

A MINORITY BUSINESS DEVELOPMENT FRAMEWORK FOR THE CLEVELAND FOUNDATION

Final Report

Submitted by:
john a. powell
Julie Nielsen
Jason Reece
of the Kirwan Institute for the Study of Race and Ethnicity
Roger Clay, Jr.
Tim Lohrentz
of the National Economic Development and Law Center

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EXECUTIVE SUMMARY

The purpose of this report is to provide information to assist The Cleveland Foundation in developing its minority business development approach, with an emphasis on supporting the growth and health of established and mid-level businesses. Through this report we provide an assessment of the current local minority business status and identify promising focus areas for the Foundation as it moves ahead. It is important to note that this report is not a prescription for revitalizing inner city neighborhoods or distressed inner suburbs. There are many other factors beside minority business development that contribute to neighborhood vitality.

The report is divided into six sections. We begin by providing a brief description of The Cleveland Foundation's minority development approach. The next section provides an overview of the state of African American business in Cleveland and places the study in its geographic context by providing a spatial analysis, including historic trends and projections, for minority business establishments. Because African American-owned firms make up a large portion of minority business enterprises (MBE's) in Cleveland and because African American-owned firms often face more barriers than other MBE's in certain industry sectors, some of the analysis pertains specifically to African American-owned firms.

The third section describes the perceptions of community business leaders regarding some of the structural-, institutional-, and individual-based barriers and/or challenges to supporting the growth of minority businesses in Cleveland. The fourth section provides a discussion of practices that have been shown to be beneficial to supporting the development and growth of minority businesses in similar cities throughout the United States. The fifth section describes emerging opportunities for growth in terms of industry sectors, strategic actions, and strategic partnerships, based on the perceptions of community leaders and national interviewees as well as the empirical data. We follow this with a set of general recommendations to assist The Cleveland Foundation in establishing a strategy for advancing the growth of minority businesses in Cleveland.

Supporting the growth of mid-level minority businesses in the City of Cleveland, and the surrounding region will require concerted efforts on the part of private, public, and non-profit sectors. We have noted a number of challenges and opportunities to growing established mid-level minority businesses in Cleveland.

Key Findings

Description and Characteristics of Minority Business Enterprise in Cleveland

- Larger Minority Business Enterprises (MBE's) are doing relatively well in Cleveland compared to other metropolitan regions. Growth in sales and receipts of African American-owned businesses in Cleveland was the third highest among 20 large metropolitan regions from 1992 to 1997, growing by 284%.
- Sales and receipts of African American-owned businesses grew from 1992 to 1997 but continue to lag behind white-owned firms. African American-owned businesses generated only 0.66% of sales and receipts of all firms in the region even though they made up 5.3% of firms in 1997. More recent data is even more pessimistic - sales and receipts of African-American-owned and Hispanic-owned MBE's each dropped by 8% from 1997 to 2002, statewide in Ohio.

- Small-to-mid-sized MBE's have credit ratings equal on average to majority firms of small-to-mid-size. However, they grow at a slower pace. The average MBE in Cuyahoga County takes seven years to reach the 5 to 9 employee level compared to five years for all firms. The average MBE takes 11 years to reach the 10 to 19-employee level compared to 6.5 years for all firms. Barriers to growth are due to lack of gaining access to markets, credit or other factors, rather than from performance, as measured by credit rating.
- Most Hispanic MBE's are non-certified and disengaged from the regional economy. Efforts should be made to integrate Hispanic MBE's into the region's economy and to take advantage of growing retail and service needs in the Latino community.

Industry Concentration of Minority Business Enterprise in Cleveland

- MBE's, especially African American-owned businesses, are doing especially well in the Construction, Wholesale Trade, Engineering and Architecture, and Manufacturing sectors in Cleveland, in comparison to other regions. With strategic support MBE's in these sectors can continue to grow.
- On the other hand, MBE's, especially African American-owned businesses, are doing rather poorly in the Retail Trade, Personal and Non-Professional Business Services, Automotive Dealership, Local Transportation and Trucking, and Legal Services sub-sectors, as compared to other regions.
- Wholesale trade and manufacturing MBE's tend to be larger (annual sales over \$2.5 million). Retail trade, financial services, and construction MBE's tend to be small-to-mid sized (annual sales of \$500,000 to \$2.5 million). Non-professional business service MBE's tend to be of the micro size (under \$500,000 in annual sales). Professional service MBE's had success at both the micro- and the small-to-mid size.
- Specific strategies may need to be developed for business start-up and business growth in these sectors – Legal Services, Automotive Dealerships, and Local Transportation and Trucking. These sectors have been successful for MBE's in other regions, but specific barriers may exist in Cleveland within these industry sectors that would need to be addressed.

Geographic Distribution of Minority Business Enterprise in Cleveland

- Most MBE's, especially smaller ones, are isolated from job and population growth and business starts in the region. One exception is with the construction MBE's which are located near growth in the overall construction industry.
- Some MBE's, especially ones with annual sales over \$10 million, are strategically located in or near downtown Cleveland and the University Circle area, as well as growing suburban areas of far northeastern and far southeastern Cuyahoga County. A few are spread out near the airport and the growing western part of the county as well.
- Since 2001, MBE start-ups have been more likely to be located in downtown Cleveland, in the south and southwest suburbs, and on the east side of Cleveland, compared to the 15 years prior to that. The increase of MBE start-ups on Cleveland's east side likely indicates the success of targeted micro-enterprise and business development programs in these neighborhoods.

- MBE's located on the western side of Cleveland or in the downtown area were more likely to have improved credit ratings from 2001 to 2005, compared to MBE's in the suburbs or on the east side of Cleveland.
- MBE's on the eastern side of Cleveland and the eastern suburbs (including northeast and southeast) were slightly more likely to have declining sales volume from 2001 to 2005 (23%) compared to only 13% of MBE's in western or southern Cuyahoga, western Cleveland or downtown Cleveland.

Public and Private Procurement of Minority Business Enterprise in Cleveland

- Public procurement programs played a role in the large growth in sales and receipts of MBE's in Cleveland in the 1990's. The suspension of these programs due to court rulings and legal suits, beginning in 1998, has likely slowed MBE growth. Sales and receipts of both black- and Latino-owned MBE's declined by 8% state-wide from 1997 to 2002, according to recently released data. However, many agencies are set to expand or create new MBE procurement programs based on a new Disparity Study creating an opportunity for MBE's and local intermediaries.
- Supplier diversity efforts by large majority companies are beginning to take root in Cleveland, led by companies like the Eaton Corporation and organizations like the Northern Ohio Minority Business Council and the Greater Cleveland Partnership. However, many Cleveland companies are deficient in operationalizing and tracking these efforts.

Strategies for the Development of Minority Business Enterprise

- A number of perceived barriers to growing established and mid-level minority businesses were identified, including the lack of social capital, limitations around technical assistance supports, and limited access to financial capital.
- It is important to recognize the various levels of business development assistance needed to establish a healthy MBE business climate.
- While most assistance should be focused on minority firms; mid-sized majority firms may need assistance in establishing supplier diversity programs.
- Financial capital emerges as another key indicator for supporting the growth of established and mid-level minority businesses. Community development financial institutions; trade associations; mainstream financial institutions; regional non-profits; small business development centers; and state and local government agencies can all play a role in improving access to financial capital.
- Community leaders view The Cleveland Foundation as more than a grantmaking organization. Many suggested that the Foundation has an important role to play as an influential entity, in convening and coordinating efforts around minority business development.

It is noted throughout this report that the ability to create a comprehensive environment for advancing the growth and health of established and mid-level minority businesses is likely dependent upon multiple sectors working in a coordinated fashion. In that vein we note what seems to be working in Cleveland and what does not seem to be working, in relation to MBE promotion and development:

What is working?

- Some of the targeted technical assistance and networking. The Greater Cleveland Partnership is a leader at the regional level.
- National leaders see mainstream lending institutions in Cleveland as being quite engaged in MBE support, in part due to pressure from Mayor Michael White during the 1990's. The Key Corporation is a leader.
- Best practice community development financial institutions, community development venture capital, and community loan programs, such as Shorebank, Pinnacle, Jump Start, and WECO are working well. There is a need for accelerated expansion of the community development venture capital networks in Cleveland.
- Good support from universities and colleges. More coordination, communication, and targeted research are needed.
- Long – term support of institutions.

What is not working?

- Exclusiveness of many organizations. Getting new people “into the loop” seems essential.
- Competition among intermediaries.
- The quality of some business networking activities is inadequate – throwing a bunch of people in a room together is not sufficient.
- Lack of accountability and measurable outcomes.
- Lack of monitoring and taking advantage of public procurement programs.
- Losing high quality young leaders to other regions.

In conclusion, our findings suggest that growth of established and mid-level minority businesses in the City of Cleveland and Cuyahoga County, especially African American firms, has remained somewhat flat over the past several years, due in part to overall economic conditions. Other barriers, as well, have existed to constrain minority businesses including spatial, structural, institutional, and individual factors. While barriers exist, there are also best practices and emerging opportunities for the City of Cleveland, Cuyahoga County and The Cleveland Foundation to aspire to that can improve the growth and development of minority businesses.

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INTRODUCTION

There are compelling reasons to invest in the growth of minority businesses. U.S. Economic Census data shows the number of minority owned businesses grew by about twice the rate (41%) as the rate for all U.S. firms (21%) from 1992 to 1997, led by the growth Asian businesses. The number of firms owned by African-Americans increased by 31% from 1992 to 1997.

While minority owned businesses are growing in sheer number, they continue to fall further behind in their market share of the U.S. economy. Total sales and receipts by all U.S. firms grew by 458% from 1992 to 1997, compared to the sales and receipts growth rate of 182% among MBE's, led again by Asian-owned firms. The sales and receipts growth rate was 121% among African-American owned firms. MBE's generated 6.3% of sales and receipts of all firms in 1992, but this fell to only 3.2% in 1997. Recently released 2002 data shows that the market share of MBE's continued to decline from 1997 to 2002, although at a slower pace. In 2002, MBE's generated 2.9% of sales and receipts of all firms. Likewise, African-American owned firms had a market share of 1.0% in 1992, but this was cut by more than half by 1997 to 0.4% and remained at 0.4% in 2002.

In spite of stagnant market shares, when considering population estimates, it seems likely that MBE's will become an increasingly important factor in local, regional, and national economies. Currently, the U.S. population is composed of nearly 30% non-white people. That number is expected to grow to over 50% by the year 2050. Research shows that minority businesses tend to hire non-white employees at a higher rate than do majority businesses. Thus, when one considers the growth of minority businesses, the projected growth of the non-white population, and hiring practices in unison, the significance of supporting the growth of minority business enterprises becomes apparent.

The purpose of this report is to provide information to assist The Cleveland Foundation in developing its minority business development approach, with an emphasis on supporting the growth and health of established and mid-level businesses. Through this report we provide an assessment of the current local minority business status and identify promising focus areas for the Foundation as it moves ahead.

We conducted a national scan including a literature review and interviews with national minority business development leaders to inform a "building block analysis" of requisite strategic components to successful minority business development initiatives. In attempting to define "success" we turned to a number of local and national minority business development leaders and asked them directly how they would define a "successful" minority business. Answers varied; those offered included businesses that generated a certain level of profit on an annual basis (although there was little agreement on what that amount should be), those that had existed a certain number of years (again, little agreement), and those that had reached the level of having a committed and highly skilled professional staff that was positioned to take over the business and sustain it in the founders' absence. Measuring the extent to which a minority business initiative is successful would examine among other variables, the extent to which the initiative resulted in "successful" minority businesses. Lacking a clear set of benchmarks, we offer empirical comparisons of African American and minority businesses in the City of Cleveland and Cuyahoga County and those in other metropolitan areas. As such, our use of the term "success" throughout this report is relative to its surroundings.

In addition to the national scan, we examined the current state of minority businesses and African American businesses in Cleveland. African American-owned firms make up 80% of MBE's in Cleveland and often face more barriers than other MBE's in certain industry sectors, thereby compelling a more detailed examination. We then applied GIS mapping technology to visually portray the location of over 900 minority businesses in the City of Cleveland and Cuyahoga County, to show the growth of minority businesses in the Cleveland region, the distribution of minority business establishments as a percent of all businesses, along with recent and projected economic changes in Cuyahoga County. Finally, we gathered new data through face-to-face and telephone interviews with knowledgeable minority and majority business leaders, public officials, academics, and the heads of intermediary organizations to determine their perceptions regarding the challenges to growing the mid-level minority business sector, the emerging opportunities, and an appropriate minority business development aspiration for The Cleveland Foundation. Through this data we explored what levers are most critical to this area; and where and how The Cleveland Foundation should focus its efforts. Our primary focus in this study is on small-to-mid-level businesses – those generating between \$500,000 and \$2.5 million in sales and receipts per year.

The report is divided into six sections. We begin by providing a brief description of The Cleveland Foundation's minority development approach. The next section provides an overview of the state of African American business in Cleveland and places the study in its geographic context by providing a spatial analysis, including historic trends and projections, for minority business establishments. The third section describes the perceptions of community business leaders regarding some of the structural-, institutional-, and individual-based barriers and/or challenges to supporting the growth of minority businesses in Cleveland. The fourth section provides a discussion of practices that have been shown to be beneficial to supporting the development and growth of minority businesses in similar cities throughout the United States. The fifth section describes emerging opportunities for growth in terms of industry sectors, strategic actions, and strategic partnerships. We follow with a set of recommendations to assist The Cleveland Foundation in establishing a strategy for advancing the growth of minority businesses in Cleveland.

We note here that understanding African American and other minority business development issues is a complicated process. The attempt to capture the most relevant pieces of the puzzle led us to focus our efforts on creating deeper understanding in some areas while deliberately and thoughtfully limiting our exploration and understanding of other areas. It is our hope that this report will be read with this acknowledgement in mind.

Background

The Cleveland Foundation is a community foundation serving Greater Cleveland. It is made up of over 800 funds representing individuals, families, organizations and corporations. The Foundation's assets total over \$1.3 billion and as the region's largest grantmaking organization, and the nation's second largest community foundation, it distributed more than \$86 million to Cleveland-area nonprofits in the year 2004.

The Cleveland Foundation's Board of Directors is composed of highly knowledgeable and skilled community volunteers whose service is limited to ten years. The Board establishes policy, sets priorities and makes final grant decisions. The Foundation explicitly seeks to make appointments that represent a diverse range of views and knowledge.

