



State of Minority Owned Businesses in Georgia





Introduction

The Georgia Minority Supplier Development Council is Georgia's leading small business development and supplier diversity. Founded in 1975 by a small but influential group of progressive Georgia Corporations, the GMSDC certifies minority business enterprises, helps them develop their competency, capacity and capabilities, and connects them with corporate and government entities looking for diverse suppliers. The GMSDC serves more than 400 corporations and 900 certified Minority Business Enterprises.

This study builds on the Michigan Minority Supplier Development Council's original report on "Facilitating Growth for Minority-owned Businesses." The GMSDC commissioned supplier.io, a provider of supplier diversity solutions, to examine the current state of minority-owned businesses in Georgia and highlight the need for action from corporations, consumers and governments to support their growth. One of the findings shows that even though minority businesses are experiencing steady growth, it would take 100 years for them to achieve economic parity with their mainstream counterparts in Georgia. The gap can be reduced to 15 years if corporate and government entities commit to increase their spend with diverse suppliers by one percent per year.

The GMSDC is committed to closing the gap by partnering with our corporate partners to build a more robust and diverse supplier base, and increase the utilization of diverse suppliers. The GMSDC is asking for corporate partners to take on the One Percent Pledge, where we address how to close the gap together. For more information on GMSDC, please visit www.gmsdc.org.



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President and CEO



State of Minority-Owned Businesses in Georgia

Georgia is one of the fastest-growing states in the country. It also boasts a strikingly diverse population. People of color are projected to become a majority by 2030. Black Georgians represent the states largest minority demographic group making up almost 33% of the population.

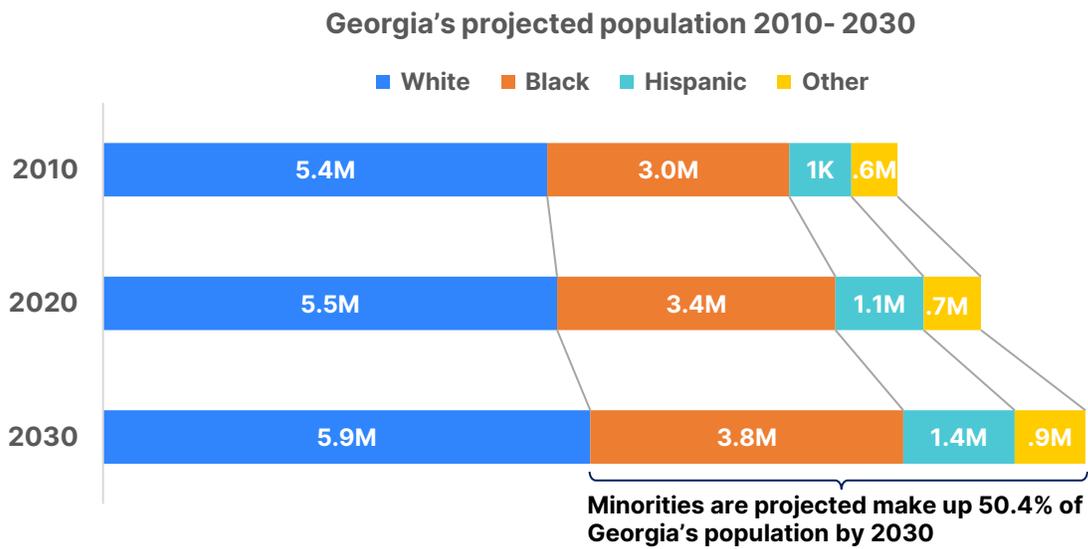
Georgia's diversity provides it with unmatched vibrancy and economic vitality. However, structural barriers still restrict the growth of minority-owned businesses (MBEs). While minorities comprise 48% of Georgia's population, MBEs account for only 21.3% of privately-owned Georgia businesses and only 12.2% of the annual revenues earned by these businesses. This disparity is particularly extreme in case of Black businesses. In 2018, Blacks made up 32.6% of Georgia's population, but Blacks owned only 5.1% of all private businesses in Georgia. Furthermore, these businesses earned only 2.1% of the annual revenues earned by businesses in Georgia.

The events of 2020 have put a spotlight on the social and economic inequities that persist in the U.S. economy. In response, many companies and consumers have adopted business practices that can help alleviate the disparities between the economic growth of different ethnic groups in the US. Of particular importance is the dialogue around increasing support for minority-owned businesses to drive economic growth in Black and Hispanic communities. Georgia's continued prosperity requires that all groups get equal opportunities to participate in the economy.

