Black Economic Power: Foundation Strategies to Support Black Businesses

ABFE

A PHILANTHROPIC PARTNERSHIP FOR BLACK COMMUNITIES

"Black business owners are wealthier than their peers who do not own businesses, and business ownership creates new wealth faster compared to wage employment. At the same time, small businesses tend to hire from the community, creating jobs for neighborhood residents. Therefore, opportunities for Black entrepreneurs to succeed are critical for economic empowerment in Black communities…" – excerpt from "The Tapestry of Black Business Ownership in America: Untapped Opportunities of Success," authored by the Association for Enterprise Opportunity (AEO), 2016.

With that in mind, **ABFE: A Philanthropic Partnership for Black Communities**, set out with the following agenda: to locate and share with the philanthropic sector, a compilation of interviews, that highlighted foundations whose work and investments in Black entrepreneurship and businesses have further contributed to the economic empowerment of Black communities.

Over the past decade, ABFE has been a strong voice in asking philanthropy—both foundations and donors—to step up in making sustained, long-term investments that stimulate economic development and build economic power for Black communities. Many have documented the widening wealth gap for Black communities. Among the solutions to this crippling disparity is a call for foundations to leverage their grants' dollars by supporting Black business expansion.

Why should foundations care? Well, according to the case study "*The Tapestry of Black Business Ownership in America: Untapped Opportunities of Success*" written by the Association for Enterprise Opportunity (AEO), white adults "have 13 times the wealth Black adults do" (AEO 8). Even more alarming, "The Tapestry" case study also reported that Black households in the United States possess, on average, about one-tenth the median net worth of white households….[a gap] perpetuated by a cycle of little to no intergenerational wealth transfer among Black Americans to their children"(AEO 4). These staggering figures only serve as a reminder that philanthropic phrases like "advancing racial equity" and "applying a racial equity lens in our grantmaking" will remain mere buzz words unless the focus of foundation investment strategies is intentional and immediate in Black communities, and more broadly communities of color.

Philanthropy, although not the single solution to closing the wealth gap, can be an instrumental step in driving economic mobility for Black communities through investments in Black businesses. This white paper explores how various organizations—The Annie E. Casey Foundation, Allegany Franciscan Ministries, Small Business Philanthropy at JPMorgan Chase & Co. and Black Enterprise—approached the issue of wealth gap disparities in Black communities through their support of Black businesses. Through their findings and observations, we hope this will encourage other foundations to increase investments in Black businesses and Black communities more broadly.

We first asked the editor in chief of Black Enterprise, Derek Dingle, for an overview of the state of Black entrepreneurship and business as it relates to access of capital, and to give examples of how Black corporate executives and financial investors have interceded to help.

We then spoke with the leading funders in the fall of 2019, whose portfolios include entrepreneurship in black communities: JPMorgan Chase & Company's (JPMC) Ted Archer, Executive Director and Head of Small Business Forward; Upendo Shabazz (Regional Vice President, Palm Beach County) and Daniel Gibson (Regional Vice President, Miami-Dade County) of Allegany Franciscan Ministries (AFM); and Janelle Williams (formerly a Senior Associate at the Annie E. Casey Foundation at the time of the interview, and now Senior Community Economic Development Adviser, The Federal Reserve Bank of Atlanta.)

We wanted a mix of voices included in this paper to highlight multiple ways we can organize philanthropy around building economic empowerment for Black communities. Allegany Franciscan Ministries is a health conversation foundation created upon the sale in 1998 by hospitals owned by the Franciscan Sisters of Allegany. It funds in Miami, Palm Beach, and Tampa, Florida. In 2014, the foundation created its Common Good Initiative, which focused on economic development in these three Floridian communities.

Atlanta is one of two civic sites, along with Baltimore, where the Annie E. Casey Foundation has a special connection and long-term commitment to child and family well-being. The foundation focuses on a set of neighborhoods in the southwest corner of the city called Neighborhood Planning Unit V (NPU-V), where data show that families face some of the toughest obstacles.

JP Morgan Chase's Small Business Forward, launched in 2014, is designed to help small businesses with the potential to grow, offer quality employment, and create economic opportunity for vulnerable populations and their communities by facilitating access to flexible capital; seeding new funds with trusted CDFIs; extending entrepreneurial support systems to underserved entrepreneurs and neighborhoods; and expanding opportunities for founders of color, women, or veterans.

Our questions for funders focused on three areas: What is their institution's role in closing the wealth gap between Black and white individuals and communities; how is their philanthropic organization supporting Black entrepreneurs/business owners; and what can philanthropy do better.

Derek Dingle
Black Enterprise

Through Black Enterprise's coverage on Black businesses and advancing Black wealth, what insights have you gained?