Economic Development is one of several program areas at The Cleveland Foundation. The overall aim of the existing framework is to "help create an environment that enhances the competitiveness of existing enterprises and stimulates the formation of new business ventures,

thereby creating employment opportunities and wealth.”¹ The Foundation has established four strategies under this umbrella: target technologies, public policy issues, capacity building, and economic diversity.

While The Cleveland Foundation doesn’t have an explicit (written) goal statement around minority business development, it has a self-described “eclectic and highly responsive”² approach and has adopted two priorities to encourage economic diversity:

- “Support educational technical and financial programs for entrepreneurs, with special emphasis on minorities and women as well as companies located in the City of Cleveland
- Back efforts that mobilize capital for groups that have traditionally lacked access to mainstream financial institutions.”³

Since 1994 the Foundation has directed several million dollars per year in this area, the funds of which have been shared by 8 to 10 different organizations. Foundation staff reported that another 8 to 12 organizations that have not historically received TCF support are also working on minority business development issues in Greater Cleveland.

According to TCF documents, some of the Foundation’s grantmaking has been highly strategic. For example, the long-standing support for the Shorebank Enterprise Group evolved from a thorough investigation and broadly organized initiative among the business, community, and philanthropic sectors. More recently, TCF reports that it has provided substantial start-up funding to the Urban League of Cleveland to establish a federally supported Small Business Development Center. The center’s work is focused at affecting business development in the urban core of Cleveland. The tendency of the Foundation has been to focus on long-term relationships, funding organizations it has funded historically, as opposed to developing new relationships.

For the most part, the Foundation grants have fallen across a broad cross-section of organizations and missions, ranging from entrepreneur training/recognition to capital development to networking. The Foundation has not required grantees to undergo rigorous evaluations, and admittedly tends not to be highly demanding of its grantees in general. The minority business development environment is described as highly political, with little collaboration among grantees and others pursuing minority business development.

¹ The Cleveland Foundation (2001) Economic Strategy Review, p. 1

² The Cleveland Foundation (2004) Helping to Establish a Minority Business Development Framework RFP

³ The Cleveland Foundation (2001) at Attachment A

CLEVELAND MINORITY~BUSINESS ENTERPRISE

Like most cities in the industrial north, minority-owned businesses really began to expand in Cleveland in the 1950s and 1960s with the large migration of rural African Americans to northern cities like Cleveland. Businesses serving the local population sprang up in the neighborhoods with new populations of African-Americans, such as neighborhoods northeast and southeast of downtown Cleveland.

A few African-American owned businesses began relating to the larger economy at this time. A look at the 30 largest MBE's (see Attachment A) shows one that was started at the beginning of the last century - Guarantee Specialties (1916) - likely with transfer to minority ownership more recently. Two architecture and engineering firms were started in the 1950s, toward the beginning of the large African-American migration to Cleveland, including Robert P. Madison, Inc. (1954) and ZIN Technologies (1958). The next wave of MBE business start-ups came on the heels of the civil rights movement, including Polytech, Inc. (1969); Cleveland Die & Mfg (1973); Resource International, Inc. (1974); Bradley Construction, Inc. (1977); Flite II Travel (1978); and Ralph Tyler Companies (1979). It is likely that the construction and engineering firms - Bradley and Tyler - were aided by the initiation of minority set-aside programs in Ohio and Cleveland in the 1980s.

Only two of the largest MBE's started in the early 1980s: Diversified Services Corp. (1981) and Wilco Information Management (1983). From 1982 to 1987, MBE's in Cleveland suffered, along with the regional economy. The number of MBE's dropped from 2,407 to 2,359 and total sales and receipts plummeted by nearly 20%.

A larger wave of MBE start-ups occurred in the late 1980s and the early 1990s with MBE owners taking advantage of financial institution innovations and technological advances, including, among the largest MBE's: SBK-Brooks Investment Corp. (1987); Tradex International (1988); Vertex Computer Systems (1989); Global Promotions & Incentives, Inc. (1989); PatRican (1990); Anderson-DuBose, Inc. (1991); Smith International Enterprises (1991); CommSteel, Inc. (1991); and Coleman Spohn Corp. (1994). There were 500 more MBE's in 1992 than 1987, but sales and receipts rose slowly and remained below the 1982 level. Employment in MBE's in 1992 dropped below both 1982 and 1987 employment levels.

While many MBE start-ups occurred in the 1980s in Cleveland, firm growth among MBE's, measured in sales and receipts and employment, really did not emerge until the early 1990s. Total sales and receipts more than tripled from 1992 to 1997. This was obviously partly a function of the rapidly growing economy during the 1990s. But it also may have been due to public agencies initiating more aggressive set-aside programs after a new disparity study was completed in 1992.

The two newest large MBE's are iSource Performance Materials (2000) and Strong Tool Company. Strong Tool was formed in 1959 as a majority company and bought by present African-American owner, Cedric Beckett, in 2002.

By 1997 the Census Bureau's Economic Census identified 4,361 MBE's in Cleveland, including 3,474 African American-owned firms, 458 Asian/Pacific Islander-owned firms, and 387 Hispanic-owned firms. MBE-owned firms made up 19% of all Cleveland firms, although they accounted for only 1.7% of sales and receipts of all Cleveland firms. There were more MBE's in suburban Cuyahoga County than in Cleveland in 1997, accounting for 62% of MBE's in the county. This was true of Asian-owned (82% suburban), African American-owned (56%

suburban), and Latino-owned firms (54% suburban). Most white-owned firms (79%) were also suburban.

Most firms in the Economic Census have no employees. This is due to a large number of business registrations that never capitalized, the large number of multiple business formations by the same owner, and the large number of persons in the U.S. who have some form of self-employment, even if it involves only a few hundred dollars of sales and receipts per year. About one in five MBE firms in Cleveland had employees in 1997, totaling 825 firms. Of these 825 firms, 490 had African-American owners. In Cuyahoga County, 2,093 MBE's overall and 938 African American-owned firms had employees in 1997.

African American-owned firms in Cleveland employed 4,931 persons in 1997, while suburban African American-owned businesses employed another 4,287 persons (See Table D5 in Attachment D). MBE's in Cleveland as a whole employed 6,759 persons, while suburban MBE's, including firms owned by Native Americans employed a total of 16,689 persons in 1997. If not otherwise stated, "suburban" in this report refers to suburban Cuyahoga County.

Because African American-owned firms make up a large portion of MBE's in Cleveland (80% in 1997) and because African American-owned firms often face more barriers than other MBE's in certain industry sectors, this portion of the analysis pertains specifically to African American-owned firms.

How do African American-owned firms in Cleveland compare to other U.S. cities? In order to compare Cleveland to other cities in the U.S. with a significant African-American population, a group of 20 cities was created. This group of 20 cities includes all 16 cities with a population of at least 200,000 African-Americans in 2000, plus three regional comparison cities – Columbus, Cincinnati and Pittsburgh. Finally, Oakland, California was added because of the large African-American population in the metropolitan region.

Cleveland ranked 12th out of the 20 cities on the African American-owned business index, created for this report, with an index of +0.015 on a scale from -1 to +1. This index takes into account four variables: number of firms per capita, total sales and receipts per capita, growth in number of firms, and growth in sales and receipts. Cleveland ranked 18th in the number of firms per capita in 1997 but rose to 12th in sales and receipts per capita. This indicates that Cleveland is doing poorly in total number of African American firms. Cleveland also ranked 18th on the Black Micro-enterprise Index (Attachment Table D6), which looks at the number of firms without employees per capita. Only about 1.2% of African-Americans in Cleveland are involved with self-employment or micro-enterprise according to this measure.

Established African American-owned firms in Cleveland are doing relatively well, creating more sales and receipts per firm than in many other cities. Cleveland African American-owned firms had average sales and receipts per firm of \$877,000 of firms with employees, ranking 7th among the 20 cities. (Attachment Table D3.)

Cleveland is not doing well on business start-ups among African American-owned firms. The total number of African American-owned firms per capita increased by 18% from 1992 to 1997, ranking 14th among the 20 cities. On the other hand, growth in sales and receipts, among African American-owned firms increased by 284% from 1992 to 1997 (not correcting for inflation). Its sales and receipts growth rate ranked third among the 20 cities. Only Dallas and Cincinnati had a higher sales and receipts growth rate than Cleveland. Given that business start-ups are slow, nearly all of the sales and receipts growth would be in existing firms. This demonstrates that at least some established African American-owned firms in Cleveland did well during the 1990s.

Table 1: African American-owned Business Index, 1997

Ranking	City	Firms per 1000 persons	Coeff.	Sales/ Receipts per capita	Coeff.	Growth in Firms 92 to 97	Coeff.	Growth in Sales/ Receipts 92 to 97	Coeff.	INDEX
1	Dallas	24.3	0.132	\$4,915	0.966	8%	-0.143	368%	0.934	<i>0.472</i>
2	Atlanta	30.4	0.412	\$3,913	0.565	36%	0.361	261%	0.486	<i>0.456</i>
3	Columbus	22.1	0.026	\$3,747	0.499	23%	0.153	268%	0.516	<i>0.298</i>
4	Washington DC	31.1	0.448	\$3,808	0.523	8%	-0.154	195%	0.214	<i>0.258</i>
5	Houston	33.4	0.552	\$2,809	0.124	24%	0.166	164%	0.083	<i>0.231</i>
6	New York	27.8	0.295	\$1,626	-0.350	80%	0.901	152%	0.033	<i>0.220</i>
7	Cincinnati	20.5	-0.048	\$2,509	0.004	23%	0.143	285%	0.588	<i>0.172</i>
8	Chicago	21.7	0.011	\$2,262	-0.095	54%	0.598	126%	-0.077	<i>0.109</i>
9	Memphis	20.1	-0.066	\$1,425	-0.430	43%	0.452	212%	0.284	<i>0.060</i>
10	Indianapolis	23.7	0.103	\$2,392	-0.043	35%	0.344	85%	-0.247	<i>0.039</i>
11	New Orleans	19.5	-0.092	\$1,958	-0.217	20%	0.105	219%	0.312	<i>0.027</i>
12	Cleveland	13.9	-0.352	\$1,928	-0.229	18%	0.059	284%	0.583	<i>0.015</i>
13	Oakland	31.4	0.460	\$2,113	-0.155	10%	-0.104	47%	-0.403	<i>-0.050</i>
14	Los Angeles	39.6	0.840	\$1,989	-0.204	14%	-0.011	-66%	-0.877	<i>-0.063</i>
15	Detroit	14.3	-0.334	\$1,725	-0.310	22%	0.125	180%	0.148	<i>-0.093</i>
16	Baltimore	17.1	-0.205	\$1,723	-0.311	-4%	-0.502	214%	0.290	<i>-0.182</i>
17	Milwaukee	14.4	-0.329	\$1,113	-0.555	37%	0.374	45%	-0.413	<i>-0.230</i>
18	Philadelphia	13.8	-0.358	\$1,235	-0.506	29%	0.253	51%	-0.387	<i>-0.249</i>
19	Pittsburgh	13.8	-0.360	\$1,162	-0.535	15%	-0.007	116%	-0.116	<i>-0.255</i>
20	Jacksonville	14.7	-0.314	\$ 725	-0.710	28%	0.240	41%	-0.431	<i>-0.304</i>

Source: Economic Census, 1992 and 1997, Survey of Minority-Owned Business Owners for firms and sales and receipts. Population figures from 1990 and 2000 census. Data from the 2002 Economic Census at the city level may be released in early 2006.

Note: Per capita figures are based on the African-American population. Growth in firms and sales and receipts are based on per capita percentage change. Indices are all set with a minimum value of -1 and a maximum value of +1. See Tables D1 to D7 in Attachment D for more detail.

Cleveland's Minority Businesses and Regional Dynamics

The economic census data indicates that minority businesses and African American-owned businesses are doing better in the suburbs of the five-county metropolitan region than in the central city. For example, the Cleveland metropolitan region ranked higher than the City of Cleveland on the number of firms per capita (per 1000 persons), with 19.9 African American-owned firms per 1000 persons compared to 13.9 in Cleveland. The Cleveland metropolitan region also ranked higher than Cleveland on size of firms, of firms with employees, with sales and receipts per firm of \$936,000. Both small- and mid-sized African American-owned firms in the suburbs are doing better than in Cleveland. Like Cleveland, five other cities of the 20 listed above had more African American-owned MBE's in the suburbs than in the central city in 1997 – Atlanta, Washington DC, Pittsburgh, Los Angeles, and Oakland. However, Cleveland is the only one among these six cities, where a majority of the African-American population lives in the city rather than the suburbs.

On the growth measures, there was a 25% increase in African American-owned firms in the metropolitan region from 1992 to 1997 and a 164% increase in sales and receipts. During the 1990s there was a higher rate of African American business start-ups in the suburbs than in Cleveland. On the other hand, established African American-owned

businesses in the City of Cleveland gained on suburban African American-owned businesses in terms of sales and receipts per firm, although still trailing by a small portion.

Where Cleveland's minority businesses are located does have an impact on their economic health. The financial success of a business is often related to its location, despite recent technologies that give businesses some locational flexibility. This is due to the importance of "social capital" and networking in business, the economic investment of the community into the business climate, and the demographics of opportunity.

The interview responses and best practices, both of which are discussed later in this report, make it clear that social capital, or access to information, opportunities, networking, and a sense of civic history and inclusion, is key to small-and mid-sized business success. These activities are often dependent on chance encounters, and on face-to-face interaction, which is often place-based. Also, public infrastructure and investment varies in different locations. Investments in both services and amenities needed for business success can be greatly unequal in a metropolitan area. Therefore, if an area is projected to lose jobs, population, and tax base, it may strain a business already suffering in a competitive economy, because of the decreasing social capital and public investment. If this business is one of the last pillars of a struggling community, its success is even more critical.

While MBE's have a strong presence in the suburbs (see Map 1, Attachment A), several key maps (Map 7 and Map 9) show that MBE's in Cleveland have historically been located in areas of overall job loss and population decline. People and jobs are expected to continue moving to the outer suburbs, while many MBE's remain clustered in the city and inner suburbs. As previously discussed, MBE business start-up growth in the U.S. has been outpacing overall business start-ups. For this reason, the continued success of MBE growth is particularly important to the Cleveland region's overall economic health.

