

prosper 



# **OPERATION: BACKING BLACK BUSINESSES**

**An Overview of Birmingham's  
Black-Owned  
Business  
Ecosystem**

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# EXECUTIVE SUMMARY

## THE PROBLEM

Subtext: In the Summer of 2020, Prosper was formed to shift the economic landscape of Jefferson County including a longstanding paradigm for Birmingham's Black community. At the time, the city ranked last in the rate of Black business ownership among the USA's largest 53 metro areas. With this report and planning effort, the organization seeks to create a baseline of information for decision-making that adequately reflects the context of Birmingham's economic and business support ecosystem.

## THE PLANNING EFFORT

To begin, Prosper commissioned Fourth Economy Consulting, IGNITE! Alabama, and LRY Media to better understand not only the work being done to support Birmingham's Black-owned businesses, but to comprehend a potential path forward for what is dubbed 'the ecosystem'. This ecosystem is made up of Birmingham's economic and business support nonprofits alongside organizations who create economic development initiatives, support startups and the entrepreneurs behind them, get capital to businesses looking to expand, and help make the city simultaneously more equitable and prosperous.

This project seeks to answer questions such as:

1. What data is behind Birmingham's low rate of Black-business ownership?
2. Who are ecosystem organizations supporting, and how?
3. What do Birmingham's Black business owners feel is necessary to shift the status quo? Civic leaders? Philanthropists?
4. How can ecosystem partners begin to alter these pervasive realities?

A rigorous planning effort anchored by analysis, interviews, and ideation sessions helped craft 3 primary stages of recommendations, meant to help Birmingham achieve more equitable business ownership through its support ecosystem.

## HOW TO READ THIS REPORT

The report is arranged in three distinct parts:

**Part I:** Business Archetypes and Ecosystem Map- provides the structure to help business owners discover who and where they are in the larger landscape as well as what resource providers are available to assist them regardless of business type or stage.

**Part II:** Strategic Recommendations- assist with the way forward and how to take the ecosystem from its current state to a vision for a brighter, more inclusive future.

**Part III:** SWOT Analysis- details the strengths, weaknesses, opportunities, and threats to the Black businesses in Birmingham along with some historical context for how.

## CRITICAL INSIGHTS



### **Racial Disparities Linger in Business Ownership and Wages**

Black residents lag severely behind their white counterparts in rate of business ownership and wages



### **Existing Black-Owned Businesses Require more Professional Connections**

The ecosystem fails to adequately get high-level professional services such as accounting, legal, and banking assistance to a critical mass of Black-owned businesses



### **Historic Diversity can be a Key to Economic Growth**

Birmingham's history of demographic diversity can become a large economic asset to the city if generational wealth is created in existing communities



### **Ecosystem Investments should Target Enhanced Funding, Marketing, and a Physical Resource Hub**

Black business owners require increased capital access, more unified marketing, and a physical hub for resources to feel that the ecosystem is adequately supporting them

## KEY FINDINGS

### **Accountability**

The ecosystem needs to align on transparent reporting measures that help to aggregate and show how combined efforts are either supporting businesses or where there are significant gaps to be filled. The current available data is sparse and often unreliable, but with collaborative effort from service providers and businesses through consolidated processes of data collection and sharing, this can be solved.

### **Connectivity**

By establishing formal relationships between Black business owners and professional services providers, the ecosystem can be best prepared for responding to the remaining recommendations.



## RECOMMENDATIONS



These recommendations are meant to act as a developmental blueprint for Birmingham's Black business owners, service providers, and key stakeholders to achieve more success in upward economic mobility. This process starts with work that individual ecosystem partners and groups of collaborators can take on. From there, it moves towards actions that take the broader community into mind and require the focus of players from the city to community level. Lastly, with a new structure of strategies and programs implemented, Birmingham can look to build on their actions in creating more equity.

## CONCLUSION

Birmingham requires top-down and bottom-up changes to its level of support for Black-owned businesses, and the Black population in general, if it intends to alter long-standing community and economic realities. However, the level of investment and commitment available at the fingertips of local ecosystem organizations, funders, and other community partners suggests a real impetus for these data changes to meet a tipping point. While circumstances will change through politics and economic adjustments from the local to federal level, the current momentum in Birmingham to support Black-owned businesses can be pushed even further with this set of actions. The future of Birmingham, its Black population, and its achievement of equity depends on it.

“

As an ecosystem, we hold a vision of Birmingham that is equitable, inclusive, and eager to support its greatest asset, its people.

We strive to create an impact that will provide pathways of opportunity for entrepreneurs, both present and future, resulting in generational wealth and long-term progress for our community.

We will continue to push forward towards our shared destiny — a destiny that is economically prosperous, opportunity dense, and equitably owned by all in our community.

”

- Prosper

### Ecosystem

EY defines a business ecosystem as "a purposeful business arrangement between two or more entities (the members) to create and share in collective value for a common set of customers. All members in a business ecosystem, whether orchestrators or participants have their brands present in the value propositions."

### A Vision for Birmingham's Black Business Community

On June 22, 2022, a group of local members of the entrepreneurial ecosystem and broader business community came together to take initial steps to define a vision for the ecosystem in support of collective activity and community progress. This work resulted in the creation of a shared vision statement and set of values intended to serve as a beacon for the ecosystem's shared aspirations.



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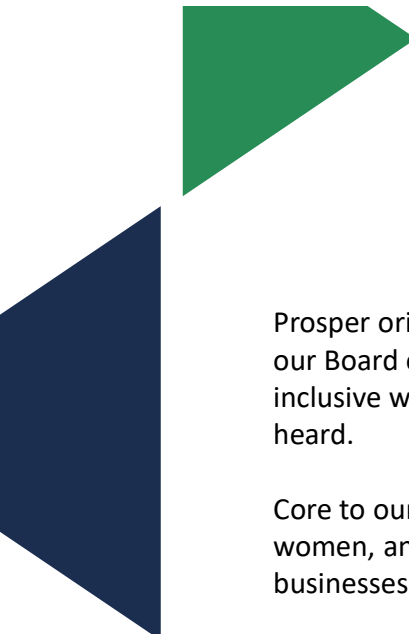
*Birmingham and Jefferson County’s future hinges on becoming an inclusive place for diverse talent.*

”

## LETTER FROM JW CARPENTER

PRESIDENT OF PROSPER

Birmingham and Jefferson County’s future hinges on becoming an inclusive place for diverse talent. Investing in and supporting Black business owners represents the biggest opportunity within that broader mandate. The reality of our current situation is stark. The Birmingham Metro area ranks 52nd out of 53 major regions in the percentage of Black-owned businesses relative to our Black population. We require nothing less than an urgent, intentional, dedicated approach to reducing disparities, increasing opportunity, and advancing equity. This approach must be collaborative, multi-organizational, and inclusive.



Prosper originated from two years of study with Brookings Metro and leadership from our Board of Directors to grow Birmingham and Jefferson County's economy in an inclusive way and to create a table where everybody can sit and have their voices heard.

Core to our work is whether we are acting inclusively of the Black community and women, and one of our priority initiatives is to invest in and grow Black-owned businesses.

Our work with Fourth Economy, IGNITE! Alabama and LRY Media Group is intended to pick up where Brookings left off — telling us more about our economy, our Black-owned businesses, and the ecosystem intending to support them. We have so many people doing so much good work, but too often we do not know what everyone else is doing and we do not see the impact we could see if we were not siloed. If we get this right, we will be able to celebrate and leverage our strengths, identify and fill the gaps, and implement the best ideas from around the country and make them a reality right here for our citizens. It is a living breathing document that I hope will help Black-owned businesses find the support they need, allow philanthropists and investors to maximize their dollars, and the non-profit organizations who work so diligently to get the support and connectivity they need to a common vision. That can only work if we do this together.

Our work is not charity. It is strategy. It is about recognition of the interconnectivity of our fates and that of our city. Birmingham will not thrive if we do not collectively thrive. We have a shared destiny. And right now, we're trending towards a socioeconomic future that widens the gap between the "haves and have nots," deepening historic disparities and forgoing steps towards true inclusive economic advancement. It is the right thing to do to bring this community together toward a collective future.

There is no easy, immediate, or individual solution to any of these challenges. Prosper has and will continue to commit to this work and join forces with so many organizations and individuals who have carried this mantle for generations. I hope, after reading this report, you'll join us in making that commitment.

Sincerely,



JW Carpenter  
President, Prosper



# STRATEGIC PARTNERS

Three groups supported this study: Fourth Economy, a national strategy firm that works in the space of community and economic development; IGNITE! Alabama, a nonprofit initiative designed to educate and bridge gaps between organizations, service providers, and minorities within Alabama’s entrepreneurial ecosystem; and LRY Media, a local marketing, design, and communications firm.





# THE PROCESS

The planning process spanned eight months, beginning in January, and culminating in August 2022. From the outset, diverse representation was ensured through the inclusion of business owners and stakeholders from across the community and the entrepreneurial ecosystem. The process included:

## **Ecosystem Analysis**

In-depth analysis was executed to uncover areas of progress, opportunity, or concern within the ecosystem and the broader Birmingham economy. This analysis enabled the project team to identify and quantify current points of success, areas of inequity, and opportunities for future progress.

## **Interviews**

Over 60 one-on-one interviews were conducted with local stakeholders who offered their perspectives regarding their direct experience as business owners, civic leaders, or members of the entrepreneurial ecosystem. These interviews provided invaluable insight to deepen the project team's understanding of trends identified within analysis..

## **Community Tour**

A community tour was hosted in March 2022 to provide in-person touchpoints with members of the ecosystem, business owners, and local leaders. This also created an opportunity for in-person experiences within Birmingham's neighborhoods and the organizations that comprise the local entrepreneurial ecosystem.

## **Community Engagement**

Strategic touch points were built in to engage community members throughout the process thoughtfully. Opportunities were designed to share data insights, receive feedback, and to consider and co-create solutions to identified challenges and areas of opportunity. Additional steps were taken to define a shared vision and set of potential success indicators for the ecosystem



# A GUIDE FOR USING THE REPORT

This report is designed with you at the center. Here are our recommendations for how to best utilize it:

- Use the “Mapping the Ecosystem” section (p.16-28) of this report to increase your understanding and awareness of the resources available to you.
- Leverage the ecosystem map to identify organizations and programs that can aid in your journey to start, scale, or sustain your business.
- Use the details about business archetypes to determine your venture's growth stage and which type of resources might benefit you most.
- Lastly, read through the report to see how or if it aligns with your lived experience and your journey as an entrepreneur.

With this information in hand, you can maximize your use of available resources, build new relationships, and lend a helping hand to others following your footsteps along the journey of starting or building your business.

## PROGRAM OPERATORS AND ECOSYSTEM ORGANIZATIONS

As service providers within the ecosystem, we encourage you to:

- Consider this report's contents in its entirety.
- Use the data to challenge and inform assumptions within your work.
- Leverage the ecosystem map to identify areas of programmatic synergy or areas of opportunity for potential collaboration or program development, as well as areas where there are dearths of resource or programmatic emphasis.
- Consider the report's strategic recommendations and determine where you or your organization can make strategic investments moving forward.

Use this report to maximize your impact, deepen relationships, increase efficiency, and improve outcomes within your organization and across the ecosystem.

## GOVERNMENTAL ENTITIES

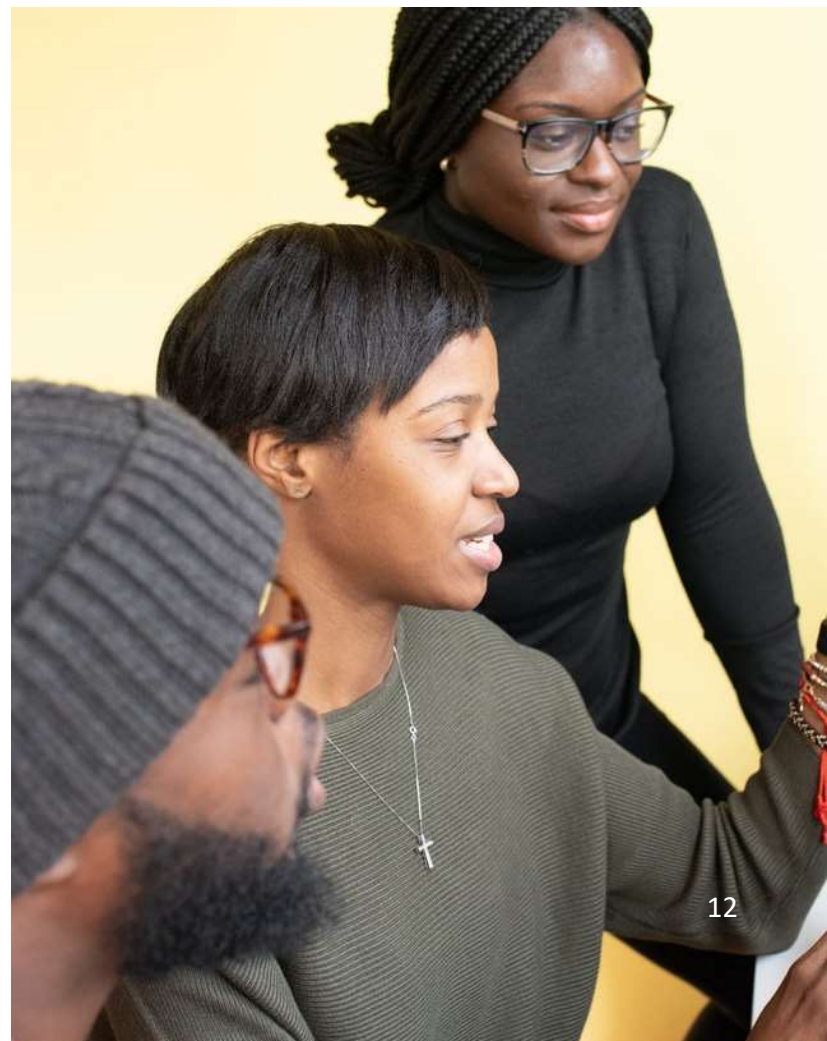
As you interpret the contents of this report, we encourage you to prioritize the three P's: programs, policies, and procurement. Within your purview, use this report's data, the ecosystem map, and the strategic recommendations to:

- Make priority investments in Birmingham, designing programs and policies that benefit Black business owners with the intention, as we collectively strive to reduce inequities and improve outcomes.
- Furthermore, leverage the potential of your procurement policies and annual spend to intentionally benefit local Black-owned businesses — an act that will catalyze small business growth and local job creation.
- Lastly, consider your capacity to incentivize behaviors outside of local government to act in accordance with this report's recommendations, considering key stakeholders, funders, and collaborative entities.

## FUNDERS AND PHILANTHROPY

Your efforts sustain and scale the impact of this ecosystem's organizations and service providers.

- Leverage this report to inform your future funding priorities creating alignments with this report's strategic recommendations.
- Review the ecosystem map to identify areas of opportunity for targeted investments or collaborative partnerships that will increase efficiency and positive outcomes.
- Lastly, contemplate this report's data and consider your organization's role in reducing inequities and elevating the scale of solutions that positively impact the Black-owned businesses of Birmingham.



# PART 1

# MAPPING THE ECOSYSTEM

## Our Approach

---

To address building the foundation for change, the content in this section establishes baseline facts about Birmingham's business and economic support ecosystem and who it supports:

- **Who are Birmingham's support providers?**
- **What types of business owners do they serve?**
- **What services are they providing?**
- **Who should seek to access them?**

By answering these questions, a picture is painted of where Birmingham has been, where it is now, and perhaps most importantly, where it can go.

The analysis reflected in the following report will show that Birmingham's Black residents own fewer businesses, make less money, are more likely to live in poverty, and are more likely to lack the social connections needed for socioeconomic mobility.

Within the existing ecosystem, Black founders and employees feel these disparities wholeheartedly. The reality for most is that Black business owners are less likely to receive loans and grant funding, are more likely to own a business that accelerator programs and incubators lack interest in, and in general, are less likely to know about existing classes, assistance, and other crucial resources that can mean the difference between business growth and stagnancy.

Resource providers are diligent, using resources at hand to maximize efforts across a disjointed system deficient of coordinated processes. Intentionally designed actions to better support the city's Black business owners can help redefine the local identity, economy, and capacity for opportunity and hope.

*The work of this project focuses on Birmingham's business and economic support ecosystem as its protagonist.*

# IMPORTANCE OF THE ECOSYSTEM

*Strong business and economic support ecosystems are the modern backbones of locally-oriented economic development.*

With the capacity to grow not only businesses from scratch, but the talent that can start companies and fill the jobs they require, cities can give themselves newfound avenues to economic growth.

These ecosystems exist at a variety of scales. There are larger ecosystems of executives, employees, funders, wholesalers, and consumers that drive the world of corporate commerce. Similarly, there are networks of idea incubators, flexible working spaces, educational courses, and creative financial institutions that turn creative thinkers with ideas into capable, established entrepreneurs. Within economies themselves, these ecosystems take the shape of conveners, committees, politicians, think tanks, action-oriented civic leaders, and residents that help drive the identity and lived experience of a place.



# THE IDEAL ECOSYSTEM

## What does the ideal ecosystem look like?

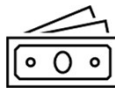
That answer, of course, depends on existing data, relationships, business profiles, and other factors relevant to any given locality. There is no one-size-fits-all solution that any municipality can adopt. However, best practices begin to shed light on what can be successful and what falls short of impact.

**In the case of nonprofits supporting business creation, this ecosystem is often comprised of familiar organization types:**

## MAPPING THE ECOSYSTEM



Conveners & network builders (Ex. chambers of commerce, trade associations)



Funders (Ex. banks, CDFIs, grantors, accelerators)



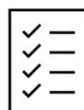
Service providers (Ex. technical assistance providers, accountants, lawyers)



Educational providers (Ex. workforce development groups)



Physical workspaces (Ex. coworking offices and labs)



Planners (Ex. economic development, urban planning support)



## MAPPING THE ECOSYSTEM

**Ecosystems are most successful when they utilize a shared mission and vision, along with frequent collaboration to achieve the goals that come from these statements and purposes.**

Ecosystems are often a mix of organizations that either emerge from history and necessity to add a specific form of value to businesses or are much more intentionally planned to address a particular gap in an ecosystem or economy. Ecosystem partnerships and relationships can be either informal or contractual, depending on the preference of organizations.

In terms of creating a successful business and economic support ecosystem for Black businesses, many modern actions and initiatives exist that are proven to create change. These concepts include:

- Providing direct capital support to businesses (Ex. loans, grants, equity funding)
- Empowering influential actors who drive knowledge sharing (Ex. workshops, events)
- Enhancing mentoring and social networking opportunities (Ex. one-on-one meetings)

These ideas and more, along with dedicated funders and innovative partners who seek collaboration, create the baseline of a successful ecosystem, regardless of where it may be, and can do the same for Birmingham/ Jefferson County.



**Birmingham Business Resource Center**  
Your One-Stop Center for Small Business Finance

ONE-ON-ONE COUNSELING

WORKSHOPS

ACCESS TO CAPITAL

TECHNICAL ASSISTANCE

SUPPORT FOR STARTUP AND GROWING BUSINESSES

PERSONAL FINANCIAL EDUCATION

The Birmingham Business Resource Center (BBRC) is a 501 (c)(4) nonprofit "one-stop" center for small businesses. We're here to help your business succeed.

