Racial Inequities and Small Businesses: A Discussion about the GNO Startup Report

November 10, 2020

On October 22, 2020, the Albert Lepage Center for Entrepreneurship and Innovation hosted a panel discussion based on the Greater New Orleans Startup Report. The GNO Startup Report is an annual, comprehensive overview of the entrepreneurship ecosystem in the Greater New Orleans area and can serve as "a tool to affect policy, apply for grants, implement relevant programs and measure success."



Moderator Rob Lalka was joined by two current entrepreneurs, Trivia Frazier and Otis Tucker, and three economic development leaders, Michael Hecht, Quentin Messer,

and Kelisha Garrett. The hour-long discussion ranged from inequities in funding and workforce to what can be done going forward.

The first topic discussed was the finding that Black, Indigenous, and People of Color-founded firms are half as likely to receive bank loans and angel investment as their white counterparts. Kelisha explained that when BIPOC go through traditional banking methods to get capital for their businesses, they are often given loans with less money than they requested but with high-interest rates. So, to compensate for the smaller loan, aspiring BIPOC entrepreneurs may then use a personal credit card, which in turn can negatively influence their credit score and increase their interest levels. This cycle will then touch upon the entrepreneurs' profitability numbers when presenting their business plans for more loans or investors.

Kelisha said, "we have a great idea, we have intellectual concepts, we have the ability to be able to deliver that product good or service. What we need is an open understanding that we have been historically and disproportionately underrepresented in the percent of the population that have received access to capital." Otis experienced similar issues when he was trying to get funding for T.I. CONTRACTING LLC: "it's unfair that I walk into a bank, and I get turned around." He says the bank told him to get funding from places where he will face higher interest rates.

The conversation shifted towards discussing the importance of building and maintaining relationships with people who can vouch for you in a business context. Quentin talked about how people lend to you when they understand your business; furthermore, it is hard to ask investors to lend to companies "built upon intellectual property." He continued by adding, "In history, it has been hard for BIPOC to make those relationships." When people know you, they are willing to lend you money; they are eager to give you several chances because of that personal relationship. If you only get one shot with your investors, growing a business can prove extremely challenging.

A point raised multiple times was that many onlookers will tell BIPOC entrepreneurs to raise capital from friends or family. Yet, the Hamilton Project found the net worth of a typical white family is nearly 10 times greater than that of a black family. Quentin Messer highlighted the fact that BIPOC do not get multiple opportunities to take a shot: "if I get it wrong, I can't go back to the same people." He says many times, banks or investors will tell BIPOC founders to get funding from friends and

family. But often these friends and family will be giving their retirement or college savings. If the money does not come back, that affects multiple generations of the same family.

Rob then asked if “there are skills and talent shortages that exist in the region that pose a challenge to growing some of these businesses?” Trivia says workforce development is crucial for growing any company, yet the assumption seems to always be that she does not have access to skilled labor. “That is 100% false. . . I can speak to that because our problem has not been that we don’t have access to the skilled labor to grow. Our problem has been that we didn’t have access to the capital to pay those skilled workers their just due.” Otis similarly said his issue is not bringing on the workforce but retaining that workforce because they do not have the capital for bonuses, benefits, health insurance, etc. which all play a significant part in building a major company.

So what can we do to help change this inequity? It is a complex issue, no doubt, but the panelists had some ideas. Kelisha believes we need to look to both the SEC and the FDIC’s banking regulations. Furthermore, she calls for us to start supporting institutions that are more relaxed on their requirements to provide funding.

There is change on the horizon, though. Rob highlighted that JP Morgan Chase “has made a huge commitment nationwide in the multiple billions of dollars, and they’re looking to invest in racial equity nationwide.”

As the discussion ended, Rob asked the panel members for a final thought. Michael believes we need to remember this great history of BIPOC in New Orleans, as “some of the first millionaires in America were free People of Color in New Orleans who owned buildings on Canal Street. We have to remember that history and know that we’re actually reclaiming it and not starting it anew.” Kelisha calls for more partnerships with organizations and nonprofits in the New Orleans area that are “geared to support minority businesses in our community and in our region.”

Trivia reiterated a focal point of the discussion: “We’re not asking for a lowering of the bar or handouts. What we’re asking for is an opportunity for everyone to sit at the table.” She continues by asking for reflection, “are you being intentional about the people you hire?” As she finishes by saying the data shows, the outcomes are “much greater” when everyone gets a seat at the table, and everyone’s voice can be heard.

Otis’s closing thought was one of belief in progress, “I am more optimistic after this conversation than I have ever been in business.” While Quentin finishes by discussing the issue of economic invisibility when tied to entrepreneurship: “What BIPOC entrepreneurship does is it makes more black women, black children, Hispanic women, Hispanic children, Vietnamese women, Vietnamese children it makes more people who have been invisible who have been vulnerable who have been economically insecure, secure, visible and viable economically.”

Although the discussion was extremely informative, it also revealed the extensive work needed to be done among the New Orleans community and the country. The GNO Startup Report is a great place to start the conversation, but it alone is not enough. As Rob put it: “Data allows us to see the truth and unbiased data allows us to get rid of all of our own biases.”

If you are interested in reading the full startup report or watching a video of the panel discussion, you can access them here.

— Neera Kennedy (BSM ’23)