Many of the suburbs where MBE's are located are inner suburbs neighboring Cleveland that have projected losses in jobs and population, although not as severe as portions of Cleveland. For example, the eastern suburbs of Cleveland Heights, Shaker Heights and East Cleveland each contained over 500 MBE's in 1997, according to the Economic Census. But the eastern suburbs are projected to continue to lose jobs.

As already mentioned, the MBE business start-up rate was higher in the suburbs than in the City of Cleveland from 1992 to 1997. Some of the suburbs with the highest growth rate in MBE's (see Map 2, Attachment A) are located southeast of Cleveland and west of Cleveland, including suburbs in Lorain County. For example, Lorain County added 600 MBE's from 1992 to 1997. More than 20 communities experienced an increase of more than 100 MBE's during this time. The sales and receipts volume of MBE's increased during this time period as well; with three communities (the cities of Cleveland, Akron and Solon) experiencing an MBE related sales and receipts growth of more than \$100 million. Most of the increase in Solon was likely due to one company – Anderson-DuBose, which was purchased in 1991 by African-American owners but may not yet have been measured by the 1992 economic census.

MBE's in context of Majority Businesses

Minority Business Enterprises (MBE's) represent a significant portion of the local economy in many communities in the Cleveland region. One way of measuring this impact is to compare the number of MBE's to the number of firms in the region. MBE's make up a significant portion of the entire business community in several northeastern Ohio cities, most notably the City of Cleveland and its eastern suburbs. MBE's represent almost 70% of the

entire business community in Cleveland Heights, and in several other eastern suburbs MBE's make up at least 15% of the all businesses (**Map 3**).

In the 1990's, MBE's contributed substantially to the economic growth (as measured in business starts) in the Cleveland region (**Map 4**). New business growth from 1992 to 1997 was dominated by MBE's in Cleveland's eastern suburbs of Cleveland Heights, Shaker Heights and Garfield Heights. They accounted for more than 65% of the growth in total businesses in these communities during this time.

Although MBE's contributed the most to the growth in these three inner suburbs, an additional 11 communities in northeastern Ohio experienced strong MBE growth in relation to total economic growth. MBE's accounted for at least 1/5th of new business growth in these 11 communities from 1992 to 1997 (**Map 4**). These other MBE growth communities were distributed throughout the region. The City of Oberlin, west of Cuyahoga County, experienced the most dramatic MBE growth in relation to total economic growth. In Oberlin, MBE growth outpaced total growth in businesses during this time, indicating that MBE's grew while majority businesses declined in the mid 1990's. MBE growth represented a modest proportion of total new business growth (11%) in the City of Cleveland during this time.

Analysis of Small-to-Mid-Sized MBE's:

In order to judge the strength of small-to-mid-sized MBE firms in Cleveland, the ratio of the number of small-to-mid-sized companies to the number of large companies was compared to the ratio among all firms. The average credit rating and year of business initiation was also compared to all firms in the county.

Of all firms with five or more employees, 28% had at least 20 employees (Table 2). Likewise, among MBE businesses with at least five employees, 28% had at least 20 employees. This would indicate that MBE's are not having so much difficulty growing from 5 to 19 employees to reaching 20 or more employees. Rather, the barrier seems to be in helping firms grow from the micro size (under five employees) to the small-to-mid size (5 to 19 employees).

Table 2: Ratio of Firm Size (Number of Employees) of Established Businesses, MBE's and All Firms in Cuyahoga County

Employees	# of MBE's	Percent	All Firms	Percent
5 to 9	107	47%	12,835	49%
10 to 19	58	25%	6,310	24%
20 to 49	41	18%	4,205	16%
50 to 99	14	6%	1,637	6%
100 to 249	10	4%	946	4%
250 & Over	0	0%	412	2%

Source: infoUSA, Inc. (www.referenceusa.com).

Note: Information was not available for a few MBE's, especially smaller ones. The "All Firms" column total includes all firms with at least five employees.

Another measure of the health of small-to-mid-sized MBE's is the average credit rating compared to firms in general. A random sample of 338 Cuyahoga County firms with at least five employees was selected using infoUSA, Inc. data. These firms were grouped into five categories based on the number of employees in the firm. The credit rating of these firms was compared to the credit ratings of 221 MBE's with at least five employees and reported credit rating scores. The median credit rating of all firms did not differ substantially from that of the MBE firms (Table 3). In fact, among the smallest established firms with 5 to 9 employees, the

average credit rating of the MBE firms was two points higher than that of the comparison group. MBE's with 10 to 49 employees had credit ratings averaging four points lower than the median for all firms. In general, MBE's do not have significantly lower credit ratings than firms overall.

On the other hand, MBE's have slower growth rates than majority firms (Table 3, columns 4 and 5). It took the average MBE seven years to reach the 5 to 9 employee level compared to five years for all firms. Likewise it took the average MBE 11 years to reach the 10- to 19-employee level compared to 6.5 years for all firms.

Table 3: Average Credit Ratings and Year of Business Initiation of Established Businesses, MBE's and All Firms in Cuyahoga County

Number of Employees	Median Credit Rating		Median Number of Years to Reach Particular Size of Company	
	MBE's	All Firms	MBE's	All Firms
5 to 9	84	82	7	5
10 to 19	87	91	11	6.5
20 to 49	91	95	12	10.5
50 to 99	96	94	16	11
100 & Over	94	100	19	15

Source: infoUSA, Inc. (www.referenceusa.com).

Note: Includes firms with at least five employees. Year of Business Initiation corresponds to the first year that the company appeared in the telephone book.

Mapping Minority Business Enterprise Locations in Cuyahoga County:

A directory of MBE's in Cuyahoga County was prepared to better assess the current condition of MBE's, and to present a finer depiction of where these businesses are located. The creation of this directory was accomplished by reviewing nearly a dozen different current directories of MBE's in Cuyahoga County. More than 850 MBE's were identified in Cuyahoga County, for the purpose of this exercise.

These businesses were subsequently mapped by address to better understand the location of MBE's. Although these 850 MBE's do not fully represent all MBE's, they do closely match the spatial distribution of all MBE's by place in 1997 (**Map 5B**). For this reason, we feel the MBE mapping represents a fairly accurate assessment or snapshot of the spatial distribution of all MBE's in the County. Also, the majority of MBE's mapped were certified businesses establishments, thus larger MBE's were included in this sample.

The general spatial arrangement seen in MBE's from 1997 is identifiable in the sample of MBE businesses mapped (**Map 5A**). MBE's were either clustered near downtown or along the East Side of Cuyahoga County. Few MBE's were located in the west side or southwestern portion of the County. The distribution of certified MBE's also matches this general spatial trend. MBE's located near downtown appeared more likely to be certified than MBE's in the rest of the County. One notable "gap" in certified MBE's is found in the City of Cleveland, just southwest of downtown. Analysis of these uncertified businesses has identified them to be primarily Latino MBE's.

In the Attachment F "Sales Volume Map" we determined that the geographic distribution of small-to-mid-sized MBE's was similar to the distribution overall. But larger MBE's tended to be concentrated somewhat on the east side of Cleveland and the northeast, southeast, and southwest suburbs. The larger MBE's on Cleveland's east side include many manufacturing and wholesale trade MBE's that appear to be taking advantage of cheaper land

prices there. Smaller MBE's tended to be concentrated somewhat on the west side of Cleveland and the near eastern suburbs.

Economic Change in Cuyahoga County and MBE's:⁴

Job creation in Cuyahoga County from 1998 to 2002 was strongest in downtown Cleveland, the far western suburbs, the far southern suburbs, and the far northeastern suburbs (Map 7). There was also job growth in many near southern suburbs and in portions of eastern Cleveland and the County close to Case Western Reserve University. In spite of job growth in some, the regional economy as a whole shrunk from 1998 to 2002. The Cleveland-Lorain-Elyria MSA experienced a 1% loss in business establishments and a 4.2% decline in employment from 1998 to 2002.⁵

It is not surprising that MBE's tend to be located in areas with even greater job losses. The average MBE analyzed was located in a zip code with job loss in excess of 8% and a decline in business establishments of 4% from 1998 to 2002. However, even though many MBE's are located in neighborhoods with declining job growth, they are strategically located close to downtown and the job growth areas of the near southern suburbs, the university areas, and the far northeastern suburbs. This is demonstrated by looking at the location of the 20 largest MBE's in Cuyahoga County. Four are located in downtown Cleveland, five more are located immediately east of downtown, two large manufacturing companies are located in an industrial corridor about three miles southeast of downtown, while two others are located in northeast Cleveland. One is in the near northeast suburbs, and another one in the far northeast suburbs. One company is in the eastern suburbs (Beachwood); two are in the far southeastern suburbs and one in the south suburbs. Two are near the airport – one in southwest Cleveland and the other in the southwest suburbs. The largest MBE's are almost all strategically located. Only the two companies in the southeast side industrial corridor are located in an area of severe economic distress. But even these companies are relatively close to downtown and the metropolitan highway network.

Projected job growth in Cuyahoga County is also situated away from most MBE's. Job growth projected from 2000 to 2030 is primarily clustered along the outer fringe of Cuyahoga County, particularly in the County's Western and Southern areas. Most MBE's are located in areas with a projected job losses of more than 8% by 2030 (**Map 8**). The average MBE was located in an area with a projected job loss of almost 15% by 2030.

Population Characteristics in Cuyahoga County and MBE

Many central city neighborhoods are losing population base in Cuyahoga County, particularly on the east side. These neighborhoods also contain many of the County's MBE's. Most MBE's are generally located in areas with declining population in Cuyahoga County (**Map 9**). The average MBE in Cuyahoga County was located in a census tract that lost 3% of its population between 1990 and 2000. MBE's located in the City's east side were in neighborhoods with some of the severest population loss. These declining neighborhoods are primarily majority non-white communities. On the other hand, downtown Cleveland gained population from 1990 to 2000 as did certain neighborhoods southwest of downtown where many Hispanic MBE's are located, and some neighborhoods near the universities where many

⁴ MBE's were also analyzed in reference to industry sectors generally affiliated with MBE's. This analysis was included as independent appendices for this report (Attachments D and F).

⁵ Source: U.S. Census Bureau. County Business Patterns Database

African-American MBE's are located. Many MBE's situated in the eastern suburbs are also located in or near suburbs with increasing population.

The average MBE located in a neighborhood that was 47% White in 2000. The median MBE neighborhoods experienced a decline in White population of 20% during the 1990's and growth in African American and Latino population (**Map 10**).

Summary of Spatial Analysis:

From these maps, we can see that MBE's are largely in Cuyahoga County, in Cleveland and in the surrounding inner suburbs. However, there are substantial MBE's in Akron, Lorain, and Oberlin as well, and these MBE's have experienced significant growth in the mid 1990's. MBE's make up a significant percent of all businesses in Cuyahoga County, and make up a significant percent of total business growth in Cuyahoga County, Oberlin, and the Akron area. Most significant, however, are the maps (see Maps 7, 8 and 9 in Attachment A) showing the location of MBE's and the recent and projected data on job and population growth. MBE's are overwhelmingly located in areas that have lost, and are projected to continue to lose, population and jobs. If downtown Cleveland and portions of eastern Cleveland near the universities decline economically as the job projections predict, the key question will become how to keep MBE's connected to a regional economy in which access to networking and social capital are key to mid-level business development.

MBE's by Sector, Size

The Economic Census data was analyzed by industry sector in order to determine the strengths and weaknesses of minority-owned businesses. Specifically, this analysis includes only African American-owned firms because they are the largest portion of MBE's in Cleveland and may have a very distinct industry distribution than other MBE's. The Economic Census only includes data at the metropolitan (MSA) level for industry concentration by race of business owner. For this analysis, the Cleveland metropolitan area included five counties, by census definition: Cuyahoga, Geauga, Lake, Lorain, and Medina.

To determine the relative strength of African American-owned businesses in Cleveland, this analysis compares the market share (total sales and receipts) of African American-owned businesses in each industry to the overall market share of African American-owned businesses. African American-owned businesses generated 0.66% of sales and receipts of all firms in the region even though they made up 5.3% of all firms in 1997 (Table E1, Attachment E). In the U.S. African American-owned businesses generated 0.38% of sales and receipts of all firms. This rose to 0.41% by 2002. The ratio of African American sales and receipts as a percentage of all sales and receipts to African American population as a percentage of total population in the U.S. was 1:34 in 1997. African American-owned businesses in Cleveland were doing slightly better in 1997 with a ratio of sales and receipts to population of 1:29.

Table 4: Market Share Strength of African American-owned Firms by Industry, 1997

	Cleveland PMSA	U.S.
All Industries (portion of total sales/receipts)	0.66%	0.38%
Industry Index (Industry Market Share by Overall Market Share)		
Construction & Developers	3.0	2.1
Services	1.7	2.6
Transportation, Communications & Utilities	1.5	1.4
Retail Trade	1.2	1.4

	Cleveland PMSA	U.S.
Wholesale Trade	0.8	0.4
Financial, Insurance and Real Estate	0.8	0.3
Manufacturing	0.3	0.2

Note: Cleveland region refers to the Cleveland Primary Metropolitan Statistical Area (PMSA) – Cuyahoga, Geauga, Lake, Lorain, and Medina counties.

The Industry Index in Table 4 is created by looking at the overall market share of African American-owned firms in Cleveland compared to their market share in a specific industry sector. These ratios, in turn, are compared to the national ratios for African American-owned firms in each industry sector. For example, the market share of African American-owned firms nationally in the construction industry is 2.1 times that of the overall black market share of 0.38%. In Cleveland the African American-business market share is 3.0 times that of the overall African American-owned market share. Therefore, one can conclude that nationally African American-owned businesses are concentrated in the Construction sector and that in Cleveland they have an even higher concentration.

African American-owned businesses in Cleveland have done better than their counterparts nationally in three sectors that have low market shares nationally on the part of African-American businesses: Wholesale Trade; Financial, Insurance and Real Estate; and Manufacturing. The local market share in the Transportation, Communications and Utilities sector is about equal to the national market share.

Nationally African American-owned businesses have their highest concentration in the Service sector, with a ratio of 2.6. (See Attachment Table E6 for more details.) However, African American-owned businesses have a lower ratio in Cleveland, indicating less success locally than in the U.S. for this sector. Likewise, the local ratio for Retail Trade is lower than the national ratio. Services and Retail Trade are the sectors most geared toward serving the local (neighborhood) market.

