

P R E F A C E

We are at a turning point in history. A decade into the twenty-first century, the United States has changed; so has the world around us. We need to adjust to the new economic landscape we are seeing. That is what this book is about.

The end of 2008 saw the overleveraged U.S. financial system collapse, sending global financial markets into chaos. This precipitated a shakeout in vulnerable industries, with small-to-medium-size suppliers paying a heavy toll as their value chains atrophied.

But the end of 2008 saw us achieving some positive milestones too. For the first time in U.S. history, a minority was elected President, an accomplishment that would have been unimaginable four or five decades earlier. America seemed to wake up one morning to discover that it had truly become a multiethnic, multicultural country.

Barack Obama did not win the election because the minority proportion of the U.S. population had expanded to the point that they had enough votes to get “their man” elected. Obama’s supporters spanned every demographic category. The country was ready for a minority President—or a woman President, had Hilary Clinton prevailed in the primary elections—because the country had accepted the ideal of America as the great melting pot, the land of opportunity, the country where all men and

women are created equal and all American-born citizens can rise to the very top.

But the success of a few minorities at the very top of their domains should not distract us from the plight of the many. Minorities—and, for that matter, women—still struggle to overcome the vestiges of institutionalized discrimination that have been in place for centuries. As a result, the American Dream is real for some people but elusive for others; despite its egalitarian ideals, America has not always lived up to its own standards of decency and fairness. For most of its history, the United States has been dominated by white Anglo-Saxon Protestant (WASP) men who have discriminated against African Americans, Asians, Hispanics, Native Americans, and women. The legacy of that shameful aspect of American history has been the underparticipation of minorities and women in the U.S. economy. Today, that is a problem.

The problem is that although the United States is a big economy, it is rapidly becoming one of many able contestants in a highly competitive global business environment. The notion of national competitive advantage has never been more important, because whole industries can migrate overseas, seemingly overnight. The migration begins with an industry-leading American corporation sinking, perhaps due to its own complacency, but taking down with it the “industry cluster” of suppliers that successor corporations would need in order to take its place. When this happens, the wealth-generating capacity of that industry departs our economy too. Jobs disappear; revenue streams are lost; capital to reinvest dries up; and tax revenues vanish, leaving the country strapped for the cash it needs to upgrade its physical and intellectual infrastructure and to maintain the national standard of living and defense, security, and social services. It is a downward spiral.

So America needs all of its citizens making their best contributions to the country’s economic well-being. Goods that are not made well here will be made offshore. Services that are not performed well here will be outsourced to countries that can do a better job. Innovations that are not successfully brought to market here will be developed elsewhere and sold here. We would become a consumer nation rather than a producer nation, our balance of payments would favor other countries, the dollar

would be worth less, and our standard of living would decline. We are already seeing it happening. So it is time to change course.

This book is about enabling the full participation of minorities in the U.S. economy. We have no other choice, because minorities are well on their way to becoming the majority of our workforce and our entrepreneurial economy. But what we have to say about minorities is also applicable to women, who also have much to contribute. Women are already the majority, and they too are on an uphill journey to overcome the economic exclusion of past decades. But we will not go into detail about the unique situation and needs of women in this book. We will keep the main focus on minorities and deal with the unique challenges of women business owners in other works.

As we think about the economic inclusion of minorities, we need to take into account the context in which we must move forward. We can observe the wreckage of the real estate markets, the victims of the credit crisis, the increase in wealth of the wealthy and the decrease in purchasing power of the middle and working classes, the upheaval in the auto industry and manufacturing in general, the demise of the experiment in removing regulation from the markets, the acceleration of global climate change due to carbon emissions, the waning of religious conservative political influence in North America and its increase in the Middle East, and the realignment of geopolitical power and influence. Collectively, these observations should make us realize that the context of business has changed—irreversibly.

Yet in the midst of crisis, there is always opportunity. The U.S. government developed a set of economic stimulus programs designed to create jobs, boost disposable income, and elevate the country out of recession. The idea is for money to be spent so that money can be earned: that is the bottom line in stimulating the economy. It is well established that small business is the biggest source of job creation and wealth generation in the U.S. economy, so most of the money needs to end up in the hands of entrepreneurs. It is also well established that access to capital has always been more difficult for minorities and women. So an obvious way to channel funds to address the credit crisis is to make it easier for small businesses to get the loans they need to grow their

businesses—which will allow them to give out more in wages and spend more on purchases.

But increasing access to capital without making sure the money will generate long-term revenue streams amounts to “throwing money at the problem,” and we have squandered billions of dollars demonstrating how ineffective that tactic is. The emphasis needs to be on *development* of minority businesses, of which capitalization is just one element. Successful development involves a comprehensive, integrated set of interventions. Piecemeal solutions *have* never worked and *will* never work. That is why our efforts need to be refocused.

This book explores what it means to develop minority businesses so that they take their necessary place in the U.S. economy. We will see that in past decades, the primary emphasis has been on helping minorities gain access to supply chains. That is, advocates have created opportunities for minority businesses to compete for a small percentage of relatively unimportant outsourcing. In many cases, this has amounted to little more than issuing a purchase order and then hoping for the best. We will see that this approach does not measure up to global best-in-class purchasing strategy, in which the central objective is to work with high-potential suppliers and help them get better—in other words, to *develop* them.

We begin by showing how demographics are changing. We then trace the evolution of minority inclusion in the U.S. economy and explain the consequences of not addressing the challenges posed by changing demographics. Next we look at what minority firms need to be doing to take their place in the economy, because they are the most important element of the solution. Then we examine how governments, corporations, and support organizations ought to refocus their efforts to foster minority inclusion in value chains. Finally, we offer ten specific recommendations that will form the bedrock of a new paradigm for developing minority businesses—so that they can fully contribute to national competitive advantage.

We hope this book will inspire you to think differently about the role of minority businesses in the U.S. economy and what we as a nation ought to be doing to ensure their maximum contribution to our prosperity.