We have four companies on Black Enterprise's Top 100 list of Black-owned companies that generate $1 billion or more in revenues. The leading company, World Wide Technology, grossed $11.3 billion in revenues in 2018. RLJ McLarty Automotive Holdings, LLC grossed $1.8 billion in revenues in 2018. A financial services firm, Ariel Investments, the largest asset Black-owned asset management firm, has $11.6 billion in assets under management, and Vista Equity Partners, which is the largest private equity firm, has $46 billion in capital under management and is operated by Robert F. Smith. Robert Smith is the nation's wealthiest African American with a net worth of $5 billion.

Some of the Black Enterprises's 100s provide opportunities for smaller black-owned businesses; offer internship opportunities and scholarships to HBCU students; and partner with community organizations to advance wealth-building programs. However, these companies still represent the rare exception since 95% of most Black firms are sole proprietorships, which tend to be mostly self-employed operations without employees. Black Enterprise's primary focus has been to get more black firms to scale up so that they can build capacity and compete for larger contracts.

In terms of wealth, African Americans lost ground during the Great Recession of 2009 because the largest concentration of black wealth has traditionally been in homeownership, and a good number of properties were "underwater" during that period. For the most part, Black people lacked financial resources sufficient to weather the economic downturn. Black homeownership rates have dipped to 41% versus 71% for whites. In a 2017 Black Enterprise report based on Pew Research, our editors found that only 17% of Blacks believed they have already achieved the American dream, compared with 32% of Hispanics, 36% of people overall, and 41% of whites.

What other factors, based on your reporting, do you believe are stripping Blacks of economic advancement?

African Americans, especially entrepreneurs, still face significant challenges when it comes to gaining bank financing for businesses, including discriminatory and predatory lending. Our reporting has shown that predatory lending costs American borrowers an eye-popping $25 billion a year, according to estimates from the Center for Responsible Lending; and Black small business owners are the most susceptible. Moreover, Black businesses have been unable to gain lines of credit critical to supply the necessary capital to fulfill corporate contacts and other business activities. For example, some Black-owned companies have been unsuccessful in gaining lines of credit, despite revenues of $100 million or more. To further underscore these challenges, a 2017 investigation by a team of researchers from the National Community Reinvestment Coalition, Utah State University, Brigham Young University, Rutgers University, and Lubin Research found that banks were twice as likely to offer white entrepreneurs help with their small business loan applications compared to Black entrepreneurs. The study also uncovered that bankers were three times more likely to invite follow-up appointments with white borrowers than better-qualified Black borrowers.

What are some of the new trends in Black-owned businesses? Where are Black entrepreneurs finding success with the rise of online retailers and less brick and mortar stores?

We have found in our reporting that some African American businesses have proven successful using E-Commerce and social media. One market that African Americans continue to capture is hair and beauty, especially natural hair care products selling through both online and brick-and-mortar channels. However, technology will continue to be at the forefront of business growth, but many African American entrepreneurs continue to be overlooked by venture capital firms for start-up investments. Recent reports show that only 2-3% of Black entrepreneurs have received start-up capital from venture capital firms, and according to Project Diane, which collects data about black female entrepreneurs, only 34 Black women-led technology start-ups were able to access capital from venture capital firms. Nonetheless, one encouraging sign is that more Black investors and entrepreneurs, as well as millennial firms, have been developing their pools of capital to finance such Black-owned businesses.

What is mainstream media not telling us about the economic disparities Blacks face?

Mainstream media shares mostly stories about the disparities but does not offer the full picture of African American business and wealth-building. There are concerted efforts among Black corporate executives and entrepreneurs to provide opportunities for Black-owned firms. For example, Black Enterprise has reported on Morgan Stanley's Multicultural Innovation Lab, an accelerator program for technology entrepreneurs of color and women. Also, we wrote about how at the NPower Summit, David Steward (World Wide Technology) and John Thompson (Microsoft) discussed new ways to fill the pipeline of technology talent and how they used their influence and resources to advance black entrepreneurs in the space.

Most importantly, Black Enterprise has gone beyond journalism. Through our national events like Women of Power, the Entrepreneurs Summit, TechConnex, and other events, Black Enterprise has provided Black entrepreneurs with tools and opportunities for business growth. These events provide black executives and entrepreneurs with advice from successful African American business leaders; business-building workshops for critical financial and managerial guidance; and facilitate networking sessions to create partnerships that will enable companies to scale up and build capacity. We also offer to matchmake between major corporations and black businesses, resulting in contracts and capital.

Janelle Williams, PhD

Foundation Strategies to Build Economic Empowerment in Black Communities: The Annie E. Casey Foundation, Atlanta Civic Site

ABFE: Tell us about your work overseeing economic opportunity initiatives at The Annie E. Casey Foundation's Atlanta Civic Site, and specifically supporting Black business expansion?