In general, African American firms in Cleveland have excelled more than their counterparts nationally in sectors that relate to the overall economy – Construction, Wholesale Trade, Financial, and Manufacturing – but have less success in maintaining neighborhood market share in sectors that might primarily serve the local African-American population, such as Services and Retail Trade. Nationally, 36% of sales and receipts by African-American firms are in the Services sector, but in Cleveland this sector makes up only 23% of sales and receipts.

Using state-wide data (the lowest level at which sub-sector data is available) to drill down deeper within the various sectors, we found that within the Construction sector, African American-owned businesses have a bigger market share in heavy construction and general contracting than in the construction trades, such as carpentry, electrical, heating and plumbing. The one Services sub-sector where African American-owned businesses in Ohio are doing especially well is one which serves the larger economy more than the neighborhood economy – Professional Services including Engineering, Architecture, Accounting and Research (Table E4 in Attachment E). However, the one Professional Service area where African American-owned businesses have a particularly low market share in Ohio is Legal Services (Table E5 in Attachment E).

Public Policy Context

Part of the reason for the large growth in total sales and receipts by African American-owned businesses in Cleveland during the 1990s may have been the set-aside program in the Construction sector by the City of Cleveland, and the City's aggressive monitoring of compliance with the Community Reinvestment Act during the tenure of Mayor Michael White from 1989 to 2001. This section will explore the public policy context of minority business promotion in Cleveland and Cuyahoga County by examining public set-aside and voluntary procurement programs and by overall public agency support for community economic development in the city and region.

The State of Ohio set the stage in 1980 by passing a set-aside procurement law for minority-business enterprises. The law required Ohio to reserve 5% of state construction contracts and 7% of subcontracts for minority-owned businesses. The state also set aside 15% of purchasing contracts for competitive bidding by minority businesses, limited to African Americans, Hispanics, American Indians, Asians and Asian-Indians. Following Youngstown, Columbus, and Cincinnati, the City of Cleveland passed its own set-aside law for construction contracts in 1984. Other public agencies, including Cuyahoga County Community Colleges (CCCC), also began MBE set-aside programs during the 1980s.

In 1992 a consortium of Cleveland-area public agencies -- county, city, schools, community colleges, transit agency, and port -- commissioned a Disparity Study, completed by A.B. Jackson, as the basis for the various M/WBE (Minority- and Women-Business Enterprise) preference programs. The city, county and community colleges each expanded their MBE set-aside programs based on this study. For example, the county had a program in the 1990s where a prime bidder was given preference if it included M/WBE subs and their bid was within 5% of the low bid. It should be recalled that African American-owned firms' sales and receipts grew by 284% from 1992 to 1997 in Cleveland.

In 1998 the Association of General Contractors of Ohio sued the State of Ohio and was able to win in federal court, striking down the Ohio construction set-aside. In part, the court ruled that the 1992 Disparity Study was out of date and the set-aside programs over-stepped the findings in the study. In 2000, the remaining Ohio set-aside program was struck down as well.

The Ohio Contractors Association together with member plaintiff firms sued the city, community colleges, and county, arguing that the public preferential programs were illegal, based on the federal court proceeding the previous year. All of the agencies settled the suit out of court. There was agreement that the 1992 study was outdated and that a new Disparity Study would need to be done in order to justify continued M/WBE programs. In the case of the county they also agreed to award the contract in question to the plaintiff and suspend all M/WBE programs until acceptance of the new study and program.

Since the court rulings and out-of-court settlement, the state agencies and most local public agencies have had voluntary programs encouraging the use of minority firms for goods and services. The county has been a little more conservative in its approach, creating an SBE (Small Business Enterprise) preferential program (gender/race neutral). Both the State of Ohio and the City of Cleveland have continued to certify minority firms as MBE's. The Greater Cleveland Regional Transit Agency also has a certification process, but it is for Disadvantaged Business Enterprise -- DBE. The DBE definition used by the transit agency is the federal definition -- it includes only businesses that are small (by SBA definitions) and are owned by a minority, a woman, or a person with disabilities. The City and the Transit Agency conduct on-site certifications to confirm MBE status. The State does not, so there is some suspicion about

the validity of its MBE list. The other body to certify MBE's is the Northern Ohio Minority Business Council (NOMBC). The NOMBC is part of the National Minority Supplier Development Council; the main industry group pushing for minority inclusion in the first- and second-tier supply networks.

Meanwhile, state legislators from Cincinnati and Cleveland and local public agencies have attempted to re-initiate affirmative action procurement by commissioning new disparity studies to demonstrate that there is still a need for set-aside programs. A state-funded study was completed in August 2001, by D.J. Miller & Associates, and found "inferences of discrimination" against women and minorities who competed for state construction contracts. The study reviewed contract data from eight state agencies, including Transportation, Public Works and the Board of Regents, which controls capital spending at Ohio colleges. The eight agencies awarded \$6.1 billion in contracts, \$974 million of that to minority- and women-owned firms, between 1996 and 2000. Miller concluded women and minorities were underutilized by several agencies but did not conclude that those agencies discriminated.

Other evidence of the negative impact of the end of the set-aside programs is the 8% drop in volume of sales and receipts from 1997 to 2002 of both black- and Hispanic-owned MBE's in Ohio, while overall business sales and receipts in Ohio rose by 12%.

Six local public agencies commissioned Mason-Tillman, Inc. to conduct a Disparity Study for Cuyahoga County in 2001. The acceptance and release of the study has been tied up by various public agencies not content with the study's methodology or conclusions. For example, the City argues that it certifies firms from outside the county and state whereas the study's analysis is limited to Cuyahoga-based MBE certified firms. Therefore, the City does not accept the conclusions of the study, tying it up in the City's legal office.

The County's Office of Procurement and Diversity has developed a new set-aside program based on the Disparity Study. Yet, the initiation of this program has been pushed back because the county commissioners have tabled approval of the program several times at meetings this year. The county-portion of the Disparity Study found that there was discrimination based on race and gender in the Vertical Construction sector (general and sub-contractors) and therefore, a preferential program was justified. In some other sectors there is not enough information to justify such a program, but the study requires the county to track all of its other procurement processes to measure M/WBE participation. If disparities are found in other sectors, determined by this tracking, the county will be required to add other sectors to its preferential program.

The port and community colleges might soon accept the study and develop new or modify existing programs based on the study. The Transit Agency will likely merge its DBE (Disadvantaged Business Enterprise) program with the State Transportation Department's DBE program and use the federal transportation department's universal DBE application system.

Under the new regulations, any agency that certifies M/WBEs will be required by the study to keep its certification process up to date. Critics have argued that many firms listed in the public agency M/WBE directories are no longer viable. This resulted in no or few certified M/WBEs in some sectors and therefore made it impossible to locate a M/WBE sub-contractor. This explains the need for up-to-date certification lists.

The public policy context also includes community and economic development policies. Within this context should be mentioned the active administration of Mayor Michael White from 1989 to 2001, supporting public safety, housing, education, and community revitalization efforts. He helped to push through City Council a resolution making banks dispel lending policies that were restrictive to minorities and minority businesses, and helped

to secure funding for building a new stadium for the Cleveland Browns and construction of the Gateway stadium development, both of which had significant minority contractor participation. Several national leaders in minority business promotion said that minority businesses likely accessed more capital and grew significantly in the 1990s due to the active monitoring and pressuring of Mayor White on financial institutions to comply with their Community Reinvestment Act requirements.

COMMUNITY LEADER PERCEPTIONS

This section describes the perceptions of community business leaders regarding some of the structural-, institutional-, and individual-based barriers and/or challenges to supporting the growth of minority businesses in Cleveland. In later sections we will discuss emerging opportunities and minority business development strategies.

To determine what community leaders believe is required in Greater Cleveland to get minority business development to the next level of performance we interviewed eighteen knowledgeable minority and majority business leaders, public officials, academics, and the heads of intermediary organizations. The sample for the study and the interview protocol was determined in consultation with staff members of The Cleveland Foundation. A dedicated staff member provided logistical coordination in scheduling in-person interviews over three days time. Most of the interviews were recorded and we created working transcripts from our written notes and the audio recordings. During the first analysis we examined three broad themes: challenges and/or barriers to minority business development, emerging opportunities, and supporting minority business development.

Despite many civil rights gains, African Americans and other non-whites continue to have disproportionately poor outcomes across many domains, including education, housing, wealth accumulation, and of particular interest here, building successful and sustainable businesses. To gain a better understanding of the challenges to building mid-level minority businesses in Cleveland we asked each of the respondents to discuss such barriers.

Respondents identified a number of potential challenges and/or barriers to mid-level minority business growth. The challenges identified are grouped into structural-, institutional- and individual-based challenges. *Structural challenges* are those that are indicative of the larger societal arrangements – social, political and economic – that function to impede minority business growth. *Institutional challenges* are those that exist within particular institutions – banks or other lending institutions, economic intermediary organizations, minority and majority businesses, for example – that function to limit the growth of mid-level minority businesses. *Individual challenges* are those that relate to individuals – pre-entrepreneurs and entrepreneurs that limit their opportunity to sustain and expand their businesses. Individual challenges may include lack of knowledge regarding acquiring capital, writing a business plan, and managing contracts and lack of prior business experience. It is important to note that institutional and individual challenges exist within a structural context and efforts to understand these challenges should consider the structural pressures and constraints.

Structural Based Challenges

Social Capital – Without prompting on the part of the interviewers, every single respondent cited the lack of “social capital” as being a significant barrier to minority business development. In his book *Bowling Alone*, Robert Putnam defines social capital as follows: “Whereas physical capital refers to physical objects and human capital refers to the properties of individuals, social capital refers to connections among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them.”⁶

⁶ Robert Putnam (2000) *Bowling Alone: The Collapse and Revival of American Community*, New York: Simon and Schuster. At p. 19.

In exploring this issue with respondents, one respondent explained that there is no natural flow to build bridges effectively. Because of racial segregation, “people don’t live together, worship together, and go to school together – it is not part of the culture and character of this community.” Another individual discussed the historical connectedness among majority businesses describing the ability of non-minorities to talk about the history of business in Cleveland – who owned what business at what time; whose father took over what business; what businesses went out of business and why, etc. Minority business owners on the other hand, have limited access to this type of history. All of the respondents stated that it can be difficult to join the existing business network, and difficult to be a viable business without such membership.

There are many consequences for a lack of majority/minority linkages. There are natural opportunities for non-minorities to form mentor-protégé relationships with older generation business owners within their families, and among family friends. These relationships expose entrepreneurs to knowledge of how to manage every aspect of running a business, and access to venture capitalists, bankers, and others who can support their business development. Compounding the absence of existing family and social relationships, minority business owners seeking access to decision makers may be dependent upon the benevolence of individuals as opposed to informed and enforced company policy. Possessing social capital could open doors to established and mid-level minority entrepreneurs through existing supplier diversity programs as well. Perhaps more importantly, a robust level of social capital has many documented benefits to a community, including a higher education attainment and better economic growth. In the absence of such capital, trust declines and may result in serious social problems.⁷

Racism and weak political environment - According to many respondents, Cleveland has a history of being racially polarized. The 2001 Mason-Tillman Disparity Study, for example, found that there was discrimination in the Vertical Construction sector; thus legitimizing the creation of a set-aside program. Coupled with what many described as deliberately politically weak and fragmented local governments, minority entrepreneurs face an uphill climb. It was suggested that success in the construction business, for example, is dependent upon having political clout. As the clout decreases, so does the success of African American construction companies. Some respondents suggested that the City needs more creativity, a stronger vision, and an explicit mission for overall economic development and for minority business development in particular. On the other hand, some of the people interviewed at the national level have the perception that Cleveland has had a history of decent, if not good, local government, coupled with strong neighborhood activism.

Economics - Many of the individuals we interviewed suggested that the general economy in the City of Cleveland and its region is depressed. They suggested that while the poor economy has been detrimental to most industries, it is particularly hard on minority businesses. One respondent stated, “When the big boys get a cold, the small ones get pneumonia and minority businesses die.”⁸

Not all economic barriers are minority specific. One interviewee noted that, “this is a region that is experiencing significant change; people need to understand that this is a global

⁷ Smith, M. K. (2001) 'Social capital', *the encyclopedia of informal education*, www.infed.org/biblio/social_capital.htm

⁸ This perception is only partially borne out by empirical data. As noted previously, map 6 shows modest growth for MBE's in the City of Cleveland during the 1990's, and substantial growth relative to majority businesses in other areas of Cuyahoga County.

economy.” Another suggested that potential entrepreneurs and intermediaries should gain a better understanding of how to conduct business in a global economy and that prospective entrepreneurs will need a certain level of training and understanding of how this perspective impacts business planning and decision-making.

Most of the respondents indicated that there’s a need for a broad appreciation that minority economic success is good for everybody. They stressed that public agencies and private firms should promote minority success as a matter of informed self-interest.

Public Education – Another common theme raised by respondents is the condition of public education in Cleveland. One individual commented, “The public education system is in a shambles.” Others echoed this sentiment stating that the city has not invested in education, and the lack of investment has caught up with them. Respondents reported that while the large employers in the city claim to want a better educated work-force, they have not been willing to pay incrementally higher taxes in order to “shore up” the educational system. The constraints related to K-12 public education are also evident in higher education. Respondents indicated that Cleveland has disproportionately low numbers of minority citizens who have advanced degrees. They concur that creating a larger pool of under-educated citizens has a ripple effect that impacts the entire economy.

Institutional Based Challenges

Institutional challenges are those that involve particular institutions such as technical assistance organizations, lending institutions, philanthropic organizations, and higher education organizations. Respondents identified a number of important limitations to the current practices within existing institutions in Cleveland and the perceived effect on the growth of mid-level minority businesses. In addition to the limitations within these institutions, the lack of coordination among institutions presents an added layer of challenges.

Capital – A source of challenge to minority business development cited by respondents includes access to capital. It was reported that financing is available to large minority businesses (loans of over 30 million) and to micro-enterprise (small and start-up businesses requiring loans of \$20,000 and less). From the perspective of many of the respondents, the large gap appears to limit the ability of mid-level minority businesses to expand to a higher level. Another issue of access that was raised by respondents is that even if the capital is available, minority businesses need to “put out extra effort” that is not required by majority businesses. Some respondents indicated that the entire process of acquiring financing is different. This may be due in part because minority entrepreneurs may not have an adequate credit history, but respondents emphasized that the larger barrier is that minority entrepreneurs simply aren’t given the same consideration as majority entrepreneurs.