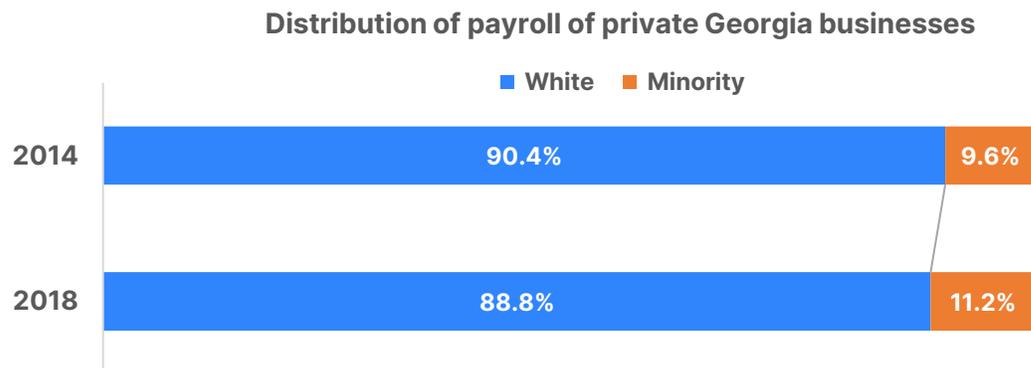


Minorities are projected to make up more than 50% of Georgia's population by 2030

Georgia's population is growing more diverse, and this trend appears likely to continue. The Georgia Governor's Office of Planning and Budget projects that minorities will make up 50.4% of the populations by 2030 and 55% of the population by 2050.



However, spending with the minority-owned businesses does not reflect the same extent of diversity. In 2018, payroll at minority-owned firms comprised only 11.2% of the total payroll at private businesses (excluding public firms.) This share has grown from 9.6% in 2014. This is a sluggish rate that fails to keep up the growth of Georgia's minority population. **At the current pace, it will take more than a century for minority-owned businesses to an equitable share of the payroll and revenues.**





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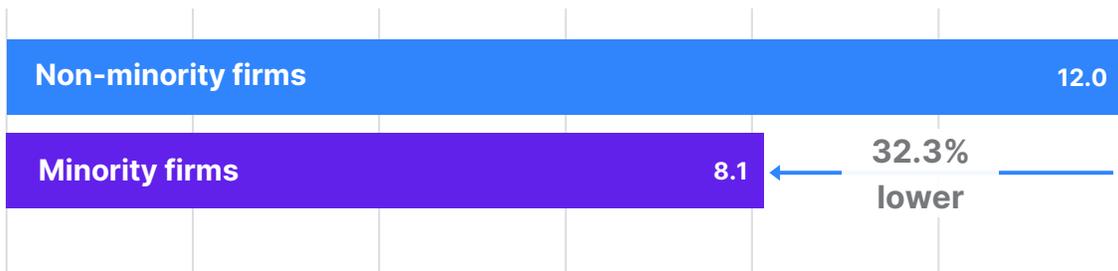
Minority businesses tend to be smaller than non-minority businesses

According to data from the 2018 Annual Business Survey conducted by the U.S. Census Bureau, minority-owned businesses in Georgia are, on average, smaller than non-minority owned businesses. The average minority business has 48.7% lower revenues and 32.3% fewer employees.

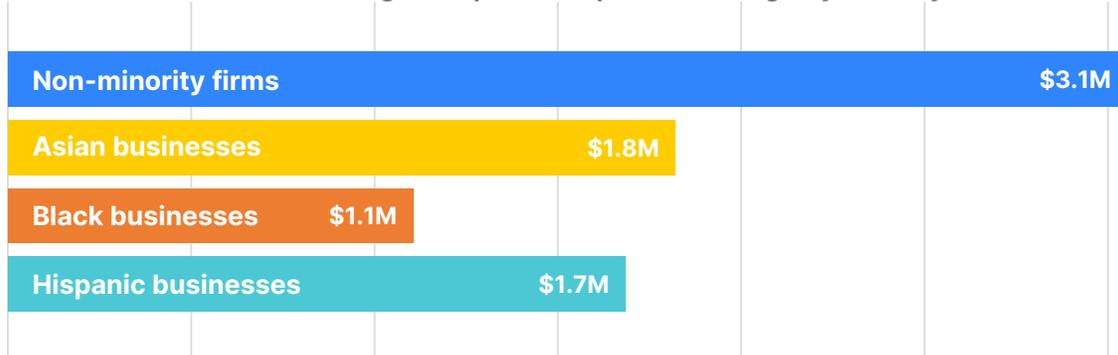
Average receipts of companies in Georgia



