

# Contemporary Black Entrepreneurship in the Professional Service Sector of Chicago: Intersections of Race, Entrepreneurship, and Economic Transformation

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## Abstract

Entrepreneurship could level the playing field between racial groups and decrease poverty through job creation. Growth in the U.S. professional services (PS) sector over the last several decades has increased high-wage employment and entrepreneurship opportunities. Although the number of Black-owned PS businesses has grown, their performance lags behind their counterparts of other races. Black entrepreneurs in highly skilled sectors, such as PS, tend to be more educated, better financed, and have more diverse customer bases than their counterparts in other sectors. Yet, these advancements have not translated into firm performance. This study examines factors influencing outcomes of Black PS entrepreneurs in Chicago using interview and focus group data. Results indicate that racialized barriers, current entrepreneurship culture, and the nature of the PS sector combine to contour a contentious business environment. Updating models of inclusion to address the contemporary entrepreneurial environment and

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incorporating accountability measures are necessary steps to realize the potential of this group.

**Keywords**

entrepreneurship, professional services, African-American, inequality, Chicago

**Introduction**

Black entrepreneurship is an important thread running through the fabric of urban economies—weaving together cities' economic vitality through the development of urban neighborhoods and job creation. During the last several decades, structural shifts in the economy, combined with social attitude and policy changes, have increased the number of Black entrepreneurs, particularly in emerging sectors requiring advanced skills and knowledge. According to Bates (1993, p.18), “emerging minority firms whose growth has been particularly rapid include skill-intensive service industries: finance, business services and various professional services” (see also Boston and Ross 1996; Rice 1993). Scholars have noted that Black-owned firms in emerging fields tended to have more diverse clientele bases than traditional Black firms and emergent entrepreneurs invest substantial capital in their businesses (Bates 1993; Boston and Ross 1996; Rice 1993). For these reasons, Bates (1993, p. 18) claimed that emerging Black firms will be more profitable, “fail less and generate more jobs” than firms in more traditional sectors. The rise of Blacks in promising fields that were previously closed to them raises questions regarding their experiences, levels of success, and potential for individual upward mobility, community development, and local economic development.

At the heart of many changes to the U.S. production system that culminated in the late 1990s was the upsurge in professional services (PS) sectors. The PS sectors have become an important and growing part of most major metropolitan economies. The emergence of Black entrepreneurs in these fields may suggest that key barriers that initially locked them out have been removed and that the potential for their upward mobility has increased. Yet, 2012 Economic Census, Survey of Business Owners (SBO) data showed that though the number of Black-owned PS firms had grown faster than the rate of PS firms in the overall economy, their performance in terms of sales and number of employees has lagged relative to their White counterparts (U.S. Census Bureau 2015). This is perplexing because Blacks who open PS firms

tend to be more educated and invest greater amounts of capital than their counterparts in more traditional fields.

Factors influencing the creation and performance of Black-owned businesses have been studied extensively in the literature. Historically, studies have focused on human, financial, and social capital deficiencies among Black entrepreneurs. However, Black PS entrepreneurs, on average, suffer much less from these deficits than Black entrepreneurs in more traditional fields. Although the broader group of emergent Black entrepreneurs has been identified and studied compared with traditional Black entrepreneurs, very little research has specifically focused on Black PS entrepreneurs, particularly in the contemporary context (following technology- and globalization-driven changes to production of the 1990s). Furthermore, previous studies of Black entrepreneurship have predominantly relied on large quantitative datasets that are not designed to capture the nuances that make the specific experience of Black PS entrepreneurs unique.

The purpose of this empirical, qualitative case study was to understand the factors influencing performance outcomes of Black PS entrepreneurs in Chicago in 2008 using empirical data primarily from interviews, focus groups, and surveys. More specifically, I examined Black entrepreneurs' motives for starting their businesses as well as their barriers to success using in-depth interviews that allow for a thick description of the entrepreneurial experience of this group. This research was part of a larger study on Black entrepreneurs and workers in the PS sector of Chicago (see Harper-Anderson 2009).

The results revealed that, although the number of Black PS entrepreneurs has grown, performance of their firms (in terms of employment and receipts) lags behind PS firms in the broader economy. I argue that the intersections between race, the nature of the PS sector, and the milieu of contemporary entrepreneurship shape their current experiences and performance outcomes. Although traditional barriers to Black entrepreneurs (lack of financial and human capital, racialized treatment, and exclusionary procurement practices) partially explain this lag, spillover effects of the culture of the PS employment environment also contribute to it. Furthermore, the combination of new work arrangements influenced by the reorganization of production has encouraged what I call a "hybrid entrepreneur." Although this new group may contribute to the increasing numbers of Black entrepreneurs, many of these businesses are operating in survival mode.

This research was conducted in the midst of the Great Recession (December 2007–June 2009) that heavily impacted the business climate at the time. Places with higher unemployment during the recession yielded higher business starts (Fairlie 2013). The unemployment rate in the Chicago

region was one of the highest among its peer Metropolitan Statistical Areas (MSAs) during the recession (Hendrick, Luby, and Terzakis 2010). Furthermore, Blacks were more likely to enter unemployment during the recession than their White counterparts (Couch and Fairlie 2016). Taken together, these patterns may help explain the increased rate of Black-owned businesses in Chicago compared with the broader economy.

However, it should also be noted that historic Economic Census, SBO data indicate that the key quantitative patterns of disproportion between high growth in firm numbers and poor performance found at the time of this research (based on 2007 SBO) persisted both before the Great Recession (based on 2002 SBO) and following it (based on 2012 SBO). For example, between 2002 and 2007, the growth rate of Black firms in Chicago outpaced the broader economy (58% compared with 21%). Between 2007 and 2012, the number of Black PS firms in the Chicago region increased by 32% compared with the broader economy that increased by 3%. At the same time, between 2002 and 2007, sales receipts per Black-owned firm declined by 10%; between 2007 and 2012, there was a 26% decrease in sales receipts per firm. The persistence of the imbalance between firm growth and sales receipts per firm suggests that in addition to recessionary forces, other factors were likely at work.

Entrepreneurship has been touted as an important tool for Black mobility and community revitalization. PS entrepreneurship has the potential to elevate the benefits of Black businesses beyond the geographic, industrial, and income boundaries that have ever been reached before. Understanding factors impeding realization of those potential should be especially important to scholars and practitioners of economic development and urban planning.

In the next section, I frame the research with an overview of Black firm performance in the period immediately preceding this study, followed by a brief review of theories seeking to explain Black entrepreneurial outcomes. Next, I examine the evolution of the PS sector and macroeconomic changes that have helped to shape the context for PS entrepreneurs and workers. After describing the data and methods, I introduce the Chicago case study. I then reveal the study's findings to explain the outcomes for Black PS entrepreneurs. In the concluding section, I discuss the implications of the research findings for economic and workforce development.