White flight, large-scale disinvestment, and discriminatory policies have left residents in many Southside, predominantly African American communities, isolated from the educational, employment, and business opportunities necessary for them to contribute to, and benefit from the city's growing economy. It has been an important, albeit, a tragic example of how extractive urban development can cause the decline of previously thriving, economically vibrant Black neighborhoods.

That is why, since 2001, the Casey Foundation's Atlanta Civic Site team has been working to ensure families in NPU-V have access to the types of opportunities we know they need to thrive: good schools, safe and affordable housing, income and careers. Functioning as a catalyst, convener and co-investor, we promote programs, policies, and initiatives that are helping to realize that vision.

In Atlanta, the Foundation partners with a dynamic group of organizations in the economic opportunity space, that are committed to advancing racial and ethnic equity in all that they do. Using updated neighborhood-level data from the Neighborhood Nexus database, these partners have identified and prioritized two population-level indicators: a) the employment rate for residents of color on Atlanta's Southside, and b) the number of jobs available to Southside residents of color.

Our approach involves scaling sector-based strategies in high-growth industries, investing in strategies to support entrepreneurs of color, and promoting policies that help young people access post-secondary education and quality financial services.

Job access, however, is just one pillar of economic opportunity. Almost 70 percent of people of color in Atlanta are liquid asset poor—meaning they do not have sufficient savings to stay out of poverty for at least three months.

The Atlanta Wealth Building Initiative (AWBI), a nonprofit supported by Casey and nearly 60 other stakeholders from the public, private and philanthropic sectors, has committed over $4 million in direct and indirect capital to expand business opportunities for entrepreneurs of color living along the BeltLine. Among other support, these funds will provide business owners with flexible financing options that include loans, guarantees and grants, worker-owned cooperatives, and technical assistance.

The overarching goal is an ambitious one: in 1,000 days, support 1,000 Black business owners to hire one employee or provide current staff with living wages, thus contributing to overall community wealth.

ABFE: Atlanta is one of two U.S. cities where Blacks are faring the best economically. Based on your work, does this tell the full story?

Atlanta, simultaneously, has one of America's fastest-growing economies, while also leading the nation in income inequality. The leading sectors contributing to this spike include information technology, insurance, finance, and real estate, in addition to the region's growing utilities, transportation, professional and business services fields.

Despite this boom, African American communities, along and below I-20, face some of the most persistent poverty rates in the country. Black Atlantans experience an unemployment rate nearly five times higher than white city residents and have incomes that are one-third of what their white counterparts earn.

Even though there has been a $3,000 increase in the median annual household income in Atlanta between 2013 and 2016, African American ($28,567) and Latino ($44,505) households still earn much less than their white counterparts ($86,678)(U.S. Census Bureau ii).

It is not enough to simply highlight these data. We must interrogate the root causes behind the numbers, and we must grapple with the present realities and divisive values creating these racial inequities.

Almost 80 percent of Black children in Atlanta live in high-poverty areas (U.S. Census Bureau iii). Residential segregation in the city remains as entrenched today as it was decades ago, and the benefits of a growing economy evade many households of color.

The disparities are no less stark in Atlanta's business scene. Citywide, only 4 percent of businesses owned by African Americans have more than one employee, and these businesses are valued 11 times lower than white-owned ones (U.S. Census Bureau iv). Changing these trends is more important than ever given what we know from research—business ownership can enable African Americans to build wealth more quickly than traditional employment to create jobs for others in their community, and to build an asset that can be transferred within or passed down a generation.

ABFE: What role can philanthropy play in the South?

Current research from Prosperity Now and Institute for Policy Studies shows that it will take almost 228 years to close the racial wealth divide in America. I offer that 228 years is too long—we have the opportunity now to redefine philanthropy and invest in strategies that shatter inequities. We can do this by supporting collective learning, promoting shared accountability, and fostering deeper cross-sector partnerships to dismantle the oppressive policies that got us here.

If the philanthropic community intends to produce different outcomes, it must learn and invest differently. That starts here in Atlanta and in the rest of the South, where we know states face some of the most alarming rates of poverty and the worst child well-being and economic outcomes.

Baked into our system are some of the most regressive and restrictive policies that lock families into poverty. Nevertheless, despite these generational practices, the National Committee for Responsive Philanthropy's data show "between 2011 and 2015, foundations nationwide invested 56 cents per person in the South for every dollar per person they invested nationally. Furthermore, only 30 cents per person was allocated for structural change work in the South for every dollar per person nationally."

Philosophically, philanthropy's purpose is to advocate for the poor and the powerless, but if we are honest, we see that broken funding systems and strategies are rewarding and reinforcing community disempowerment.