Average employees at businesses in Georgia



Average receipts of companies in Georgia by ethnicity

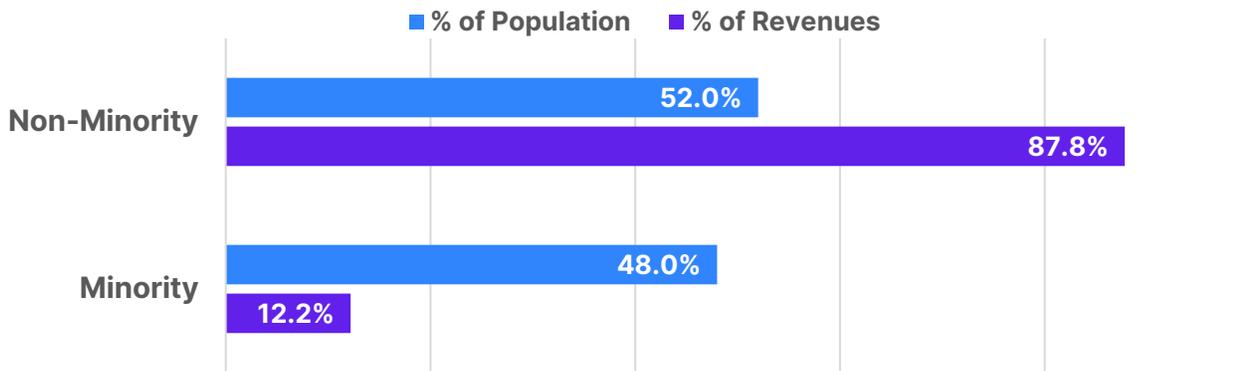




Minority-owned businesses earn a small share revenues relative the share of minorities in Georgia’s population

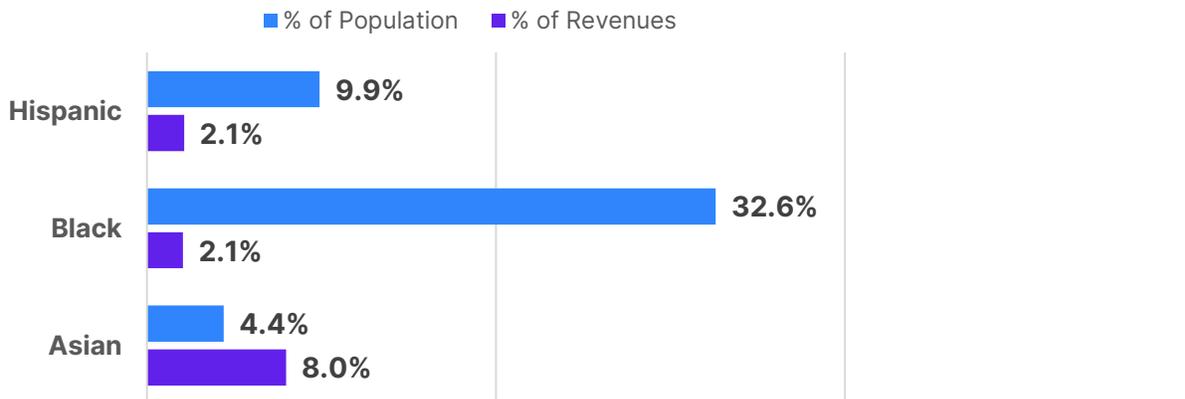
In an equitable scenario, it is reasonable to expect that businesses owned by each ethnic group earns revenues roughly in proportion its share of the population. However, minority-owned business earn only 12.2% of business revenues in Georgia even though minorities make up 48% of Georgia’s population.

Georgia MBEs earn a disproportionately lower percentage of revenues relative to the minority population representation



This disparity is largest for Black and Hispanic businesses. Black-owned businesses earn only 2.1% of business revenues even though Blacks represent 32.6% of Georgia’s population. Hispanic-owned businesses also represent only 2.1% of business revenues even though the represent 9.9% of the population.