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# BUSINESS ARCHETYPES SERVED

The business archetypes in this section lay out general categories that businesses may fall into, based on first the **type of business** that founders have built or might consider creating and then the **stage of the business** along its lifecycle journey.

These archetypes should be combined to provide a full picture of the type of business an owner/entrepreneur aims to be as well as the current phase of existence of the enterprise.

For example, a popular form of entrepreneurship is to have an idea for new technology, then work to become a scaling technology company with exit opportunities. Or, a historic, family-run barbershop would be a built legacy business, potentially looking to scale to multiple locations. A new accounting practice led by a breakaway partner from a larger firm would be a launching provider, with the potential to find success as a scaled corporate business or by remaining small and becoming imbedded in the community.

**These different archetypes and descriptions of businesses all require unique resources.**

The barbershop requires far different forms of capital and mentorship than the technology startup. And the technology startup will have a radically different business plan than the accounting practice. Different forms of technical assistance, education, networking, and capital are needed for a diverse mix of businesses. However, a truly effective business and economic support ecosystem will work on behalf of each and every archetype combination.

Business archetypes are examined in the next pages and then further used as the organizing variable in the mapping of existing ecosystem organizations. Examples of ecosystem partners that support each stage of business, from idea to scale, are noted in this tool. Groups that support either a specialized or multiple growth phases of the business journey within the Birmingham ecosystem include:



# TYPES OF BUSINESS

**Effective ecosystems are designed to serve various types of businesses that exist within a community, and at their varying stages of growth.**

These business types may align with industry or sector attributes, types of products or services offered, or ownership structure. The following section outlines the types of businesses most frequently encountered in Birmingham and their core attributes.



### CREATIVE

Creative business owners center their work around a passion or unique skill set that provides a social benefit to the community they belong to and represent. **Artists, dancers, musicians, videographers, fashion and clothing designers, marketing and advertising, writing, barbers, and nail techs** are some of the examples of professional creative industry businesses. Upstart Co-Lab shares [NAICS codes](#) for their definition of Creative Businesses which is a helpful reference to how an area can define its creative business sector. It also provides the groundwork for investors who appreciate the value of this industry. Creative businesses may work out of their home, a coworking facility, or have a brick-and-mortar shop or production facility. Creative businesses often require a smaller amount of capital to lift an idea but may have a harder time finding funding to support building and scaling their business. Creative businesses may require specialized equipment to allow for building and scaling which requires additional financial investment.



### LEGACY

Legacy business owners include **family-owned businesses that are a part of the history and culture of the community they serve**. These businesses are multigenerational in the years they have been in business in addition to multiple generations of familial ownership and management. A legacy business may have a brick-and-mortar place where customers can shop or receive services or reflect a trade or skill that is transferred from one generation to the next. These businesses are a part of a thriving main street and are well known and received. Their journey usually starts with one physical location. Legacy businesses may scale into multiple locations like with a grocery store or restaurant chain; however, they need not scale to have an impact within a community that creates a sense of place and culture. Legacy businesses may face challenges in succession planning, capital funding, and business management resources. Advantages of legacy businesses include creating a sense of history within a community, building generational wealth within a family, and businesses that are founded and grow within the area they serve.

## PLACEMAKER

Placemaking businesses drive a sense of community in their local area through both physical space and the presence of a unique identity. A placemaker business provides culture and a sense of identity to the area it occupies.

Placemaking businesses can also be seen as a travel destination, luring people from within the community, but also the region, and potentially farther, to visit the business. Museums, historical centers, restaurants, boutiques, and tattoo parlors all have the potential to be seen as a placemaking business. Legacy businesses may also be considered placemaking businesses. Placemaking businesses have the opportunity to connect with other businesses around a shared interest or culture to deepen the potential of an area. This allows for a community and regional approach to sharing the identity and offerings of a community. The Pennsylvania Cheese Trail brings consumers to farmers within small communities throughout Pennsylvania. New Orleans historical and ghost tours lean into the city and tourists' love for the occult. Breweries, wineries, boutiques, art, music, and food are other cultural placemaking themes that a city can develop by tying businesses together.



## PROVIDER

A provider business is grounded in a service or product that addresses a community need.

Community needs may include practical necessities such as food, medical, housing, or a socioeconomic concern like access to vital resources and services. A need can also include business services such as legal, accounting, or business resource navigators. Providers can be nonprofits, tax accountants, or social enterprises. Providers find an area or niche where services are needed to support other individuals or organizations within an area. Providers' reach may extend beyond their own community but are a crucial part of the area in which they reside. Providers could range anywhere from a sole proprietorship or partnership to a corporation or 501c3 that receives fiscal sponsorship or funding from public or private organizations. The provider's role is that of a support system within the community. They are able to provide services that no one else is addressing but which are still of need.





## TECHNOLOGY

**Technology businesses are centered around a product that is in digital form. Application-based tools or platforms focus on the development, maintenance, management, and manufacturing of a technology knowledge-based tool that produces new goods or services.** Technology companies can start as sole proprietorships or as a team. The journey for a tech company includes an initial investment of time and capital. Tech-based businesses typically require a prototype experiment to quickly test an idea at a low cost. After a prototype assessment, tech companies may then launch a prototype version of the product. Technology companies are not tied to a particular region for establishment unless there is a natural resource, business incentive, or staffing need that is specific to the technology company.

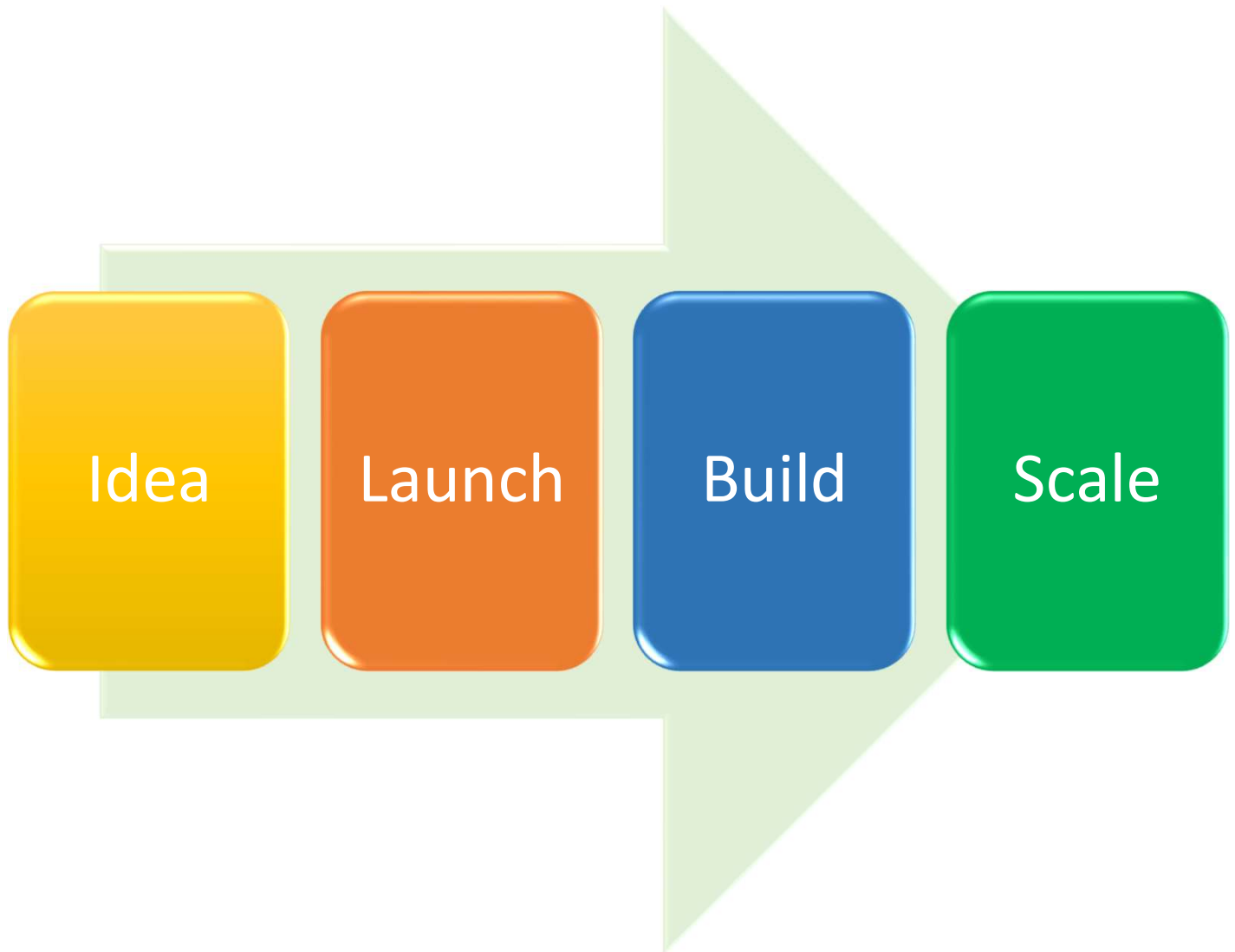


## CORPORATE

**Corporate businesses provide employment opportunities for the communities they occupy. Corporate companies issue stock to raise capital and also may receive tax benefits for relocating, expanding, or developing a business unit in multiple or new locations.** Corporates are often grown in the city where the idea is formulated, but an opportunity or investment may see the business attracted to relocate to a new city. These businesses along with technology and manufacturing are key in building tradeable sector offerings, meaning that goods and services can be sold outside of the local market to bring in capital from external sources that can help energize and generate resource flow within the local ecosystem.

# STAGES OF BUSINESS

For this example, we'll explore four main stages of growth that businesses experience on the journey from the lightbulb moment of a first thought to the full manifestation of a thriving endeavor doing business out in the world.



As a reflection of the human lifecycle, this process looks different and is unique for every individual and business seeking success within the ecosystem. The information in this section will provide a blueprint for what each stage may look like so that business owners, founders, and would-be entrepreneurs can recognize themselves and seek the supports available to suit them where they are.



## IDEA

Individuals with an idea that is centered around a product or service to sell for a profit sparks the ideation phase of starting a business.

The idea phase is a part of creating a culture of entrepreneurship within a community. An individual may be a new or serial entrepreneur that is interested in exploring how to get their idea off the ground. This phase of development can even include individuals who may not even know their idea has the potential to develop into a business.

The idea phase requires little to no capital or investment to get started. Students and those who do not have experience or exposure to entrepreneurship benefit the most from receiving resources and opportunities to better understand how to get started.

Examples of programs that support the idea phase include [Network for Teaching Entrepreneurship](#). NFTE is a New York based nonprofit organization that supports low-income youth in learning about entrepreneurship through training, programs, resources, and competitions. Other places where ideas are formed include coworking or shared workspace centers, digital networks or shared interest communities, and through attending events or programs within one's community or region.

The idea stage requires a city to understand the importance of creating an environment that welcomes and supports entrepreneurship.

**“Find a need and fill it. Successful businesses are founded on the needs of people.” – A.G. Gaston**

### MODEL

A product or service idea that addresses a particular need.

### FUNDING

No funding is required at the ideation stage.

### STAFFING

One person to a small team of individuals. No one is on payroll or being compensated for the idea.

### RESOURCES

Family and friends support the idea. Network connections share resources to think about investing in the idea to move it to launch.

### SUPPORT

Entrepreneurial events like pitch competitions, investor discussions, and business resource opportunities to support the idea moving into an actionable stage.

### GROWTH/PLATEAU

The idea stage will not grow or plateau as a business, however, it will not move to launch without additional resources of time and capital investment.

### EXAMPLE

A new point of sale system that allows business owners to streamline online and in-store orders. The idea is to create a technology-based app.

### ECOSYSTEM PARTNERS

Alabama Small Business Development Center (SBDC); Bronze Valley; Innovation Depot; and AppThink.

### ECOSYSTEM EXAMPLES

The Gener8tor Bronze Valley and a BETA Accelerators, are part of a national program with a local scope in the city. They provide training on taking creative ideas and turning them into businesses.

### LAUNCH

**The launch stage of a business includes taking the business idea and connecting it to a process of exchange- usually for money/ income.**

**EXCHANGE:** an act of giving one thing and receiving another (especially of the same type or value) in return.

**Launching an idea may require some capital investment to establish a \*pretotype and/or prototype to test or “prove” the concept.**

This stage isn't quite a microbusiness or startup in the technical sense of having under 10 employees. However, this stage is usually a one-person show, from the idea to the making phase of the product or service. Launching the idea usually happens alongside the entrepreneur maintaining their day-job, as this phase may not yet be seeing revenue accumulate that allows the entrepreneur to have a solo focus on the product or service.

The entrepreneur is able to adjust the product or service with flexibility within this stage as they acquire feedback from potential or current customers. In addition to the resources mentioned in the idea stage, the launch phase requires financial investment and further business resource support. The entrepreneur may not be ready for a tax accountant or business service provider but is starting to build an understanding of the potential revenue and capacity for the business' long-term plan. They may need to access logo designers, graphic artists, web designers, or other professionals who can help make their vision concrete and ready to share.

**\*PRETOTYPING** or “pretend” prototype is a method to validate business ideas to improve the chances of building a product people want. Creating a prototype answers the question of “can we build it?” While proper pretotyping answers “should we”?



### MODEL

A product or service launches. There is something being made and someone consuming/purchasing the product or service.

### FUNDING

Depending on the venture, a small to a large amount of capital funding is required to launch the product or service. Microloans or grants could be provided by family, friends, crowdfunding, or community resources.

### STAFFING

One person to a small team of individuals. People are being paid for their time for the product or service. The support staff may not be full-time, and the lead business owner may not have their ideal living salary from the venture.

### RESOURCES

Microbusiness grants, crowdfunding, family and friend investment, coworking and shared workspace convening places for business owners, municipal or city support for incubating ideas.

### SUPPORT

A community that shares best practices and lessons learned around establishing a business. Community events and programs that support the launch of new businesses. A city could offer a facade improvement program, microgrants or loans, and free business services to support the growth of new company starts. The business reaches its plateau when it cannot meet demand with its current resource and staff capacity. There could be growth potential in knowing there is a bigger demand that requires more capital and resources to meet. The plateau may also signal a mismatch in demand and therefore imply that the business may not be able to build or scale into a larger company.

### EXAMPLES

1) The individual was able to raise \$10,000 in crowdfunding investment to launch a prototype of the point-of-sale system application. The company sells the system at a discounted rate to companies to beta test the product.

2) The individual was able to raise \$5,000 from family and friends and individual savings to purchase an initial set of materials to make soaps and lotions. The individual sells these items at local craft and farmer's markets in addition to word-of-mouth sales via their network.

### ECOSYSTEM PARTNERS

- Alabama Small Business Development Center
- Bronze Valley
- Central Alabama Redevelopment Alliance
- Endeavor ScaleUp Birmingham Accelerator
- Gener8tor Bronze Valley Accelerator
- Innovation Depot
- REV Birmingham
- Rebirth Community Corporation
- TechStars Alabama EnergyTech Accelerator
- Urban Impact

### ECOSYSTEM EXAMPLES

The Alabama Small Business Development Center, a state office part of the center's national network, supports business owners in launching a formal business, providing one-on-one guidance in creating a business plan, maintaining financial books, crafting a marketing plan, and understanding the ins and outs of a long-term lease.





## BUILD

**The build stage is the long-term planning of the business idea. An entrepreneur in the build stage is typically a micro or small business with 1-100 employees.**

At the build stage, the business is ready to comply with tax and regulatory requirements for existing as an entity of the state. The business may form as a sole proprietorship (single owner), partnership (two or more individual owners), an LLC (Limited Liability Corporation), Corporation, or non-profit (501c3). Each has specific benefits and requirements, which is why businesses at this stage should seek technical and tactical supports from resource providers or other professionals with experience in setting business foundations.

Businesses at this stage are ready or preparing to hire additional employees to support the business and meet the demand for the product or service. This stage requires more financial resources and investment and possibly a physical space to conduct the business. The financial investment may range in amount depending on the business offering, but there is a need to build out the formal structure of the business to comply with legal requirements and other protective regulations.

A more scaled company may look to acquire businesses in the build stage. The acquisition of the build business allows an exit with a large amount of capital that has the potential to be recycled into another business venture. Many businesses remain at the build stage for their entire lifecycle due to personal interest, supply, and demand of their product or service, or the inability to raise capital and resources to scale the company.

# BUSINESS ARCHETYPES

## BUILD

### MODEL

The product or service is established. There is a demand for services and products that once exceeded the ability of a 'launch' company.

### FUNDING

Depending on the venture, a small to a large amount of capital funding is required to stabilize the product or service. Additional revenue may support the funding to establish the business as a formal venture. Bank or venture capital funding are other alternatives for a larger influx of cash to stabilize the business while the revenue increases.

### STAFFING

Small team of individuals. People are being paid for their time for the product or service. There is a blend of part-time and full-time staff. The owner is able to have a living salary and may have reduced time at another job to solely focus on the business.

### RESOURCES

Bank loan requirements, venture capital options, tax incentives, city resources.

### SUPPORT

Small business associations and chambers of commerce in addition to municipal or local advocates for small businesses. Funding support from banks and venture capital partners to grow the company.

### GROWTH/PLATEAU

A business in the build stage may have the option of whether they wish to scale or not. The build business may face similar challenges as seen in the launch phase where supply and demand level out to unveil a long-term need for the product or service. However, the business may also plateau in needing more resources and staff again to scale to meet an anticipated increase in demand.

### EXAMPLES

- 1) The technology-based point of sale application saw a large increase in use due to word-of-mouth marketing. The business grew to twenty employees within two years. There is a consistent revenue stream and profitability exists.
- 2) The soap and lotion business started to rent a production facility to conduct light manufacturing of the product. Contract deals were signed with a local grocery chain to sell the product.

### ECOSYSTEM PARTNERS

- Alabama Small Business Development Center
- Alabama Minority Business Development Agency
- Bronze Valley
- Central Alabama Redevelopment Alliance
- Elevators on 4th
- IGNITE! Alabama
- Innovation Depot
- Penny Foundation
- REV Birmingham
- Rebirth Community Corporation
- TechStars Alabama EnergyTech Accelerator
- Urban Impact

### ECOSYSTEM EXAMPLES

REV Birmingham supports established small businesses in finding brick-and-mortar locations locally, creating marketing and communications strategies targeted directly at Birmingham residents, and meeting potential mentors in the local business ecosystem.

# BUSINESS ARCHETYPES

## SCALE

**A scaled business becomes a larger presence in the community. Scaled businesses may have several locations, products, and services being offered.**

The scaled business may start and grow within its location of origin or may be enticed to a new location due to the resources a particular region may offer. Scaled companies can be seen as corporate businesses that have the ability to raise several million dollars of capital through investment, acquisitions, or stock options. Scaled companies become a fixture of the areas they represent, often contributing to taxes, and philanthropic investment, and are a keystone in workforce development and job creation.

## MODEL

The business has several outpost locations, but its headquarters remained in its place of origin because of business incentives and the role it plays in keeping individuals employed within the city.