## **Background and Literature**

### *The Relative Performance of Black Entrepreneurs*

Researchers disagree on the nature and extent of progress in Black entrepreneurship in the United States (Light and Rosenstein 1995). Although the

number of Black-owned firms and revenue has grown, their performance in terms of receipts and employment lags that of their White-owned counterparts (Fairlie 2004; Fairlie and Robb 2008). Historically, Black-owned firms have higher closure rates, lower sales, fewer employees, and lower profits than White-owned firms (Fairlie and Robb 2008; U.S. Census Bureau 2006). According to the 2012 Economic Census, these trends persist.

Despite their dire performance on average, the number of Black-owned firms increased by 60% between 2002 and 2007—triple the rate for the overall economy, which grew by 18%. During the same period, sales receipts for Black-owned businesses increased by an impressive 55% compared with 34% for the overall economy. Despite the relative growth, in 2007, Black-owned businesses represented only 7% of the U.S. total and accounted for less than 1% of sales receipts. Furthermore, a disproportionate number of Black-owned firms had no employees (96%) compared with the overall economy (78%). Finally, Black businesses have historically been overrepresented in less successful industries, such as personal services and transportation, and underrepresented in more lucrative industries (Bates 1997; Fairlie and Robb 2008). The two industries with the greatest share of Black-owned businesses, according to the 2007 Economic Census, were Health Care and Social Assistance (19%) and Repair and Maintenance and Personal and Laundry Services (19%).

### *Explaining the Gaps*

Theories explaining the racial gaps in ownership rates and performance have largely focused on human, financial and social capital deficits, industry distribution, and the role of discrimination in all of these. Access to financial capital is widely accepted as the most important factor predicting business success across all racial groups. Black entrepreneurs have had a particularly difficult time accessing financial products, partially due to discrimination (see Blanchflower, Levine, and Zimmerman 2003; Cavalluzzo and Wolken 2005). Scholars have also highlighted differences in education and work experience as possible explanations for racial gaps (Boyd 1991b). Whereas 45% of White business owners have at least a bachelor's degree, only 34% of Black business owners do (U.S. Census Bureau 2010). However, some scholars argue that only a small portion of the Black–White difference in outcomes can be attributed to education disparities (Fairlie and Robb 2008). Furthermore, despite tremendous progress in narrowing the racial education gap between the 1960s and the 1980s, the rate of Black entrepreneurship has not kept pace—suggesting that education was not the implied cause (see Fairlie and Robb 2007; Singh and Gibbs 2013). These findings raise

questions about which factors help to explain the less favorable outcomes for educated Black entrepreneurs.

Social capital has been widely acknowledged as a critical factor for the success of start-ups and small businesses (Granovetter 1995; Granovetter and Tilly 1988). Allen (2000) showed that the strength of one's social network influences decisions to become self-employed. A great deal of research has documented Black business owners' limited opportunities to connect to and difficulties penetrating social networks (Feagin and Imani 1994), thus inhibiting their success. The combination of these factors creates vulnerabilities for Black entrepreneurs as a group.

Discriminatory procurement practices have also been identified as a potential explanation for the racial gap. Although government initiatives beginning in the 1960s increased access to small business loans and procurement opportunities for Blacks within government agencies, they fell short of leveling the playing field (Bates 2009). Chatterji, Chay, and Fairlie (2013) found that city-level set-asides did raise both Black entrepreneurship levels and Black male employment in the targeted industries. However, the Supreme Court's *Richmond v. Croson* decision in 1989 severely restricted preferential treatment in procurement and hence has had a detrimental effect on business opportunities between minority-owned firms and government (Bates and Williams 1995). Corporations have also engaged in supplier diversity type programs. However, according to Chicago United, a minority business advocacy organization, "Business opportunities for minority professional service firms, however, have been conspicuously limited" (Chicago United 2004, p. 3). Very little scholarly research has focused on nontraditional sectors, such as PS, and the unique experiences of Black entrepreneurs in these sectors.

### *The Rise of the PS Sector*

The PS sector is an important and growing part of most major metropolitan economies (HUallacháin and Reid 1991). PS are the core group of service sectors characterized by professional certification and licenses and play a critical role in supporting business processes. In this research, I define them as North American Industry Classification System (NAICS) codes 51 to 56. The rise and expansion of PS industries resulted from changes in our production system and consequently changes in how work is organized. In an attempt to become "lean and mean" in the late 1980s, many companies externalized business functions that were not a part of their core operation (Harrison 1997). These structural changes coalesced with the technological boom at the time. The result was growth in several business-related industries and creation of others. Furthermore, this externalization created a contracting

culture that increased the number of firms and the number of self-employed individuals (see Belous 1989; Benner 2002, 2007; Clinton 1997).

The level and degree of outsourcing increased tremendously as the need for flexibility and innovation defined production in the new economy of the 1990s. Benner (2002, p. 21) attributed the increase in part to the need “either to access specialized skills or adjust to flexible work demands.” Although contracting out existed prior to this period, the outsourcing of highly skilled positions was a new development. This contracting culture continued to take hold throughout all sectors of the economy as greater numbers of people engaged in nonstandard and flexible work arrangements culminating in what is currently referred to as the “gig economy.”

Macroeconomic changes that took hold over the last few decades have expanded job opportunities in certain fields resulting in an upsurge in Black-owned businesses in emerging industries. In the 1990s, fast growing “emerging lines of minority enterprise” included skill-intensive services such as finance, business, and PS (Bates 1997). Boston and Ross (1996, p. 339) pointed out, “this new [Black] entrepreneur is young, well educated, operating increasingly in nontraditional industries.”

Along with other racial groups, Blacks were impacted by the rise in the PS sector both in terms of employment and entrepreneurship opportunities resulting in an upsurge in Black-owned businesses, particularly PS. The sector’s growth created opportunities for certain Black entrepreneurs to participate and prosper in new parts of the economy and at previously improbable levels. Lofstrom and Bates (2013, p. 74) argued, “[E]ntry barriers in skill-intensive fields like professional services . . . are commonly overcome by the aspiring entrepreneurs possessing educational credentials earned through graduate and professional studies.” One might assume that the general increasing number of Black-owned firms in promising sectors is evidence that barriers to minority business are declining. Indeed, some progress has been made in this area. However, despite the increase in opportunity and the improved human and social capital, Black entrepreneurs continue to face significant challenges in the PS sector of Chicago (Chicago United 2004). The primary goal of this research is to understand those challenges and to identify the factors that influenced the experiences and performance of Black PS entrepreneurs in Chicago during the study period.

## **The Chicago Case**

The Chicago region represents what Yin (2003) called an extreme case because of its particularly high number of Black-owned businesses, relatively high proportion of PS firms, and the well-documented role of politics in minority

procurement.<sup>1</sup> The City of Chicago is second only to New York in the number of Black-owned businesses (58,631 and 154,929, respectively) (SBO 2007). Furthermore, Boyd (2009) identified the city as having the highest number of “eminent” or highly influential Black entrepreneurs. PS businesses comprise nearly one-fourth (22%) of the Black-owned businesses in the Chicago region, making this segment of the economy a very important component of the area’s Black opportunity structure both for individuals and communities.

