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The Meaning of Black Entrepreneurship in Constructing Community

By Stacey Sutton

The small business sector in the United States has traditionally been viewed as a strong source of economic growth and prosperity, as entrepreneurship epitomizes the quintessential American fantasy of rugged individualism. Given the myths about larger-than-life entrepreneurial heroes, business development has historically been touted as a viable trajectory toward economic and social mobility for immigrant groups and marginalized people. Stories about “great” American businessmen such as John D. Rockefeller, Bill Gates, Steve Jobs among others, often highlight rags-to-riches myths about innumerable possibilities within American capitalism given diligence, fierce competition, and an uncompromising work ethic. The work values of small business owners are what Max Weber identified as the “Protestant Work Ethic.” According to Weber, this ideal type American worker has an unsurpassed commitment to hard work, perseverance, frugality, a need to achieve, and a need for work to be meaningful. Interestingly, however, the Black entrepreneur is rarely described as such. Researchers and policymakers who critique small business ownership fail to draw on available historical data, which speaks to the Black experience in business, in order to show how Blacks also exhibited this valuable work ethic.

While studies of entrepreneurship and self-employment have raised several hypotheses regarding the performance of various minority groups in owning and operating business enterprises, scholars have largely neglected to include the Black experience in the theory building process. However, when the role of Black businesses is incorporated into the analysis it is usually to accentuate the lack of success among Black entrepreneurs, hence, perpetuating stereotypical perceptions about the inability of Blacks to create and sustain viable enterprises that contribute to community development. Moreover, the cadre of ethnic entrepreneurship researchers fail to address structural constraints — racism, discrimination, and prejudice — which dispropor-

tionately impeded the economic and social mobility of Black businesses.

One can be easily led to believe that either there is no legacy of Black entrepreneurship, or that Black businesses fail solely because of inherent flaws in Black business owners such as a combination of insufficient financial resources, poor business management and inadequate human resources. However, by viewing the history of Black entrepreneurship through the prism of American racism, segregation, discrimination, and the effects of organizational restructuring, we can construct a much richer analysis of the causes and consequences of Black entrepreneurship, as well as the significance of these businesses to Black communities.¹ Furthermore, by understanding the historic role of Black entrepreneurship in building cohesive Black communities we can theorize about the contemporary meaning of Black enterprise and its role in the community building process.

This essay is a brief summary of the research I am conducting for my dissertation. The overall research is an empirical endeavor; however, this essay draws on the theoretical implications of the work. The purpose of my research agenda is twofold: (1) to contribute to our understanding of the causes of Black business formation, particularly within Black urban communities and, (2) to unearth the consequences of Black entrepreneurship on community building. Theories of Black business development have both contemporary and historical saliency; therefore, references are made to the legacy of Black entrepreneurship present during pre-industrial and industrial periods. Because the Black business tradition has often been misinterpreted and scandalized, constructing community building models that capture the meaning of these entrepreneurial endeavors can begin to reframe Black entrepreneurship in terms of personal and group opposition and normalization.

I will argue that the criteria for assessing Black businesses should not be purely economic because these institutions carry both symbolic and material meanings, which are not fully discernible through cash flow or income statement analysis. Black businesses should be evaluated according to the social, political and cultural assets they bring to Black communities as well. The social meaning of Black businesses located in Black communities emerges in the ongoing processes of interaction that happens in and around these institutions. Therefore, this study seeks to unravel the social signifi-

cance of these businesses through in-depth interviews with Black entrepreneurs to learn about the factors that led them toward self-employment, their decision to locate in Black neighborhoods, and the attitudes toward the businesses that emanate from the community at large. Accordingly, long-term community residents will also provide a useful perspective about the meaning of Black business ventures to the neighborhood.