Many grant seekers feel that in order to get our funding, it requires the need to submit applications that paint communities as anemic and broken and in need of saving. At the root of it all, the funding sector is still very much designed to invest in those that need charity.

Like much of what is happening across this country, our sector must reckon with an identity crisis. How do we reconcile some of the lowest funding in the places with the most profound need? While we are clear that philanthropic investment cannot right all the wrongs of this nation's ongoing and longstanding discrimination against black and brown people, it is important to declare and demonstrate a unilateral and resounding rejection of oppressive practices. Anything less subtle risks complicity, especially when undocumented minors are imprisoned; young adults are convicted of minor offenses, and then brutalized in systems; and families are uprooted in cities that have been their homes for generations to accommodate "new urban" neighborhoods.

I firmly believe that philanthropy can and should do better. We need to interrogate our current investments and make sure that we apply the following practices in our decision making:

- **Representation:** Does the organization represent the racial and ethnic diversity of the communities it serves? Not only at the administrative and support levels, but at the executive and board levels?
- **Relationship with communities:** How does the organization see community? Do they see them as places they have to fix? Or do they enter into places to partner with the community in an asset-based way? What are the inclusionary practices embedded in the program design?
- **Results:** Is this organization trying to overreach and serve as the end all/be all for everyone and everything? Is the organization clear, intentional, and deliberate about the ways it can provide value? How can we support them to execute in that area and partner with others?

ABFE: What advice would you give other funders interested in building economic power in Black communities through the support of Black businesses?

By reimaging Black entrepreneurship, philanthropies can help families create intergenerational wealth, thriving communities, and support inclusive economies. Entrepreneurship generates multiplier effects. The Association for Enterprise Opportunity (AEO) research shows that by investing in Black firms and helping them reach employment parity with all privately held U.S. firms, close to 600,000 new jobs would be created and would add $55 billion to the economy (U.S. Census Bureau v).

Fostering and scaling Black entrepreneurship is an investment in both individual and community impact. As a result, it begins to reverse the centuries of discrimination and disenfranchisement. We must leverage endowment dollars to make mission-related investments in high-growth businesses owned by Black people and other people of color and offer an opportunity to recast an economic infrastructure in traditionally disinvested neighborhoods.

A new wave of philanthropy involving radical transparency can provide innovative capital structures for Black businesses to compete and thrive on creating more sustainable and inclusive local economies. Leaning into the more nuanced, dynamic, and sophisticated forms of philanthropy like crowd-funding and multi-currency could be leveraged with more traditional models to accelerate impact. We also need to pool philanthropic dollars to offer more accessible and dare I say it, more entrepreneurial approaches so that disinvested communities can have a chance to compete. This would create a path to providing Black businesses with capital without having to finance debt.

We must also ask who is managing the money and how they are investing in the people and communities we are charged to help. Candidly, if we want to close the racial wealth gap, we cannot program our way out of poverty. To truly level the playing field, our sector needs to make big bets and make bold investments that extend well beyond incremental and lackluster progress. The future of our country depends on it!

Upendo Shabazz
Daniel Gibson

Foundation Strategies to Build Economic Empowerment in Black Communities: Allegany Franciscan Ministries (Allegany)

ABFE: How did Allegany develop its Common Good Initiative?

Upendo: Our grantmaking experience had been funding nonprofits to improve access to health services for historically marginalized communities. The Common Good Initiative identified very different black and brown neighborhoods in our various regions [Wimauma, Lincoln Park, and Overtown], and we asked people from the community what did they want to work with us on? All three communities said they wanted quality jobs, businesses, and economic development. We listened to the community, and we developed strategies that spoke to what they desired, which was around economic development for their communities.

ABFE: Was there a learning curve jumping into this economic development area, given the foundation's focus on health funding?

Upendo: Absolutely! Sometimes, funders go into communities to do place-based work and do not listen to what the community wants. They do what they want to do for the community. We had to do a lot of listening and learning on the ground before we developed the strategies. We researched, we spoke with residents, stakeholders, and experts, and depended heavily on a local Council for the Common Good to guide us. We tried to look at it comprehensively, and just not coming in with our lens. What we do know is that economics is a driver for outcomes for health. With that in mind, our board was ready to start making these types of investments.

Daniel: I agree with Upendo. The shift into this space was tough—especially when you have such a long history of supporting health-related issues. However, we also, as an organization, have a stable and long history in social justice. In [Overtown] Miami, we were able to talk about economics in a social justice frame that allowed us to be bold enough as an organization to target not just entrepreneurs, not just low-income entrepreneurs, but entrepreneurs of color specifically. We landed on Black entrepreneurs in Overtown, and what drove that were two things. One is that I had the opportunity to have been chosen to be a Robert Wood Johnson Culture of Health Leader Fellow. Their agenda is to take health leaders from around the country and ask us to look at our social issues through a lens of equity and diversity. My fellowship challenged me with that, and I came back to our local community, and I asked them, what do we mean when we say access to jobs? Whom do we want to have access to jobs?