Technical Assistance Organizations - There are a number of organizations in the City of Cleveland that are providing technical assistance services to minority businesses. The problem, according to respondents, is that the service providers are not performing at a consistently high level, and that they are not held accountable to this. For example, those we talked to indicated that scarce resources prompt intermediary organizations to deploy limited funds over a large range of technical assistance areas, and often reach too far into areas in which they have limited skills and experience. Others suggested that those giving advice to potential minority business owners need to articulate and abide by a strategic vision and mission for advancing minority business development. It was noted that all intermediaries do *something* very well; but that none of the organizations can do *everything* well. Respondents suggested that the current intermediary organizations needed to know and accept their limitations. Other issues raised by respondents include the need for greater depth of technical assistance,

better follow through, more focus on business size and scale, and better coordination among the intermediaries and other organizations.

On a different vein, given the perspective of a long history of discrimination in this country, coupled with the perception of the existence of elitism on the part of non-minority businesses and some of the minority-staffed intermediaries, some of the interviewees suggested that it is important to build trusting relationships between large African American businesses and intermediary organizations, local foundations, and “majority” organizations in general.

Respondents cited a number of potential reasons for the limited performance of intermediary organizations. Reasons include a system that pits organizations against one another in competing for funding, resulting in an attempt to provide services for which they are not qualified. Some respondents indicated that the staffs of some intermediary organizations have never been entrepreneurs. Other respondents said that some intermediaries are arbitrarily exclusive in who they serve. A final observation made by respondents is that intermediaries need to be willing to tell potential entrepreneurs when their business ideas are of poor quality. This is not racism they stated, merely good business advice.

At the public and private sector level, respondents indicated that registration with the State is challenging and that mechanisms to access contracts – both public and private – may be “unclear, confusing and cumbersome.” Many stated that competition is stiff, minority contractors do not seem to be treated fairly, and “are not always at the table being treated as an equal.” There is a sense that stereotyping limits minority contractors from gaining significant contracts. Furthermore, while supplier diversity programs may present an important opportunity for growing established and mid-level minority businesses, respondents suggested that even though many of the large corporations in Cleveland have supplier diversity programs, they are typically not well developed and don’t sufficiently track and report progress.

Individual Based Challenges

Barriers to expanding minority businesses also exist at the individual level. Challenges cited by respondents include the lack of talent and strategic vision on the part of individuals seeking to be entrepreneurs, and the lack of pertinent skill sets and general knowledge. One respondent suggested that minority businesses may be “stuck in a 25 year old model where they grow organically, rather than participating in mergers and other partnering ventures.” Additionally, respondents indicated that minority businesses tend to be disproportionately oriented toward life-style businesses as opposed to high growth sectors, and tend to be located in the urban core where population and business growth in general appear to be in decline. There are also safety issues cited in locating within the urban core that create additional expenses such as higher insurance premiums and costs for security systems.

Other areas where individual challenges exist are that minority entrepreneurs may not have the skills to be good marketers, may not be skilled in using technology and may lack accounting skills – all areas that would enable them to be more competitive with majority entrepreneurs. A significant barrier, according to respondents is that minority entrepreneurs simply don’t have the infrastructure to match up with the culture of larger companies. It was suggested that they may need training to prepare themselves to meet the kinds of quality controls that are embedded in the policies of the larger companies.

Given the potential barriers and challenges to assisting mid-level minority business enterprise in growing to the next level of performance, a national scan of what seems to be working elsewhere in the country can provide some direction.

BEST PRACTICES AMONG INTERMEDIARIES

Three factors have been critical for the expansion and development of MBE's in the last 30 years, especially for African-American-owned and Hispanic-owned businesses – the emergence of strong public agency policies for affirmative procurement of goods and services, including set-asides; the more recent emergence of private sector supplier diversity initiatives amongst the largest companies in the U.S.; and the extensive network of community development financial institutions and venture capitalists that serve MBE's as well as many other clients in low-income central city and rural communities.

Within this context, it is helpful to divide the best practices of MBE promotion into categories in order to further analyze the types of best practices. This study has identified four types of best practices in MBE promotion: 1) business development assistance; 2) networking; 3) research and advocacy; and 4) financing. It is likely that only a combination of all four types of activities, in a region, will lead to a successful business climate for MBE's. The best type of intermediary varies for each type of assistance, although many best-practice organizations provide multiple types of assistance.

Nearly all MBE promotion can also incorporate WBE (women-owned business enterprise) promotion, especially as it relates to businesses owned by women who are also African-American, Latino, or Asian-American.

Business Development Assistance

It is important to recognize the various levels of business development assistance needed to establish a healthy MBE business climate. Designations such as “small business” may restrict the necessary range of business development assistance. And, assistance should be provided to both minority and majority firms in the process. Different intermediaries may be necessary to provide the various levels of business development assistance.

Target: MBE Start-Ups or Micro-enterprises - It is generally accepted in the economic development literature that higher rates of self-employment lead to viable business enterprise development. But most self-employment activities are best seen as income supplements rather than full-time business opportunities. The most important criteria for success as a MBE business start-up are education level, experience in the field of the proposed business, available start-up capital, and demonstrated sweat equity. Best practices indicate that intermediaries should be more targeted in their assistance by using stricter entry criteria, and providing more in-depth assistance to the selected start-ups. Language specific assistance (i.e. Spanish or Chinese) is important in areas where a significant non-English language economy exists.

The types of business development assistance needed include:

- Classes, workshops, and seminars to cover the topics listed below. Prime contractors or large companies often lead workshops in order to locate potential good subs or suppliers.
 - How to create a business plan – feasibility; marketing proposition and plan; operational plan and financial projections
 - Small business taxes and licensing requirements
 - Business finance and cash flow projections
 - How to access markets – public and private
 - Why and How to Certify as an MBE. Which industry sectors make sense to certify?

- Bid knowledge and cost estimation
- Individualized and Intensive Technical Assistance on the following topics:
 - How to create a business plan
 - How to set up the accounting system. This may include customizing the QuickBooks or other software.
- Workshops or one-on-one assistance on “How to Set Up a Franchise Business.”
 - Provide linkages to potential franchising companies.

Types of Intermediaries: Community-based non-profits; small business development center; local government agencies; university centers; trade associations; community development financial institutions.

Target: Established MBE's

- One-on-one technical assistance to fine tune business operations (i.e. through a mentoring – protégé program)
- Assistance in recruiting experienced managers, especially African-American and Latino managers
- Workshops or one-on-one assistance related to:
 - Bid knowledge
 - Cost estimation for larger projects or product orders
 - MBE Certification Process, HUB Zone / EDGE Certification, private council (NMSBC) MBE certification. Especially how to navigate the certification process for neighboring cities, counties, and states.
 - How to expand to multiple sites

Types of Intermediaries: Business associations and regional Chambers of Commerce; small business development center; regional non-profits; trade associations; local government agencies; university centers.

Target: Mid-Sized, Established Majority Companies in Order to Set Up Supplier Diversity Programs

- One-on-one intensive technical assistance on how to set up a supplier diversity program. Organizational development for mid-sized companies who may not have the economy of scale in order to create a supplier diversity program. Most Fortune 1000 companies already have programs in place. Example: The Eaton Corporation. But mid-sized companies lag behind.
- Workshops and courses on supplier diversity programs. Or provide scholarships to attend such opportunities offsite.
- Software scholarship and/or setup for tracking supplier diversity program, such as reduced-price purchase of mass memberships to an online database tracking service.
- Workshops and courses on how to find MBE sub-contractors, as may be required by public agencies.
- Fund intermediaries or MBE's to provide reduced cost consulting services to majority companies to setup or manage their minority contracting or supplier diversification programs.

Types of Intermediaries: Business associations and regional chambers of commerce; regional non-profits; trade associations. Maybe local government agencies; university centers.

Networking

One of the most important aspects for any business development, but especially for minority-owned businesses, is to create networking opportunities. Minority-owned firms often lack the social capital and built-in contacts of most white-male-owned firms. The range of networking activities listed here includes typical business networking activities like trade fairs and annual luncheons. It also includes technical assistance activities like workshops or classes that have an important networking component, and more direct activities to put MBE's in contact with potential customers, such as public agencies and large regional or national companies. Finally it includes another category of networking and planning among private, public, non-profit and university players to strategically plan the research and programs necessary to help MBE's compete and possibly flourish.

Networking Best Practice Activities:

- Trade fairs or clearinghouses, involving wide range of MBE's, public agencies, and private sector participants.
- Annual luncheon or award dinner, social events – boat rides, golfing, basketball tournaments, etc.
- “Contract look-ahead's” by public sector agencies
- Workshops and seminars are not only an opportunity for technical assistance and information but also for networking.
- Provide opportunities for an interested party to see the actual product of an MBE provided to another customer.
- Monthly matchmaker, such as having a monthly open house sponsored by a different large (majority) company for potential new suppliers or sub-contractors. Example: Washington, D.C. Chamber of Commerce.
- Convening intermediaries to bring together leaders of private sector, public sector, research and nonprofit sectors in MBE promotion. Probably best done by a regional organization, foundation or a university.
- Support for regional initiatives that bring together city and suburbs; private, public and non-profit sectors.

Types of Intermediaries: Business associations and regional chambers of commerce; community foundations; small business development center; regional non-profits; trade associations; state and local government agencies; university centers.

Research and Advocacy

A wide range of research and advocacy activities help to promote progressive public policy initiatives to support MBE's, to plan coherent and strategic programs for MBE promotion, and to monitor the practice of private firms and public agencies in dealing with MBE's or neighborhoods where MBE's tend to be concentrated.

Public policy analysis could include research and policy formulation around best practices among public agencies at various jurisdictional levels in areas of procurement,

finance programs, research, and related community development programs. Research is also necessary to help create public awareness and support for MBE promotion and to formulate new or better focused MBE programs in the non-profit and private sector, including community development finance, sector-specific approaches, business associations, and regional economic development planning.

Research and Advocacy Best Practice Activities:

- Research and advocacy to set a policy agenda that will support MBE's. Including public procurement practice; venture capital tax credit program; public agency MBE financing programs; using CDBG or other funding to assist MBE's in bonding requirements; MBE loan guarantee program; eliminating duplicity in public certification process; assistance in helping MBE's expand to other regions/jurisdictions; regional cooperation and joint strategy on MBE promotion; hosting public contract look-aheads; combining MBE promotion into workforce development planning.
- Support for good schools. Education is one of the key determinants of business leadership. Expose high school students to successful business/MBE leaders.
- Monitoring MBE Procurement by Public Agencies. Example: Regional Alliance for Small Contractors. Monitoring payment turn-around time period; duplicative reporting requirements; inconsistency and volatility in public MBE programs; lack of transparency; favoritism; abuse of subcontractors by primes (delayed payments, change orders, final withholdings).
- Public Records on MBE Procurement. If there is no MBE-specific public procurement program, require public agencies to keep public records of MBE procurement as a percentage of all procurement for various departments, offices or spending categories, in order to have information that might later justify an MBE procurement program.
- Encourage public agencies to create contract "carve outs", where large contracts are broken into smaller contracts in order for smaller/MBE contractors to compete.
- Monitoring public spending in inner-city neighborhoods or business corridors close to those neighborhoods for basic safety and infrastructure.
- Research and develop strategies for industry-specific approaches to MBE promotion.
- Support positive public relations for MBE's – overcome the misperceptions and myths. Research needed on real economic impact of MBE's.
- Work with various regional and local chambers of commerce to set goals of certain percentage of members to set up supplier diversity programs.
- Research and advocacy around Commercial Lending Practices to MBE's. Example: Woodstock Institute. Encourage MBE lending as a way to comply with the CRA.
- Grade or rank private sector on diversity including supplier diversity. Rankings may be done in aggregate by region or by industry in order not to embarrass a particular company.
- Grade or rank bonding agencies for MBE accessibility.

Types of Intermediaries: Regional non-profits; university centers; trade associations; community-based non-profits; state and local government agencies.

Financing

There is already a large body of literature on best practices for lending programs to small businesses, including MBE's. This section will describe some of these best practices. Cleveland already has several leaders in national best practices in financing of MBE's – Key Corporation among mainstream financial institutions; Shorebank among community development financial institutions; MWV Pinnacle and Jump Start among community development venture capital funds; and WECO/CAAO among community-based business start-up finance programs.

Financing Best Practice Activities:

- Mainstream Financing - help banks design their CRA programs, especially to target small-to-medium size businesses
- Help build the asset base of Community Development Financial Institutions.
- Venture Capital - help targeted VC funds to access new sources of capital – public pensions, union pension funds, and state funds. Best Practice: State of Ohio Venture Capital Tax Credit – 30% state tax credit on any VC going to MBE's in distressed communities. Best Practice: larger scale funding, more selective, use of job creation as a criteria (i.e. less focus on self-employment).
- Assistance in locating equity partners.
- Create a program that encourages or requires a large company, developer or general contractor to serve as a guarantor on a line of credit to MBE sub-contractors or suppliers.
- Creating alternative equity and debt financing vehicles – such as public sector – (Maryland Small Business Finance Authority); or industry associations – (NY Regional Alliance for Small Contractors).
- Identify and help resolve specific funding issues, such as the need for bonding for many public contracts.
 - Identify “friendly” bonding companies, with assistance of the National Association of Surety Bond Producers.
 - Encourage public agency assistance in paying for bonding requirements. Best Practice: Use of CDBG funds by Allegheny County (PA) for MBE bonding.
 - Encourage or require developers, general contractors, or large companies to provide “wrap around” bonds for MBE's. The large company purchases the bond for the small company and then the small company pays the large company for the cost. The cost is often a fraction of what it would have been otherwise for the small MBE.

Types of Intermediaries: Community development financial institutions; trade associations; mainstream financial institutions; regional non-profits; small business development center; state and local government agencies.

Promotion of an Overall Regional Climate to Support MBE's

We believe it is possible for The Cleveland Foundation to play a key role in guiding a regional process that promotes MBE's in a comprehensive way that becomes implicit in other regional social and economic development initiatives. National best practice in creating a

regional process of this nature includes components that are specific to the public sector, the private sector, non-profit organizations, and community foundations.

