



BLACK BUSINESS MONTH IS AN OPPORTUNITY TO CHANGE BUSINESS AS USUAL FOR BLACK ENTREPRENEURS

During August there were many recognitions and celebrations for National Black Business Month. It should also be a time to acknowledge that while Black-owned enterprises have grown to 3.12 million in the U.S., according to the [latest census data](#), history has not been kind to Black entrepreneurs. The road ahead has many challenges.

Subjected to bias for generations, people of power and influence continue to doubt the viability of Black businesses despite statistics which prove otherwise. For example, the national fail rate for startups in the U.S. was 40% in 2020, while the average business fail rate was 27% for Black and Latinx female-led startups, according to [Statista Research](#). Meanwhile, Black founders continue to struggle with obtaining investment capital, one of the biggest barriers to entrepreneurial success.

The Covid-19 pandemic created additional barriers. A study by the University of California Santa Cruz cited that between February and mid-April 2020, 440,000 Black-owned businesses shuttered for good — a 41% plunge.

The Institute for Entrepreneurial Leadership (IFEL), a 501(c)(3) nonprofit organization, which I founded in 2002 with my father, aims to eradicate the systemic barriers preventing people of color from accessing the knowledge, networks, and capital required for entrepreneurial success. IFEL envisions inclusive economic ecosystems and equal opportunity for success.

While training and education are always helpful, this is not the path to solving the problem of access to capital. In fact this approach implies that it is the deficiency and inadequacy of the entrepreneurs themselves that creates the barrier to access to capital. IFEL recognizes that the problem is due to the historical exclusion of Black entrepreneurs from important channels that create an onramp to capital access. The foundation upon which lending is structured – credit and collateral – were designed to be exclusionary and continue to serve as barriers for the vast majority of Black businesses. In the world of venture capital where “pattern matching” is the norm and only [4% of VCs are Black](#), it should not be a surprise that Black founders are not getting funded.



Black business owners work harder to prove they are investment-worthy. Black business owners work harder to demonstrate that they are capital ready. They continue to face barriers from banks, investment firms and even alternative funders who seem eager to talk about the benefits of diversity, but do little to create new pathways to funding for Black-owned businesses. No matter how much harder they have worked, the capital has yet to come.

In order to achieve diversity, equity, and inclusion in the entrepreneurial ecosystem, we must acknowledge that the capital that flows freely to some is not due to their inherent genius, but rather is the result of compounding wealth within their network over generations originating from free labor provided by slaves. The systems through which capital flows have since continued to uphold policies that create barriers for Black entrepreneurs. The problem of access to capital for Black entrepreneurs will continue to exist until more of us become intolerant of “business as usual” and commit to creating new systems that make inclusion possible.

Learn how IFEL is creating opportunities to be part of the solution: www.weareifel.org.

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