Interestingly, this is a growing urban city with a booming economy where 70% of our residents are Latinx. Black and brown residents are the new majority in this region, specifically Latinos. Overtown was once a thriving Black neighborhood, where homeownership was the norm, and 100% of local businesses were owned and operated by African Americans. However, as we experience the recent migration of different cultures into this region, we see Black households and businesses disappear. We have to ask why?

We were blessed and fortunate enough that while having this conversation, Prosperity Now released its report on "The Racial Wealth Divide in Miami" (Rice, Derbigny, Sims). In that report, we found that when you look at White households, Latino households, and Black households—in every single category, Black households were significantly underrepresented and had disparities around all areas of wealth. Most shocking was that 80% of Black households in Miami, regardless of education level, regardless of income level, had zero liquid assets. It speaks to the lack of moving wealth from generation to generation and the challenges that Black households have experienced for centuries in this country.

Once we came across that, we realized that looking around Miami, our project needed to address this racial wealth gap. Local Black communities are dwindling. We made the bold choice to focus on Black entrepreneurialism in Overtown, honoring the history that this used to be the only place that Blacks could live and do business. We thought, if we could have any historically significant impact in this community, it would be to allow Black entrepreneurs to maintain a strong foothold in that corridor.

ABFE: With this shift in Overtown becoming predominately Latinx, was there a significant impact on the economic power of Blacks in that area?

Daniel: Yes, and I think there are a couple of examples of that. First of all, Overtown was a booming economy. The first Black millionaire lived in Overtown, Dana Albert Dorsey, and his home is still there; but because of urban renewal and the freeways and sort of typical story that we hear around the country, Overtown was broken up. Now what we are seeing are non-Black contractors winning development bids. We have South American companies building new units in Miami, saying that they will be first available to the people that used to live there but then marketing those units to people overseas. Not only are they employing Latino workers and not employing Black workers, but they are using what looks like racist tactics to deny access to this housing right under our noses. When Overtown residents go to apply to live in those units, their applications are being denied; and then there is also the language barrier. Moreover, by that, I mean a huge portion of businesses here are operated by Spanish speakers, and this language barrier has become a real roadblock to entrepreneurs succeeding in certain parts of Miami. Part of our initiative is to support the cultural history and significance of Overtown, allowing us to focus on the racial history of Blacks in Overtown and supporting that history.

Upendo: I was going to add that we see Blacks leave Overtown because of the lack of affordable housing, lack of access to capital, and more reasons. And so, the intentionality is then, how can we create opportunities for the African Americans in that community? That is why we are intentionally investing in Black businesses. Another reason I believe we needed to be more intentional in Overtown is that it sits in a big city, whereas Lincoln Park is a small coastal city (Fort Pierce) in a small community where we are making our investments in partnership with the local government. So, we see it from a more systemic way—how do we create a system that's going to promote small businesses in Lincoln Park, which is the historic African American community in Fort Pierce. What we initially did to start that systemic investment was to create a partnership with the City of Fort Pierce. We created a new Lincoln Park Revitalization Coordinator position. That position's primary responsibility is to resource businesses to come to Avenue D, which is the main corridor for Fort Pierce. The role is to build up the internal infrastructure for small businesses, primarily for people of color to come back into the Lincoln Park community. So, we made that initial investment three years ago, and we came in with us funding 70% of the salary in the first year, 50% of the salary in the second year and 30% of the salary in the third year.

And then, by the fourth year, the hope is that the city will naturally embed that [position] within their budget so that this position stays in perpetuity. This Revitalization Coordinator will work to bring 10 Black businesses along Avenue D in the next two years. I want to note that when we say Black businesses, particularly here in South Florida, that also includes persons of Caribbean backgrounds. In terms of the outcome, in addition to putting 10 Black businesses along Avenue D, we will also make continued investments in those businesses by paying for their rent for six months. What our Revitalization Coordinator has shared with us is that, when they give grants to small businesses, and people of color owned businesses, they end up losing the business because they cannot afford the rent. Moreover, because they are trying to survive with the rent, they are unable to put the money in the business to buy the quality goods that they need to run and operate a business.

ABFE: Ultimately, what kind of impact do you think your small business incubation will have on the community?

