

Chapter 20

U.S. African–American Small Business Owners’ Leadership Perspectives Around Business Development, Sustainability, and Succession Transition

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ABSTRACT

Small businesses produce near 50% of the gross domestic product and are responsible for over 6 out of 10 new jobs. These numbers point to the importance of small business ownership and leadership is important in the US economy. In 2020, there are 124,004 African-American-owned businesses in the U.S. In spite of these numbers, African-American-owned small businesses face tremendous challenges. This exploratory qualitative study examines U.S. African-American small business owners’ leadership perspectives around business development, sustainability, and succession transition.

INTRODUCTION

Small businesses provide nearly 50% of the gross domestic product in the United States and are critical to strengthening local communities (U.S. Census Bureau, 2020). The U.S. Small Business Administration (2018) documents that small businesses are responsible for 97.6% of exporting firms and represent 32.9% of known export value (\$440 billion out of \$1.3 trillion). Small businesses are responsible for 47.5% of

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private-sector employees and 40.8% of private-sector payroll (U.S. Small Business Administration, 2018). From 2000 to 2017, small businesses created 8.4 million net new jobs, while large businesses created 4.4 million (U.S. Small Business Administration, 2018). Thus, they accounted for 65.9% of net new job creation in the period (U.S. Small Business Administration, 2018). The U.S. Census Bureau (2020) has data that 1.1 million employer firms were owned by women and 1.0 million by minorities (U.S. Census Bureau, 2020). Black or African Americans owned 124,004 firms in 2017, with 32.0% (39,714) of these firms in the healthcare and social services industry (U.S. Census Bureau, 2020).

Four out of five U.S. businesses started in 2016 lasted year (U.S. Small Business Administration, 2018). One out of two new companies, survives five years (U.S. Small Business Administration, 2018). Only one in three U.S. businesses survive ten plus years (U.S. Small Business Administration, 2018). The U.S. Census provided a report on Small Business Ownership (SBO), which showed that African American business owners were excessively few compared to other minority groups (U.S. Census Bureau, 2020). African Americans struggle to establish their businesses, grow their businesses, and transition their businesses through succession (Akwaowo, 2017; Thompson, 2016; Ruwe, 2019). Furthermore, the researchers added that education, training, support, leadership, financial issues, and the lack of business strategies might be the difference between White and African American business ownership (Akwaowo, 2017; Thompson, 2016; Ruwe, 2019). Shinnar, Cho, and Rogoff (2013) pointed out; there is still a need for continued growth and the need for more focus on the succession planning of African American businesses.

Walker (2009) said that the constructs that are essential to business performance by African American business owners continue from the prejudicial and flawed premise that African American businesses fail not because of racism or past failure of the government to help them as it has supported White businesses, but because of African Americans' lack a tradition of market participation and leadership abilities. The emergence, growth, success, and transition of the business were tied to the business owner's opportunistic and planning strategies (Akwaowo, 2017; Thompson, 2016; Ruwe, 2019).

The survival rate of African American owned businesses was much lower than for white-owned companies (Holmes, 2008; Akwaowo, 2017; Thompson, 2016; Ruwe, 2019). Fairlie and Robb (2007) identified that the intergenerational transmission of business ownership was essential in creating racial disparities in business ownership rates.

Research Methodology

The approach was an exploratory qualitative research study of 15 U.S. African-American service business owners in the state of Virginia the were members of the U.S. Black Chamber of Commerce. For this study, a small business is one with less than 50 total employees. This research aims to explore the nature of business sustainability, planning, and succession transition for African-American small business owners.

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