Chicago’s historic dominance in Black-owned businesses can be attributed to geography, population, and policy. Noted Chicago historian, Charles Brenham, characterized Chicago as “the Black business capital of America” (Smikle 1987, p. 61). Since the Great Migration, Chicago has been home to the second largest Black populations in the United States surpassed only by New York until 2010, when Atlanta moved into second place. Like many other cities, Chicago Blacks were highly segregated in a group of neighborhoods on the south side of the city known as the “Black belt.” This “city within a city” created a captive market for Black businesses that could serve their needs and, according to Marable (1985), sometimes exploit their lack of options. It is important to note that though Chicago still remains the most segregated city in America (Glaeser and Vigdor 2012) unlike traditional Black-owned businesses that primarily rely on Black consumers to support them, eminent businesses (including PS) rely on a broader customer base. They are often found in higher-income areas and areas with lower minority concentrations (Boston and Ross 1996), making segregation less of a directly impactful issue for this type of firm.

In addition to sheer numbers, Chicago has a history of political leadership and institutional activism around issues of minority business inclusion that shed light on the current context for Black-owned businesses. Many attribute the more recent prominence of Black-owned businesses in Chicago to the foundation laid by Mayor Harold Washington who issued Executive order 85-02 in 1985 requiring that 25% of the dollar value of all contracts go to minority contractors thus increasing spending with minority contractors from less than 10% in 1985 to over 33% in 1987 (Ferman 1996). Although the 1989 U.S. Supreme Court effectively ended race-based contract programs, Chicago still maintains a 26% construction set-aside under current Mayor Rahm Emmanuel.<sup>2</sup> Chicago’s unique combination of characteristics provided a rich case study to examine Black entrepreneurs’ experiences in the PS sector.

## **Data and Method**

The primary data for this study were derived from semistructured in-depth interviews and focus groups conducted with 43 Blacks who own PS

businesses in the Chicago region in 2008. An additional focus group included 15 procurement officers and finance professionals (of all races) employed at major corporations in the region. Participants were recruited using a combination of convenience and snowball sampling methods. To participate in interviews, participants were required to identify as African-American, own a PS sector business in the Chicago area, and be at least 18 years of age.

Twenty-five semistructured interviews were conducted with Black PS entrepreneurs during the summer of 2008, each lasting between one and two hours. PS business owners unable to participate in one-on-one interviews owing to scheduling conflicts participated in one of two focus groups, each containing nine participants and lasting about 1.5 hours. Both individual interview participants and focus group participants were asked open-ended questions about the following topics: their motivations for starting a business, firm success factors and barriers, owners' experiences conducting business in the PS sector, and each participant's personal career path. Most sessions were digitally recorded and transcribed verbatim. Two interview participants asked that we take notes instead of recording.

The sample of interview participants was comprised of 54% men and 46% women. All six subsectors composing the PS sector were represented among entrepreneurs in the study samples and distributed across PS NAICS codes 51 through 56 as follows: 7% in Information (51), 29% Finance and Insurance (52), 7% in Real Estate (53), 34% in Professional Scientific (54), 2% in Management of Companies (55), and 20% in Administrative and Waste Management (56). Entrepreneur participants represented a wide range of business sizes from very small, sole proprietor start-ups, to owners of some of the largest, most successful Black enterprises in the region. The owners ranged in age from their early 20s to their early 70s, most between 35 and 55 years of age.

Recruitment for one-on-one interviews was extremely difficult, particularly among the more successful business owners, given the sensitive nature of information and the limited number of Black business owners in PS. One owner's fears summed it up for many: "There are so few of us [successful Black PS entrepreneurs] in this position that all of my business partners and colleagues could easily figure out who I am based on one story." Although Chicago hosts numerous Black-owned businesses, the number of highly successful PS entrepreneurs is rarer and because of that, their stories of struggle and overcoming the odds are often well known. Therefore, to recruit participants we granted anonymity and confidentiality.

Transcripts were coded using an inductive thematic analytic approach rather than seeking to test a predetermined hypothesis. According to Thomas (2006, p. 237), an inductive approach can be used to "develop a framework

of the underlying structure of experiences or processes that are evident in the raw data.” The coding revealed how the intersectional nature of race, economic restructuring, and entrepreneurship combined to shape the experiences of this group. McCall (2005, p. 1771) defined intersectionality as “the relationships among multiple social dimensions and modalities of social relations and subject formations.” The conceptual diagram in Figure 1 (discussed in detail below) captures the broad themes and their relations to each other as a framework for analysis.

To address broader questions regarding the PS sector, I complemented entrepreneur interview data with survey data from 76 responses to an online survey of Black PS employees in the Chicago MSA. The survey is part of a larger research project on Blacks in the PS sector and is the primary subject of a separate journal article focusing on PS employees. I recruited survey participants using similar convenience and snowball techniques, described above for the interviews and focus groups. The survey primarily included close-ended background questions regarding education and workforce experience, success strategies and barriers, and questions about advancement and salary. The survey analysis was primarily descriptive.

## **Context: Relative Performance of Black-Owned Firms in Chicago**

Table 1 presents data on firm growth and sales receipts in the Chicago MSA from the 2002 and 2007 SBO (U.S. Census Bureau 2006, 2010), the latest data available prior to the study period. In 2007, the Chicago MSA was home to 22,391 Black-owned PS firms—up 49% from 2002. Black PS firms grew at more than twice the rate of PS firms in the broader economy (19%).

Most of the growth in the number of firms was driven by firms with no payroll (i.e., no employees). In 2007, firms without payroll accounted for a disproportionate share of all firms both in the broader economy (78%) and within PS (80%). The imbalance was more pronounced among Black firms wherein 96% had no payroll. In fact, between 2002 and 2007, the number of Black-owned payroll firms in the PS sector actually decreased by 13%, whereas the number with no payroll increased by 56%.

The most telling performance indicator for Black-owned PS firms is sales receipts. In 2007, annual sales receipts per firm averaged only \$88,000 for Black PS firms compared with \$942,000 for PS firms in the broader economy. Although suppressed data for 2002 prevents assessing this figure over time for the entire PS sector, for the one subsector where these data were available for both periods (NAICS 52 Finance and Insurance), sales receipts per Black PS firm decreased by 46% from \$167,000 in 2002 to \$91,000 in 2007. The disconnect between growth in the number of Black-owned PS firms and their weak performance in

terms of employment creation and sales calls for a deeper examination of the dynamics at play. In the next section, interviews with Black PS entrepreneurs and survey respondents shed light on possible contributing factors.