## FUNDING

The scaled business may see partial acquisitions and investments to develop a larger reach of the product or service to allow for large capital investments in infrastructure to grow the company. Revenue should be higher than a building business. The business may now use the additional revenue to focus on research and development to better understand future placement and offerings within its industry.

## STAFF

Over 100 employees, several locations or one large central location.

## RESOURCES

Opportunity zones, job creation tax incentives, relocation incentives, tax credits, and rebates.

## SUPPORT

City, state, and federal relationships.



# BUSINESS ARCHETYPES

## SCALE

### GROWTH/PLATEAU

The scaled business may reach a plateau where right-sizing the company may require a scale back in product, service, or staffing model to remain stable. A larger corporate company could become a unicorn with a 1B exit or investment. There are different tax credits and incentives for larger companies that provide employment opportunities for a particular region. This can also be seen as an exposure if a majority of jobs are dependent on one company and the company exits the region.

### EXAMPLES

- 1) The technology-based point of sale application was acquired by a larger firm allowing the company to scale to 500 employees.
- 2) The soap and lotion business found a manufacturer and distributor to work with on a national scale. The headquarters remained in the inception city, but limited employment opportunities to business operations, sales, and marketing only.

### ECOSYSTEM PARTNERS

- Alabama Minority Business Development Agency
- Birmingham Business Alliance
- Central Alabama Redevelopment Alliance
- Elevators on 4th
- Economic Development Partnership of Alabama
- Innovation Depot

### ECOSYSTEM EXAMPLES

The Economic Development Partnership of Alabama provides high-level services to larger businesses and corporations, including site selection for warehouses and manufacturing plants, competitive assessments, connections with larger buyers and financiers, and connecting entrepreneurs to exit opportunities.



# BUSINESS ARCHETYPES

The fact is that no matter the type or stage of business, every business needs “things”. Answers to questions most starters don’t even know to ask; friends, investors, and collaborators who support the vision; customers; capital; or just to be pointed in the right direction by someone who has traveled the path before.

Beyond resources, successful entrepreneurs know that they need a tribe that connects them to the larger village. If you are starting a business or building your legacy in Birmingham, you are in the right place. To find resources in Birmingham/Jefferson County based on the stages listed in the pages above, visit the local business ecosystem map by clicking the link or scanning the barcode below:

[CLICK HERE](#)

**To access the full Operation Backing Black Businesses  
Ecosystem Map**

Last updated: December 3, 2022



Our Ecosystem Is...



# PART 2: PLANNING FOR IMPACT

In Part 2 of Prosper's Operation Backing Black Businesses Ecosystem Report, we will explore how a healthy ecosystem can create positive outcomes for Black business owners and the community.



# PLANNING FOR IMPACT

The ideal ecosystem has the potential to create not only a shared vision and unity in action but legitimate, tangible outcomes for the owners and employees of businesses operating within the area.

These outcomes can follow a variety of metrics that measure success, including:

- # Number of new businesses created
- \$ Total lending to existing businesses in a calendar year
- \$ Revenue growth for new and existing businesses
- # Number of participants in an accelerator program
- # Labor participation rate
- # New employees added to the workforce
- \$\$\$ Economic impact of new developments built to accommodate businesses
- Target market scope and research

These outcomes can be viewed through a range of specific lenses when adequate data is tracked. Race, age, and the industry of different businesses can be analyzed to comprehend more specific insights into the economy of these particular subgroups and compare them against the whole. It is also exponentially helpful when different organizations within an ecosystem track and share agreed-upon data to form collective supports.

Engaging in systems to accurately track and evaluate progress opens doors for extended investment both locally and nationally. Some in the Black community, however, have shied away from this type of formalized scrutiny as a result of historical trauma coupled with miseducation. But times continue to evolve along with mindsets and expanding opportunities in the digital landscape. Above all, the Black community is characterized by its resilience through adversity and made stronger through these unified efforts when positioned advantageously as recommended in the following section.

*Intervention that begins to alter long-standing paradigms is possible when focused on getting necessary resources, capital, and connections in the hands of both existing and potential Black entrepreneurs.*



# POTENTIAL INDICATORS OF SUCCESS

As we consider a shared vision of progress, a natural next question is: how will we know when we have achieved our vision?

The following metrics have not been adopted by any specific entity at the point of this reporting, but instead is the result of the research team holding build sessions with members of the Birmingham community to brainstorm about what key indicators would show progress and ultimate success. From the discussions, the following measures surfaced:

## WEALTH

Generational wealth increases in the Black Community

Rate of homeownership and home value appreciation increases in the Black community

Overall wages increase

## ENTREPRENEURSHIP

Increase in the number of Black-owned businesses surpassing 2-years of operation

Increased diversity in the mix of industries represented by local Black-owned firms

## EDUCATION

Educational attainment increases within Black population

At least one HBCU recognized as a Tier 1 research institution

## EMPLOYMENT

Share of high-paying jobs held by Black employees increases

Wages paid at Black-owned firms raise and meet or exceed average wages paid by white-owned firms

## COMMUNITY

Increase in the city's overall diverse population

Increased presence of thriving diverse neighborhoods and commercial corridors

## ECONOMIC DEVELOPMENT

Attraction of large corporate entities with commitments to invest and hire within Birmingham's Black community

# PLANNING FOR IMPACT

**The ecosystem can track these metrics internally, starting with the findings of this report, to serve as a baseline for future change. The majority of this information can be tracked using public data. Sources by category include:**

## WEALTH

In terms of wealth, metrics on wages by race and industry are captured by the Bureau of Labor Statistics through their [Quarterly Workforce Indicators](#). Changes in homeownership by race can be found through the [American Community Survey](#). Tracking Black generational wealth may require multiple data sources, from the Census to the [Survey of Consumer Finances](#). Additional reports, like from [Brookings](#), can offer national context.

## EDUCATION

The [American Community Survey](#) tracks educational attainment across race and income groups. Forging connections with HCBUs and local colleges will inform their research specialties and workforce demands. There may or may not be ambitions to reach the suggested research tier designation, however the community can help support the intentions of these institutions.

## COMMUNITY

The [Decennial Census](#) and [ACS](#) both capture population counts. The condition of neighborhoods and commercial corridors is best captured by the lived experience of its residents and visitors, rather than numeric data. However, keeping track of local vacancy rates, at a census tract level is one method. The [ACS](#) captures residential occupancy and vacancy. Local real estate firms may be able to share additional data.

## ENTREPRENEURSHIP

Business ownership by race across industries is captured by the Census [Annual Business Survey](#). However, as we noted in our earlier analysis, the survey suffers from considerable data suppression and lag. Given the limitations of public data, tracking this information internally would allow the ecosystem to be more agile and cooperative in supporting Black-owned businesses.

## EMPLOYMENT

As with wage, [QWI](#) reports the number of workers employed by race. This can be further broken down by sector or age. Employment and wage at Black-owned firms are captured by [ABS](#), but, given the shortcomings of that data set, recording this information as businesses are assisted by the ecosystem would go a long way..

## ECONOMIC DEVELOPMENT

The ecosystem is off to a good start here, with lots of knowledge of companies being recruited or moving to Birmingham. Consolidating this into one place, with additional metrics on how many jobs may follow, will further strengthen this strategy. Given we heard companies may also be moving out of Birmingham once getting off the ground, the ecosystem should track departures in addition to recruits.

## PLANNING FOR IMPACT

Starting a business is already a daunting task with a failure rate of up to 70% within the first ten years of launching. According to recent research, Black individuals face an added layer of burden in several ways along the journey to successful business ownership, such as:

- **Latching on to less scalable ideas and industries due to lower barriers to entry,**
- **Opening up shop in their own neighborhoods, statistically areas with disproportionate levels of concentrated poverty,**
- **Lacking access to key business networks as a legacy of exclusionary policies evolved into accepted norms and practices,**
- **And an inability to access both localized and large-scale capital for all the listed reasons and more.**

This is not just indicative of Birmingham solely but follows national trends. Ecosystems can specifically have a large impact on the potential of Black-owned businesses, lending to the overall growth for all businesses including those not minority-owned.

**In the next column are some specific examples of strong efforts supporting Black-owned businesses to show that long-standing economic realities based on race can and will begin to shift with intentional action.**



In Atlanta, tied for 3rd in metros with the highest share of Black-owned businesses, the **Russell Innovation Center for Entrepreneurs (RICE)** has been a haven for incubating Black-owned businesses, serving as a physical workspace and resource hub for Black entrepreneurs and service providers. The impact speaks for itself: 250 new Black businesses with over 2,000 employees.



In Memphis, 5th in the metros with the highest share of Black-owned businesses, the city's **Black Business Association (BBA)** creates a social network for Black business owners to utilize counseling sessions with leading lawyers, accountants, business planners, and real estate professionals.

In New Haven, CT, **The Community Foundation** has fueled an entirely new ecosystem of resources and support groups for Black, Latinx, and female entrepreneurs, bolstered by a series of creative indicators looking at metrics from the racial opportunity gap to small business growth and entrepreneurial dynamism.



And finally, in Nashville, 27th in Black-owned business share, the city's **Entrepreneur Center** has expanded its resources specifically for Black-owned businesses to the statewide level, scaling their impact up to over 200 enterprises annually.

These examples give reasonable optimism to much of the negative data that paints the picture of Black business ownership in both Birmingham and the country as a whole.

# IN BIRMINGHAM

In Birmingham, the current ecosystem is adequate in that service providers exist to support every stage of business, but there is no saturation for any stage of development, leaving room for growth throughout. This means that the general entrepreneur can find resources from the early stages of idea creation through scaling a concept across multiple markets and consumer groups. Educational groups have programming in practice and being cultivated for those looking to turn a side-hustle into a full-time endeavor. Networking events are emerging post-pandemic for people seeking connections with like-minded individuals. And in the right circumstances, capital can be obtained that helps provide financial sustainability and growth for business owners.

Similarly, in the space of economic development, Birmingham has planned and suggested solutions such as the [Imagine Birmingham Community Framework Plans](#). These plans and other similar efforts usually arrive with grand announcements and fanfare but require active and ongoing participation by local government and the sustained buy-in of the community; ambitions which are admittedly difficult to maintain. This example and previous studies and reports provide a great foundation for continued thought and active movement in areas such as land use, code enforcement, and getting capital into the hands of those who need it. A myriad of partners support this work. City government, economic development organizations (EDOs), and community development corporations (CDCs) all have made it their mission to better Birmingham's economy both in the short and long term.

## **However, the ecosystem's primary issue is a lack of intentional focus on the Black community.**

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Yes, resources exist, and many providers are designing more targeted programmatic offerings. But the ecosystem does not have established systems which effectively share these new resources in full across the Black community, and the simple presence of these new and emerging projects does not mean that Black business owners can access and utilize them equally. Through both data analysis and community engagement, it is apparent that resources such as educational courses, accelerator programs, coworking offices, and perhaps most importantly, funding from the seed to exit phases, are disproportionately inaccessible to and frequently unusable by the city's Black populations. These data points and perspectives have been laid out in the SWOT analysis at the end of this report, and potential solutions for these existing gaps and disparities will be examined in the sections to come.

## PLANNING FOR IMPACT

As the ecosystem looks to further align, internal researchers created the following standardized list that outlines 21 distinct offerings that service providers, support organizations, and financial institutions can provide:

The starred offerings represent the most common primary types of business assistance across the ecosystem: Banking or financial literacy (6 providers), Access to mentors (5), Business planning, modeling, or strategy development (5). These three specialties are also the most common secondary type of assistance offered by organizations. Therefore, the ecosystem is rich in these areas and could potentially benefit from collaboration between providers in these areas of strength.

Service Offering	
1. Access to equipment	
2. Access to mentors	★
3. Access to pro bono subject matter Experts	
4. Banking or financial literacy	★
5. Branding or logo design	
6. Business continuity and disaster planning	
7. Business formation or governance	
8. Business planning, modeling, or strategy development	★
9. Competitive assessment and market research	
10. E-commerce or online sales	
11. Establishing formal relationships with professional services providers, including banking, insurance, accounting, or legal service providers	

Service Offering	
12. Financial planning	
13. Identifying and applying for financial assistance programs	
14. Language services	
15. Marketing and advertising, including digital, social media, or print	
16. People management or human Resources	
17. Prototyping development	
18. Real estate acquisition, rental, or renovation	
19. Software development or technology support	
20. Supply chain management	
21. Website development	

# KEY FINDINGS

The listing of service offerings also revealed two foundational areas to tackle that will help ensure new offerings fill gaps rather than further overlap. By 1. aligning resource providers to prepare a transparent competitive assessment and share market research and 2. establishing formal relationships between Black business owners and professional services providers, the ecosystem can be best prepared for responding to the remaining recommendations that follow:

## **1** ● **ALIGNING TO CREATE UNIFIED AND TRANSPARENT DATA** Creating a Competitive assessment and strategic market research dashboard.

A shortage in the ability to provide robust competitive assessments and market research was noted in the review of ecosystem organizations and the available disaggregated research. This high-level, technical functionality connects directly to the point above; it takes specialization and industry expertise to provide a high-level assessment and analysis of a local market. As the ecosystem moves to target specific sectors, such as Black-owned businesses in general, healthcare, and technology, understanding industry trends and supporting businesses in navigating them will create more strong, flexible businesses, and develop a more competitive landscape in the workforce and real estate arenas. All of which equate to a more thriving economy.



# 2

## BUILDING RELATIONSHIPS TO INCREASE PROCUREMENT SPENDING WITH BLACK-OWNED BUSINESSES

**Establish opportunities to build relationships between Black business owners and providers of professional services including banking, insurance, accounting, or legal services, as well as access to pro bono subject matter experts.**

Ecosystem organizations, particularly those centered around mentorship and business planning, repeatedly voiced that assisting businesses requires meeting Black entrepreneurs where they are. General finance, law, insurance, and real estate professionals likely do not have the potential to tap these populations without assistance. Similarly, Black business owners consistently expressed their inability to receive strong services from these established professionals.

Ecosystem practitioners are in a position to make these connections and introductions. Establishing these connections contributes to several success indicators, from helping more Black businesses thrive in Birmingham to growing Black generational wealth.

Per data in the SWOT analysis of this report, Black business owners were more likely to be rejected or not apply for PPP loans due to preconceived notions about eligibility. As a result, Black business owners tapped into their own personal savings to float their businesses. More established relationships with professionals could avoid such a scenario by aiding in applying for a loan, pre-screening an application, or even helping a business to meet certain formalized standards that are required for capital access.



# WHAT WE'VE COVERED SO FAR

The previous segments of this ecosystem report explored the foundation of an ecosystem and the roots of improvement for Birmingham and Jefferson County. The goal of this report is to not only increase awareness of areas for strategic opportunity and need, but also facilitate and empower greater collaboration for the advancement of priorities of this community.





# UP NEXT

## Strategic Recommendations

The following section includes strategic recommendations that programmatic, financial, and policy leaders and decision-makers can employ to accelerate the growth of Black-owned businesses and to improve economic opportunity more broadly for the Black community in Birmingham.

Inspiring best practice examples from other communities have been incorporated to provide helpful roadmaps that can be followed by ecosystem members.

This is a blueprint for organizations to self-identify areas of interest, where and how to lean into leadership and owning aspects of these recommendations, and to organically form collaborative partnerships toward change.



# PREVIEW OF STRATEGIC RECOMMENDATIONS

These Recommendations have been broken into three categories based on the timeliness of expected outcomes to begin reflecting results.

## Immediate Actions (achievable within 1-2 year)

- Create a digital and physical hub
- Increase procurement to Black-owned businesses
- Create unified marketing efforts
- Expand capacity of CDFIs, MDIs, and support organizations

## Next Steps (begin flourishing in 3-5 years)

- Cultivate a culture of entrepreneurship
- Invest in main streets and strategic corridors
- Seed wealth creation for Black businesses and the community at large

## Generational Shifts

(may take 5 years or longer to begin coming to fruition)

- Aggregate Black wealth
- Directly address efforts towards racial reconciliation
- Be more intentional about talent development and retention
- Focus on wholesale community revitalization

## IMMEDIATE ACTIONS: ACHIEVING TARGETED IMPACTS

### GOAL

*Invest in tangible concepts to enhance and improve the ecosystem supporting Black-owned businesses, resulting in a higher volume of strong, Black-owned businesses that create local jobs and contribute to overall economic vitality and community vibrancy in Birmingham.*

**Our immediate lens considers the state of the ecosystem as we review the current programs and resources offered across the ecosystem, review relevant economic data, and anchor ourselves in the feedback and lived experiences of the business owners who this ecosystem seeks to serve.**

Understanding Birmingham's Black business ecosystem starts with an examination of history. Overt and systemic inequity based on race has existed in the city, dating back to its founding after the Civil War. Modern data and community feedback suggest inequities based on race remain widespread, from neighborhood assets to career pathways, to the rates of business ownership citywide, despite the history of Birmingham as a beacon of activism for civil rights in the 1960s. These inequities must be acknowledged and examined as the first step in creating a more united, capable Birmingham.

In the Birmingham MSA, there are 238 white-owned businesses per 10,000 white residents. That number diminishes to 21 Black-owned businesses per 10,000 Black residents. Birmingham has a far higher percentage of small businesses and sole proprietorships with 0-5 employees than the national average, the Black community owning 61% of these businesses. Black workers make roughly \$27,000 less than their white counterparts, on average.

From an ecosystem perspective, we see more organizations turning an intentional and strategic eye towards the disparities experienced by Black Birmingham business owners.

**Now is the time to address these realities and build solutions for the future.**

## 1

# CREATE A DIGITAL AND PHYSICAL HUB/“FRONT DOOR” OF THE ECOSYSTEM

## Taylor custom business supports and resources to the community.

Over the course of interviews with business owners and members of the entrepreneurial ecosystem, we continually heard interest in the development of a space or function that could serve as the “front door” of the ecosystem. From founders, we heard a sense of disconnection or disorientation surrounding the ecosystem, with many not knowing how to navigate the various program offerings or ascertain which organization might be the best fit for them. Additionally, frustration was expressed about the “trial and error” approach required to identify an appropriate contact or resource. On the ecosystem provider side, we heard about the challenge of turning entrepreneurs away who are not the right fit for offered programs, on occasion without a referral or potential solution.

Both parties expressed interest in increasing the ease of navigating the ecosystem, increasing connections between ecosystem entities and business owners, while also increasing awareness of the overall existence of the ecosystem itself. Many suggested this should take the form of a physical hub — a space where organizations can co-locate, where entrepreneurs can co-work, where community gatherings can occur, and where the public can engage. Elements of this vision exist already in organizations like [Innovation Depot](#) and [CREED 63](#). Yet additional steps can be taken to increase connective tissue across the ecosystem and, intentionally, with Black-owned businesses of all types.

Alternatively, this “front door” capacity could be intangible, such as a digital space. For instance, [myhuub.com](#) is a one-stop, central hub for cities that brings incubation, education and resources to small businesses. This and resources like it can provide everything from on-demand training and education to scheduling for professional services and access to funding opportunities. For a hybrid option, it can even be coupled with individuals monitoring the system and serving as ecosystem ambassadors within partnered organizations. These employees or volunteers would be responsible for having a keen awareness of the ecosystem’s provider landscape and offering guidance to identify and refer needed support.