This research is not intended to unduly deflate the importance of wealth creation and economic stability in the Black community; nor is it suggested that the financial or economic position of Black enterprises is of lesser importance or unworthy of further study. Rather, this research brings to the forefront the sociological and psychological relevance of Black enterprises in the community building process. It is intended to take a fresh look at Black entrepreneurship, one that articulates the circumstances that push and pull Blacks into self-employment and draws more general theories about community attachment. The underlying premise for this research is as follows. If our goal is to create viable communities, we need to focus on people and place-based strategies that go beyond typical bricks and mortar strategies, to unearth additional factors that make communities vibrant. A community's cohesiveness hinges on its ability to tap into hard felt allegiances and valiant efforts to stay connected, which are present among African-Americans, generation after generation, even as they journey to and from communities. Moreover, the incentive for Black enterprise is more than just making a profit, creating a useful product, or providing a needed service. While these goals are important and aspired toward, there is also a deeper motivation. Within a system of oppression and marginalization the inspiration to own a business is often fueled by dual goals of personal and group empowerment.² By focusing on the ways in which meaning is bestowed on businesses, and indirectly on communities, we can understand better how seemingly individualistic economic institutions foster group empowerment.

History of Black Business

Black entrepreneurship has an historical tradition of survivorship in America. Although the idea of Blacks doing business on a significant scale is often presented as aberrant, there is evidence that many Blacks have engaged in entrepreneurial activity, often against great odds, since the eighteenth century. This brief historical overview will highlight Black entrepreneurship during

the Pre-Civil War, Jim Crow segregation, Civil Rights and contemporary periods of organizational restructuring.

Before the Civil War, Black businesses fell into two categories, those owned by slaves and those owned by free Blacks. Slaves were clearly limited in their ability to become entrepreneurs. However, there is documentation that, as a result of thrift, native intelligence, industry changes, and the liberal paternalism of their masters, some slaves actually engaged in business enterprise.³ Conversely, some free Blacks were able to accumulate enough capital to engage in business activity. Free Blacks developed many small businesses marginal to mainstream society, although central to the Black community. These businesses were generally either based on craftsmanship such as tanneries and smithies, or business services that whites did not want to operate such as barbers, mechanics, catering, restaurant and hotel operation. Walker points out that larger enterprises were also developed in areas of merchandising, real estate, manufacturing, construction trades, transportation, and extractive industries.⁴ It is important to note that prior to the Civil War, free Blacks had only half-free status. They operated their businesses with the ongoing fear of being captured and enslaved. Furthermore, state legislation restricted the mobility of Blacks, and hence mitigated the expansion and growth of Black businesses.

As early as the beginning of the nineteenth century, numerous Black business communities were developed in both northern and southern cities. For instance, cities such as Philadelphia were noted as having a thriving Black business class as early as 1838. The Philadelphia Register of Trades for Colored People listed 656 persons engaged in fifty-seven occupations for that year. In the first half of the twentieth century, blatant discrimination by white Americans destroyed many viable businesses. For example, in the Greenwood district of Tulsa, Oklahoma a community that came to be known as "Black Wall Street" was developed in the early 1900's. This thriving Black community, which included more than six hundred Black businesses, including banks, theatres, hotels and a newspaper, *The Tulsa Star*, was destroyed in 1921 by a pogrom led by white residents. Approximately 1,500 homes and businesses were destroyed and hundreds of Black people were killed.⁵

The Great Depression and the decline of Black-owned

banks further contributed to the national slump in Black business activity that occurred prior to the 1940's. Additionally, enforced segregation had a profound effect on Black businesses. On the one hand, Jim Crow segregation served as a protective mantle for Black businesses; on the other hand, it severely, and some would argue intractably, limited the opportunity for economic mobility among Blacks. After the passage of Jim Crow laws, Blacks were precluded from participating in the larger economy. Other ethnic groups, however, were permitted to take advantage of the broader market and they formed enclaves such as "little Italy," "Chinatowns," "German Towns," etc. When non-Black ethnic establishments were started they were rarely strictly limited to their ethnic group in terms of marketing their products and services. While ethnic solidarity was common, survivorship among non-Black businesses did not solely depend on co-ethnic patronage. Conversely, during Jim Crow, it was against the law for whites and Blacks to mingle, especially in the south. Therefore, Black entrepreneurs were prohibited from utilizing the "free" market for the economic expansion of their businesses.

