

Black-Owned Businesses and Supplier Diversity

Entrepreneurship is a key element of the American Dream. For millions of Americans, starting and owning a business has been the route to success and security.

Small businesses play a huge role in our economy. According to the Small Business Administration, businesses with fewer than 500 employees make up 99.7 percent of U.S. employer firms, accounting for nearly half of private sector employment and 64 percent of net new jobs created from 1993 to 2011.

People of color own 4.1 million firms that generate \$694 billion in revenues and employ 4.8 million people, but African American communities continue to lag behind whites in terms of small business ownership and profit:

- Latinos own 6.6 percent of all U.S. businesses; Blacks, 5 percent; Asians, 4.6 percent; American Indians or Alaska Natives, 0.8 percent; and Native Hawaiian or other Pacific Islanders, 0.1 percent. Whites own 82.9 percent of all businesses, and 88 percent of all employer firms.
- On average, for every dollar that a white-owned firm makes, Pacific Islander-owned firms make about 59 cents, Latino-, Native American-, and Asian-owned businesses make 56 cents, and African American-owned businesses make 43 cents.

Supplier Diversity

To promote diverse-owned small businesses, we will strongly encourage supplier diversity—that is, encouraging large corporations and government agencies to contract with diverse firms for the products and services they need. When such efforts succeed, it is usually because they include several key elements: Buy-in from top management, voluntary-goal setting for diverse contracting, standardized reporting of progress, robust outreach to diverse-owned small business networks, and a commitment to diverse contracting through the whole organization, becoming part and parcel of all procurement practices.