Upendo: Our outcome is to revive this community, to bring back commerce to it. The community located near the Intracoastal waterway and the beach—that real estate is very hot in this area right now. So, we have the opportunity to put the right people in places, meaning Black businesses, and develop partnerships around the housing to keep this community a legacy community. Also, what we have done to invest in this community is partner with the local utility company, the county, and the city to make Lincoln Park a smart neighborhood and provide free Wi-Fi. We believe that having access to Wi-Fi will bring new businesses and bigger businesses into the community. We know that Lincoln Park is in jeopardy of being gentrified, given the advantage of how close it is to the water. We have a lot of people trying to buy property, and so our job is to try to create an opportunity for the residents and small business owners to be the first ones to have access to this opportunity.

Daniel: We are also part of a national movement; replicating systems change by implementing new ways to serve communities of color that are traditionally under-resourced. The model we are using to support and stimulate the economy is a four-prong model that starts with traditional education—which is pretty standard when you talk about entrepreneurial supports. However, then the model moves into the second prong, really looking at the barriers to capital that traditionally are experienced by people of color. When we talk about capital, we do mean money, but we do not stop at money. We also mean social capital, mentorships, having people model their businesses after other successful businesses. It is investing in the community and looking at all forms of capital. How can we invest in that capital and grow that capital within the regions that we are trying to stimulate?

Our work is not about Black entrepreneurs just anywhere. It is about Black entrepreneurs within the framework of Overtown and Lincoln Park. With this in mind, the third prong of this model looks at strategic mentorships. What we find specifically in Black communities is that we lack role models—having paid consultants on retainer who will work with local businesses, not on the short term but for the long term, and in many ways for the life of your business—who are from the community; invested in the community; and available so that when you hit a roadblock, you have someone who knows you, cares about you and cares about your business being successful.

The fourth prong, and this is where I think it was a big "aha" for me, is real estate. With regard to our plan, I think the short-term solution is helping pay for businesses' rent, but the long-term solution is to help support the affordability of retail space, and if possible, ownership for the entrepreneurs in these communities. This may be possible in a place like Lincoln Park, where properties are still somewhat affordable if we grab it now. However, in Overtown, there are more barriers for low income, Black entrepreneurs to secure properties. So, we are collaborating with different groups to figure out how they can get a “piece of the pie” and be able to provide affordable rents, controlled rents in incubator spaces for the entrepreneurs that we are trying to nurture and grow in our community. That is a strategy that is not often thought about until it is too late—in communities like Overtown.

ABFE: We often talk about the idea of foundations sharing power with communities versus telling them what to do with the money. Was that the approach taken by you when you started the Common Good Initiative?

Daniel: Absolutely. We work in the community through Councils for the Common Good. We strategically comprised the councils of residents and stakeholders, who either work in the area or have a very substantial investment in that area. In all three communities [Wimauma, Lincoln Park, and Overtown], the councils look slightly different, depending on the needs and assets of the community. For example, [Upendo's region] Lincoln Park has the Chief of Police, PIO of the health department, a state representative, and county administrator who sit on the council alongside community residents and activists. In contrast, in Overtown, the council includes more community-based organization leaders along with residents, to help us understand the community structures, relationships, and potential “political” landmines and opportunities, as we figure out ways to support them.

Upendo: The residents on the Lincoln Park Council provide a great mix between system leaders, and then the community organizers who live in the community.

ABFE: What advice would you give to funders who are interested in this work or looking to invest in economic development for Black communities?

Upendo: My advice would be that they start internally; they need to start with changing their operations. If they are going to move in this work, they need to look at their internal capacity. What do they have the appetite for? Many foundations say they want to do this work. Nevertheless, they may start getting into the work and then realize that it is too much work, or will take too long, or not what they had in mind. So really, you must have an appetite and a heart for this work. The other thing is that they need to listen to the community, and they also need constant feedback from them. We are challenged by not having that continuous feedback loop with the community. That feedback loop with the community is vital so that we make sure we are doing what we said we would do in partnership with them, and that we are incorporating the emerging issues in a continually evolving plan. The Common Good Initiative is not a responsive process. It is genuinely us being proactive, being on the ground, developing relationships and then reaching out and saying we think you would be a good partner, and convening—bringing in people who have experience and the expertise in whatever area we are looking to support and then working in partnership with them to develop the opportunity for investment.

ABFE: Any closing thoughts on how philanthropy can be more effective in closing the wealth gap for Blacks?

Daniel: There are so many things that pop up in my head; the first is to educate yourself with data. We can talk about the wealth gap, but until you look at your local community and you understand that the unemployment rates are three times higher for African Americans, and that the average Black household in Miami makes about $14,000 compared to $80,000 average income in White households—talking about the wealth gap means talking about those numbers. I think as foundations, it is so necessary for us to look at how we operate internally, whether we are a Black-led foundation or not; and look at how we are making grants. Look at why we are making grants. Look at the impact we are trying to make in the community. We need to assess ourselves: how our goals align with our grant-making policies, and if we are using a lens of diversity and equity.