One could also argue that enforced segregation supported the development of thriving Black businesses as community residents had few options for purchasing goods and services outside of the Black community. The common rebuttal to this "captive audience" analysis is that although Black entrepreneurs could count on a customer base they were constrained by the limited purchasing power of most Black residents. As Drake and Cayton point out, in large cities such as Chicago the commercial corridors in most Black communities were rarely exclusively Black-owned businesses. For instance, in Bronzeville Black merchants faced fierce competition from Jewish merchants located in the community. By 1938, over half of the merchants in Bronzeville were Jewish. It was common for Black preachers and others to stress the virtues of the "double-duty dollar," which was meant to encourage Blacks to purchase products from Black owned establishments and advance the race. The elevation of the double-duty dollar slogan emanated from a commonly held belief that Blacks participated in two worlds – the larger community of city, state and nation, and the smaller, socially isolated, and spatially separate Black world.⁶

While Black businesses in most areas were small and community based, they often afforded entrepreneurs the equity to purchase homes, live comfortably, send

their children to college and develop a sense of dignity and respect from other community residents. It is commonly noted that prestige and status were not inexorably linked to the size of the enterprise. Rather, merely being a business owner had significant symbolic value. Therefore, the highly educated professional, the small storeowner, and the informal service provider could find solidarity in their ideals of self-determination and community empowerment.

Since World War II, and particularly during the sixties and seventies, there was increased governmental support for Black owned businesses. Affirmative action policies were enacted in an attempt to "level the playing field" for Blacks so that this historically oppressed group could have comparable chances for success. Specifically, the passage of Title VII of the Civil Rights Act of 1964 established the Equal Employment Opportunity Commission (EEOC). This unprecedented executive agency provided a remedy to the allegations of employment discrimination. Additionally, during the Nixon administration (1969-1972) federal "set-aside" programs were enacted to foster Black capitalism.⁷ The threat of federal court action, coupled with national and local set-aside programs, helped increase Black, and other minority, representation in getting government contracts. This in turn spurred minority small business expansion.

Although we can point to a rich history of Black entrepreneurship, we have not discussed the historical and contemporary factors that favor self-employment among Blacks. Various labor market constraints and opportunities have made self-employment the most viable option toward economic advancement. Although the literature regularly points to the instability and risks associated with entrepreneurship, many Blacks have chosen self-employment out of their desire for self-sufficiency, frustration with inequality, and disenchantment with opportunity structures.

Push – Pull Factors

The current wave of organizational restructuring, which began in the 1980's as firms downsized, reorganized and decentralized, has also contributed to the rise in self-employment. Scholars argue that Blacks were disproportionately affected by restructuring.⁸ Blacks were the only racial group to suffer a net job loss during the 1990-1991 economic downturn at companies with 100 or more employees.⁹ However, racial comparisons have

not yet been made to argue that Blacks, more than any other racial group, have been pushed into self-employment as a result of organizational restructuring. Given that internal labor markets are far weaker than they once were and the rungs of career ladders are being stripped away; we are currently witnessing growing racial wage inequality during periods of economic growth; racial discrimination in hiring practices continues to be pervasive; and Blacks are less likely than whites to be in the highest levels of authority, even when they share the same levels of human capital, and other background characteristics.¹⁰ One could make a strong argument that Blacks face real limits to opportunity structures within the mainstream corporate sector. Therefore, self-employment is very likely perceived as a more secure option, even with its inherent risks and uncertainty. While Blacks are no less enterprising than other groups, it is commonly believed that many Blacks embark in business enterprises simply because they cannot find work. Research has shown that entrepreneurs starting business ventures as a result of unemployment often engage in undercapitalized and scantily planned enterprises. More recently, however, there has emerged a growing cadre of savvy Black entrepreneurs, educated at the best business schools and equipped with years of experience from working in mainstream American businesses. These business people enter entrepreneurship with a purpose. Given options in terms of locating their business, many choose to locate their operations in Black communities.

Central Questions and Implications of Research

Given the rich history of Black entrepreneurship coupled with the economic uncertainty created as a result of organizational restructuring, the questions remain: why do Blacks embark on entrepreneurial endeavors? Is it merely to satisfy the “American dream” or is there cultural meaning? Furthermore, why do Black entrepreneurs choose to locate these businesses in Black communities? The most obvious answer is that Blacks are still relegated to certain places, discriminated against, and thus restricted to providing goods and services to other Blacks. This suggests that structural racism continues to impact location choices; in other words, the long-term effects of marginalization still cause Black entrepreneurs with location options to choose to locate in Black communities. While this may be partially correct, it does not tell the full story. I hypothesize that the effects of structural racism are more pervasive than merely circumscribing Black businesses through re-