Public Sector: 1) Creating a safe and clean environment within central cities and inner cities. This will benefit MBE's and encourage majority companies to co-locate near MBE's. 2) Encourage MBE promotion and set an example by affirmative procurement of MBE services and goods. 3) Politics should not be the main driver of economic development policy. While social capital will always be an important component of business development, opportunities should be created for those who do not have relatives or friends in governmental or other important positions.

Private Sector: 1) Mainstream financial institutions – design creative financial products for small businesses; develop local knowledge; diversify Board and staff; realize that a more prosperous neighborhood makes a more prosperous bank. 2) Majority companies – create programs and set goals to diversify supplier networks; mentor MBE companies; diversify staff; form strategic partnerships with MBE's. 3) Minority-owned companies. Realize that there are certain requirements to be in business. Not everyone should own a business. In most cases it is not the best solution to overcome poverty.

Non-Profits: Understand that business development is not philanthropy; more thinking on the bottom-line and results rather than on process.

Community Foundations: Develop program funding to support comprehensive, non-duplicative business development strategy that connects to the local community by supporting local businesses and workers and using local services. Need to think about impact and results but need to be patient – business development takes time and is not a linear process. The need for short-term results is counter productive.

Regional Initiatives: Metropolitan regions need to see the business fortune of the central city, inner or “stressed” suburbs and non-stressed suburbs as linked. Therefore, good schools, equitable public funding, efficient transportation, affordable housing linked to opportunity, etc. are all good for the business fortune of the various suburbs and central city. Creating a mutually supportive business climate between city, stressed suburbs and non-stressed suburbs is important. Often majority-minority contracting will cross these boundaries.

In applying best practices to the Cleveland area, we identified a number of emerging opportunities. The next section provides a qualitative and empirical discussion of such opportunities.

EMERGING OPPORTUNITIES

We would like to highlight nine emerging opportunities for minority-business promotion in Cleveland. The first relates to intermediaries themselves; the next two are private sector practices or trends that present opportunities especially for mid-sized MBE's; the next four are public sector initiatives and opportunities; and the final two are emerging opportunities for start-up and small MBE's.

- 1. Strategic Opportunity for Partnership amongst Intermediaries and with public and private sector.** Respondents suggested that Cleveland has some existing forums for fostering business relationships, and for the sharing of best practices information among business, non-profit, and academic leaders. It was suggested that more attention should be paid to reaching out to the faith community to access its considerable influence and ability to generate conceptual support for economic development efforts.

Other partnership opportunities include drawing from what respondents describe as the “rich resource” of the many universities located in or near Cleveland. The universities are described as a “neutral ground,” and respondents emphasized the need for such neutrality with approaching something as complex and potentially polarizing as minority business development.

It is in the strategic partnering opportunities that respondents stressed the importance of the Foundation in applying its considerable influence as a convener of organizations and individuals dedicated to improving coordination of effort, and to bring the “unusual suspects” into the conversation and practice of supporting established and mid-level minority businesses.

- 2. National Trend Toward Supplier Diversity.** Nearly 90% of the Fortune 1000 companies have formal supplier diversity programs. The Eaton Corporation is a local leader on supplier diversity and may be able to help guide other companies. Several of the Fortune 1000 companies with supplier diversity programs have headquarters or branches in Cleveland. Emerging online database and tracking systems make it more feasible for mid-level companies to also begin supplier diversity programs. Mid-level companies made need technical assistance in order to set up supplier diversity programs. Local companies should be monitored and rated for their supplier diversity and other diversity efforts.

The Northern Ohio Minority Business Council, a member of the National Minority Supplier Development Council, can provide some leadership when working with the private sector. A more responsive partner for nonprofit intermediaries wishing to engage in supplier diversity efforts may be the Greater Cleveland Partnership.

- 3. Strong and Emerging Sectors in Cleveland.** Construction and the trades are strong nationally and even stronger in Cleveland. The Professional and Technical Business Services are generally strong nationally and in Cleveland. The Health Services sub-sector is somewhat strong nationally and in Cleveland and is seen by many local interviewees as a growing local industry. MBE's could relate to this industry not only through involvement in Health Services but also through supplying other goods and services to the Healthcare Industry. Three additional strengths to build on in Cleveland are Wholesale Trade, Manufacturing, and Financial Institutions.

Two sectors are strong nationally for MBE's, especially for African American-owned businesses, but weak in Cleveland – Legal Services and local Transportation and Trucking.

Because of their strength nationally and high wage levels these sub-sectors should not be abandoned. Special strategies may need to be taken in Cleveland to eliminate any local barriers and establish links to educational and training institutions as well as national trade associations. This report did not identify what the barriers may be specifically for these industries. Additional research may be necessary in order to pursue this strategy.

Finally, both public agency procurement offices and majority companies engaged in supplier diversity attempt to find MBE's for all areas of their "spend" – their purchasing of goods and services. Collaboration with these public and private actors can help identify specific gaps by industry or product area, which can then be targeted by the business development strategies.

4. **New Public Sector Affirmative Procurement Programs.** As mentioned, the County and several other public agencies are nearing the point where new affirmative procurement programs may be initiated. Combined with existing voluntary affirmative procurement efforts, such as those through the transit agency and state transportation department, this likely will begin to provide ample opportunities for MBE's and related intermediaries.

Specific opportunities with any new public procurement programs would include:

- Mentoring opportunities with firms receiving public sector contracts, such as the County's Protégé program with the Rotary and the State MMBCAP center at David N. Myers University.
- Help public agencies to locate new MBE's or MBE's not in the public agency loop. Intermediaries might create waiver program with public agencies so that start-up firms that have received technical assistance or financing from an intermediary could be waived from the requirement of having a one- or two-year established track record.
- Work with the public agency to help resolve bonding requirement.
- Workshops on public contracting process.
- Sponsor contract look-ahead meetings.

5. **Ohio's New Minority Business Venture Capital Tax Credit Program.** The Ohio legislature recently expanded the State's Technology Investment Tax Credit so that any venture capital investment to qualified minority businesses in economically distressed counties would receive a 30% tax credit. It does not need to be involved in the Technology sector to receive the tax credit. Cuyahoga County is currently considered an economically distressed county by the state. The maximum investment size is \$150,000 and there is no minimum. The state does not yet have an effective tracking process established for this program. Potential venture capital and "angel" investors, as well as community-development financial institutions need to make themselves familiar with this new tax credit program.

Ohio also recently added a contingent tax credit program through the Ohio Venture Capital Authority, which is expected to begin investing in 2005. This program provides tax credits only in the event that a state-sponsored fund is unable to fulfill the financial returns contractually defined by its investors.

6. **Large Land Bank of the City of Cleveland, including Brownfields.** The City of Cleveland has a large land bank according to interviewees. This presents an opportunity for MBE expansion or start-ups of all types, especially for firms in the Construction, Wholesale Trade, Transportation, and Manufacturing sectors which could take advantage of large

parcels of land, including Brownfields (vacant industrial properties), especially if the parcels are located in areas that will help connect MBE's to the regional economy.

7. **New Workforce Development Strategies.** MBE's in specific sectors could take advantage of the support from the workforce development system in its hiring, job training and retention process. The Cleveland Workforce Investment Board will be targeting the Healthcare, Manufacturing, and Construction industries, as well as small businesses in general.
8. **Small-Business Promotion Should Target Local Market Gaps such as Automotive Dealerships and Child-Care Services.** While the local Retail Trade and Non-professional Business Services may not be the best sectors to target for MBE start-up or expansion, two local markets do provide opportunities – Automotive Dealerships and Childcare Services. African American-owned automotive dealerships are under-represented in Cleveland but nationally have been rather successful with potential profits and mid-level wage levels. The Childcare Service sector has lower profit and wage potential but is an expanding industry and has proven to have potential for MBE business start-ups, due to low risk and low capital investment needs.
9. **Retail and Services in the Growing Latino Community.** The Latino community is growing in Cleveland presenting multiple opportunities for local Retail and Service businesses to serve this community. Because business ownership is not restrictive based on immigration status, unlike work opportunities, strategies that broaden ownership opportunities are especially attractive, including business partnerships and cooperatives. Successful cooperatives in the immigrant community are present in Oakland and there are national intermediaries, such as the ICA-Group in the Boston area and WAGES in Oakland that can assist local intermediaries. There is presently an opening to encourage more effective leadership on the part of Latino intermediaries, such as the Hispanic Business Association.

RECOMMENDATIONS

Based on everything we've learned through our research, literature review and stakeholder interviews, we provide The Cleveland Foundation with a number of recommendations. It has been noted, however, that the ability to create a comprehensive environment for advancing the growth and health of established and mid-level minority businesses is likely dependent upon multiple sectors working in a coordinated fashion. In view of that, The Cleveland Foundation may need to help locate funding collaborators for some of these recommendations. These recommendations do not address the need for a separate but related strategy for comprehensive community revitalization.

Recommendation 1:

Concerning the role of The Cleveland Foundation, we agree with the view of many of the parties interviewed that the Foundation should serve not just as a funder but also as a partner and convener of intermediaries working to promote and develop minority businesses. In order to encourage maximum participation, it may be prudent for the Foundation to be a co-convener with other regional players, such as the Greater Cleveland Partnership. In this role the Foundation can help intermediaries and minority business leaders to plan strategically in terms of time-lines, partnerships, and industry concentration.

Recommendation 2:

The Cleveland Foundation should develop and adopt a clear written internal goal(s) statement around minority business development and economic diversity that takes into consideration the many barriers, identified in this report, to growing small to mid-size MBEs, including the length of time it takes for a MBE business to grow.

Additionally, the Foundation should expand its support for MBE services and programs to Cuyahoga County, since the data shows that most of the current and future job and population growth is occurring in the County and not in the City of Cleveland.

Recommendation 3:

The Cleveland Foundation should consider providing *multi-year* grants to MBE intermediaries to support the growth of minority businesses more comprehensively. The data show that it takes the average MBE 7 years to reach the 5 to 9 employee level compared to 5 years for all firms, and 11 years to reach the 10 to 19-employee level compared to 6.5 years for all firms.

The Foundation's current funding structure of year-to-year grants makes it difficult for many intermediaries to carry out long term planning.

Recommendation 4:

The Cleveland Foundation should consider writing the RFP's for MBE services to require:

- Measurable outcomes including clear goals, benchmarks, tasks, and timelines. Organizational business plans on the part of the funded intermediaries. Intermediaries should be encouraged not to extend themselves beyond the scope of their expertise;

- Coordination and cooperation between MBE intermediaries funded by the Foundation to support MBE growth and to ensure provision and limited duplication of the full spectrum of the necessary types of intermediary support;
- Where appropriate, partnerships between the diverse stakeholders that support MBE development and growth;
- The development of a tracking system to capture data on the health (and wealth) of MBE's being served.

Further, The Foundation should increase accountability by establishing an internal monitoring mechanism to ensure that the grantees are achieving their stated outcomes.

Recommendation 5:

Based on the findings, The Cleveland Foundation should consider providing support to the following areas:

- A “clearinghouse” intermediary to coordinate and refer clients to the appropriate intermediaries.
- Technical assistance and professional development grants to intermediaries to increase their capacity to better serve minority businesses.
- Research and evaluation to support the continued refinement and development of the MBE services.
- MBE development and promotion in accord with the national best practices outlined in this report, including effective business development assistance; access to finance; access to well-conceived business networking opportunities; and minority certification assistance.
 - Business development assistance should build on successful mentoring and board-to-board initiatives and may add MBE-to-MBE mentoring.
 - Access to finance should include additional support for community-development venture capital funds, such as funding to match local utilization of the new state MBE venture capital fund, and creation of a loan guarantee program.
 - Minority certification assistance should include certification in other cities, counties and states.
- In line with the emerging opportunities outlined earlier in this report, support for multi-organizational and regional strategies that target specific industry sectors in order to help small-to-mid-sized MBE's grow to the next stage, including construction, professional services, manufacturing, wholesale trade, financial services, legal services, and health services. This might include creation of or support for MBE industry trade associations. MBE sectoral strategies may take distinct forms in various parts of the metropolitan area: retail and business services have been more successful on the west side of Cleveland and the near eastern suburbs; manufacturing and wholesale trade have been more successful on the east side of Cleveland; professional services have been more successful in or near downtown Cleveland.

- Micro-enterprise and small-business development strategies that target industries with the most potential to grow to the next level, including professional and legal services, non-professional business services, information technology, and child-care services.
- Intermediaries that provide assistance to mid-level majority-owned companies and to large non-profits to establish and track “supplier diversity” programs and that help MBE’s to gain access to supplier diversity programs. Positive “PR” should be afforded to local companies with exemplary supplier diversity programs, through awards, scorecards or rankings.
- Public policy and advocacy, as detailed in the best practices section. Advocacy should include efforts to create joint programs with public procurement offices and monitoring public and private procurement, including any potential abuses in the prime-sub contracting process and in commercial lending and bonding practices.

Beyond the scope of the findings of this report, the Foundation may also explore neighborhood revitalization strategies that reinforce minority business enterprise. These strategies might include components related to education, leadership development, safety, community health, and environmental justice.