Black and Hispanic Firms in Georgia have the largest gaps to parity





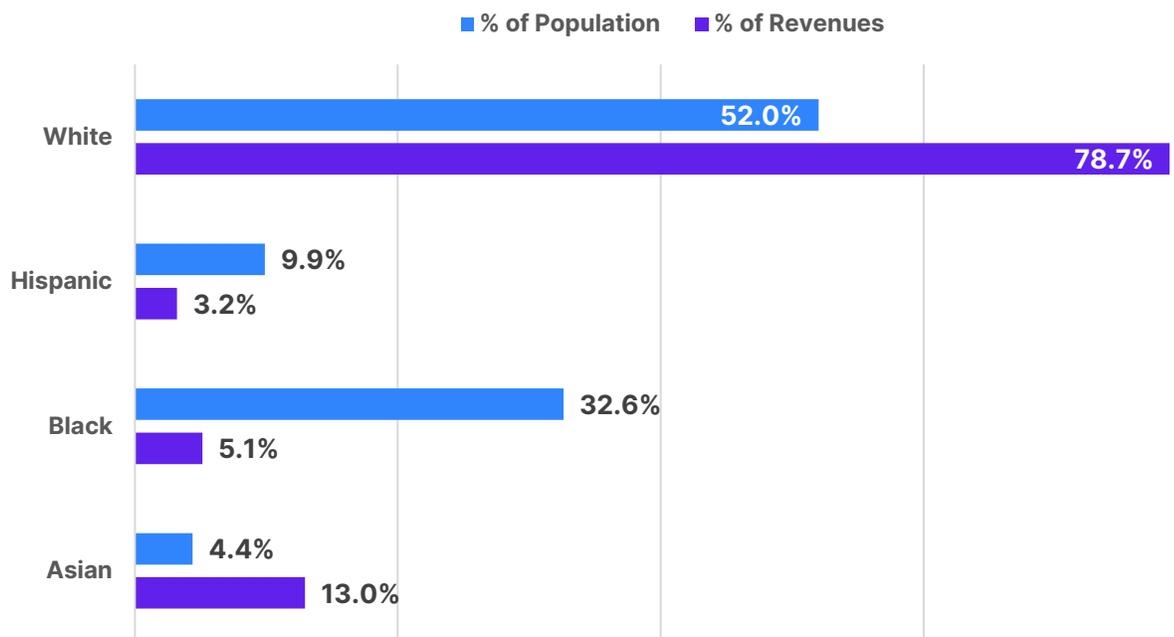
Blacks and Hispanics own fewer businesses relative to their share of Georgia's population

Entrepreneurship is a proven wealth creation approach in the US. However, this approach is either not available to or not sustainable for many minorities.

Blacks own only 5.1% of the businesses in Georgia. Similarly, Hispanic Americans own only 3.2% of the businesses. Given their representation in Georgia's population, these numbers indicate that Black and Hispanic communities either start fewer businesses or face challenges in sustaining their businesses. These businesses tend to start out with far less capital than non-minority businesses do. They also face challenges in getting access to capital with only about 1% of Black owned businesses receiving loans in the first year of business, compared to 7% of non-minority businesses.

Lack of capital and other structural challenges result in fewer businesses in these communities – depriving them of one of the most promising mechanisms for economic equality in the U.S.

Business ownership relative to population share





What can be done to help Georgia minority owned businesses grow?

Partnering with minority businesses is a powerful way for companies to gain access to new sources of expertise, fuel growth in minority communities, and create generational wealth in minority communities.

Actions that corporations can take today to close the gap:

- **Commit to increasing spend targets:** The revenue gap can only close when spending with MBEs increases. Corporations must commit to spending more with MBEs every year. There are manageable ways to make a difference. The MBE spending (when public companies are included) in Georgia is 4.2%. The MBE spending needs to increase to almost four (4) times its current levels to 17% to achieve parity. If all corporations commit to growing their MBE spend percentage by 1% every year, parity can be achieved in as few as 15 years.
- **Commit to including MBE spending across all categories:** Corporations often gravitate to tail spend or indirect spend categories when looking to increase their supplier diversity spending. Areas such as construction, manufacturing, catering, or janitorial services, while easy targets for supplier diversity, often tend to be in low margin and low growth areas of the economy. Corporations should also commit to procuring from MBEs in high-growth, high-margin areas of the economy, such as technology and professional services.
- **Help create pools of viable and qualified MBEs:** Spending with MBEs requires the availability of qualified MBEs. In some situations, there may not be sufficient MBEs due to barriers to entry, such as access to growth capital and strategic knowledge. Corporations can help create viable MBEs through:
 - **Access to capital:** Black and Hispanic businesses lack access to capital. Venture Capital that fuels many high-growth industries today. However, in 2020, Black and Hispanic businesses received only 2.6% of all venture



funding.⁵ MBEs start with lower start-up capital than white-owned firms and are less likely to receive credit from banks. Corporations can leverage their cheaper access to capital to provide easier access to MBEs without diluting owner equity. Funded companies achieved 30 percent more growth in revenue and 50 percent more growth in employment than companies that did not raise funding.⁹ Using this metric, improving access to capital for MBEs would accelerate revenue growth and could reduce the time to parity by almost 25%.

- **Access to customers:** MBEs need access to customers to grow. Corporations can commit to increasing the inclusion of MBEs in their sourcing activities. This inclusion must be across all categories and must strive to include MBEs in opportunities where they have a fair chance to win.
- **Access to strategic knowledge:** In addition to capital, MBEs require strategic knowledge to scale their businesses. This goes beyond the mini-MBA programs that are often popular. Providing strategic expertise and assistance requires mentoring and partnering with MBEs to develop their ability to build and grow in their specific industries.

The challenge to bring economic parity is unquestionably complex, and the solutions are not always known or easy. But the responsibility to act boldly to make a meaningful difference remains. Corporations must act urgently to address the racial wealth gap that persists in the US economy.



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