## **Results: Explaining the Relative Position of Black PS Firms**

Interviews suggest that the context for Black PS entrepreneurs in 2008 metro Chicago was shaped by the intersections of race, the rise of the PS sector, and the nature of contemporary entrepreneurship. The nature of the PS sector and racialized treatment have pushed and pulled Blacks toward entrepreneurship. The conceptual model depicted in Figure 1 illustrates these relationships. In short, each factor intersects with the other two to create a part of the context that shapes the group's experience. The historic legacy of racialized treatment in the United States has left Blacks vulnerable both in employment and entrepreneurship (A). Participants discussed the impact of this treatment on their experiences in the PS sector as employees and as business owners. At the same time, the evolution of the PS sector over the last several decades has reconfigured the production system creating new knowledge-based opportunities for Blacks (along with others) who possess the requisite credentials and skills (B). Many participants acknowledged the potential for high rewards in the growing PS sector. Participants perceived entrepreneurship as a potential mechanism to capitalize on the opportunity of the PS sector and/or to overcome the vulnerabilities of a racially unjust business environment (C). The intersection of the historical legacy of racialized stereotypes with the knowledge-intensive and relationship-driven demands of the PS sector (D) creates a unique culture for the sector that was consistent across both corporate space for workers and entrepreneurial environment for business owners. At the intersection of race and entrepreneurship (E), participants explained how the legacy of persistent structural racism imposes limitations or barriers to successful business outcomes. On the other side, at the intersection of the PS sector and entrepreneurship (F) lies a pervasive contracting movement that could potentially facilitate and/or be conducive to fledgling entrepreneurship but could also create a space for exploitation forcing certain PS skilled workers into tenuous contracting relationships. Although an initial contract provides an opportunity for a new entrepreneur to get started serving clients, sometimes positions inside the firm are turned into contracts with less favorable conditions and no stability. Results of interviews and focus group data suggest that the combination of the three individual factors and the simultaneous conditions resulting from their intersections amalgamate to create the unique space and context within which Black PS entrepreneurs operate (G) and help to explain the relative weakness of their performance in the late 2000s Chicago during the study period.

**Table 1. Firm Counts and Sales Receipts by Owner's Race: Chicago Metropolitan Area, 2002–2007.**

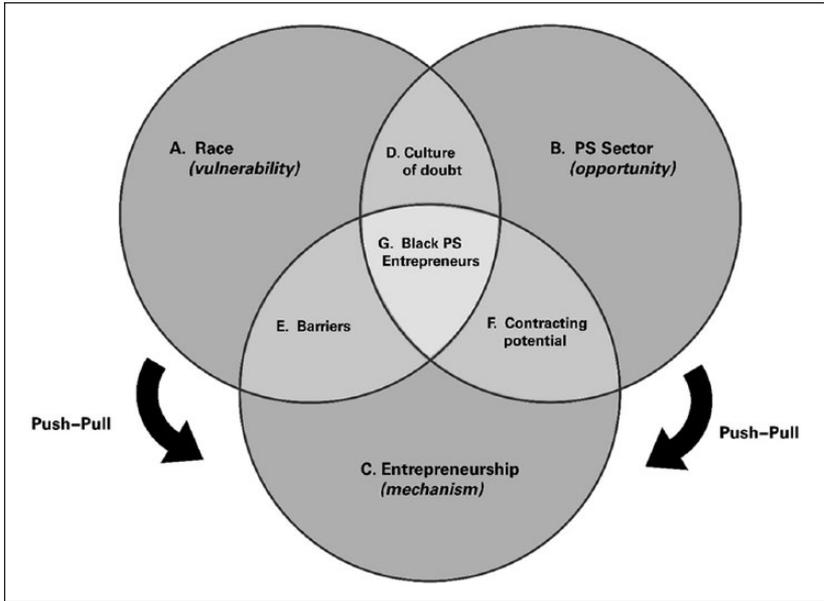
No. of Firms	Black Firms				All Firms			
	2002	Distribution	2007	% Change Distribution 2002–2007	2002	Distribution	2007	% Change Distribution 2002–2007
Total	64,380		101,555	58%	720,315		875,089	21%
Payroll	4,037	6%	3,654	4%	185,400	26%	195,708	22%
No payroll	60,343	94%	97,901	96%	534,915	74%	679,381	78%
Professional services	14,996		22,391	49%	284,757		337,944	19%
Payroll	1,434	10%	1,245	6%	63,182	22%	68,126	20%
No payroll	13,562	90%	21,146	94%	221,575	78%	269,818	80%
Firm Sales Receipts	(in millions)		(in millions)		(in millions)		(in millions)	
Total	\$4,765		\$6,768	42%	\$938,832		\$1,200,423	28%
Payroll	\$3,720	78%	\$5,101	75%	\$914,969	97%	\$1,169,514	28%
No payroll	\$1,045	22%	\$1,667	25%	\$23,863	3%	\$30,909	30%
Professional services	<sup>a</sup>		\$1,979		\$249,002 <sup>b</sup>		\$318,387 <sup>b</sup>	28%
Sales Receipts per Firm	(in thousands)		(in thousands)		(in thousands)		(in thousands)	
Total	\$74		\$67	-10%	\$1,303		\$1,372	5%
Payroll	\$921		\$1,396	51%	\$4,935		\$5,976	21%
No payroll	\$17		\$17	-2%	\$45		\$45	2%
Professional services	<sup>a</sup>		\$88	<sup>a</sup>	\$874		\$942	8%

Source: U.S. Census Bureau, 2002 Economic Census and 2007 Economic Census, Survey of Business Owners.

Note. All numbers have been rounded. All dollar figures are in US dollars.

a. Figure not available due to suppressed data for most sectors.

b. Does not include North American Industry Classification System Sector 55 Management of Companies and Enterprises due to suppressed data.



**Figure 1.** Conceptual model: Intersectionality of race, PS sector, and entrepreneurship.  
Note. PS = professional services.

Analysis of interview, focus group, and survey data points to specific factors that help explain the experiences and outcomes for Black PS entrepreneurship in the Chicago region in 2008 and 2009. While push and pull factors explain the motivations for Black participation in PS entrepreneurship, racialized barriers and limitations, as well as the requirements and culture of and of the PS sector, help to explain their specific outcomes.

### *Push and Pull Motivating Factors: Race, PS Sector, and Entrepreneurship*

Interviews revealed several motivations for launching PS firms including both positive factors pushing business owners into entrepreneurship to capitalize on perceived opportunities and negative factors, pulling them out (mostly out of corporate environments) to overcome marginalization and career limitations. While some of the motivating factors were common among entrepreneurs, others were either specific to racialized treatment or the opportunities and constraints of the PS sector. While other scholars have

discussed push and pull factors for Black entrepreneurs, what is new here is the simultaneous push and pull that occurs when the opportunity created by the PS sector and the vulnerabilities that have historically plagued Blacks intersect with entrepreneurship as a potential mechanism to address both.

Several entrepreneurs reported starting firms to capitalize on high levels of demands for their very specific skills or what Lumpkin, Hill, and Shrader (2004) defined as opportunity recognition. Almost all had worked in their chosen field prior to starting their firms and were aware of the high demand for their PS skills. They explained that even in well-established PS business, practices and processes were changing in a way whereby demand was increasing for the newest and most specialized expertise. Given their success in the corporate environment, several of the participants came to the same conclusion as one interviewee who recalled asking himself, "If I can do this, why am I doing it for someone else?"

Another motivation pushing Black entrepreneurs into PS businesses was the expectation of success given their prior success in corporate jobs. Several interview participants discussed the positive feedback they received for their performance at corporate jobs and, consistent with expectancy theory (see Olson, Roese, and Zanna 1996; Shaver, Gatewood, and Gartner 2001), they believed that their entrepreneurial efforts would result in successful businesses. They were confident that they possessed the pertinent high-level knowledge, skills, and connections required to build successful enterprises in their fields.

