

Entrepreneurship

Entrepreneurs can help the cause of economic justice

Empowering women and people of colour to build companies will strengthen minority communities

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Damien Dwin is urging women and people of colour to take the leap and build companies at scale

The murder of George Floyd, and the ensuing protests, gave new urgency to the US debate about racial injustice. We have made some progress – racial equity is now a goal in capitols and boardrooms, and we’ve seen some examples of police reform.

But, as a black man who has spent decades on Wall Street, I can say from experience that we will not achieve tangible progress without economic justice. And that will happen only when people of colour and women have the chance to start and develop thriving businesses, building wealth for themselves and creating opportunities in marginalised communities.

US corporations have pledged to spend \$50bn on achieving racial equity. But while impressive, the capital is less important than how it will be deployed. Before money can be put to work, we

must address the fact that people of colour and women are vastly under-represented among business owners. They also make up a tiny segment of the investment industry.

Only around 2.2 per cent of US businesses large enough to have paid employees are black-owned, 5.8 per cent are Latino-owned, and 19.9 per cent are female-owned. There are only 20,000 minority- and woman-owned middle-market businesses (with revenues of \$10m-\$1bn), an astoundingly low number given there are 44m black people, 61m Latino people and 169m women in the US. Only 11 per cent of minority-owned small businesses had any employees other than the owner.

Large banks approve around 60 per cent of loans sought by white small-business owners, but the rate drops to just 29 per cent for black owners. Firms owned by women and people of colour manage a meagre 0.9 per cent of the industry’s more than \$70tn in assets.

To achieve economic justice, more women and people of colour need to become entrepreneurs and build businesses that can have a positive impact on communities. This means providing affordable housing and services, supporting the success of other small and mid-sized businesses, and enabling talented people of colour and women to create successful investment firms that foster financial inclusivity.

There is a growing talent pool of women and people of colour within America’s large corporations who have the skills to become successful entrepreneurs. Female and minority executives are now more sought-after and enjoy better job security,

earning opportunities and influence within their companies. Paradoxically, such “golden handcuffs” may be a disincentive for entrepreneurship. Having made it up the corporate ladder at last, they may be reluctant to leave a safe corporate job. I spent over a decade on Wall Street before going out on my own.

I am calling on women and people of colour to take the leap and build companies at scale. Policymakers can and should provide solutions on an institutional level to help mitigate entrepreneurial risk, especially access to the capital needed to grow, technical assistance on business formation and management, and successful for-profit models these entrepreneurs can emulate. Our society must also help minority and female entrepreneurs support one another as they make decisions about hiring employees, building supply chains and locating their operations.

More than 10 per cent of new corporate board members appointed in 2020 were black, compared to a historical rate of around 4 per cent. This increased boardroom clout can be used to hold corporations accountable for their investments and supply chains.

By the next anniversary of George Floyd’s murder, I hope we can see real progress in the number of people of colour and women starting businesses, supporting their fellow risk-takers and creating economic opportunity. That can only happen if they use entrepreneurship to empower themselves, each other and the community.

The writer is the founder & CEO of Lafayette Square