Upendo: For me, I have been in philanthropy for over 15 years now. I think that from the foundation's perspective, it goes back to how that institution is willing to engage with communities of color. What are you creating? You must create access. If your internal operations do not provide access, then it does no good to say that you are doing diversity, equity, and inclusion. You must create opportunities, even in how we turnaround a grant. For a Black-led organization—a nonprofit that is already not at the best capacity, and struggling for every dollar—if it takes us five months to turnaround, how effective are we being? Why can't we do that in a 30- or 60-day turnaround?

Daniel: There is one other thing I have to say, and I realize I am saying it because it is my learning moment that has happened in my three years of working in Overtown. We must understand that, if we are going to be investing in communities of color, specifically communities that have been marginalized and under-resourced for decades, if not centuries, we, as philanthropists and foundations, must also have patience. When I entered this work, I must be honest, I knew we were investing in capacity, and yet I, as a Black man in our community, had such high expectations that I wanted things to happen fast.

Furthermore, I was getting frustrated. What happened was I was not noticing the incremental changes that were happening within organizations because I was looking for the bigger picture. I will say that the first two years were frustrating. Then, one day, I realized that I was the one who was putting the stress on the communities, and they were doing what they were supposed to do. I think it is not that you excuse underperformance, or you excuse under-capacity, but you must identify that growing capacity takes time. Without that patience and knowing that you are going to be in it for the long haul, you might as well not even begin the process.

Upendo: Again, philanthropy must be patient. If they are going to work in the community, they must listen to the community. The community says, "we want you all to help us promote small business," then listen to them.

Ted Archer

Investment Strategies to Build Economic Empowerment in Black Communities: JPMorgan Chase & Co.'s (JPMC) Small Business Forward Initiative

ABFE: Could you share with us how JPMC is involved with helping Black small business owners?

Ted: I lead our Small Business Forward Initiative at JPMorgan Chase and focus on the role of our foundation [JPMorgan Chase Foundation] in advancing small business growth as an essential mechanism to foster shared economic prosperity. I focus on issues of disparities and economic empowerment and overcoming the challenges that I think are impediments to the success of that. Additionally, I get to be an influencer and a thought partner/collaborator for how our internal groups and lines of business can learn from our work with our partners, and incorporate that into our everyday business.

This is true of our work in the foundation. It is also how we engage government officials at the local, national, and international levels. It is how we can work across competition lines with other institutions to figure out where there is shared value in unlocking opportunities for more underrepresented people. For me, it is highlighting the tremendous effect that business ownership has today and can have in the future to close the racial wealth gap in the U.S. and internationally.

ABFE: Tell us about JPMC's recent announcement of plans to grow its existing efforts to expand economic opportunity for Black communities with the "Advancing Black Pathways" initiative, as well as the firm's "Entrepreneurs of Color Fund"?

Ted: With Advancing Black Pathways, JPMC has the opportunity to focus on some of the larger, more complex problems that exist in the U.S. — [with one primarily being] "how do we make inroads to advance the economic opportunity for Black people and Black families"?

Advancing Black Pathways addresses three components: pathways to careers; pathways to wealth creation—which includes not only the ability to generate income to save, but also the ability to create assets, acquire assets, and accumulate capital as a business owner or as an individual, and last but not least, education. We focus on the critical role that the firm can play to support institutions and partners who are generating and preparing young people for societal roles in which they accumulate wealth and use that wealth to generate economic empowerment.

There is also what we can do in terms of hiring. What does that mean? Once prepared to enter the marketplace, how do you do it effectively? We have a direct role that we can play given how many individuals we employ [at JPMC]—we hire about 50,000 new people each year. We can put a significant dent in that, but also hopefully be an example to others—whether they are small and large corporations, or private sector institutions. The public sector has made inroads in this area over the decades. However, there is still more work needed.

We do not view Advancing Black Pathways as a one size fits all, nor do we see it as the end that we seek. It is a catalyst, and [similar types] of intentional initiatives are crucial across racial and ethnic groups.

There is no question that if you look at our diversity data, it made all the sense to start with the Black community. That is where we had the most runway and the ability to drive impact. That approach permeates our Entrepreneurs of Color Fund, which falls within the broader focus on Black people and Black families. It is the connective tissue for us—Advancing Black Pathways and our Entrepreneurs of Color Fund model are emblematic of a full firm approach to extend opportunities to the Black community specifically.

Moreover, with the Entrepreneurs of Color Fund, our approach varies on the city, such as the South Bronx, Detroit, and Chicago. We realize that local context matters, as does being intentional about identifying the problem you are looking to solve.