Most interviewees were pulled into PS entrepreneurship by high expectations of profitability and growth potential. According to Current Population Survey (CPS) data, wages for PS sector workers at the time of the interviews were 40% higher than the average for the overall economy. Furthermore, PS sector fees had increased tremendously over the previous decade. Lawyers' fees, for example, had nearly doubled (LoPucki and Doherty 2008). Although the PS sector offered potentially lucrative profit margin for all entrepreneurs, this opportunity represented a watershed moment, particularly for educated Blacks.

The other side of this story is that several of the participants felt pushed into entrepreneurship to overcome limitations imposed by unfair and sometimes racialized treatment, consistent with the findings of Singh, Knox, and Crump (2008). Many of those who felt pushed reported moving up in their prior firms very quickly but hitting a glass ceiling or not getting the opportunity to use all of their skills and talents. Although previous scholars have discussed the notion of a glass ceiling for Blacks as well as other marginalized groups, the PS sector imposed its unique manifestation. One very successful business owner explained that after remaining in the same position for

an extended period of time, he “took one look at the top three tiers of the firm, saw there were no Blacks and decided [he] would be an entrepreneur.” He explained that in several PS sectors where the activities were relatively new, including PS, Blacks had less of a track record and were scarcer at the top than in more traditional fields. Several participants also felt pushed into entrepreneurship because they believed their contribution to their firm’s bottom line was inconsistent with their compensation relative to that of their White counterparts and they did not see that changing in the near future.

Several interview participants felt pushed into entrepreneurship as a means to have some control over their work assignments. One participant recalled her experience in an architectural firm: “I was only being assigned two types of projects, bathrooms and [projects] that needed a Black face.” Others expressed frustration with not being assigned to the most important and visible projects that would allow them to gain the credentials and credibility to get to the next level. By starting their own firms, many of the Black entrepreneurs felt they would have control over the assignments that they engaged in and could therefore gain the visibility and credibility they needed in their fields.

A final factor, which had both push and pull qualities, was the growing opportunity created as a result of the increasing practice of corporations contracting out PS types of work. In the 1980s and 1990s, many cost-conscious firms scaled back their workforce of regular employees in favor of contractors and other types of flexible work arrangements.<sup>3</sup> Use of contractors was particularly widespread in PS that were often considered noncore functions. Several of the business owners described seeing their previous PS jobs converted into contract work. Some of the interview participants viewed the contracting of their former functions as an opportunity for increased professional autonomy. Interviews also revealed that some of the entrepreneurs engaged in contracting work without the intent of starting a firm but evolved in that direction because of the changing nature of work arrangements and the benefits of entrepreneurship. Working as employees afforded many of the necessary contacts and experience to become entrepreneurs, sometimes taking clients with them.

Another set of interview participants felt pushed into entrepreneurship because their prior functions inside of corporations had been outsourced as contracts. In an effort to piece together enough work to survive, they believed starting their own businesses was their only option for gaining work. One entrepreneur who ran a small graphic design firm explained that she tried to get hired as a “regular contractor” without actually starting a firm but was unsuccessful. In her view, setting up a firm gave her the legitimacy she needed to secure work. She explained, “Somehow the mindset [of potential clients] shifts from being a personal judgment of you and all of your personal

attributes to a judgment of a company [which is] a more objective target.” These push and pull factors prompted the initial context for Black entrepreneurship and ultimately helped shape the Black PS entrepreneurial experience. Regardless of which factors drove each entrepreneur into starting their firm, it was clear that they all faced challenges.

### *Barriers to Doing Business: Race + Entrepreneurship*

Despite their credentials and experience, participants reported that they faced many challenges to opening businesses, staying in business and competing in their respective fields. To be sure, the state of the economy at the time of the interviews (2008 was the height of recession) and the politics of Chicago both contributed to these challenges. Three specific issues stood out as key barriers (in terms of number of times mentioned, impact, and universal acknowledgment across PS subsectors): access to capital, both quantity and quality of relationships (not well known or expertise not yet trusted), and a lack of sincerity among those in power about supplier diversity. Although most of these factors are largely not new to Black business owners in other sectors, interviews with entrepreneurs revealed how they can be particularly challenging and detrimental in the PS sector.

*Access to capital.* Experts agree that access to capital is the primary impediment across all entrepreneur types but particularly problematic among Black business owners (Blanchflower, Levine, and Zimmerman 2003; Cavalluzzo and Wolken 2005). Interview responses indicated that the PS sector is no exception. Participants of both large and small firms across all PS subsectors noted this constraint. At the same time, participant-owners of more established firms explained that although they often had access to capital, they believed the requirements and conditions for accessing it were sometimes different from the terms for their White peers. One participant recounted her personal experience:

I had been established for maybe 15 years. I went to [name withheld] bank. My tax returns were in perfect order and [I had] money in the bank . . . I said I would like a \$50,000 line of credit and here are my financials. At the time, I had more than that in the bank so I felt I was in good shape. They told me if they were going to give me a line of credit I would have to collateralize it 100% [by] buying a \$50K CD. Clearly I was credit worthy . . . It's kind of insulting.

She felt the terms of her loan were virtually unheard of and certainly unnecessary based on standard lending practices. Previous research has documented

the existence of discriminatory lending practices even among well-established businesses (see Blanchard, Zhao, and Yinger 2008; Cavalluzzo and Wolken 2005; Coleman 2002, 2007; Robb and Fairlie 2006). Another participant explained that limited access to capital had a doubly negative impact—It restricted the size of deals a firm could undertake and hurt one's ability to get certified as a Minority Business Enterprise (MBE), therefore preventing them from taking advantage of set-asides intended for minority and/or disadvantaged firms.

Several interviewees pointed out that a challenge that was particularly prevalent in the sector was the lack of physical capital held by most PS firms. The main inputs to most PS are data and knowledge that do not require large investments in physical capital. As physical capital is often used as collateral, the lack thereof creates a particularly daunting impediment to securing financial capital. The combination of the general challenge of accessing capital with the sometimes racialized treatment of Blacks within financial institutions and the unique position of the collateral-poor PS firms creates a unique and substantial barrier for Black-owned PS firms.

*Relationships matter (more).* The extant literature has extensively acknowledged the importance of relationships to any new business (Allen 2000). The challenges faced by Black entrepreneurs, in particular, around developing relationships have also been widely acknowledged (Feagin and Imani 1994). A total of 100% of interview and focus groups participants mentioned the importance of building and managing key relationships in their fields and several discussed the negative effect this had on their businesses:

... I think it is fully relationship based in professional services because as you know those contracts seldom go through procurement ... It's generally because someone in the department has a need and they reach out.

Participants emphasized two challenges with relationship development: a lack of familiarity of larger (mainly White-owned) companies with their firms and wide mistrust of their expertise. Black-owned PS firms are typically unknown for several reasons. Procurement officers who participated in a focus group admitted that they often got their information about the new firms they do business with from industry research companies such as Dunn and Bradstreet. It has been well established that, on average, Black-owned businesses tend to have fewer employees and lower sales than businesses owned by other groups. One procurement officer focus group participant explained that many of the Black-owned firms do not show up in these types of lists either because they are too small or because they are new and

unproven. Black-owned PS firms tend to suffer disproportionately from both. Several interview participants echoed the sentiments of one interviewee who took the lack of familiarity argument further insisting there was also a lack of effort. “We are not even on the radar [because] most decision makers in majority-owned firms have not made an effort to learn about Black-owned businesses in the region.”