source allocation. There is a dynamic relationship between structural racism and marginalization, such that marginalized groups, namely Black entrepreneurs, make decisions to locate their businesses in Black communities, given other location options, based on an emotional attachment to place, as well as an interest in group and personal empowerment. If this is true, it tells us something about the emotional need to form Black communities, and stay connected as well as how Black entrepreneurs are crucial components in creating community. Too often Black communities come to embody all that is negative. They are places to flee from or escape. More attention needs to be paid to the systems and institutions that make geographic communities livable, i.e. the stabilizing factors that keep residents in places, attract folks to the area, and allow it to be called home. This research will begin to articulate the functional significance of Black businesses to the process of community building.

Within the literature there is often an attenuation of the seemingly individualistic goals associated with business enterprises and the collective goals of community building. I argue that, within the Black community, social outcomes are not disconnected from economic goals. While this is probably not unique to Black communities, it is particularly salient given the paucity of literature on Black businesses with “positive” economic outcomes. Moreover, community business owners are often intricately connected to the social and political fabric of the community. Although Black entrepreneurship is part of the private sphere, symbolically, these enterprises are public institutions. If we agree that they are important symbols in the community building process then we need to take a closer look at the policies and practices designed to develop and sustain these enterprises.

Black entrepreneurs, like other entrepreneurs, enter business ventures because of their enterprising spirit and their desire to obtain the “American dream.” However, to stop there would grossly oversimplify the relationship between Black entrepreneurship and community building. Through this research, I posit that there are at least four benefits to be derived from increased Black entrepreneurial activity: enhanced group power, increased Black income, increased Black pride and improved community welfare.¹¹ Moreover, the community building process is intricately connected to an attachment to place. This connection is created through bonds formed based on the meaning given to the place

through an interactional process. The attachment is based on both past interactions, or the memories of interactions associated with a place and potential interaction, the perceived future experiences hoped to occur in that place.¹² Therefore, the Black community, which I reference, is both a physical and emotional place. People have real and fantastic memories of Black communities as well as hopes and expectations of what these places can become.

Notes

¹ For the purpose of this research, community refers to physical locations such as neighborhoods, as well as bonds between people. Consequently, the Black community is both a physical site and an emotional space of interaction.

² Michael Hodge, and Joe R. Feagin "African-American Entrepreneurship and Racial Discrimination: A Southern Metropolitan Case," in Smith and Feagin, eds., *The Bubbling Cauldron: Race, Ethnicity and the Urban Crisis* (Minneapolis: University of Minnesota Press, 1995).

³ John Sibley Butler, *Entrepreneurship and Self-Help Among Black Americans: A Reconsideration of Race and Economics* (New York: State University of New York Press, 1991).

⁴ Juliet E. K. Walker, "Racism, Slavery, and Free Enterprise: Black Entrepreneurship in the United States Before the Civil War," in *Business History Review*, 1986.

⁵ Sam Howe Verhovek, "75 Years Later, Tulsa Confronts its Race Riots" *The New York Times*, Friday, May 31, 1996.

⁶ Drake St. Clair and Horace R. Cayton [1945] *Black Metropolis: A Study of Negro Life in a Northern City* (Chicago: University of Chicago Press, 1993).

⁷ See Michael Hodge and Joe R. Feagin, "African-American Entrepreneurship and Racial Discrimination: A Southern Metropolitan Case."

⁸ Peter Cappelli et al. *Change at Work* (New York: Oxford University Press, 1997).

⁹ Rochelle Sharpe "In the Latest Recession Only Blacks Suffered Net Employment Loss," *Wall Street Journal*, September 14, 1993, A-1, A-12, A-13.

¹⁰ Ryan Smith, "Racial Differences in Access to Hierarchical Authority: An Analysis of Change Over Time, 1972-1994," *The Sociological Quarterly*, Vol. 40, No. 3, 1999.

¹¹ Wayne J. Villemez and John J. Beggs, "Black Capitalism and Black Inequality: Some Sociological Considerations," *Social Forces*, September, Vol. 63, No. 1, 1984.

¹² Melinda J. Milligan, "Interactional Past and Potential: The Social Construction of Place Attachment," *Symbolic Interaction*, Vol. 21 No. 1 Spring 1998.

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