

Getting To The Next Level: Defining what's next in minority business development

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I've been thinking. The minority business development industry has been talking for years about going to the next level. There is no real definition or clear explanation nor a burning motivation about the next level. The industry really does not know what the next level is except it has everything we are not doing right now. Well at least the motivation is becoming clear. The landscape for minority business is shifting and shifting rapidly. Some would even say that the rules of minority business development have changed. The rules have not changed they are just becoming more important to follow. The promise of what minority business can be is no longer good enough.

We have been saying it is about business for some time but now it actually is. We have all recited the rules as being market driven and now they really are. The trends make our situation clear. Increased competitive pressure on corporations has created a heightened awareness of the critical role of all of their suppliers in making them more competitive. The reality of sourcing products and even services from low cost regions around the world has created a new level of cost pressure on US based firms. Advances in technology have created new competitive dynamics that provide opportunities for innovation, lower barriers

to entry and provides unprecedented access for firms of all sizes. Getting to the next level is more than an idea in this environment. It is imperative if minority businesses are ever to be thriving and prosperous players in our economy.

It is more important now that minority businesses add value to the supply chain of their customer. It is more important now that minority businesses create economic impact to a community. It is more important now that minority businesses find new ways to use access programs as an accelerant to new levels of business success. It is more important now that investments made in special programs show a tangible return.

The minority business development industry finally has what it says it wants yet the reaction to it has been slow. We say we want it to be about free market dynamics and competitive suppliers and real opportunity. Do we? You read about it in articles and hear about it in speeches. The right words are being said but for the most part, the industry is so vested in current ways of doing minority business that change is difficult. For example, how much corporations spend with minority firms has become more important than how they spend it. How large the contract is for a minority owned firm has become more important than how

competitive the business becomes. Politically correct conversations still trump market driven realities almost every time when it comes to issues of race. For example, few communities are going to take funding from a long standing, yet ineffective minority business program and reallocate the investment to a program that works. Despite what we hope and aspire to be true, minority business development is still not enough about business.

The industry is vested in measurement systems, political hierarchy and a set of motivations that are now holding us hostage and preventing us from going to the next level. The outcomes of our approach are significant problems for long-term minority business growth. Here are the facts. 1. The rate of growth of spending with minority firms is already beginning to decline. 2. The

overwhelming industries of minority firms are low margin, highly competitive, commodity based businesses. These are also the businesses most under pressure from sourcing in low cost countries. 3. There are only a handful of minority owned firms larger than \$500 million in sales. Yet minority owned firms are most likely to be in the types of businesses where size and scale are critical success factors. 4. Right now as a group, minority businesses are largely marginalized. There is virtually no industry leadership among minority firms and few

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aggressive global business models. 5. There are signs history could repeat itself and we have minority entrepreneurs missing the next wave of new technology. If you consider the new growth fields like Bio Sciences, Nano Technologies and others, there are no real signs that minorities are playing in this space at all.

There is no doubt that we have made great progress over the last forty plus years of efforts in minority business development. Through changing motivations and political climates we have developed a system of access programs that have created more minority businesses than many thought was possible. Forget for a moment the debate over whether we have done enough or done everything right. The reality is we would not be this far without doing what we have done in this country. The challenge is we will not get much further if we do not figure out the specifics of what is next

We have to jump the gap from how we have been engaging in minority business development to an approach that will make it more about business. It must become more integrated with the fiber of our economic efforts. The names may appear to be the same but the methods and expectations must be different. There are five fundamental facts about minority business development that become the *basic laws* of getting to the next level. Think of them like the basic law of gravity.

❖ **Basic law number one — It will NOT happen naturally.** In many ways we have come a long way and we still have a ways to go. Minority business growth and the inclusion of

minority firms in the economic system will not happen without our overt attention to it.

❖ **Basic law number two — It has to be about business.** I know we all say it but when we get down to it, we often make it about something else. There is a temptation to make it about things like poverty, low to moderate census tracks and even about a reduction in crime. All of those things are important and a thriving economy in which everyone is included will surely help. But those elements are complex, long-term social issues. We can not burden minority firms with the weight of solving problems society has been unable to solve for hundreds of years.

❖ **Basic law three — Access is like oxygen.** Access is imperative to sustain the life of a business but it is not enough to propel success. The access to market, access to capital and access to technical assistance models are the Sacred Trilogy of our approach to minority business development. These efforts are important but the presence of such programs does not equal success. Success in minority business development is a recipe of factors including the quality of the access programs, yet also including elements like the motivations of communities and major organizations, the expertise of the minority business owner, the quality of the business idea and so many more.

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❖ **Basic law four — We can not let race make us lose our common sense.** Issues of race often makes the smart people think in ways that are not so smart. Issues of race are so charged with emotion and even fear. There is a strong temptation to do things like keep programs that will never work, staff programs with people who do not have the right skills, measure success by means that do not matter. We would never think that way about anything that really mattered to our community, or our company. We can not think that way about minority business development.

❖ **Basic law five — There is a role for everyone to play.** Where we are in this country on issues of race is no ones fault but everyone's opportunity. Major corporations, community leaders and minority business owners all have a critical role to play in getting to the next level.

The next few months of articles will outline a strategy for each of the three groups to play their role in our effort to really get to the next level. The market opportunities are significant but our approach must be aggressive. There will be elements of this strategy that will not feel good and other parts you have been saying to yourself for years. The rules have not changed but they have become more important. The next level is a real place with real dynamics, real challenges and significant opportunity. The only question is if we are really ready to play our role in *Getting To*

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