Along with this, a more robust referral system and data sharing process would ensure greater collaboration and connectivity between the organizations themselves. While collaboration has increased in this regard in recent years, this level of coordination would mark a mindset shift for many organizations, requiring trust, vulnerability, and investment with the broader organizational peer group.

## NATIONAL SPOTLIGHT



*Bounce Innovation Hub in Akron, Ohio serves as the front door to the regional entrepreneurial ecosystem in Northeast Ohio. Encompassing inclusive programming spanning a variety of industry focuses and business stages and 300,000 square feet of coworking, event, meeting, and professional office space, Bounce has amplified the impact and reach of their local ecosystem. Notably, their space also features Stray Dog Cafe, a coffee shop open to the broader public to serve as a gathering place and point of interaction with the entrepreneurial community.*



## 2

## INCREASE PROCUREMENT AND ANNUAL SPENDING WITH LOCAL BLACK BUSINESSES

**Promote public and private commitments that are tracked for accountability.**

Intentional investment into local businesses is an objective that cannot solely rest with the ecosystem's financial institutions, there is a broader role that the local government, corporate and business communities should play. While Birmingham's banks, venture capitalists, and generous philanthropic leaders are engaged in the work of fiscal sponsorship and advocacy in support of the ecosystem, the business community and local government should play a more strategic role to create targeted impact.

Increasing annual spending with a specified target can be a powerful tool to swiftly bring about community change. Specific pledges by large members of the corporate or governmental community are the best options to play this role. Examples of this include [Target](#), which committed to spending \$2 billion with Black-owned businesses by 2025, and [P&G](#), who committed to increasing their spending with women- and diverse-owned businesses, with a goal of \$5 billion in annual spending by 2030.

Smaller scale examples include Dignity Health, a hospital system based in San Francisco, California, that is committed to supporting the local nonprofit community, providing low to no-interest loans to survive moments of economic downturn and diminished funding. Over the course of a 20-year time period, this commitment benefited 88 nonprofit organizations, which have collectively received \$45 million in funding from Dignity Health.

Network models, which coordinate the actions and economic power of a group of large institutions committed to track, share, and spend expand local impact and community benefit. Many of these networks prioritize the annual spend of anchor institutions, so-called "enduring organizations" that play a vital role with vested interest in their surrounding community. This would include institutions such as universities, healthcare systems, and local government.

## IMMEDIATE ACTIONS

In Birmingham, a network model could be deployed to create new funding avenues for small businesses and entrepreneurial ventures, to incentivize and support job creation or help to increase the capacity of capital-constrained nonprofits within the ecosystem. Locally, groups such as the Alabama Minority Business Development Agency and Economic Development Partnership of Alabama are already working to ensure greater equity in procurement and purchasing. With continued, intentional commitment to outcomes, government and private sector strategies and strong organizational partnerships have the potential to achieve transformational impact.



## NATIONAL SPOTLIGHT

*With Target’s commitment to spend \$2 billion with Black-owned businesses by 2025, they committed to “create more equitable and welcoming experiences for Black guests,” striving to leverage “the full impact of our company’s size, scale and resources to create economic opportunity for Black-owned businesses here at Target and beyond.”*

*Based on recent impact data shared via their corporate blog, the company has increased the amount spent with Black-owned companies and suppliers by more than 50%, doubled the number of Black-owned brands sold, and launched Forward Founders, an accelerator program designed to “help early-stage Black-owned and diverse businesses increase their potential to be the next wave of wealth-building companies.”*





### 3 CREATE UNIFIED MARKETING AND CITY-CENTRIC BRANDING ACROSS THE ECOSYSTEM

#### **Consolidate and promote Black businesses and their connection to space and place.**

This recommendation serves a two-fold purpose. First, in speaking with business owners, would-be founders, and ecosystem members alike, all interviewees expressed the challenge of effective communication across the ecosystem. Many entrepreneurs shared frustration about the perceived lack of access or lack of awareness about resources that could benefit their business. Would-be founders described a reluctance to pursue their business ideas due to an additional perceived lack of support. From ecosystem members, we heard about lack of capacity, which could refer to a lack of staff or lack of resources to expand beyond the digital tools, such as newsletters and social media, that many organizations rely on to spread the word about their organization and its offerings.

These frustrations could be addressed through coordinated and shared marketing across the ecosystem, diminishing the need for business owners to be personally aware of or connected with an organization or targeted market, and diminishing the need for ecosystem organizations to be solely reliant on their own in-house capacity.

Second, by incorporating a location-based perspective, such an initiative would communicate a collective narrative of belonging and connection that goes beyond the individual, business, or even corporation. It codifies participants geographical link as a constant reminder that all are accountable for the growth or decline of the whole while also supporting the idea of expanded capacity.

This could take the form of a central location of information-sharing about the ecosystem, such as the front door, a website, shared calendar, media source, or social media page. Even simple tools such as a shared hashtag for and inclusive of everyone in the ecosystem to promote resources and opportunities available to Black business owners could be an effective solution.

There are assets that can be leveraged in this regard. The [Modern Green Book](#) is a prime example, serving as a directory of current Black-owned businesses in the city. Other groups, such as the Black Economic Alliance of Birmingham, Bronze Valley, Urban Impact, and IGNITE! Alabama also boast galleries of intriguing narratives and testimonials about the city's Black-owned businesses and the impact they create.

The recent Magic City Match program, for example, gathered basic data on over 800 Black-owned businesses and side hustles in the city. This information can be leveraged to drive a marketing campaign full of vibrancy, authenticity, and direct support for Black-owned businesses. Amplifying effective channels, streamlining, and support for efforts that foster coordination and create awareness will help solve the challenge of disconnected communication across the ecosystem. Additionally, steps should be taken to ensure that language and imagery used for the ecosystem are culturally competent and resonate with the intended audience.

## INNOVATIVE APPROACH

*In New Orleans, Louisiana, a local entrepreneur recognized the need for a central source of information about the ecosystem's activity, including programs, events, and available resources, as well as stories of success and relevant events. Silicon Bayou News, founded in 2011, now serves as a one-stop source of information about entrepreneurial activity in New Orleans and Louisiana*

*more broadly, benefitting entrepreneurs, investors, and ecosystem members alike. The site annually receives over 3 million page views, with hundreds of thousands of site visitors per month from all 50 states and over 100 countries.*

SILICON BAYOU NEWS 





# 4

## EXPAND CAPACITY FOR CDFIs, MDIs, AND SUPPORT ORGANIZATIONS

### Scale access to capital and talent.

Access to capital and necessary talent are the lifeblood of a business venture. In Birmingham, we find a limited but growing financial landscape available to support businesses with critical operating capital. Similarly, we see many scaling businesses struggling to attract and retain necessary talent. These problems persist at all phases of growth and across all types of businesses. This challenge is exacerbated when we consider the dearth of dedicated resources designed to support the creation and growth of Black-owned businesses through the lens of talent access. While the research did find growing avenues for capital access in the forms of direct seed capital, lines of credit, and microgrants, **our ecosystem map lacked the presence of any organization focused on creating employment opportunities for Black individuals at Black-owned businesses.**

Workforce development and early education are the traditional paths to getting populations ready for employment. In Birmingham, there is very little evidence that Black residents are being connected to the opportunities that are present at Black-owned businesses, regardless of the industry these jobs fall in.

Organizations like Bronze Valley, The Penny Foundation, and Urban Impact, are working to meet this challenge head-on, with programs and efforts designed to scale capital access and financial education with dedicated intention surrounding Black entrepreneurship. Furthermore, CDFI's with a local presence are working daily to provide alternative forms of debt and equity financing to existing minority-owned businesses. And even major financial institutions such as Regions Bank and JPMorgan Chase have dedicated specific funds to not only organizations within the local community that support Black business ownership, but Black-owned businesses themselves.

## IMMEDIATE ACTIONS

**Amplifying effective channels and streamlining support for efforts that foster coordination and create awareness will help solve the challenge of disconnected communication across the ecosystem. Additionally, steps should be taken to ensure that language and imagery used across the ecosystem are culturally competent and resonate with the intended audience.**

In particular, we note trends relative to the Black business community that appear like bookends, affecting both the smallest and largest ventures in the community. Entrepreneurs and business owners seeking smaller levels of investment, frequently less than \$50,000 are often undercapitalized. This could be due to lack of access, lack of awareness, or lack of ability to meet the requirements of traditional financial institutions. For rapidly scaling ventures, particularly those that are technology-enabled or innovation-based, we find a scenario in which the types of capital they're seeking do not exist locally, particularly when their capital needs exceed \$3 million in funding. This can result in an exit from the market to pursue investment in other cities, such as Atlanta or Nashville, or larger markets along the East and West coasts. These trends, particularly for high-growth potential founders, persist nationally, with only 1% of venture-backed startups having a Black founder and fewer than 3% of venture capital investors being Black.

Talent follows a similar trend line, with the smallest ventures struggling to move beyond side hustle or sole proprietorship status. The larger or rapid-scaling ventures struggle to identify the types of expertise needed to maintain scale. Many expressed frustration at the lack of support in this area. One interviewee smartly noted that the ecosystem and specifically the talent needed for a high-growth startup is completely different than what a small storefront needs. Another pointed out that you simply can't use generic, cookie-cutter resources for problems that have been perpetuated for 150+ years and expect anything to change in this space. User-specific resources built for Black-owned businesses to attract talent are missing, only furthering the distrust many Black business owners feel towards the so-called 'establishment' of Birmingham.

There is an opportunity to scale both financial and human capital, increasing business owners' access to critical sources of funding and talent to fuel the growth of their business. This scale-up could include:

- The funding and expansion of existing financial institutions
- The creation of new sources of capital, such as angel investment groups dedicated to investing in Black-owned businesses
- Financial education for business owners to ensure awareness and preparedness
- Dedicated programs to market and promote Birmingham as a community of opportunity, as well as specific career opportunities at Black-owned firms
- Programs and resources designed to support talent retention at small businesses

# IMMEDIATE ACTIONS



## NATIONAL SPOTLIGHT

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*With the understanding that a diverse workforce is essential to the ongoing economic vitality of its region, Vibrant Pittsburgh is building a thriving and inclusive region by attracting, welcoming, retaining, and elevating a diversity of talent in Pittsburgh, Pennsylvania. This nonprofit organization accelerates the growth rate of diverse workers in its region by: (1) working with employers and community groups to organize, promote, and implement attraction and retention strategies, and (2) conducting targeted initiatives at national conventions, cultural festivals, and career fairs, and (3) serving as a central resource, spokesperson, and convener on inclusion issues.*

## IMPACT STORY

---



*BBIF Florida is a nonprofit Community Development Financial Institution (CDFI) with a mission to help Black, minority, and underserved small businesses thrive by providing loan capital alongside business development training in the state of Florida. As of 2020, the organization has provided \$62.9 million in funding for small businesses, creating 14,717 jobs and retaining another 2,920. The organization prioritizes meeting local needs, including defining strategic areas of focus, offering technical assistance, and ensuring strong community outreach. As of 2022, the organization has hosted 477 community events and over 5,000 roundtable sessions.*

## INTERMEDIATE IDEAS: NEXT STEPS TOWARD COMMUNITY MINDSET

**Birmingham still feels the generational trauma of legalized racism. Not only does inequality persist in the quality of neighborhoods, job opportunities, and rates of generational wealth, it is a part of the community mindset.**

As one of our interviewees blatantly said: **“there is a perception that Black people in Birmingham can only go so far.”** This belief is supported by historic inequities that are maintained by modern-day realities, which have constrained economic opportunities for Birmingham’s Black residents. Resources for community and individual progress lag behind what is truly needed to generate social progress.

The goal of this project, to improve the economic and business support ecosystem for Birmingham’s Black businesses, would be for naught without a larger focus on how to break the barriers that uphold these generational inequalities. Improving the community mindset is improving the Black business ecosystem; improving the Black business ecosystem is shifting the community mindset. The two ideas are interconnected.

Birmingham’s mindset must first be examined as a whole. We hear consistently that the city should meet the standards of its Southern sisters, Atlanta, and Nashville. In data, the gaps between Birmingham and these models present themselves in low rates of business births, educational achievement, wage growth, and business size.

Specific to the Black community, these gaps loom even larger. The size of Black-owned businesses, the volume of existing businesses, wages, and education rates all lag behind the rest of the city. Pair this with increased levels of blight, vacancy, and disinvestment, one begins to see a bleak picture within Birmingham’s predominantly Black communities: quality of life and place are historically weakened, creating a perpetual feedback loop of negative outcomes.

“ GOAL

*To identify key areas of investment that shift the mindset of the community, creating new opportunities and new narratives that catalyze economic prosperity in Birmingham.*

”

## INTERMEDIATE IDEAS

**How can this story of divestment and inequity be altered moving forward? Interviewees paint a clear picture of what has caused these issues: a lack of investment into placemaking, limited talent retention, dwindling cultures of innovation and entrepreneurship, and the limited creation of generational wealth through growth in jobs, businesses, and knowledge. Efforts have been made to create change in these areas, but as one of our interviewees said best: “you cannot use general solutions for specific racial issues in areas that have been discriminated against for 150 years.” It is clear that direct resources are needed to support community-changing initiatives in business creation, education, spaces, and social networks. These pillars can breed economic prosperity in the long term and are needed to shift longstanding disparities surrounding quality of life, place, and socioeconomic mobility based on race in the city.**

A crucial part of this project is piecing together not only a stronger ecosystem but sustainable, change-making investments for the future. Birmingham’s inequities have long stood in the way of progress and prosperity for the Black community from the neighborhood to the city level. Though one project and plan will not uproot the realities of this situation, we hope to frame ideas that hold real weight and catalyze momentum to turn Birmingham into a place where all can succeed.

### RECOMMENDATIONS:

1

## CULTIVATE A CULTURE OF ENTREPRENEURSHIP

**Start with the youth and build clarity within career pathways, especially towards innovation and invention.**

According to the Small Business Administration (SBA), small businesses create 62% of the nation's net new jobs. A strong ecosystem to support small business growth is key. Equally critical, however, is a culture of entrepreneurship, helping to ensure a viable pipeline of future founders and business owners who can contribute to the local economy. While an ecosystem and community culture are assets that can be held at the city level, additional diligence is needed when considering the Black community, which can be risk averse and wary of nontraditional pathways for career or financial investment.

This cultural shift is something that can begin at an early age, increasing exposure and awareness of K12 students to local entrepreneurs and entrepreneurship as a viable career path. Additionally, an intentional eye can be turned towards the communication and celebration of entrepreneurial activity, with emphasis on activity coming out of the Black community. This can take the form of an annual calendar of entrepreneurially-oriented events designed for participation from the broader community, shop local campaigns featuring local business owners, and dedicated features within local media.

The Community Foundation of Greater Birmingham already does great work in driving investments that improve educational outcomes and communities in the city, creating thriving students and schools that breed better economic outcomes. Innovation Depot is working hard to ensure entrepreneurship in the city feels ‘cool,’ celebrating founders and the ideas they have, whether a formal business is born from them or not. Ideally, this sort of work would not only be expanded but refined to preach a unified mission and vision that all in Birmingham can participate in.

## INNOVATIVE APPROACH

*In Louisiana, Junior Achievement of Greater New Orleans has developed the Trust Your Crazy Ideas Challenge, a statewide initiative that introduces high school students to the fundamentals of innovation and entrepreneurship, encouraging them to work in teams to develop a business plan that can be pitched to an audience of their peers and local business leaders. Student teams are partnered with local business owners who serve as mentors. Finalist teams compete for scholarship funding and funding for their respective high school. To date, \$250,000 has been provided in scholarships to students and schools across Louisiana.*



## INTERMEDIATE IDEAS

2

### INVEST IN MAIN STREETS AND STRATEGIC BUSINESS CORRIDORS

**Invest in storefronts, updates, and clean beautiful spaces that speak to culture and character.**

Main streets and strategic corridors serve as the core of a community, bringing about business density, protecting neighborhood property values, and increasing the overall quality of life for neighborhood residents. In Birmingham, we see numerous strategic corridors, which have played critical roles in the economic, cultural, and civic history of the Black community, such as the Historic 4th Avenue Business District, the Civil Rights District, and corridors in Woodlawn, East Lake, and Ensley.

Many of the main streets and corridors historically thought of as critical to the Black community have experienced a decline from their historic heyday, either due to disinvestment, changes in residential patterns, or strategic policy and planning decisions that prioritized other areas. This stands in stark contrast to majority white communities that fall just outside of the city limits, such as Homewood, Vestavia, or Mountain Brook, where significant investments in commercial and residential development, neighborhood beautification, and amenities have increased the quality of place, quality of life, and overall sentiment surrounding the community.

As we heard in one interview, “what you see around you affects what you believe is possible for you and your community.” Investments in main streets and strategic corridors within majority Black communities will be critical to shifting the mindsets of residents, stakeholders, and potential investors.

Urban Impact and REV Birmingham, both local leaders in equitable community and economic development, have already laid the groundwork for practicing placemaking as a means of economic transition. Corridors, typically composed of small businesses, such as business service providers, restaurants, hair salons, and retail boutiques, have the potential to change the face of communities. As density is built, further investments can spill over from the main street core.

#### IMPACT STORY



*Sweet Auburn is a historically Black neighborhood that lies just east of downtown Atlanta, Georgia, and features a critical corridor of businesses and historic buildings. Sweet Auburn Works is a nonprofit organization working to deploy Main Street America’s Main Street Approach within Sweet Auburn with goals to promote authentic community assets, organize pathways for local economic leadership, design and execute targeted infrastructure and building improvement, and provide economic guidance and restructuring that leads to community revitalization. As of 2017, Sweet Auburn has seen over \$155 million in investment, with another \$514 million in projects under construction or planned for completion, totaling \$689 million which includes 4,021 residential units, 4,300 square feet of retail and office space, and 532,500 square feet of institutional space.*

## 3

## SEED WEALTH CREATION FOR BLACK BUSINESSES AND THE COMMUNITY AT LARGE

### Seeding Wealth Creation

Within the small business arena, we see Black small business owners struggling to meet similar levels of capital access as their white peers, even with equal qualifications. Data surrounding the Paycheck Protection Program (PPP) affirmed this at a local and national level. Additional research has been executed, demonstrating the connectivity between low levels of Black business investment or capitalization and comparatively low levels of Black wealth and Black investor presence.

For example, at the national level, only 1% of venture-backed startups have a Black founder, and fewer than 3% of venture capital investors are Black, a set of statistics that many suggest indicates a direct correlation between numbers of investors and levels of investment. Similarly, Morgan Stanley executed research that found investors are more likely to focus on “fit” — a subjective term referring to an investor’s comfort or ability to relate to a founder — as a core requirement for investment. This subjectivity has created trends in the data that show a wide disparity in the investment community. This disparity spills over into the traditional lending community and holds grave implications for many Black business owners.

Effort must be placed into the work of Black wealth creation that can begin to turn the tide of experienced trends relative to small business capitalization and overall investment in Birmingham’s Black communities and businesses. Emphasis should be placed more immediately on increasing local wages and educating individuals who currently possess high net worth on the importance and tactics connected to local investing.