Focus group participants from mainstream firms validated the entrepreneurs’ beliefs regarding the importance of relationships. One high-ranking department head in the focus group who was employed at a large PS firm admitted that he does not use his company’s procurement office to contract PS. He noted, “If I’m buying paper or office furniture, I go through procurement. If I need an IT firm to build an innovative platform for a new product, I do my own research.” Other participants agreed and confirmed that they rely heavily on preexisting relationships especially for jobs requiring high levels of expertise. PS entrepreneurs must operate at the intersection of the knowledge-intensive PS sector and the vulnerabilities imposed by racial stereotyping. The relationship handicap experienced by many Black-owned PS firms creates a double disadvantage that may help to partially explain their performance deficits.

*Relationships mattered in another important way—trust.* All the PS entrepreneurs had the necessary requisite skills to succeed in their given fields based on education and experience, and all but one had previous experience specifically in the business sectors where they created firms. Yet, several participants believed that their expertise was not trusted. One participant expressed the sentiments of many: “People do business with people they like—people who are like them” and, hence people they trust. The lack of trust was of particular issue for PS due to the importance of and risks associated with the tasks being performed. Although widely acknowledged as important in all business interactions, participants insisted that trust is even more important in PS owing to the critical and knowledge-intensive nature of PS functions. One participant provided examples of highly critical processes performed by PS firms, such as payroll processing and managing information technology systems for a company, and stressed, “Professional service contracts have a great deal of liability tied to a mistake or a wrong decision.”

Respondents discussed at length the persistence of racial stereotypes and misperceptions with regard to what Blacks are best suited for. The negative perceptions seemed particularly problematic in PS where most of the work requires a specific, and often credentialed and certifiable, expertise. One frustrated participant explained the lack of trust in the following way:

They'll give you a contract in a heartbeat to go sweep up the streets of Chicago . . . or to water the plants down Michigan Avenue. . . . Because the thought is, what's the worst that could happen? You spill some water on Michigan Avenue . . . let it dry up in a day or two.

Another interviewee expressed a similar sentiment:

A lot of times they don't think that you have the mental capacity to be able to work with their financial systems . . . to take on an Oracle project [when] they have [a lot] of employees. [If] we give this to a Black-owned firm, we are not going to get [pay] checks on the 15th and 30th. So it's a perception that there's not capacity out there. I can speak to the technology . . . they don't want to entrust something very important to Black folks . . . because they don't feel we have the technical capacity.

PS require a great deal more trust and faith because the consequences for making a mistake are much greater and hence there is a lack of trust to hire Black firms for these jobs.

One participant confided that she believed her ability to win clients was due to the fact that most had never seen her. Because her firm provides technical support over the phone for large companies, she had never come face to face with many longtime clients. Most of her work came from referrals. She recalled that in a few instances when she met with a client, they appeared shocked to learn that she was Black. However, in her opinion, by the time she met them, she had proven herself. Another business owner who had similar experience trying to initially secure work for his firm resorted to sending his White partner to face-to-face meetings until their firm had secured several contracts and built a reputation.

Interviewees believed that the lack of trust and familiarity with Black-owned PS firms reinforce the "old boys' network" that keeps Black business owners at bay. One business owner pointed out,

It's hard to penetrate long-standing relationships that often go back decades . . . We first-generation [Black-owned] businesses don't have a lot [of business partners] that have been passed down, whereas they [White business owners] grow up knowing their father's business partners and thus inheriting those relationships.

The prevalence of racial stereotyping and lack of trust in the expertise of Black PS business owners makes this trust less likely.

*Lack of sincerity about diversity in the supply chain.* Another hurdle is the disingenuous effort of "inclusion" in the business supply chain. The acknowledgment of

the disadvantage that minority firms face in terms of networks inside corporate firms is the reason many diversity procurement programs were put in place. As one owner assessed, “the city, state and the county are doing a pretty horrendous job of inclusion.” One common frustration was the belief that the contracts set aside for minority businesses were most often the less desirable ones and rarely for PS. One business owner said, “They will allow us to sell them paper or bid on paper clips . . . You got 5,000 firms bidding on something under \$25,000.” Another participant said, “This implies that a real commitment to diversity would require trust in the expertise of minority firms.” Limiting Black entrepreneurs to low-risk types of work that do not include PS contracts suggests a lack of sincerity in diversity initiatives.

Another common perception was that those involved in both public and private procurement approached their dealings with Black businesses more as a public service or social program than a business engagement or value proposition. The implication of the social program mind-set is that once the companies had grown to a certain point, they were deemed “big enough” and hence not deserving of set-aside contracts or that government and private firms seeking to do business with minorities should “spread the wealth.” Study participants argued that this philosophy results in too many small awards, which are often not beneficial for growth or development. One business owner confided he would not publish his firm’s performance statistics in *Crain’s Business Directory* because of fear of a backlash, given his firm’s recent growth.

Limitations in the size and type of contracts awarded is one of the reasons many minority-owned PS firms only qualify to be subcontractors and never the primary contractor on major jobs, hence never receiving the credibility needed to move up in rank. As one interview participant explained, “They need to see your name and signature on financial statements and contracts in order to be confident that you can handle the job. As a sub [contractor], you do the work but someone else gets credited with being capable.” A few firm owners explained that, in their experiences, supplier diversity programs often resulted in larger (White-owned) firms not even willing to talk to them unless they already had “a deal on the table” from a partner or the government. They were expected to do all the leg work and secure a deal, which their firm was too small to handle, then the majority-owned firm was willing to step in sign the contract as the primary contractor, then subcontract the actual work back to them, and tout the deal as supplier diversity. One frustrated business owner explained, “I have done the work . . . got the contract and actually performed the work . . . but because the perception is that my firm cannot handle a deal this big, I never receive the credit or the big payment.”

Interviewees also argued that several private-sector firms have supplier diversity programs with “no teeth behind them.” A survey of major corporations in Chicago found that few keep detailed records on supplier diversity (Chicago United 2004, 2013), suggesting a lack of seriousness in their efforts. Several of the participants believe Black hiring and contracting rose in the 1980s with the ascendancy of a new group of elected officials led by Mayor Harold Washington. They believed the Washington administration held both public and private organizations accountable for contributing to the success of minority-owned enterprises and helped support several key firms born during his tenure. Interviewees believed when City Hall’s commitment was firm, corporations followed suit. However, the political pressure died with Harold Washington, and participants believed that supplier diversity and diversification of executive ranks were no longer priorities.