ATTACHMENT A:

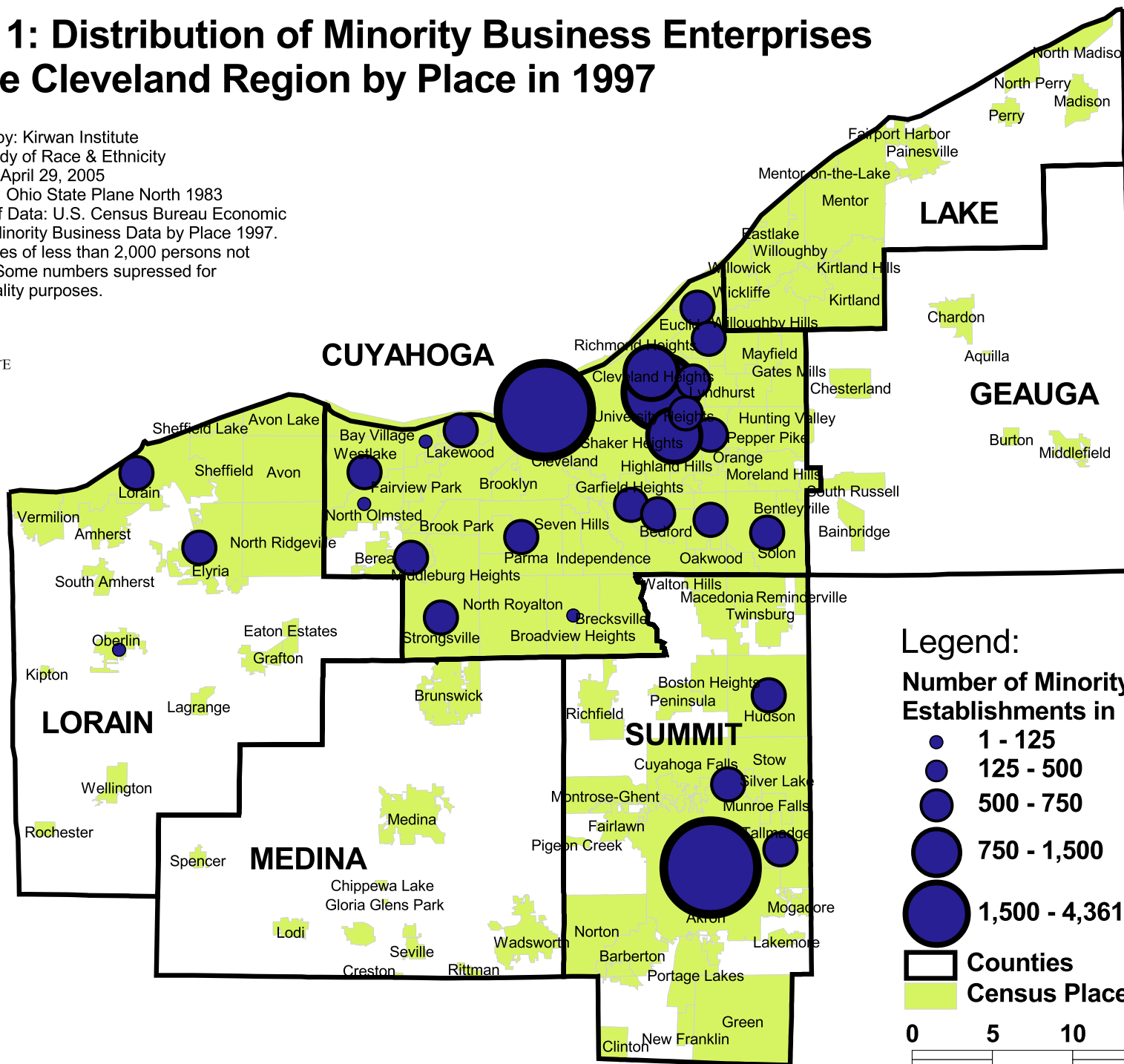
MAPS AND GEO-SPATIAL ANALYSIS OF MBE'S IN CUYAHOGA COUNTY

LIST OF MAPS:

1. Distribution of Minority Business Enterprises in the Cleveland Region by Place in 1997
2. Growth in MBE Establishments 1992 to 1997 in the Cleveland Region by Place
3. Minority Business Establishments as a Percentage of Total Business Establishments
4. Minority Business Establishments Growth as a Percentage of Total Business Growth 1992-1997
5. A. Distribution of Minority Business Enterprises in Mapping Sample
B. Number of MBE by Census Place in 1997 overlaid by Sample of Cuyahoga County MBE Establishments
6. Change in the Number of Business Establishments 1998-2002 and Distribution of Cuyahoga County Minority Business Enterprises
7. Job Changes by Zip Code (1998 to 2002) overlaid with Minority Business Establishments
8. Projected Job Change (%) by Traffic Analysis Zone, 2000 to 2030 in Cuyahoga County overlaid with Minority Business Establishments
9. Population Change (%) 1990 to 2000 in Cuyahoga County overlaid with Minority Business Establishments
10. Distribution of Non-White Population (% Non-White in 2000) overlaid with Minority Business Enterprises

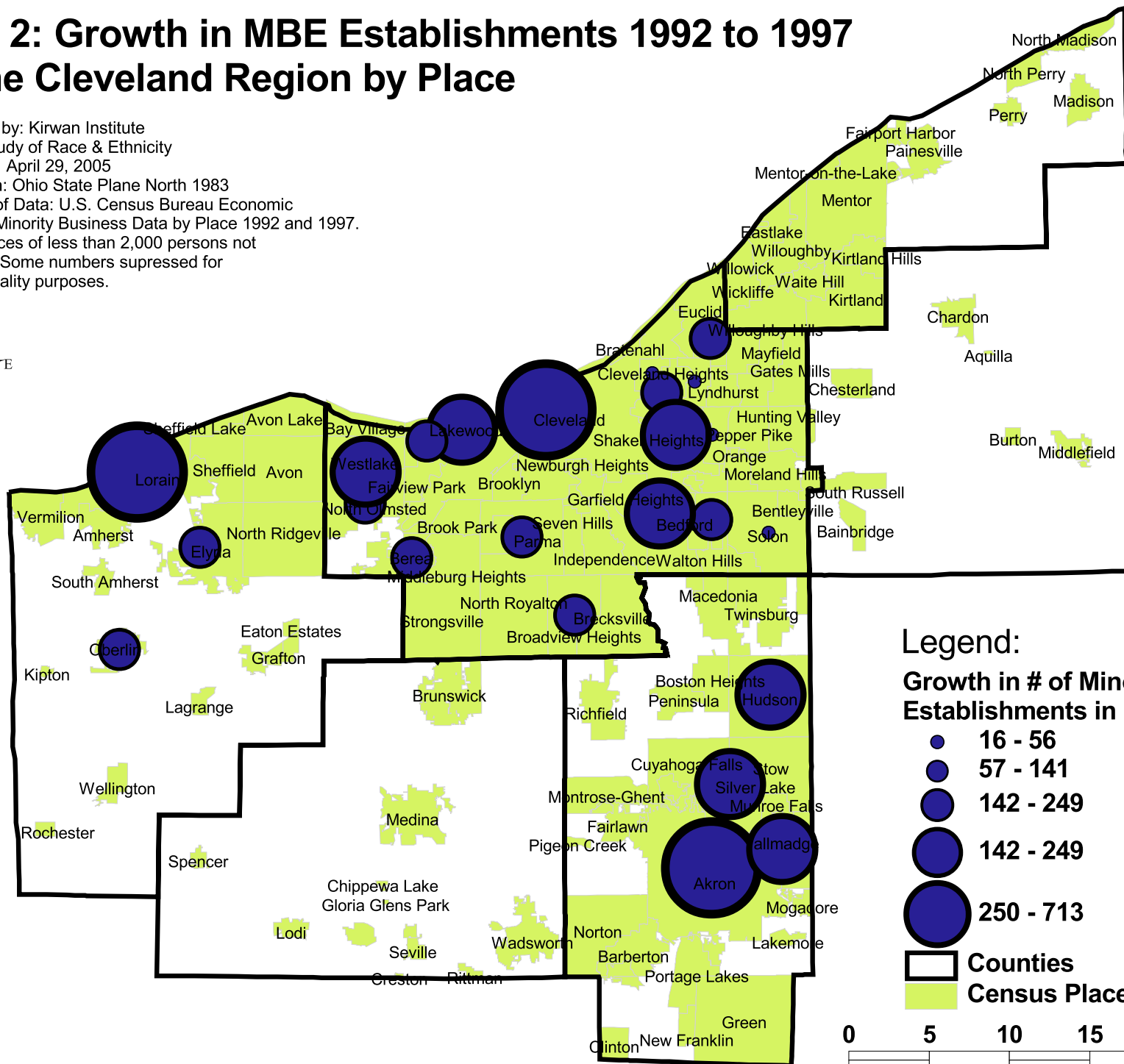
Map 1: Distribution of Minority Business Enterprises in the Cleveland Region by Place in 1997

Prepared by: Kirwan Institute
for the Study of Race & Ethnicity
Prepared: April 29, 2005
Projection: Ohio State Plane North 1983
Sources of Data: U.S. Census Bureau Economic
Census, Minority Business Data by Place 1997.
Note: Places of less than 2,000 persons not
included. Some numbers suppressed for
confidentiality purposes.



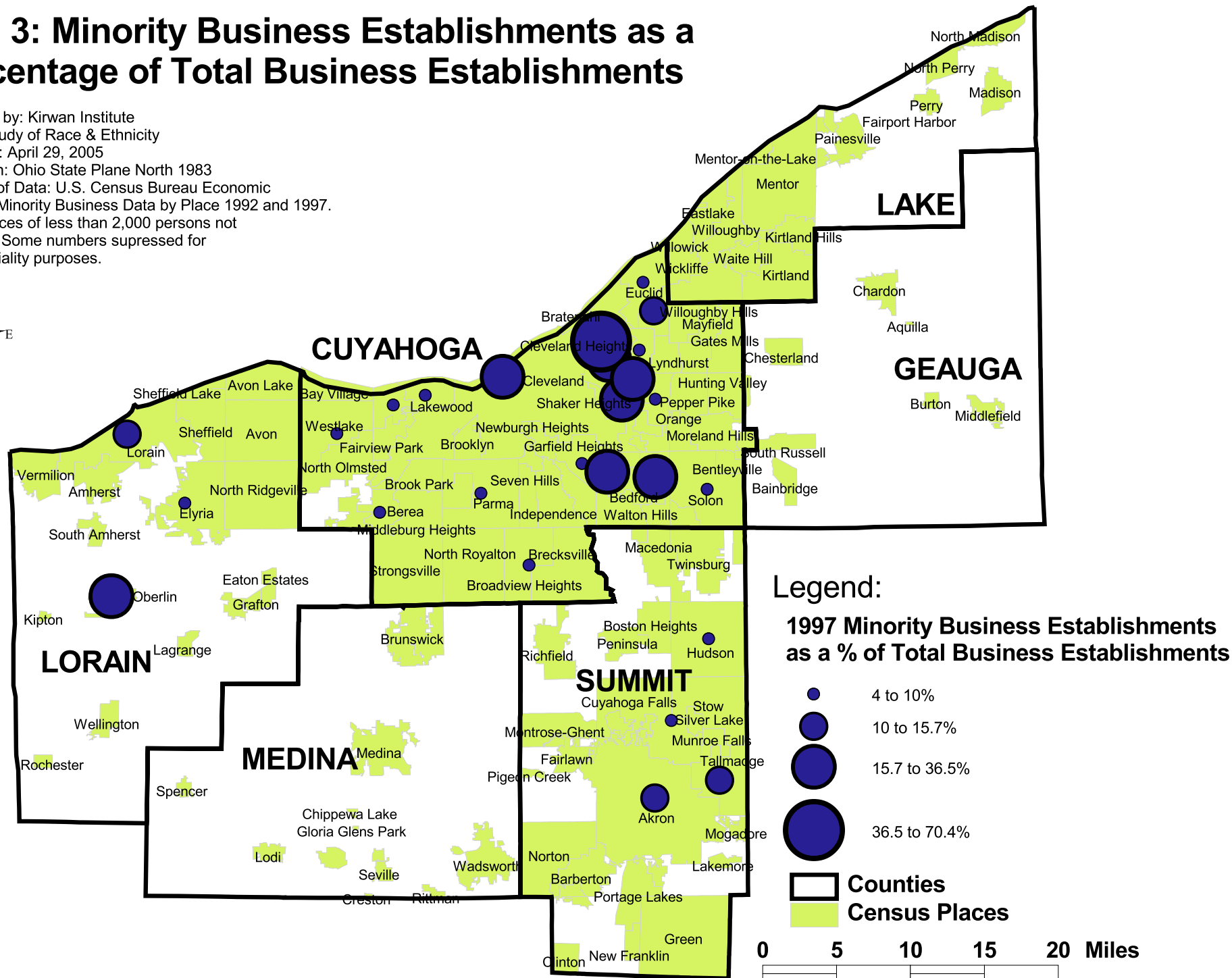
Map 2: Growth in MBE Establishments 1992 to 1997 in the Cleveland Region by Place

Prepared by: Kirwan Institute
for the Study of Race & Ethnicity
Prepared: April 29, 2005
Projection: Ohio State Plane North 1983
Sources of Data: U.S. Census Bureau Economic
Census, Minority Business Data by Place 1992 and 1997.
Note: Places of less than 2,000 persons not
included. Some numbers suppressed for
confidentiality purposes.