## INNOVATIVE APPROACH



*BLCK VC is a nonprofit organization designed to “connect, engage, empower, and advance Black venture investors.” They offer the Black Venture Institute, a curriculum-based model, designed in partnership with the Berkeley Haas School of Business and Berkeley Executive Education, dedicated to teaching Black potential investors the foundational elements to become angel and venture investors.*



# GENERATIONAL SHIFTS: QUALITY OF LIFE

The strategic recommendations reflected previously in this plan represent the tip of the iceberg in terms of the type of impact that can and must be achieved over time. Below are overarching outcomes to envision a future for Birmingham that is both equitable and inclusive.

1

## AGGREGATE BLACK WEALTH

As strategies to seed Black wealth take hold, this movement towards accumulation can be aggregated to achieve greater impact within the city. Establishing investment funds, seeding new ventures, both for-profit and nonprofit, increasing homeownership, as well as helping to influence and shape local policy and planning can work to close the racial wealth gap and increase the overall quality of life for Black residents.

2

## DIRECTLY ADDRESS EFFORTS FOR RACIAL RECONCILIATION

Without addressing the legacy of the past, there is limited hope for a future that looks drastically different from today. Efforts to address the past and present realities of racism, both systemic and social, must be contended with and connected to real action to rectify and repair past ills. Work must be done to bridge the dissonance in lived experience between Black and white Birmingham. Program and resource providers must place radical intention and investment in programs that reconcile and repair past ills and that document and report out against the stories, strategies, and commitments resulting from this work.

3

## BE INTENTIONAL ABOUT TALENT DEVELOPMENT AND RETENTION

For Birmingham's Black community to thrive it also must grow. This includes the cultivation of current talent — the community's Black youth and student population — as well as the attraction and retention of talent coming from outside of the city to pursue opportunities in Birmingham. This work includes the creation of good, well-paying jobs, as well as the intentional promotion of Birmingham where young, Black people can live, work, and thrive.

4

## WHOLESCALE COMMUNITY REVITALIZATION

Lastly, a clear commitment must be made surrounding community revitalization and reinvestment. Without even considering the data, the disparities between Birmingham neighborhoods are clear. Building up neighborhoods, supporting residents in pursuing home ownership and personal revitalization and beautification efforts, as well as larger scale investments in infrastructure, educational facilities, gathering spaces, and green space will honor the legacy of the past and honor the promise of tomorrow.



## NATIONAL SPOTLIGHT

*In Long Beach, California, the Long Beach City Council adopted a four-part Framework for Racial Reconciliation that set-in place intentions to 1) acknowledge the existence and impact of systemic racism in Long Beach; 2) listen to the lived experience of residents impacted by racism; 3) convene stakeholders to consider programmatic, budgetary, and policy-oriented areas of investment; and 4) catalyze action to accelerate racial equity. Following a series of town halls, roundtables, listening sessions, and stakeholder convenings, an initial report was released in August 2020 that details specific actions the City is intending to take “to address anti-Black racism, advance racial equity, and create a vision for Long Beach’s future where race does not determine social and economic outcomes.” City staff and a broader stakeholder network are now working against the report’s action items.*

# PART 3



**STRENGTH**



**WEAKNESSES**



**OPPORTUNITIES**



**THREATS**

## MAKING SWOT CONNECTIONS

The recommendations were surfaced from the community and have the secondary goal of mitigating observed problems explored through a SWOT analysis of the ecosystem. Each has the role of either supporting a strength, mitigating a weakness, taking advantage of an opportunity, or directly confronting a potential threat.

In short, the basic SWOT findings follow:

### [S]TRENGTHS

- Racial diversity of population
- Healthcare industry as a competitive advantage
- Program rich (caveat= system poor)
- Synergy within the city power structure

### [W]EAKNESSES

- Racial disparities in business ownership
- Wage gap
- Inequity in resource distribution
- Community-based blight included

### [O]PPORTUNITIES

- Growth within high-wage industries
- Diversity of existing Black-owned business (types)
- Rate of business creation with slower exits
- Room to grow employees
- Improving quality of place
- Room to customize resources

### [T]HREATS

- COVID recovery
- Need to address reduction in educational attainment
- Generational trauma and ingrained distrust
- Perceptions, stereotypes and inaccurate assumptions

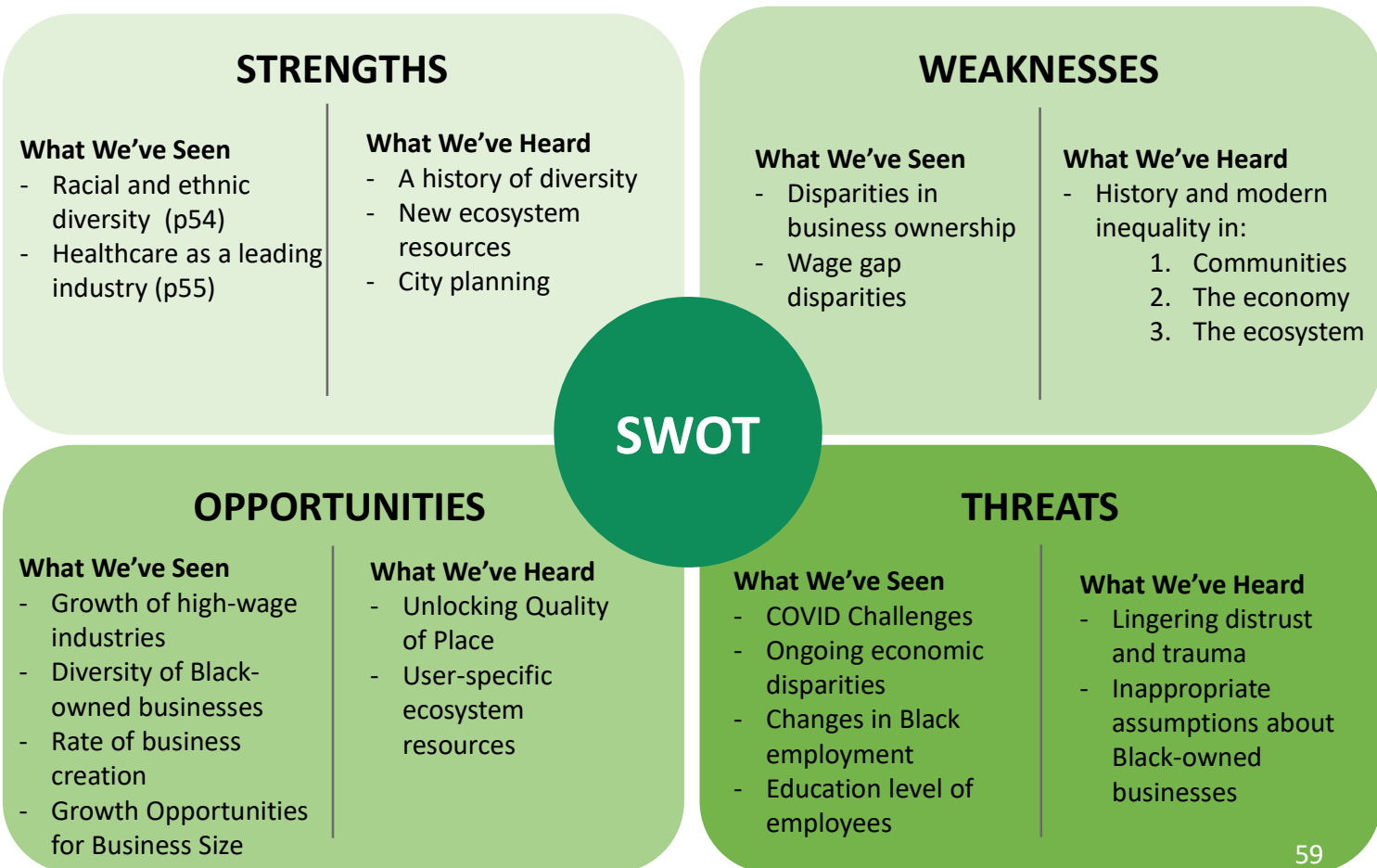
# BASELINE ANALYSIS

To develop the strategic recommendation and enhance Birmingham’s Black-owned business support ecosystem, we considered the local economy. Here we frame Birmingham’s industry makeup and state of the ecosystem around strengths, weaknesses, opportunities, and threats (SWOT).

Insights are presented through two lenses: *what we’ve seen*, which are trends based on published data sources, economic reports, and labor statistics analysis, and *what we’ve heard*, which are trends consistently heard throughout this project’s community engagement.

These efforts included interviews with ecosystem organizations and the businesses they support, multiple visits to Birmingham to understand community context and geography, and facilitation focused on the ecosystem’s collective vision and concepts for achieving this vision. **While we recognize anecdotal evidence may not reflect all perspectives held across the community, this qualitative analysis does reflect the most consistent themes and sentiments, many of which are in direct correlation to the quantitative analysis.**

Data collection and reporting varies in availability for the area, especially regarding the breakdown for specific demographics. As a result, throughout this SWOT analysis, the Birmingham-Hoover metropolitan statistical area (MSA) is the geographic boundary for analyzed data. Occasionally, when data is available at both levels, we compared the MSA to the City of Birmingham. In a few instances, where only county-level data is available, we use Jefferson County data. These instances are noted.





# STRENGTHS

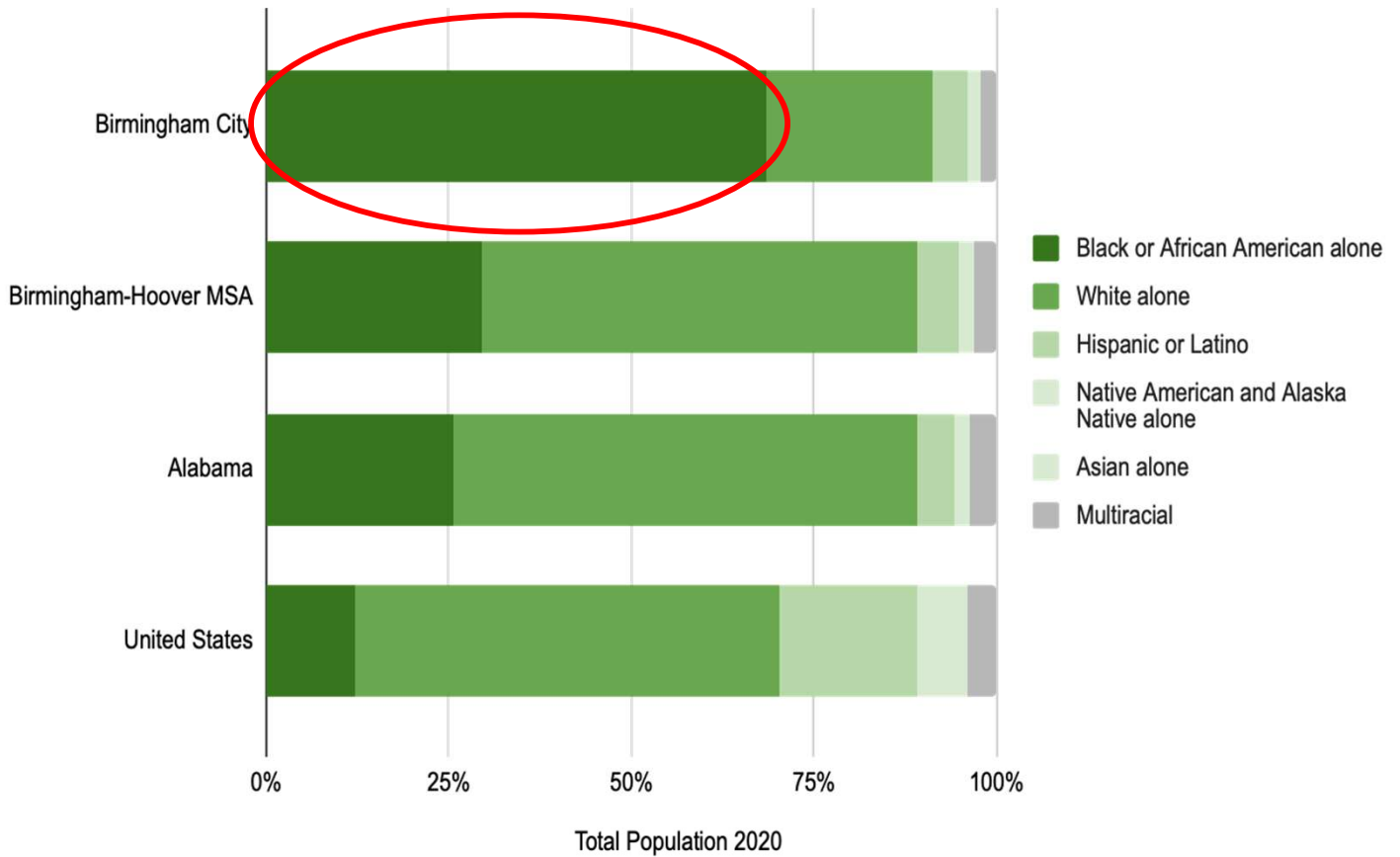
-WHAT WE'VE SEEN-

## RACIAL & ETHNIC DIVERSITY

**Both the city of Birmingham and the Birmingham-Hoover MSA are more racially diverse than the United States.**

The MSA closely mirrors the demographic breakdown of the state of Alabama, yet the city of Birmingham features a key difference, the population share of the Black community. Birmingham's racial and ethnic diversity is an essential asset for the present and future strength of Birmingham, presenting building blocks for the growth of a more inclusive and equitable economy.

Diversity: Race and Ethnicity by Geographical Area



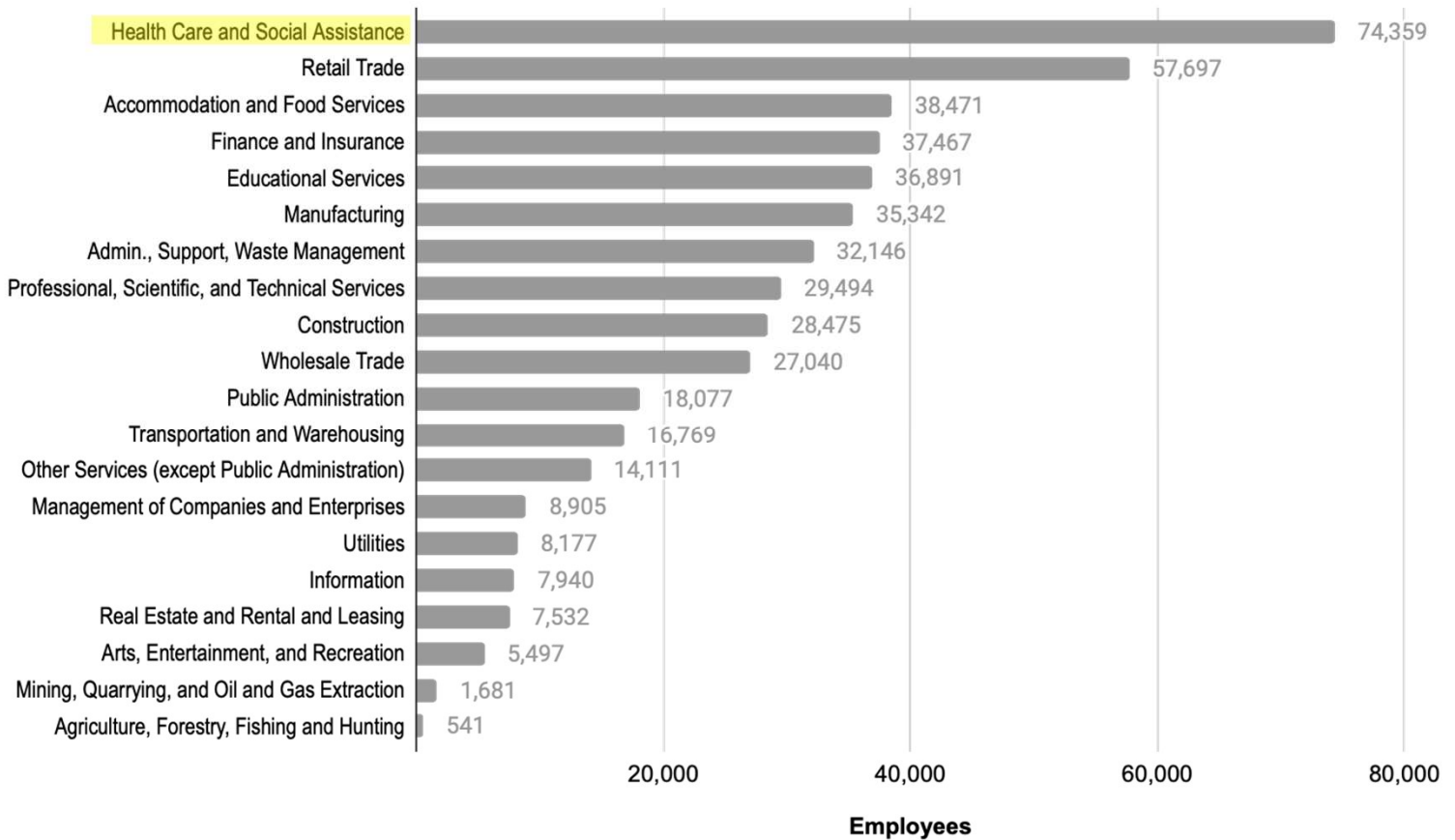
Source: Decennial Census 2020

## HEALTHCARE AS A LEADING INDUSTRY

Overall, Health Care/Social Assistance is the largest employing industry in Birmingham. Health Care is also the largest employing industry in the nation<sup>1</sup>, with 20 million employees across the US. Having Health Care as a leading industry is a strength as the Bureau of Labor Statistics (BLS) projects the industry will grow 14% by 2028.

After Health Care, Retail stands out as the second-most employing industry, followed by Accommodation and Food Service. These three industries have maintained their status as top employing industries since 2014.

Birmingham Employment by Industry 2020 | Census Quarterly Workforce Indicators (2020)



<sup>1</sup> Bureau, US Census. "Census Bureau's 2018 County Business Patterns Provides Data on Over 1,200 Industries." Census.gov. Accessed April 28, 2022. <https://www.census.gov/library/stories/2020/10/health-care-still-largest-united-states-employer.html>.