### *PS Sector Culture of Racial Stereotyping: Race + PS Sector*

The combination of interview data from entrepreneurs and survey data from PS workers suggests that the challenges experienced by Black PS entrepreneurs are, in part, an extension of the PS culture inside corporate work environments. As part of the larger study, when Black PS employees participating in the survey were asked about motivations and barriers to success, more than half (51%) identified racial stereotyping as a barrier to their career success. According to the CPS data, Blacks composed approximately 11% of the PS sector employees in the Chicago MSA in 2008, down from the peak of 14% in 2000. The earnings gap between Blacks and Whites is larger in the PS sector than in the rest of the economy, particularly at the executive level. Regression analyses of demographic and earnings data for this group suggest that after controlling for factors known to influence earnings, such as education, occupation, gender, and experience, Black PS employees in Chicago still earn, on average, \$8,271 less annually than their White counterparts (Harper-Anderson 2009). Some critics have argued the Black–White earnings gap persists because of differences in the caliber of education attained by Blacks and Whites (i.e., even when the education level is the same, Whites attend more prestigious schools). However, survey responses from Black PS employees who attended top-tier graduate programs reported similar levels of dissatisfaction, unequal treatment, and unequal pay as those who had attended lower-ranking schools. The experiences of Black PS workers including a culture of distrust of their skills, lower rewards for their work, and racial stereotyping found in corporate employment are all consistent with barriers expressed by PS entrepreneurs. Both groups interact with the same people and are being treated in a similar manner. As mentioned previously, the stakes

for PS sectors are high and require top levels of expertise, knowledge, and often superior credentialed training. Black PS employees, like Black entrepreneurs, indicated a lack of trust by their White peers in their skills. Although discriminatory attitudes about which fields Blacks are best suited for are not new or unique to this sector, the high skill and credential requirement makes them more detrimental.

### *Hybrid Entrepreneurs: PS Sector + Entrepreneurship*

Interviews suggest that there may be a fourth factor explaining the rise of Black-owned PS firms in Chicago—the nature and context of the PS sector itself and its intersection with entrepreneurship. One reason for the surge in PS firms between 2002 and 2007 was the prevalent contracting culture of the PS sector during this period. Many individuals held two posts: employee and entrepreneur. I call them hybrid entrepreneurs. Hybrid entrepreneurs are business owners because they technically own a firm. What differentiates them from traditional entrepreneurs is that most of them were surviving mainly on outsourced PS “jobs.” They are a hybrid between worker and traditional entrepreneur. Hybrid entrepreneurs are different from basic contractors in that they consider themselves business owners (not simply workers or contractors) and act accordingly by creating business plans, company logos, websites, and plans for future growth. They fulfill all the requirements and endure the stress of owning a business in addition to many of the constraints and challenges of working within PS corporate environments. Despite their ambition, a significant number of interview participants who fit into this category seemed to be operating in survival mode. To be sure, hybrid entrepreneurs come in all races and across several industries. However, interviews for this research suggest that a disproportionate number of Black PS entrepreneurs are stuck in this gray space between workers and traditional business owners. Furthermore, according to CPS data, Blacks were nearly four times more likely to own a business (19.2%) if they held multiple jobs than if they held a single job (5%) suggesting that one of those positions is likely a business or contract. The nature of PS sector culture and the operational realities of contracting work also help explain the performance of Black PS entrepreneurs in terms of receipts and size.

## **Discussion and Conclusion**

The PS sector is contributing to economic growth, and serving as both a pipeline and an incubator for future entrepreneurs. Black entrepreneurs are taking

an active part in this important sector. Their engagement comes with both new opportunities and persistently unresolved issues. Although the number of Black PS businesses has increased at a faster rate than their counterparts of other races, their performance in terms of sales and number of employees lags behind averages for the broader economy and other racial groups. Using Chicago as a case study, this research aimed to understand the factors influencing the performance outcomes of Black-owned PS businesses. I found that their experiences and performance were shaped by the intersections of structural changes in the economy including the rise of the PS sector, contemporary translations of entrepreneurship, and persistent racial barriers.

The primary contribution of this research is that it focuses on a segment of Black entrepreneurship not often examined. Although the extensive literature addresses Black entrepreneurship in the United States, this research brings together two less often studied dimensions of Black entrepreneurship that set the experiences of this group apart. Previous studies have often pointed to Black entrepreneurs who either lacked credentials, such as education; lacked the necessary experience in their given field; or opened businesses in field that were not in the most promising sectors. The entrepreneurs in this study were primarily highly educated professionals who experienced unprecedented success in the upper echelons of corporate America; most had credentials from premier educational institutions and they opened businesses in knowledge-intensive, promising sectors. Not only are the entrepreneurs and their businesses less studied, the PS sector itself has not received adequate attention in the literature on Black entrepreneurship. Another contribution of this research is that it complements the many quantitative studies on Black entrepreneurship with an in-depth qualitative perspective using thick description to capture nuances in the unique experiences of Black PS entrepreneurs and hence highlight the intersectionality that would not be evident in a purely quantitative dataset.

Findings suggest that the increase in the number Black-owned PS firms was motivated by racialized treatment—pushing Blacks into entrepreneurship—and tremendous opportunity—pulling them into it. Many of the push and pull factors identified in this study confirm findings in previous research (see, for example, Basu 2006; Bates 1997; Boyd 1991; Orhan and Scott 2001). Edelman et al. (2010) pointed out that motivations for starting and expanding a business differ between Black and White entrepreneurs. The findings here align well with the disadvantage theory, which contends that many Blacks are pushed into entrepreneurship as a survival strategy because of limitations or unfair treatment in traditional employment (Fischer and Massey 2000). What is different here is the tensions between the simultaneous push and pull created by the production practices in the PS sector. Although the prevalence of contracting

out PS functions by large corporations has created opportunities for some entrepreneurs to start their own firms, others were forced into contracting arrangements (due to their jobs being eliminated) that often resulted in less than favorable terms. The potential opportunity is confounded by racial stereotypes about the kinds of work Blacks are best suited for, mistrust, and flawed supplier diversity programs. The simultaneous push and pull factors created at the intersections of race and entrepreneurship and the PS sector and entrepreneurship lay the foundation for the experience of Black PS entrepreneurs.

This research also supports the findings of prior studies that identify specific challenges to Black entrepreneurs more generally. The challenges of accessing capital, building relationships, and overcoming racial stereotypes have all been amply noted in previous studies (see Bates 1997; Boyd 1991a; Fairlie and Robb 2008). This research expands our understanding by showing that not only were these challenges also present for Black PS entrepreneurs but that the intersection of race and the unique character of the PS sector compounded them. For example, the challenge entrepreneurs faced in securing financing was compounded by the relative lack of physical capital PS firms possessed to use as collateral. The lack of physical collateral combined with racialized lending practices noted by several interview participants made it particularly difficult for Black PS entrepreneurs to start and grow their businesses. In addition, this study supports Bates's (2006a) assertion of "White dominance" in the Chicago construction sector. Findings from this study suggest that this culture may be prevalent in the PS sector as well.

The unique nature of the PS sector presents its own set of challenges for Black PS entrepreneurs. Barras (1990, p. 244) confirmed, "In many financial and business services [entrepreneurial firms] . . . the direct relationship between the service producer and the client is of critical importance." Interviewees believed the high skill and credential requirement in PS created an opportunity to rationalize exclusionary behavior. This would suggest that the relationship challenges noted by Black PS entrepreneurs help to explain their struggles in attaining contracts and clients, particularly in this sector. This condition is at the intersection of racial stereotypes and requirements for success in the PS sector. Furthermore, Black entrepreneurs in the PS sector cannot rely on the "exploitable Black population" discussed by Boyd (2009) that prior generations of Black entrepreneurs and Black entrepreneurs in other sectors have depended on (primarily in sectors where their customers were other Blacks). PS services are primarily used in business-to-business relationships that involve more racially and ethnically diverse clients.