ABFE: Tell us about JPMC's approach to issues surrounding the racial wealth gap and economic development for Black communities?

Ted: JPMorgan Chase has a unique view and a unique experience because we are partly a wholesale bank. We have investment banking and asset management and wealth management. We are also a frontline community-facing institution —where about 4 million businesses are banked in some way by JPMorgan Chase. Furthermore, we have the JPMorgan Chase Institute. This internal think tank analyzes de-identified transactional information to tell us things like the proximity that individuals have to amenities, the amount of time that a small business must pay bills or the effects of healthcare spending on small businesses. These are unique insights around small businesses that we are fortunate to have due to the expanse of JPMC.

We also invest in learning more about minority businesses and Black businesses. What we know is that Black people have a higher propensity to start businesses. Also, there are more Black MBAs than ever before. We know that when Black people and other people of color own a small business, they have a greater ability to close the wealth gap than just having a good job. We also know that when Black people and people of color get in business, they tend to hire other people of color in managerial jobs where they gain the ability to start their own companies. Side-by-side comparisons between workers and entrepreneurs from the same starting point—income-wise, household wealth, etc., we see that Black entrepreneurship drives closure of the wealth gap much faster than any other mechanism, which includes homeownership.

Entrepreneurship is not a sure bet, but it is proven, at the median, to be a more effective mechanism for wealth generation. Moreover, that is ultimately what we are solving for: for full representation, for full parity—and those are the things that are going to drive success for our communities.

ABFE: How does JPMC's Entrepreneurs of Color Fund work to pair small businesses with access to capital from mission-based lenders?

Ted: The Entrepreneurs of Color Fund is an example of how our work has evolved over the last few years. When we started out working in Detroit, three years ago, we focused on supporting business starts — local incubators and accelerators that were sourcing promising businesses in high-growth sectors such as the innovation sector, technology, manufacturing, and life sciences. However, this approach excluded other high-growth sectors that are not as conducive to incubator or accelerator, i.e., construction, contractors, personal care businesses like barbershops and beauty salons, or restaurants and retail shops. These are also fast-growing, high-growth sectors that are becoming more technologically enabled—which is a barrier that we are starting to see for small businesses. These businesses are critical to the vibrancy of communities and all the neighborhoods that we focus on in Detroit.

We made a strategic pivot to figure out how to support these types of businesses. We knew that for any person to participate in business today, they needed an initial form of capital. That is what was missing. We partnered with a local CDFI, Detroit Development Fund, to figure out how to close that gap, but do so in a way that tailored to the needs of that market. CDFIs are mission-focused on understanding the local communities and providing the right kind of technical assistance. Working with the Detroit CDFI, we engaged in multiple business development processes, including right-sizing capital, opening lines of credit, business planning, and pre- and post-loan counseling and business advising. These are things that traditional banking does not provide.

Even today, the program is continually evolving. Entrepreneurs of Color Fund is now operating in four other cities besides Detroit—Chicago, San Francisco, D.C., and the South Bronx—but we know that there is more work to be done. To ensure that the program is successful, [we need to make sure] more businesses are not only getting access to the capital they need but that they are developing into bankable businesses — the businesses that can access traditional finance.

ABFE: What are some of the successes you have seen come out of the Entrepreneurs of Color Fund or JPMC Advancing Black Pathways?

Ted: We measure success in three areas: the capacity and impact our partners have through their interventions; the extension of our work with our partners; and the creation of new knowledge, or field-building, that informs the work. In other words, success means that Black small businesses are growing. There is more representation by underserved groups in business, and that the capacity of our partners is developing. We also look at the impact our work has on the field, such as whether other funders are adopting or joining the Entrepreneurs of Color Fund. Also important: are we influencing how business is done, not just with our partners, but also with our firm by gleaning insights that the financial services industry can take advantage of?

ABFE: How can philanthropy work with entities like JPMC to advance entrepreneurship in Black communities?

Ted: These are big problems that we can spend our lifetime, our careers trying to solve. These are not problems that we can solve alone. Any opportunity we have to partner with the philanthropic community—convenings, co-investment, data collection, shared metrics, etc., we are certainly open to. It starts with a conversation. It starts with open lines of communication. It is by supporting our associations like ABFE, our big organizations that can help facilitate when and how this happens.

ABFE: Any final thoughts?

Ted: Getting to full representation and getting to economic empowerment for the Black community, is an American and global challenge. Also, increasing the number of businesses owned by people of color, Black people specifically, increasing the value of those businesses is imperative. We need to integrate our people into the financial markets, the driver of our economic system. That is the burden that we have. However, it is also the opportunity that we have to make a change. That is what makes this work exciting. It is not just the job of one institution—through collaboration, we are going to see things improve, and see the kind of successful outcomes that we seek.

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