## A HISTORY OF DIVERSITY

### -WHAT WE'VE HEARD-

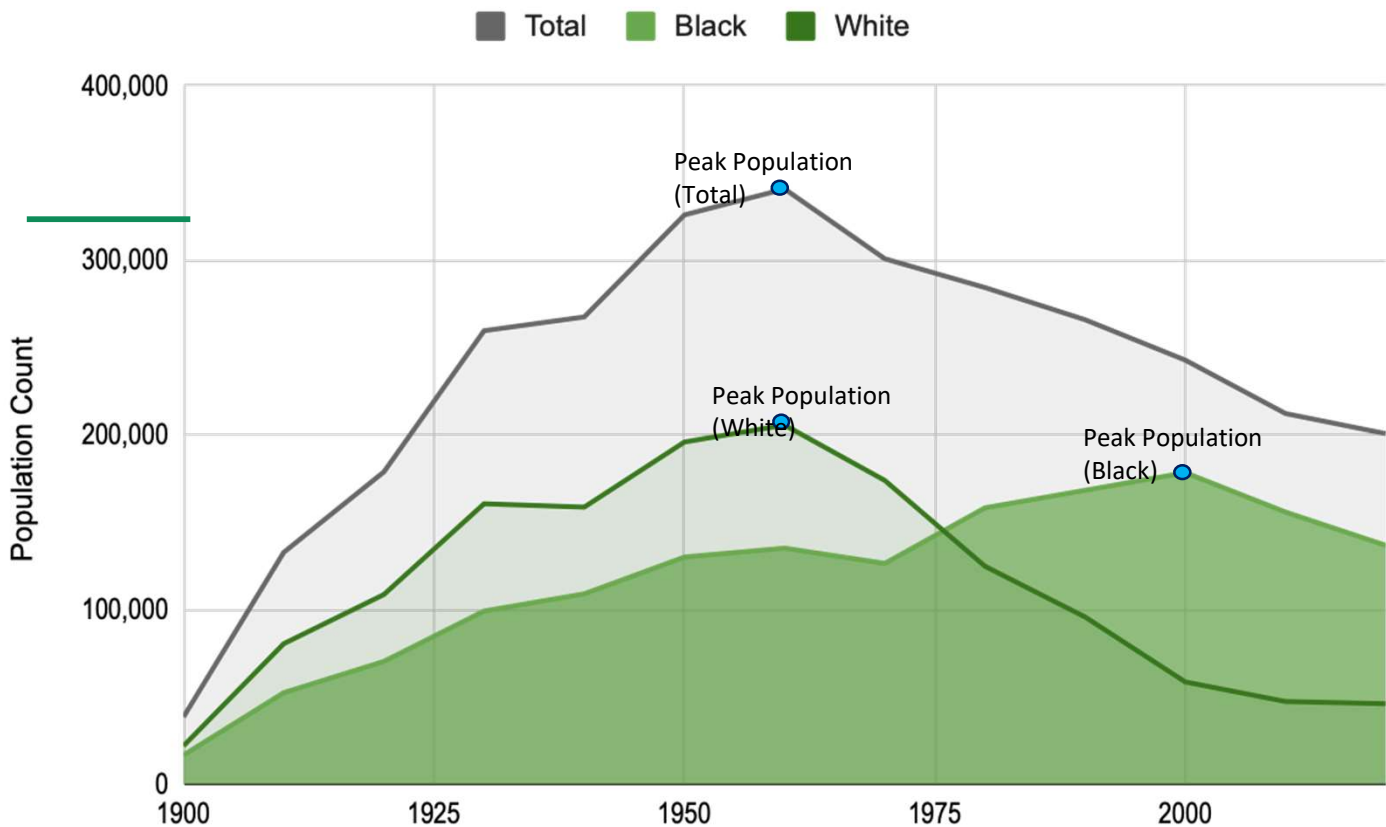
**Birmingham has a rich and resilient history with its demographics being one of the city's largest strengths.**

Across community engagement efforts, a strong sense of pride is noted in how the city came to be, its recovery in the post-industrial era, and perhaps most notably, its population. The city is close to 70% Black, a population that has weathered time and remained strong and dense in the face of legal and systemic struggle.



# STRENGTHS

Diversity: Race and Ethnicity in Birmingham Over Time (1900-2020)



Source: Decennial Census 2020

**The Black population in Birmingham steadily grew throughout the last century, peaking in 2000. Similar to other cities that experienced white flight, Birmingham’s white population began to decline in the 1960s, falling by nearly three-quarters as of 2010.**

Birmingham’s Black population also slightly declined in the 1960s, but rebounded in the 1970s, increasing at a rate above 25%. Birmingham’s shifting demographics define these decades, playing directly off the city’s role in the Civil Rights Movement.

Birmingham’s history of Civil Rights activism continues to shape its identity. 4th Avenue and the Civil Rights District represent a complex history and demonstrate how Birmingham played such a crucial role then, up to present day. The city became a battleground based on race, and ultimately justice prevailed. It has since become a beacon of hope for what Black Americans in the South can accomplish: peace, prosperity, and a better tomorrow.

However, this same movement left behind ample trauma and a legacy of distrust between Black residents and the city as a whole. Socioeconomic data did not magically shift in the post-Civil Rights era. Many of the correlated socioeconomic trends and psychological impacts continue.

## NEW ECOSYSTEM RESOURCES

**Specific to the economic and business support ecosystem of Birmingham, immense momentum in the volume of resources available for Black-owned businesses and their owners is becoming more apparent.**

Specifically, the last 3-5 years have marked a shift on this front. Nonprofits, accelerators, CDFIs, and other resource partners have created minority-specific funding mechanisms, technical assistance programs, networking opportunities, education courses, and even full-fledged support organizations effective in getting resources into people's hands and proving to longtime Black residents that opportunity exists and is achievable. Examples, but not an exhaustive list, of this work include:



**Bronze Valley's** work to fund minority-owned technology startups throughout the city and country, such as **Mixtroz**, and provide technical assistance and mentoring, generating 31 new jobs and \$6.4M in revenue from 2018-2020 in Black and women-owned businesses.

**The Alabama Minority Business Development Agency's** support for Black contractors in winning procurement opportunities, assisting companies with market assessments and capital access that support business growth.

Multiple **Community Development Finance Institutions (CDFIs)**, including Sabre Finance, LiftFund, and TruFund, provided \$3.1M of loans in 2021 throughout the state to businesses and founders that may not meet the standards of a traditional bank loan, increasing capital access across Alabama.

The work of **The Penny Foundation** to help longtime Black residents of Birmingham to build generational wealth, crafting programming and funding streams that engage Black populations and business owners, civic and corporate donors, and small business ecosystem partners.

**IGNITE! Alabama** stepping into Birmingham's Black-owned business ecosystem and serving as a convener for partners and stakeholders to meet and discuss collective goals and impacts, creating well-attended educational workshops, connections between business owners and financing opportunities, and gathering professional service providers to support Black-owned businesses.



# CITY PLANNING

**Many civically involved engagement participants pointed to the robust city and regional planning efforts as a massive strength for the Birmingham area.**

Groups including the City government and Regional Planning Commission of Greater Birmingham have drafted plans to provide an immense level of detail on existing conditions, community opinions, and potential for redevelopment and investment in each of Birmingham's unique corridors. New groups are also being formed to discuss and move towards revitalization, education reform, economic development, and innovation, all reflecting a strong synergistic base from which to build.



# WEAKNESSES

-WHAT WE'VE SEEN-

## DISPARITIES IN BUSINESS OWNERSHIP

Referenced in a February 2022 Lending Tree Study on metropolitan areas with the largest presence of Black businesses (with employees, not including sole proprietors), Birmingham is an example of a place with a large Black population that does not translate into a large share of Black-owned businesses. Washington DC, Richmond, St. Louis, and Baltimore all have more Black-owned businesses than Birmingham despite having smaller shares of Black residents.

When considering the share of Black-owned businesses relative to the share of the Black population, [Brookings](#) found Birmingham ranked lowest of the nation's 53 largest metros in 2021. For every 10,000 Birmingham MSA residents, there are only six Black-owned businesses, compared to 238 white-owned businesses. **Parity between business owners by race would see more than 7,000 total Black-owned businesses with employees across the MSA as opposed to the current 693.**



Diversity: Birmingham Black Business Ownership (with Employees) as a Percentage of Population

Rank in Black Businesses	Metro	Total Businesses	Black-Owned Businesses	% of Black-Owned Businesses	% of population that's Black
20 <sup>th</sup> /50 metros	Birmingham	19,683	693	3.5%	31%

Source: Lending Tree

## WAGE GAP DISPARITIES

Black Workers Earn Less than their White Counterparts. Despite growing wages in the metro, Black workers continue to be paid the lowest average annual wage (\$41,364) of all races and ethnicities. Not only do low wages impact one's ability to achieve basic needs and quality of life, but they also make start-up capital or credit more difficult to attain when trying to start (or formalize) a business.

### Disparity: Summary of Employment and Wages by Race

Race/Ethnicity	Employment 2020	Change in # of workers 2015-2020	Average annual wages 2020	Change in # of wages 2015-2020
White Alone	330,435	-0.2%	\$68,976	26.0%
Black or African American Alone	140,446	1.0%	\$41,364	21.2%
Native Americans and Alaska Natives	1,896	9.5%	\$48,948	18.5%
Asian Alone	8,367	15.8%	\$71,172	30.1%
Native Hawaiian or Other Pacific Islander Alone	390	NA	\$47,520	NA
Two or More Race Groups	5,083	15.7%	\$47,580	22.5%
Hispanic Ethnicity*	17,087	22.79%	\$46,356	23.7%
Total Workforce	414,544	1.73%	\$62,124	30.0%

\*Source: Census Quarterly Workforce Indicators 2020

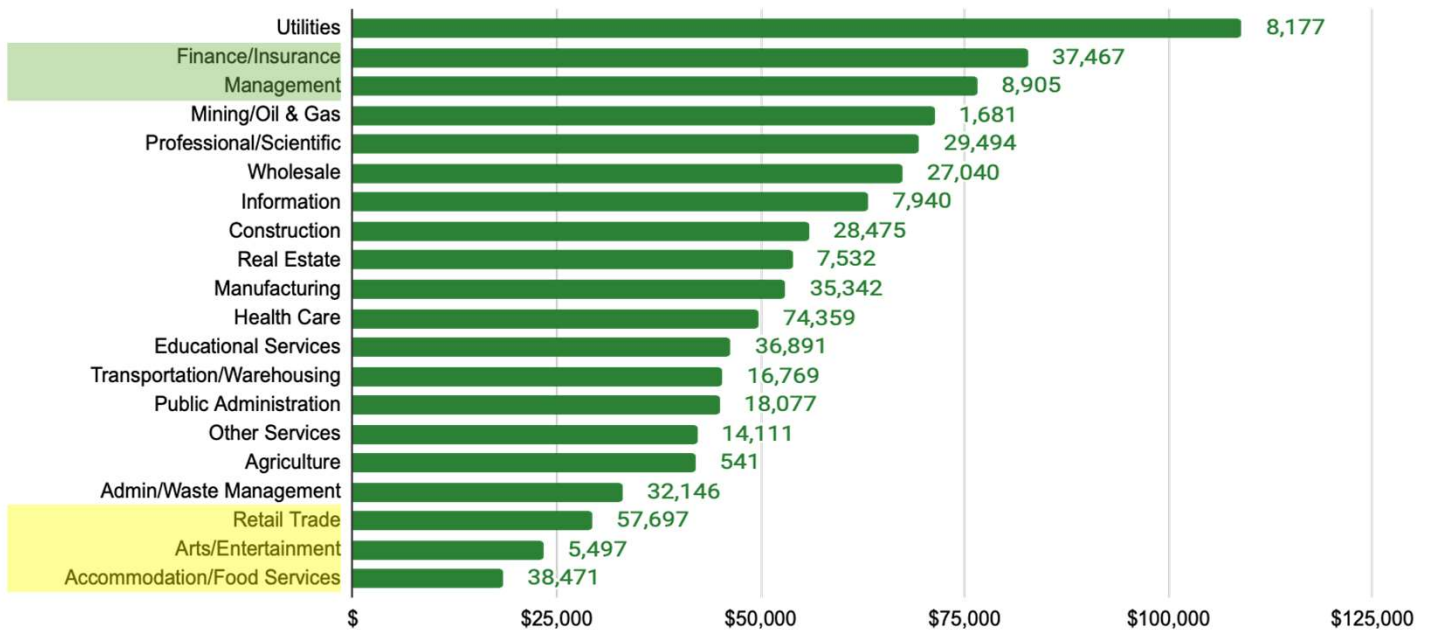
**While the metropolitan area's workforce remained stable from 2015 to 2020, wages grew by 30%. However, Black workers experienced smaller gains in wages (21.2%) relative to almost all other races and ethnicities. Black workers brought home \$27,600 less than white workers in 2020.**

# WEAKNESSES

In 2020, industries with the lowest wages included **Accommodation/Food Service, Arts/Entertainment, and Retail**. Two of these industries are among the largest employers in Birmingham: Retail (57,697) and Accommodation/Food Service (38,471). Finance/Insurance and Management experienced the largest jumps in wages from 2019-2020.

White workers disproportionately work in higher-wage industries. The share of white workers surpassed the share of the white population in the top nine wage-paying industries: Utilities, Finance/Insurance, Management, Mining/Oil/Gas, Professional/Scientific/Technical Services, Wholesale, Information, Construction, and Real Estate.

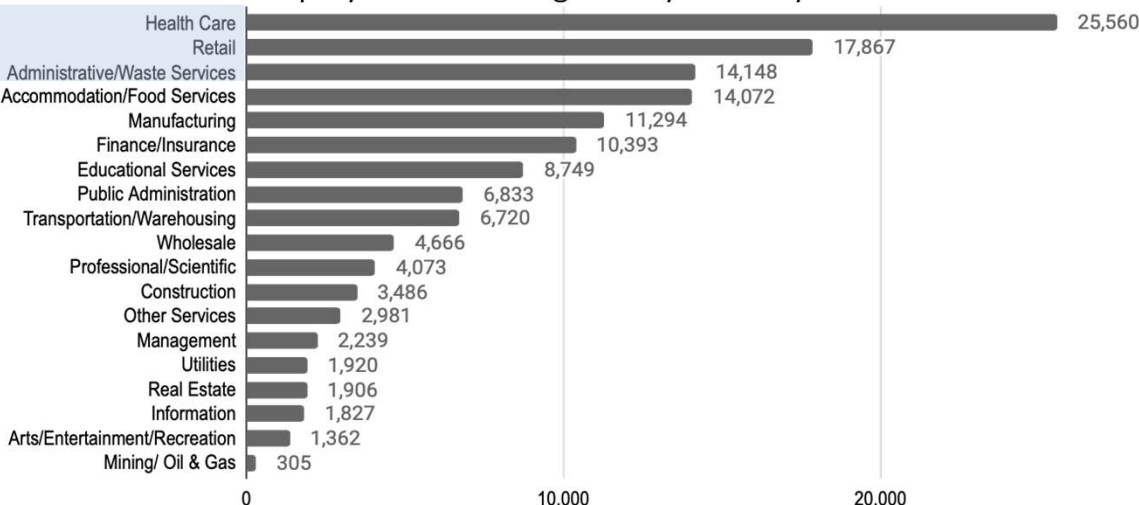
Wages: Average Annual Earnings in Birmingham by Industry



Source: Census Quarterly Workforce Indicators 2020

**Beyond Health Care, Black workers are concentrated in low-wage industries such as Retail, Administrative/ Waste Services, and Accommodation/Food Service. These industries all experienced employment losses during COVID.**

Workforce: Black Employees in Birmingham by Industry



Source: Census Quarterly Workforce Indicators 2020



## HISTORY & MODERN INEQUALITY

### -WHAT WE'VE HEARD-

**Birmingham has suffered from race-based inequality since its inception in the Jim Crow era, a fact confirmed in both interviews and analysis.**

Data suggests Black communities and individuals have always lagged behind city averages in terms of wages, educational attainment, health outcomes, and business ownership. Despite efforts to shift these paradigms, these realities remain steadfast today. We see inequality manifested in modern Birmingham in three main avenues related to this project: 1. communities, 2. the economy, and 3. the city's economic and business support ecosystem.

### IN THE COMMUNITY

Birmingham's communities have long been separated on the basis of race. While the predominantly white communities of Homewood, Vestavia, and Mountain Brook have received main street investment, housing development, and increases in population, predominantly Black areas have dealt with crime, blight, inferior schools, and an overall lack of investment. We heard the following perception in a variety of engagements on this project: "in Birmingham, where you're from defines who you are and what you're capable of."

Considering the precursors to building strong social networks and wealth are tied to educational outcomes, healthy environment, and access to creativity, Birmingham suffers from a vast weakness on this front.

The lack of community-based support for longtime Black areas only perpetuates this reality. While most affluent, populous white areas have a community development corporation (CDC) to look after things like land use, housing development, and assistance for businesses, predominantly Black communities often lack these resources and capacities.

“

*In Birmingham,  
where you're  
from defines who  
you are and what  
you're capable of.*

”

## IN THE ECONOMY

The above data paints a grim picture of the economy for Black residents of Birmingham. Black workers are more likely to hold jobs in lower-wage industries, reflected in the fact that this demographic makes approximately \$27,000 less annually than white workers, on average. Black residents are also significantly less likely to start and own a business, and if they do, the odds are it will be a sole proprietorship with no employees. These businesses are often missing out on capital injections that can see a business scale, growing their staff and revenue. These realities combine to paint a grim picture of what it means to be Black in Birmingham. As one of our interviewees poignantly pointed out:

**“there is a real perception in Birmingham that a Black person can only go so far.”**

## IN THE ECOSYSTEM

While the economic and business support ecosystem has recently been building out resources specifically for Black-owned businesses, support groups frequently lack specific offerings that meet the needs of this demographic. Black business owners see ecosystem resources as sometimes having insurmountably high barriers to entry. Classes require time away from manning the counter or front desk of a business. Accelerator programs often require high-growth ideas and innovative technologies that lifestyle and service-oriented businesses lack or simply find unrelatable. Capital requires connections, notoriety, as well as strong documentation, and pro forma financial statements. The Black community lacks access to the lawyers, accountants, and investors required to generate these documents, financial history, and records.

The problems Black-owned businesses face on this front are layered and systemic. An interviewee for this project claimed,

**“ecosystem providers take the word of the five Black people they know and make it law.”**

Thus, programming and resources are seen as lacking true impact. The average business owner who seeks help is not having their root problems addressed. Limited success stories are great, but widespread impact in spaces that require solutions would trump these anecdotes and testimonials.



# OPPORTUNITIES

-WHAT WE'VE SEEN-

## GROWTH OF HIGH WAGE INDUSTRIES

Before the COVID-19 pandemic, a mix of blue, white, and creative (Arts/Entertainment) collar industries were growing. Notably, high-wage industries such as Information and Professional/Scientific/Technical Services topped the chart along with more middle-of-the road Manufacturing and less lucrative Administrative/Waste Management.

Growth across this wide variety of industries can encourage inclusive economies by demanding workers with an equally wide range of technical skills and experience. Serving entrepreneurs across these industries can see the ecosystem actualize this opportunity for inclusive growth. More entrepreneurs benefitting multiple sectors can beget more work, both within the target and externally, from Healthcare to Construction. Additionally, opportunities for cross-pollination or interdisciplinary collaboration thrive in an environment with a healthy mix of industries.

