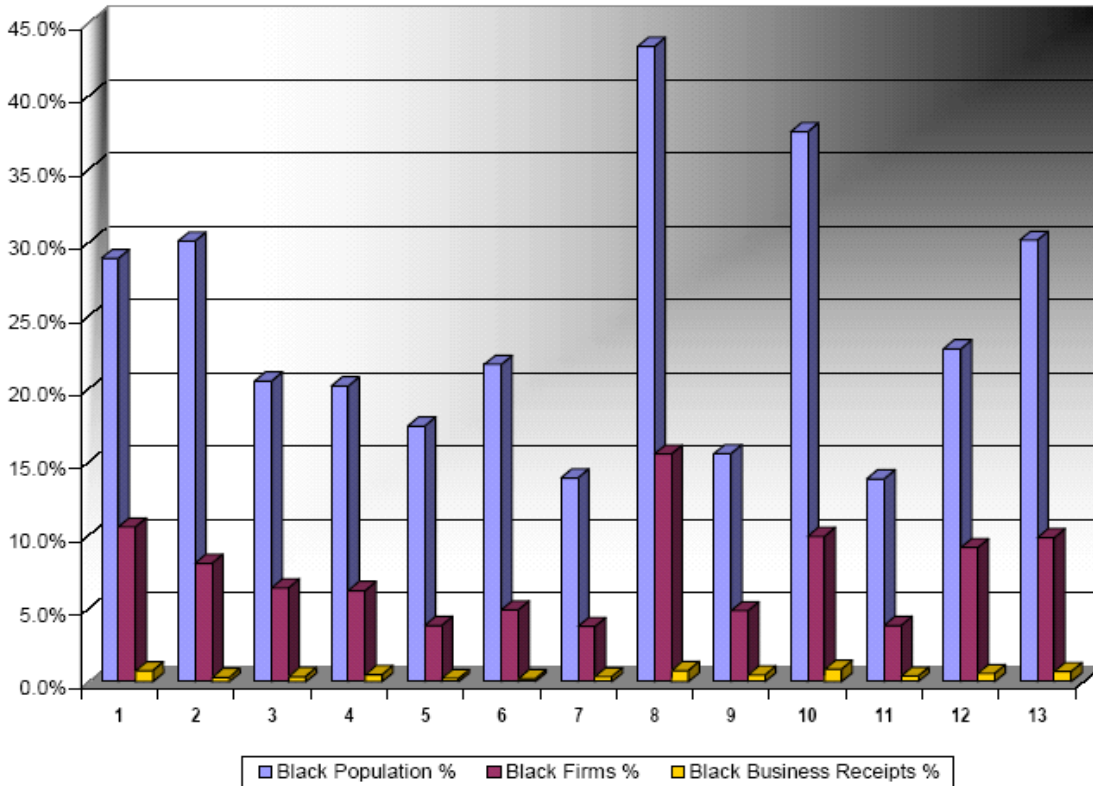
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About the Author

Vickii Howell is the founder and Editor-In-Chief of *Birmingham View* magazine, the city’s urban business, community and lifestyle magazine. She is a former reporter for *The Birmingham News*, the state’s largest newspaper. She covered city and county government, education, courts and community news for *The News* from 1992 to 2003.

Table 1

Black Business Percentages in Selected Cities



LEGEND

City	Total Population	Black Population	Black % Population	All Firms	Black Firms	Black Firm %	All Biz Receipts (in \$1,000)	Black Biz Receipts (in \$1,000)	Black Biz %
1 Atlanta	4,112,198	1,189,179	28.9%	327,053	34,592	10.6%	\$387,465,384	\$2,959,189	0.76%
2 Birmingham	921,106	277,083	30.1%	62,314	5,045	8.1%	\$75,119,455	\$224,222	0.30%
3 Charlotte	1,499,291	307,886	20.5%	109,302	7,019	6.4%	\$145,232,077	\$532,396	0.37%
4 Greensboro - Winston-Salem	1,251,529	252,688	20.2%	95,417	5,933	6.2%	\$99,298,397	\$491,153	0.49%
5 Greenville - Spartanburg	962,141	168,081	17.5%	66,454	2,553	3.8%	\$72,204,563	\$159,104	0.22%
6 Jacksonville, FL	1,100,491	238,428	21.7%	71,755	3,524	4.9%	\$78,683,021	\$164,438	0.21%
7 Louisville, KY	1,025,598	142,760	13.9%	77,000	2,904	3.8%	\$97,032,652	\$344,687	0.36%
8 Memphis	1,135,569	492,531	43.4%	70,282	10,931	15.6%	\$90,391,440	\$704,873	0.78%
9 Nashville	1,231,311	191,876	15.6%	108,160	5,242	4.8%	\$100,844,845	\$462,387	0.46%
10 New Orleans	1,337,726	502,251	37.5%	98,166	9,747	9.9%	\$102,685,185	\$877,307	0.85%
11 Orlando, FL	1,644,561	227,868	13.9%	126,014	4,858	3.9%	\$108,039,019	\$418,334	0.39%
12 Raleigh - Durham	1,187,941	269,932	22.7%	92,403	8,455	9.2%	\$92,496,860	\$529,145	0.57%
13 Richmond, VA	996,427	300,457	30.2%	65,740	6,468	9.8%	\$78,903,770	\$541,138	0.69%

Sources of Data: The 1997 Survey of Minority Owned Business Enterprises; U.S. Census Population estimates for 1997