History of Black Entrepreneurship

2020 was a year of reckonings in many ways. In addition to the dramatic entrance of the COVID-19 pandemic, the death of George Floyd in May of 2020 precipitated months of important nationwide protests. The resurgence of the #BlackLivesMatter social justice movement brought the nation's attention back to the systemically rooted inequities and discrimination that people of color face on an everyday basis.

The movement gained traction in the economic world, too, as many people advocated for increased support for Black-owned businesses. Black entrepreneurs have historically been subjected to the same underrepresentation and discrimination in business ventures as in their daily lives. In spite of these challenges, however, Black entrepreneurship has played a pivotal role in the economic development of the United States. In celebration of Black History, let's explore the importance of Black entrepreneurship.

Tracing the Legacy of Black Entrepreneurship

Of course, any conversation about American industry is predicated on the unspoken acknowledgement that a significant portion of the economic success enjoyed by business owners in the 18th and 19th centuries was achieved at the expense of the lives and freedom of enslaved and, later, indentured Black people. And while it might be tempting to believe that after the end of the Civil War and the outlawing of slavery, Black Americans were able to capitalize on their newfound freedom by turning it into economic opportunity, the reality was much different.

Although Black people were free in name, the legal sanctioning of segregation and the establishment of Jim Crow laws prevented Black entrepreneurs from making inroads in white-dominated economic markets. Black businesses had a difficult time earning patronage from white customers; at the same time, many white-owned businesses refused to serve Black customers.

As a result, the majority of early Black-owned businesses were created by Black entrepreneurs with Black customers in mind. In particular, industries such as barber shops, beauty parlors, and funeral homes saw a surge in Black entrepreneurship.

Since then, Black entrepreneurship has continued to make tremendous strides. In 1821, Thomas Jennings invented the precursor to modern dry cleaning—and became the first Black patent holder. H. Naylor Fitzhugh became the first known African American graduate of Harvard Business School in 1933. In 1982, John H. Johnson became the first African American to appear on Forbes 400 after founding Johnson Publishing Company. And in 2003, Oprah Winfrey, one of the shining stars of the Black entrepreneurial community, became the first Black American billionaire.

These are only a few examples from a long—and growing—list of groundbreaking Black entrepreneurs. Other notable inventions by Black creators include the traffic light, automatic elevator doors, and caller ID—all technological mainstays of our society.

Between 2007 and 2012, Black-owned businesses grew by 34.5%, and businesses owned by Black women account for the majority of that increase. The sectors with the largest number of Black-owned businesses are healthcare and social assistance; professional, scientific, and technical services; and administrative, support, and waste-management services.

The Road to Come

But although these numbers look promising, far more is necessary to reach a point of equity in the business world. According to the most recent Census data, Black businesses still account for just under 12% of all minority-owned businesses.

Moreover, research suggests that systemically embedded inequities are still hindering the efforts of Black entrepreneurs. Even before the pandemic, experts at Stanford University noted that not only is the number of Black-owned businesses disproportionately smaller than that of white-owned businesses, but also that Black businesses tend to be significantly smaller than their white-owned counterparts.

By way of explanation, the study noted that 16% of Black businesses cited lack of access to capital as having a negative impact on their ability to grow and profit—a number approximately three times that of white-owned businesses. Further, Black businesses were more likely to close due to insufficient sales or cash flow, and were shown to be more likely to have an aversion to accruing debt in the form of loans to help their business.

While the jury is still out on the long-term effects of the COVID-19 pandemic, in general, people agree that existing economic and social inequities have been exacerbated. If you are a Black entrepreneur looking to start or grow your business, you don't have to do it alone. Consider reaching out to Sky's the Limit for help in the form of mentors, funding, and other resources.

Sky’s the Limit

Sky's the Limit is a nonprofit organization that is committed to helping members of the Black community and other underrepresented minorities succeed. We provide invaluable resources for entrepreneurs, including economic capital in the form of business funding and social capital via one-on-one mentors who can guide entrepreneurs through the difficulties of starting a business. If you are an entrepreneur looking for capital or other resources, apply today to connect with Sky’s the Limit!