Industry: Average Annual Wage Compared with Industry Growth Percentage



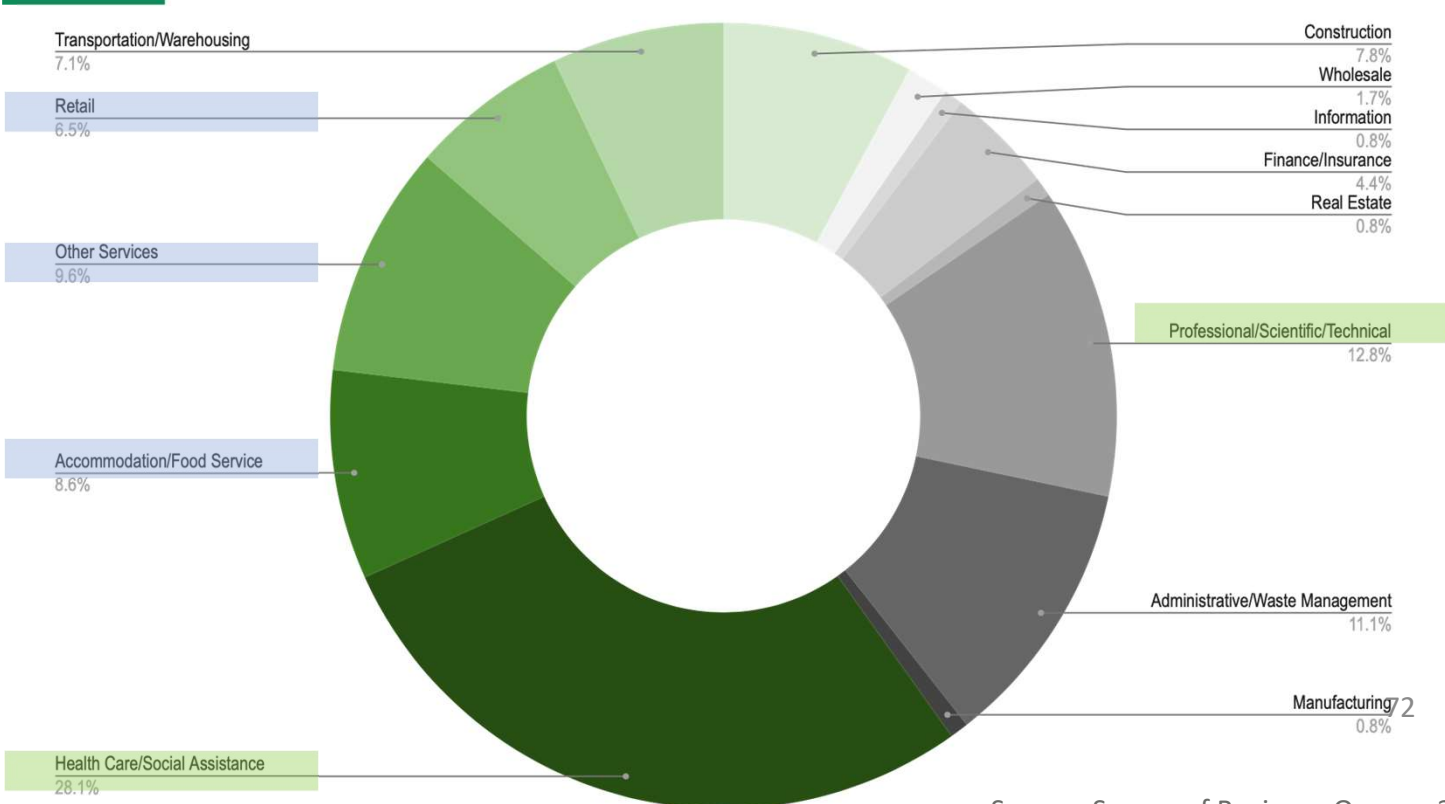
# DIVERSITY OF BLACK-OWNED BUSINESSES

A common misconception is that despite a lot of recent buzz around technology, most Black entrepreneurs operate within lifestyle industries. Data as far back as 2012 establishes that this is not the actual case.

According to Survey of Business Owner (SBO) data reported in 2012, the most recent and accurate information available from the census, there were 526 Black-owned businesses in the Birmingham MSA. As represented in the chart below, approximately 25% of those businesses are within lifestyle serving sectors (Accommodation/Food Service, Retail, and Other Services). This is less than the overall share of lifestyle businesses in Birmingham across all business owner demographics, which was 29% during that same timeframe.

The largest share of Black-owned businesses is in Health Care and Social Assistance. This industry accounts for 10% of the region’s overall firms, and 28% of Black-owned businesses. As Birmingham creates a Health Care-centric economy, there is a definite opportunity to ensure these business owners enjoy and share in the growth of this sector.

Finally, while 12.7% of Black-owned businesses are Professional/Scientific/Technical Services firms, which is very close to the overall industry share of that sector, only 2.8% of total for that industry are Black-owned. Through technology development and partners like Innovation Depot, there is an opportunity to see even greater diversity. Sectors with the largest share of Black-owned businesses matching local sector growth patterns provide an excellent opportunity for building Black wealth.



Source: Survey of Business Owners 2012

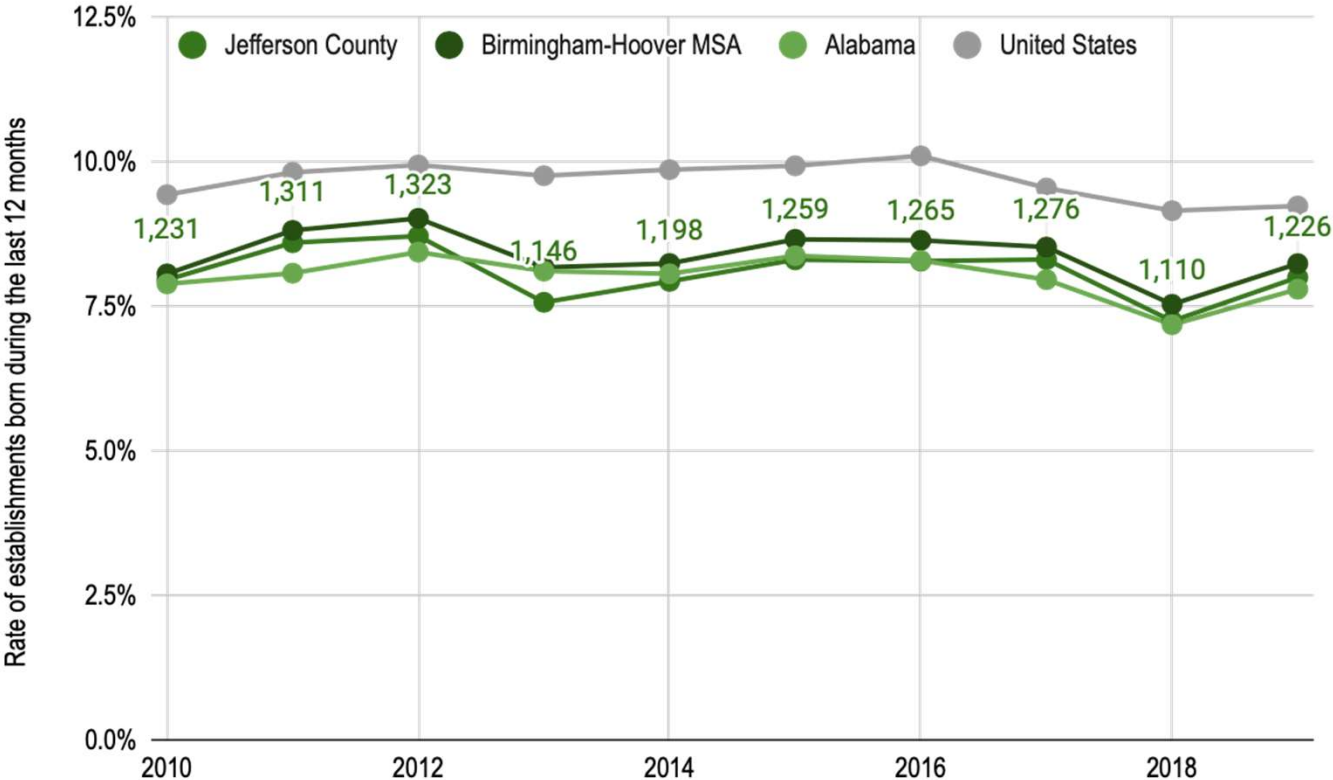


# SMALL BUSINESS ENTRIES ARE UP

Before the pandemic, business entries were trending upward in Jefferson County and the MSA, slightly outpacing Alabama. However, the county, MSA, and state all trailed the national rate of new establishments over the decade. As of 2019, Birmingham was back to nearly the same number of business starts as in 2010.

After being hardest hit by initial COVID impacts, recent [national data](#) points to Black business growth in 2021. Researcher Robert Fairlie found the share of Black business owners dropped 31% between quarters one and two of 2020. While the Annual Business Survey and Business Dynamic Statistics do not yet include data from COVID years, the Census Current Population Survey reports more Black workers are self-employed in February 2022 (1.2 million) than pre-pandemic in February 2020 (1.1 million). Compared to pre-pandemic, Fairlie finds the number of Black business owners was 28% higher in the third quarter of 2021. The growth rate of Latino/a business owners (19%) and white and Asian business owners (5%) trailed that of Black business owners over the same time period. When local data become available, these national trends can serve as a comparison.

Rate of Business Starts by Geographical Area (2010-2019)



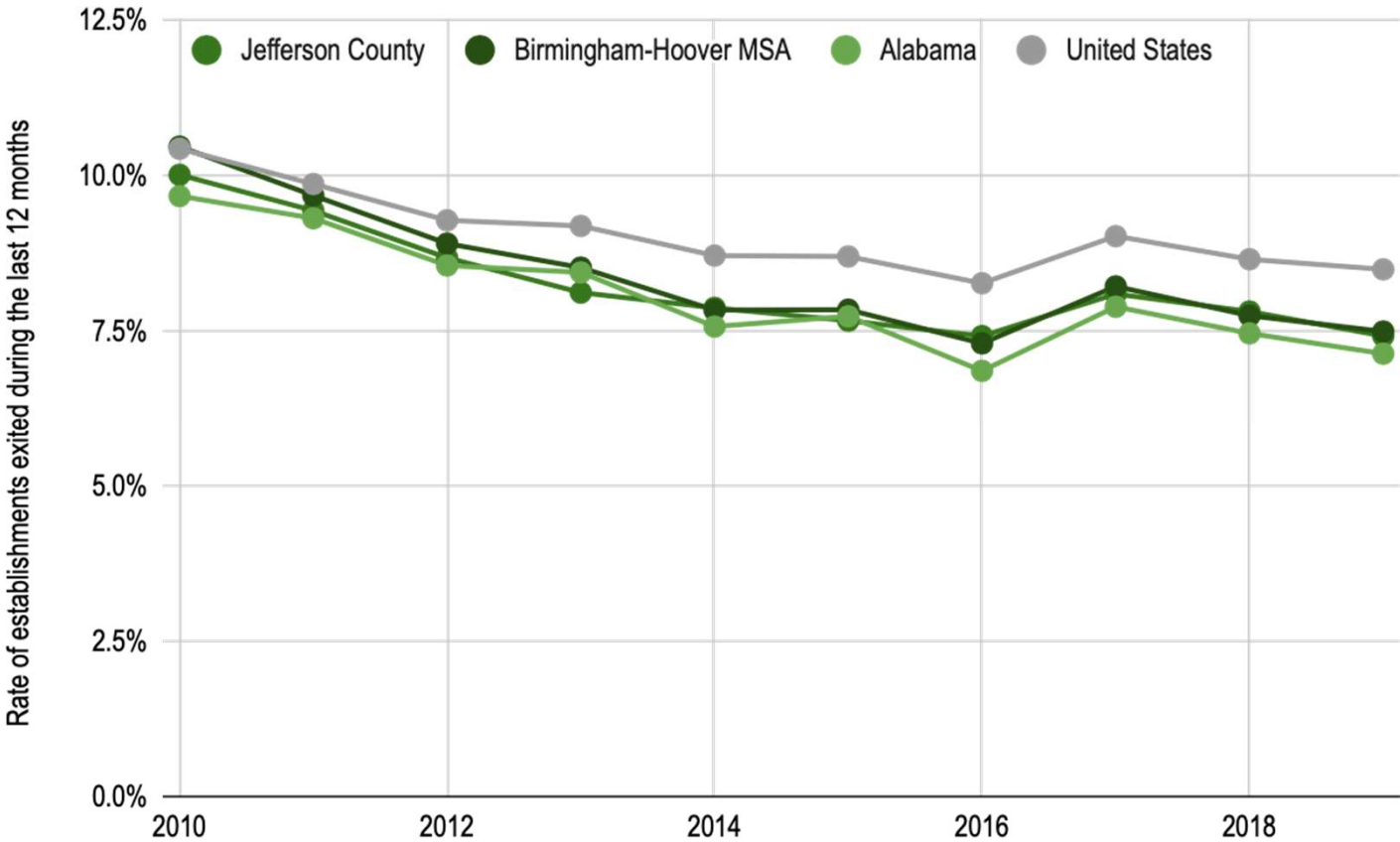
Source: Business Dynamic Statistics 2010-2019

# SMALL BUSINESS EXITS ARE DOWN

Similar to entries, the county, MSA, and state trail the nation in business exits. This means that fewer local businesses were closing as compared to the national average. COVID certainly effected this trend, though to what degree has yet to be determined. Leading into these circumstance, local geographies had widened the gap over the previous decade, trending downward and maintaining fewer business losses.

Fewer losses provide several paths of opportunity. First, it assures the ecosystem that their direct investments in small businesses are less risky. As more businesses stay in the ecosystem, they can become mentors to new ventures and entrepreneurs. Also, exits capture not just failed entries, but retirements. The ecosystem can offer programming and resources around succession planning to further prevent full exits.

Rate of Business Exits by Geographical Area (2010-2019)



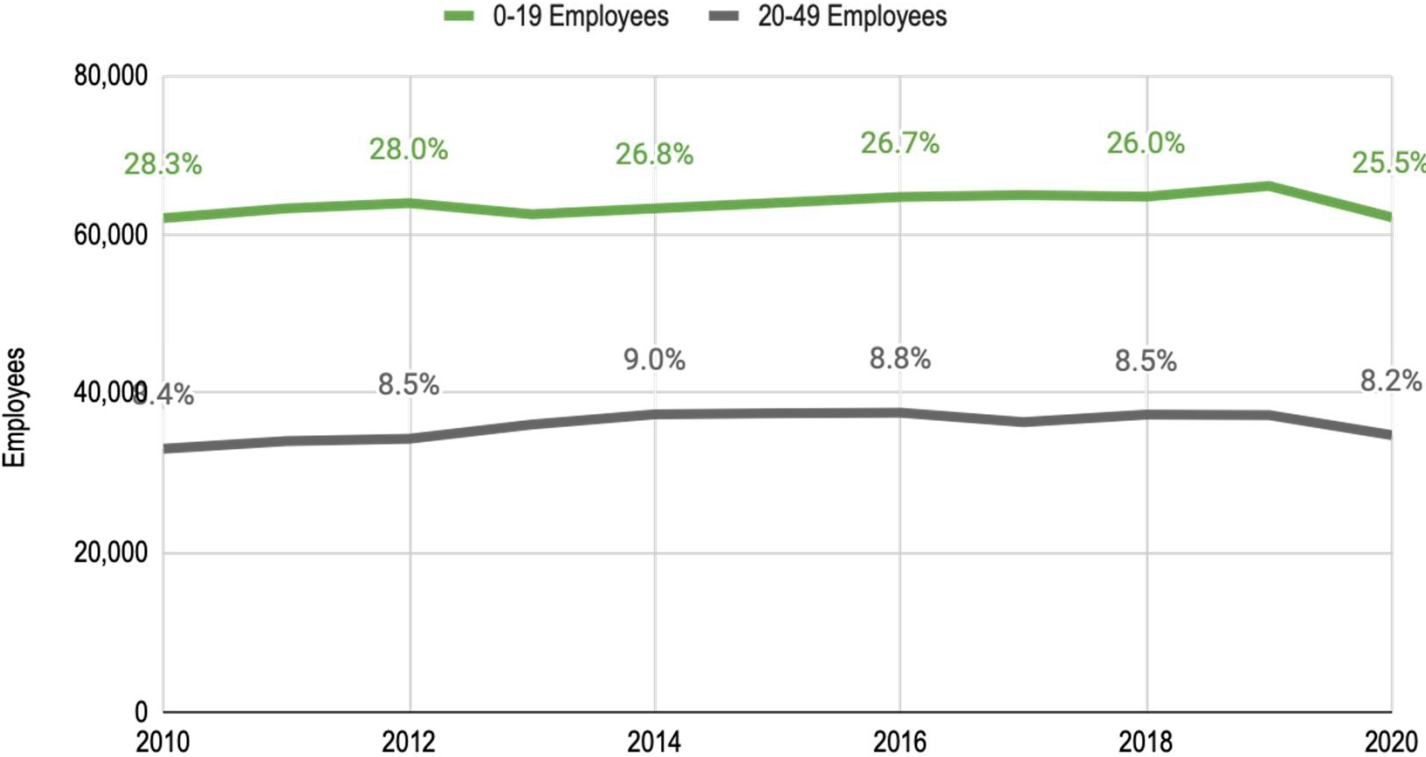
Source: Business Dynamic Statistics 2010-2019

# GROWTH OPPORTUNITIES FOR BUSINESS SIZE

More than one quarter (25.5%) of total workers are employed at firms with less than 20 employees, compared to 18% of workers nationally. This signals the local workforce is already comfortable working for small businesses and can contribute to a culture of entrepreneurship.

To move from opportunity to strength, the ecosystem could further communicate with workers, beyond business owners, to understand local workplace preferences. This way, the ecosystem serves as a connector between businesses and the workforce, particularly in this tight labor market. Additionally, the ecosystem would gain knowledge on local barriers to employment or insights on retention that may impact small business success.

Small Businesses Employment as a share of Total Employment 2010-2020



Source: Census Quarterly Workforce Indicators 2020

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*Revitalizing main streets and neighborhoods to be hubs for businesses can be a key positive change for the Black community.*

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## UNLOCKING QUALITY OF PLACE

### -WHAT WE'VE HEARD-

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**Birmingham has many main streets and unique neighborhoods, both new and historic.**

Each of these areas has a specific vibe and energy, combining to create a city with diverse demographics, residential areas, commercial hubs, and recreational spaces. However, interviewees and analysis suggested that most of the city's predominantly-Black areas experience a lower quality of place than other areas. Referring to the physical characteristics of communities, which often includes community plans, design, development, and maintenance, these facets impact the lives of people living, working, or visiting that community. Clean main streets full of storefronts and working spaces for businesses exist only in small pockets. Areas, where people can gather and share stories and knowledge, grow smaller and smaller due to blight and disinvestment. High rates of property renting, as opposed to owning, limits the ability of individuals and families to build generational wealth.

One of our interviewees pointed out that while these trends are certainly a weakness for the city, they equally represent an opportunity. “Revitalizing main streets and neighborhoods to be hubs for businesses can be a key positive change for the Black community.” Another added that *“Blight and other urban issues can be solved with innovation.”*

Placemaking is a long-term strategy that presents an immense opportunity for Birmingham to redefine its built environment to better support the education, health, and wealth of Black residents. Investing in innovative pilot programs that not only get capital and resources into the hands of Black families and businesses but help build a better quality of place, catalyze the city and its resource partners, and shift long-standing paradigms surrounding race and inequality.

It will be crucial, though, for displacement and gentrification to be avoided in this process. Community development corporations (CDCs) can be a starting block for enhancing the quality of place in Birmingham's plethora of neighborhoods. With the support of funds from the federal to the foundation level, innovation and action can turn a problem into a prosperous future.