The new PS entrepreneur is sometimes (but certainly not always) a hybrid between employee and traditional entrepreneur owing to the prevalence of subcontracting in the PS. Although the subcontracting culture has been

explored in the business literature, the racial implications of this practice and its effect on the boundary between worker and entrepreneur deserve more attention.

Each shift in the economy reconfigures the rules for success and contours the structure of inequality (Harper-Anderson 2008). As Fuller and Vosko (2008, p. 33) have pointed out, “patterns of economic restructuring are often shaped by prevailing gendered and racialized divisions.” The transformation that culminated in the 1990s substantially expanded the PS sector including the contracting culture and overlaid these onto a preexisting racialized opportunity structure. To be sure, Chicago hosts a significant number of successful Black-owned PS firms. Several of the most successful Black entrepreneurs in the Chicago were interviewed for this research. However, the less-than-stellar performance of the average Black-owned PS firm is cause for concern.

Entrepreneurship has been touted as a critical economic development tool that could level the playing field (between races), address poverty through job creation (Bates 2006b), and even lower crime (Parker 2015). Black entrepreneurs create jobs not only for themselves (Waldinger 1996) but also within their communities (Bates 2006b). Despite the circumstances that sparked their businesses, Black-owned PS enterprises represent opportunities to build stronger economies by creating knowledge-based jobs. Realizing the potential of this new class of entrepreneurs can only happen through the development of appropriate programs and policy solutions that address the specific issues uncovered here.

The results of this research have several implications. Ensuring the success of minority businesses is crucial for strong U.S. and regional economies and should be supported. Minority businesses increased their share of the U.S. economy from 22% to 29% between 2007 and 2012, while adding 7.2 million jobs (McManus 2016). Black-owned businesses in Chicago increased three times faster than the rest of the economy. In addition, diversity yields innovation which has been noted as a key driver of economic growth. In a recent post for the Kauffman Foundation, Bradley (2016) cautioned, “[T]he need to dramatically increase investment in minority entrepreneurs is vital to the survival of the U.S. economy.”

Although the rate of new business growth is a positive sign, Chicago is losing ground in its standing as a mecca for Black-owned businesses. Once near the top of the list, in multiple recent rankings of best places for Black-owned businesses, Chicago has fared poorly, ranking 79th out of 100 U.S. metros on one list and 37th out of 107 on another (see Southerland 2015; Todd 2015). This research, coupled with the slip in rankings, suggests that Black entrepreneurship in Chicago warrants attention.

Proactive, committed leadership is critical to making progress. Both public and private leaders must inspire social innovation around inclusion and commitment from other stakeholders. The leadership of former mayor Harold Washington and his ability to create a culture in Chicago where diversity and racial equity were core values has been duly noted (Giloth and Moe 1999). Gooden (2014, p. 9) explained that although racial equity is a “nervous area of government,” values established within an organization “define organizational tolerance for racial-equity . . . and its associated acceptable boundaries.” More explicit support both from current elected officials and influential private-sector stakeholders would go a long way toward establishing a city-wide commitment to diversity and inclusion of Black-owned businesses especially in the more knowledge-intensive and lucrative sectors.

Although Chicago has maintained its public set-aside program in construction, this research underscores the need for equity provisions in other sectors as well, including PS. Procurement programs and public policies enacted by city and state government and by corporations that are intended to level the playing field need to consciously and explicitly include contracts in more skilled and lucrative sectors including PS in their programs. Although the law prohibits formal set-asides except in cases where discrimination can be proven statistically, some cities have taken it upon themselves to meet the burden of proof. The city of Cincinnati, for example, commissioned a disparity study that provided sufficient evidence to legally enable the city to enact procurement programs in three industries to address the specific populations affected by disparities (City of Cincinnati 2015). One of the recommended goals was to award 14% of PS sub-contracts to African-American-owned businesses. A year later, they had far surpassed that goal. Success of the program has been linked to strong support from city leaders, especially the mayor (City of Cincinnati 2017). The Cincinnati case proves that when local-level commitment to diversity and inclusion is coupled with resources and action, policy barriers can be overcome and progress can be made toward more inclusive entrepreneurial ecosystems.

This research highlights a need for greater transparency and accountability both in terms of policy and implementation of programs that are designed to create opportunity and inclusion. Interview participants recounted the lack of accountability in existing programs and in some instances, deception. Public and private stakeholders should be held accountable for touting their commitment to diversity and inclusion. Economic development scholars and practitioners can help by developing a comprehensive set of indicators that are consistent and meaningful measures of inclusion and firm mobility. Scores for individual organizations could be rolled into city- or regional-level ratings that would also take into account inclusive policies and resource commitments. In addition, the public should hold corporate and government

stakeholders who tout their commitment to diversity and inclusion, accountable for producing evidence of outcomes and progress based on preestablished indicators.

With each evolution of our economy and production systems, scholars, policy makers, and practitioners must consider the implications for their work. Firms with no employees make up an overwhelming proportion of businesses in our economy and an even greater share of Black businesses. The rise of the PS sector, the contracting culture, and the disproportionate number of Black PS entrepreneurs who are “hybrid entrepreneurs” culminate to create the need for new models of inclusion.

Finally, to capitalize on the potential benefits of Black PS firms, these businesses should be treated as a valued resource (as opposed to a social initiative). This means devoting time and resources toward understanding the value added from this type of business and figuring out ways to enhance both productivity and profitability. New models of inclusion should create pathways for smaller firms and contractors to participate in procurement program offerings rather than maintaining a system that forces small firms (which most Black-owned PS firms are) to rely on larger (mainly White) firms to participate in the bidding process.

There is no doubt the pervasive racial inequality in entrepreneurship across the United States is rooted in a history of exclusion from education, certain industries, and important resources such as financial capital. The importance of overcoming historic deficits for Black entrepreneurs is an important part of the solution to building stronger and more sustainable businesses and economies. This research suggests that historical, systematic racial barriers persist in the PS sector and play a significant role in the fate of Black firms despite their owners’ progress on many of the well-known factors that have historically impacted the success of Black entrepreneurs (education, capital, and sector). Although beyond the scope of this article, to more fully contextualize Black PS entrepreneurship outcomes, future research should compare their experiences with those of other racial and ethnic groups. Alongside the quest for accountability and leadership to address the issues uncovered in this research, scholars and policy makers must continue to identify, call out, and design policy to address the pervasiveness of racial inequality in its many forms, across various sectors, time periods, populations, and geographic places.

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## Notes

1. See Bates (2006a) for a discussion of minority procurement in Chicago.
2. See <http://chicago.suntimes.com/politics/minorities-women-get-bigger-slice-of-chicago-construction-pie/>.
3. See Benner (2002) for detailed discussion of flexible employment and contracting in the new economy.

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