**This project presents a unique opportunity for a city, community, and its stakeholders to understand not only who provides support to Black-owned businesses, but real strategies for investment into the organizations and institutions that can alter current economic realities. Throughout our engagement, people have noted the support ecosystem's largest opportunity is the chance to leverage these findings to shape future strategy and work.**

## USER-SPECIFIC ECOSYSTEM RESOURCES

**The above findings all simultaneously represent weakness and opportunity for Black-owned businesses and their support groups. Where there is currently a gap, there is an opportunity for an institution, whether new or experienced, to tackle an identified problem and create a solution.**

An economic and business support ecosystem that tackles problems it has identified through robust engagement and data analysis is better positioned for efficiency and success. As resources become increasingly user-specific to the needs of businesses and their owners, the impact will only be heightened across the city. Creating buy-in surrounding these findings and the opportunity they present is a crucial step in Birmingham's support ecosystem becoming its best self.

A lack of investment and loan capital that is less than \$50K or more than \$3M

The need for further connectivity to lawyers, accountants, and business planning specialists

A need for more flexible, physical working space for brick-and-mortar establishments

The barriers the ecosystem presents in having businesses participate in programming

A desire for unified marketing and outreach amongst ecosystem services

The need for a resource hub where people know to look for assistance and capital

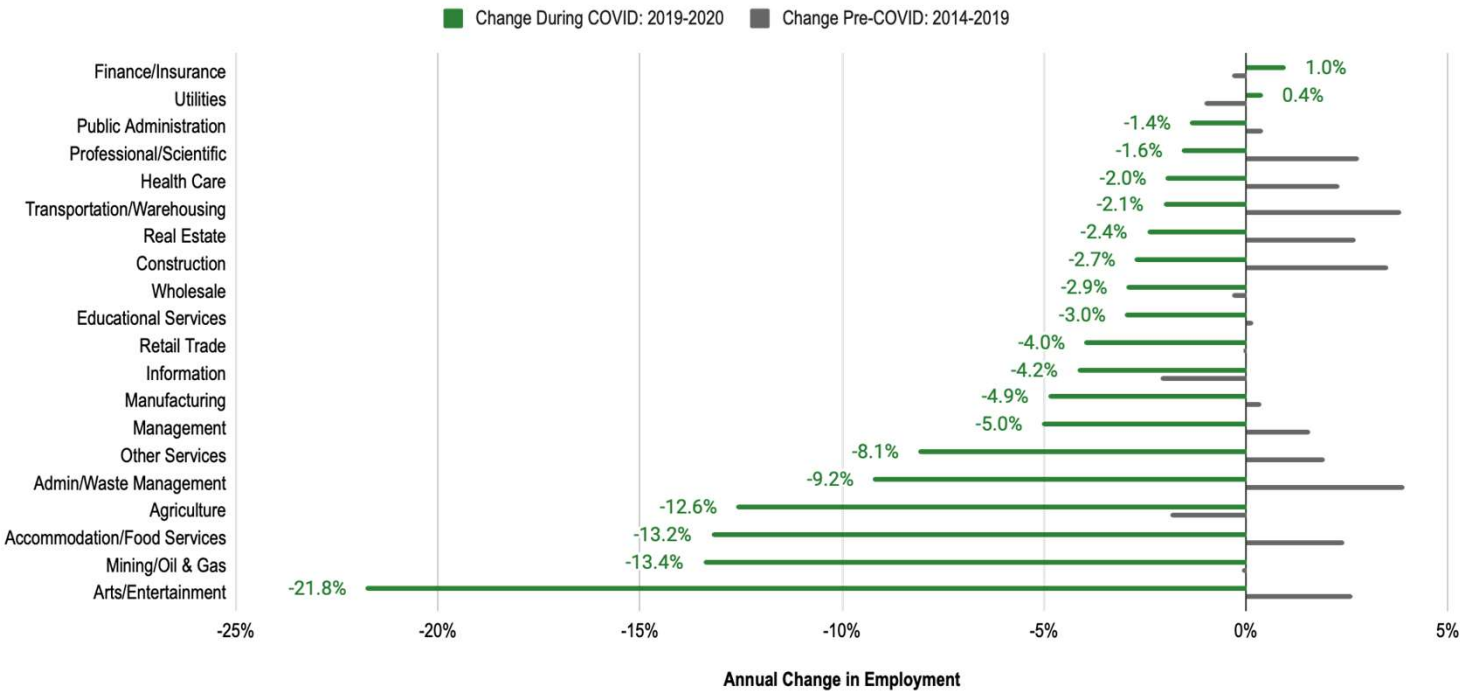
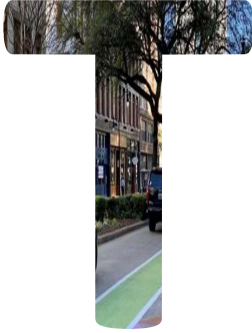
# THREATS

-WHAT WE'VE SEEN-

## COVID-19

Though hardly unique to Birmingham, COVID-19, and its economic impact remain a threat to the business ecosystem given its disproportionate impact on business owners of color.

Not only has the pandemic placed additional challenges on business owners, but the racial disparities of this impact also threaten to widen the gap in Black business ownership. As the Federal Reserve suggested in 2021, "Firms owned by people of color reported more significant negative effects on business revenue, employment, and operations as a result of the COVID-19 pandemic."



After growing from 2014-2019, Arts, Entertainment, and Recreation saw the largest loss in employment during the pandemic. Accommodation and Food Service, Agriculture, and Mining/Oil and Gas all lost more than 10% of their workforce.

While these trends were experienced nationally, PPP loan data reveals that Black-owned businesses incurred additional costs and challenges due to COVID-19. On top of addressing existing network needs and structural barriers, the ecosystem should keep in mind that established Black businesses may need assistance stabilizing or rebuilding due to the pandemic.

Source: Census Quarterly Workforce Indicators 2014-2019



The pandemic exacerbated both financial conditions and stress. As the Federal Reserve noted:

### Condition

**86%**

Nationally, sales declined 86% and 85% for Black and Hispanic-owned firms, respectively, while 79% of white-owned firms reported a decrease in sales.

**77%**

While 77% of Black-owned firms reported that their financial condition was poor or fair, 54% of white-owned firms reported similar conditions.

### Stress

**92%**

92% of Black business owners experienced financial challenges in 2020, compared to 85% in 2019.

**3/4**

Three-Quarters of Black and Asian owners had difficulties covering their expenses.

**53%**

Black business owners had difficulty accessing credit in 2020 - the most of any other group.





## THREATS

National data revealed Black business owners were more likely to tap into personal capital to address business financial conditions and stressors. Almost three-quarters of Black business owners (74%) used their personal funds in response to business financial challenges, compared to 65% of Hispanic-owned firms, 65% of Asian-owned firms, and 61% of white-owned firms. While white business owners were the most likely to report that their personal finances were not impacted by COVID-19, 46% of Black business owners were concerned about hits to personal credit scores or assets. **Business ownership requires risk, however Black business owners absorb more risk, especially during the pandemic.**

Birmingham city leaders also recognize this risky connection between business and personal finance, as suggested in interviews. In order to help Black businesses, thrive, the ecosystem should assume or help diminish some of this risk.

When Black businesses did seek COVID relief, they received less assistance than other groups. Only 61% of Black-owned businesses applied for PPP loans (compared to 82% of white-owned businesses). Of those, only 43% of Black-owned businesses received all of the PPP funding they sought, compared to 78% of white-owned firms. According to the Federal Reserve Bank Small Business Credit Survey, "Black-owned applicant firms were five times as likely as white-owned firms to receive none of the PPP funding for which they applied (20% compared to 4%)." Thus, COVID relief threatens to widen existing gaps in financial conditions and stress. The ecosystem is in a position to connect Black businesses to all resources, not just their own.

The leading reasons why Black and White-owned businesses did not apply for PPP loans can inform ecosystem strategies. White-owned firms disproportionately cited not needing financial support as the reason for not applying for PPP. Black-owned businesses cited not expecting to qualify for loans or loan forgiveness as their top reason for not applying for PPP. The Federal Reserve also found that minority-owned businesses were more likely to have missed deadlines or been unaware of the program altogether. **Themes of both connectivity and information sharing run throughout the SWOT analysis.**

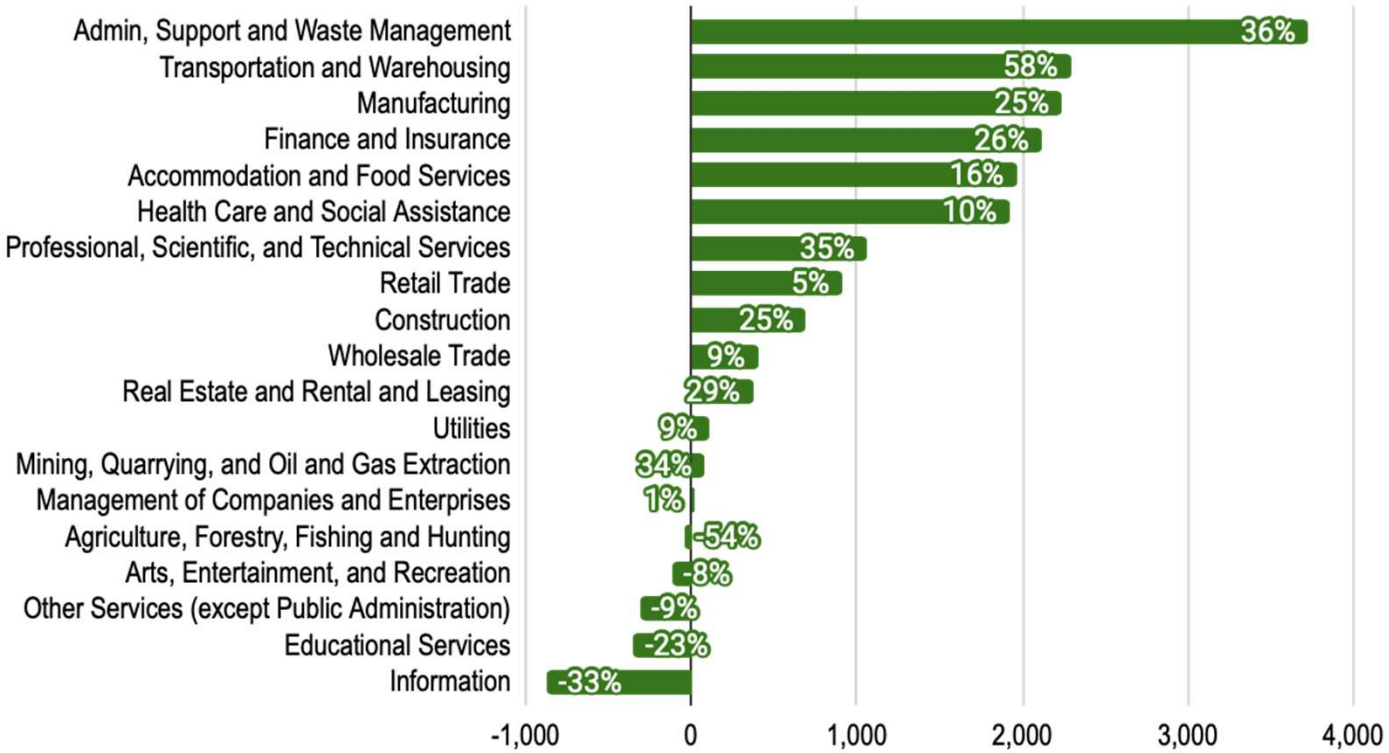
Birmingham received almost 11,000 PPP loans, which supported 56,268 jobs. Industries with the largest share of employees received the largest loans. Professional/Technical/Scientific Services and Other Services received over one-third of total loans. The COVID-19 pandemic exemplifies that financial conditions and stress can also vary by industry.

# CHANGES IN BLACK EMPLOYMENT

From 2010 to 2020, Admin/Support/Waste Management gained the most Black workers, which is consistent with [national trends](#).

Black workers left Information more than any other industry. Information is the seventh highest average wage of the twenty major industries, while Admin/Support/Waste Management is 17th and Transportation/Warehousing is 13th. This partially explains lower wage growth rates, given the increase in low-wage workers. However, the exit of high-wage workers is concerning. While too early to conclude, this may suggest a ‘brain drain’ exit of highly skilled workers.

Rate of Change in Black Employment by Industry



Source: Census Quarterly Workforce Indicators 2020

## EDUCATION LEVEL OF EMPLOYEES

**Notably, the number of workers without a high school diploma grew at the fastest rate of any category of education between 2015 and 2020.**

The overall rate of population with less than a high school diploma remains lower than the national average as of 2020. However, despite growing at the largest rate, the average annual wage for individuals with less than a high school degree remains well below the national average.

A higher share of low-wage workers would threaten the sustainability of small businesses long-term, as wages impact consumer spending. Entrepreneurship or employment at a small business provides an alternative to college or higher education but is not a substitute for high school education.

Educational Attainment	% of Workforce 2020	Change in # of workers 2015-2020	Average annual wages 2020	Change in # of wages 2015-2020
Less than high school	12.58%	8.26%	\$46,824	30.24%
High school or equivalent, no college	28.17%	-0.15%	\$53,064	24.92%
Some college or Associate degree	32.47%	0.15%	\$59,856	22.83%
Bachelor's degree or advanced degree	26.67%	-1.05%	\$92,424	27.52%

Source: Census Quarterly Workforce Indicators 2020

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*The mindset of Black residents has been shaped through a history of trauma, disparity, and necessary resilience.*

”

## LINGERING DISTRUST AND TRAUMA

### -WHAT WE'VE HEARD-

**From generations of discrimination, both overt and systemic, to modern disparities existing in the city's civic and economic data, many of Birmingham's Black residents expressed a sense of distrust of the city's power structures.**

Black residents feel they are intentionally not given a seat at the table when it comes to public matters and are overlooked when it comes to private investment and dealings. Much of this distrust can be traced back to the city's history of racism and the predominantly white “ruling class.” In the modern day, the issue persists through the lack of access to generational wealth that Black individuals and families experience.

Without a baseline of trust and understanding, good governance and support from organizations and institutions can be for naught. The mindset of Black residents has been shaped through a history of trauma, disparity, and necessary resilience. For this mindset to shift, there must be immense action taken to alter perceptions, lived experience, and present reality. Decades of inequity and legalized disparity have fostered a belief within Birmingham's Black community that the ‘establishment’ will not sacrifice anything — power, profit, or property — to create impact, progress, or equity for the community. Many note that impact-oriented work relative to the Black community is frequently viewed as a charitable cause, instead of a fundamental requirement for collective socioeconomic success. Until an action plan that prioritizes reconciliation receives broad commitment and demonstrates true intent for impact, distrust will actively linger as a large threat to any sort of progress and prosperity.



## BIRMINGHAM'S HISTORY OF RACISM

**Mentioned throughout this SWOT analysis, Birmingham suffers from a traumatic history of racism, both overt, legalized, and systemic, still felt to this day.**

It is the core root of why disparities and inequities exist today. It is the clear reason behind the distrust of Black residents in existing power structures, and it arguably stands as the greatest barrier between the city and opportunities for comprehensive progress and community improvement. existence?

Systemic racism is not something that can be fixed overnight, nor in 50 years of corrective policy, programming, and collective action.

Racism is a legacy that lives on as long as the living have experienced it. This history represents a constant threat to Birmingham's identity and future. How can a city, which has experienced such trauma, persevere and create better outcomes for a community that has been persecuted for the entirety of the city's existence? Only through intentionality.

*Racism is a legacy that lives on as long as the living have experienced it.*

## INACCURATE ASSUMPTIONS ABOUT BLACK-OWNED BUSINESSES

The above threats create a world where perceptions between the Black and White communities of Birmingham are often misguided. We've previously outlined how submission of PPP loan applications by Black businesses were negatively impacted due, in part, to just such perceptions (p77). Arguably, the most relevant insight surfaced relating to the economic and business support ecosystem is how investors, banks, and support partners described and often perceive Black-owned businesses in Birmingham. We heard comments that painted Black-owned businesses as predominantly lifestyle and services-based, utilizing home offices or retail brick-and-mortar space to make small if any profits. For many of these businesses there are traces of truth in this. However, this perception is often applied universally across all Black businesses alongside the insinuation that scalability is not just unattainable but not an explicit desire of any of these business owners.

By extension, this by and large excludes these businesses as viable for investments that may see growth in revenues, real estate, materials, employment, or economies of scale.

This perception is incorrect, according to data and engagements with Black business owners. These founders seek to scale and grow profitability in line with their peers, achieving prosperity and generational wealth through business growth. However, due to this lingering perception, funders and supporters are missing from these businesses' balance sheets, missing out on the investment benefits of giving them a chance to prove themselves, and most unfortunately, missed from the lived experience of the owners. As one interviewee sternly put it: "The journey looks easier for white tech founders than it is for the average Black business owner."

These assumptions drive the decisions that can open, but usually close doors of opportunity for Black businesses, which represents a true threat to the growth of Birmingham by directly impacting businesses, but also investment portfolios, support services, communities, retail, and industry across the board. While some business archetypes like the mentioned tech-enabled entities may have higher success rates as tradable entities, scaling profit to the benefit of founders, funders, and the city's reputation alike, Black-owned businesses should not be left out of consideration.

“*The journey looks easier for white tech founders than it is for the average Black business owner.*”

”

# RECAP, SUMMARY AND WRAP

The origin of this project posed four primary questions relevant to Birmingham's issue of low Black business ownership rates. These questions and their corresponding answers are:

## 1. What data is behind Birmingham's low rate of Black-business ownership?

Birmingham suffers from a low rate of Black-business ownership due to historic inequities and racism, the congregation of local Black workers in low-wage industries, and the inability of Birmingham's Black-owned businesses to grow in employment and revenue.

**RESPONSE:** The three phases of actions recommended in this report provide a holistic set of strategies to increase Black-business ownership and growth of existing businesses.

## 2. Who are ecosystem organizations supporting, and how?

Ecosystem organizations have built out specific resources for potential and existing Black-owned businesses in the past 5 years. However, these resources have failed to make considerable progress due to their lack of scalability and failure to become ingrained into local communities.

**RESPONSE:** As part of the research into this report an ecosystem map was created and can be found here. [\[link\]](#). The immediate action recommendations seek to address the issues identified around resources.

## What do Birmingham's Black business owners feel is necessary to shift the status quo? Civic leaders? Philanthropists?

Ecosystem organizations have built out specific resources for potential and existing Black-owned businesses in the past 5 years. However, these resources have failed to make considerable progress due to their lack of scalability and failure to become ingrained into local communities.

**RESPONSE:** Immediate action is necessary to begin driving changes to Birmingham's perpetual issues of racial inequities. Ecosystem partners must work together to collectively scale and market programs meant to support Black-owned businesses.

## How can ecosystem partners begin to alter these pervasive realities?

A collective strategy of short-term capital infusion, mid-term public-private collaboration on the city's racial socioeconomic issues, and long-term shifts in what it means to be Black in Birmingham can help the city better achieve racial equity in business ownership, social outcomes, and community health.

**RESPONSE:** To drive systemic change in Birmingham, public-private ecosystem partners will have to work in tandem to drive programming, policies, and other initiatives centered around racial equity in the mid to long-term.

# ACKNOWLEDGEMENTS

The work of this study was supported by a broad set of stakeholders who offered their time, perspectives, insights, feedback, experience, and expertise to support the development of this report. We offer sincere gratitude for their participation and support.

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### Angela Scott Abdur-Rasheed

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“

*This Ecosystem Map is yet another step towards progress, building our communities, and working on our collective responsibility and cooperative economics.*

”

- Dee Manyama





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