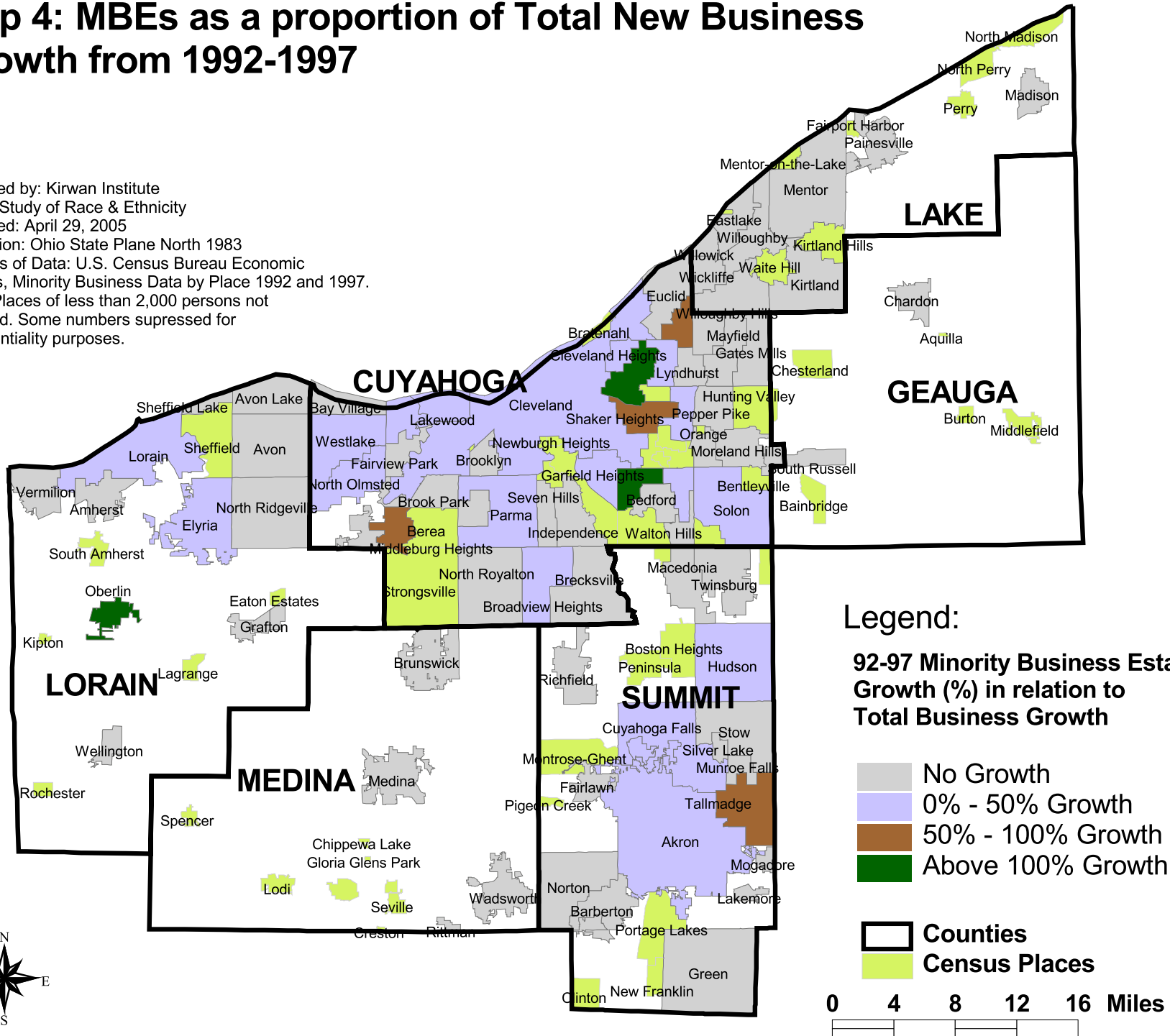
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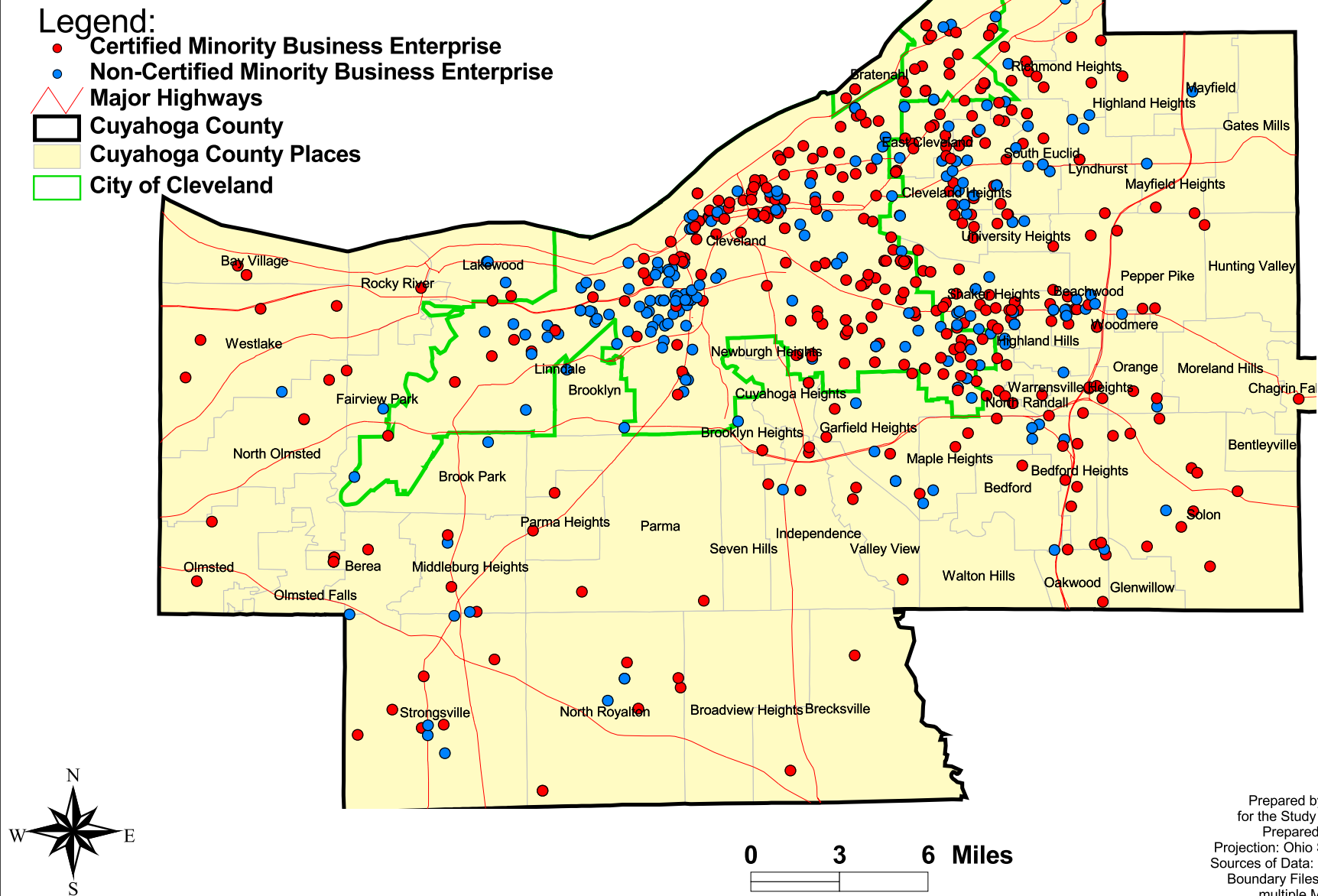


Map 4: MBEs as a proportion of Total New Business Growth from 1992-1997

Prepared by: Kirwan Institute
for the Study of Race & Ethnicity
Prepared: April 29, 2005
Projection: Ohio State Plane North 1983
Sources of Data: U.S. Census Bureau Economic
Census, Minority Business Data by Place 1992 and 1997.
Note: Places of less than 2,000 persons not
included. Some numbers suppressed for
confidentiality purposes.



Map 5A: Distribution of Minority Business Enterprises in Mapping Sample



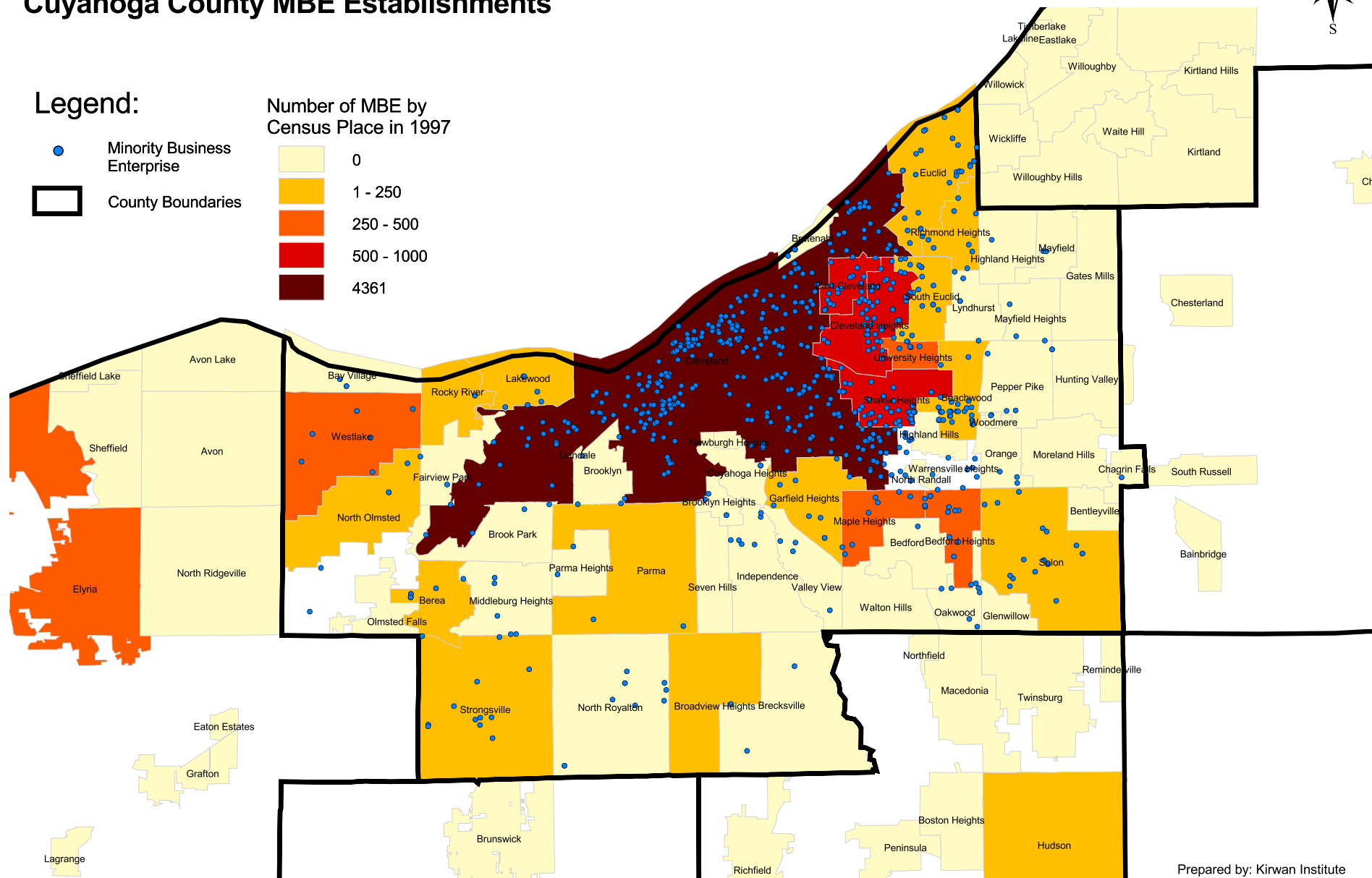
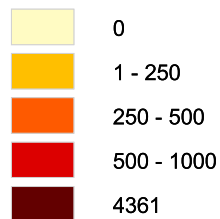
Map 5B: Number of MBE by Census Place in 1997 overlaid by Sample of Cuyahoga County MBE Establishments



Legend:

- Minority Business Enterprise
- County Boundaries

Number of MBE by
Census Place in 1997



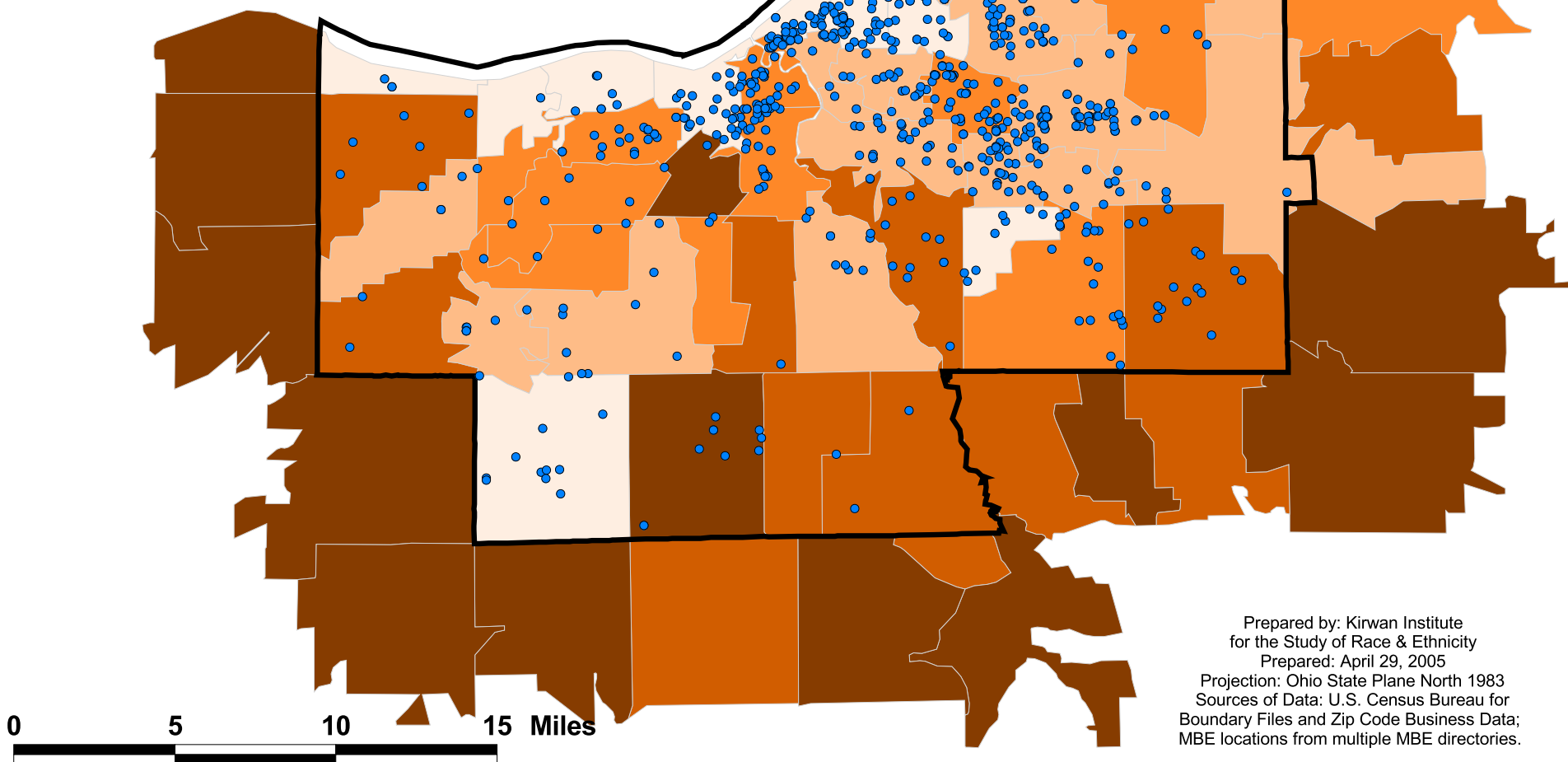
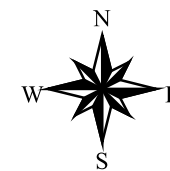
Prepared by: Kirwan Institute
for the Study of Race & Ethnicity
Prepared: April 29, 2005
Projection: Ohio State Plane North 1983
Sources of Data: U.S. Census Bureau for
Boundary Files; MBE locations from
multiple MBE directories.

Map 6: Change in the Number of Business Establishments 1998-2002 and Distribution of Cuyahoga County Minority Business Enterprises

Legend:

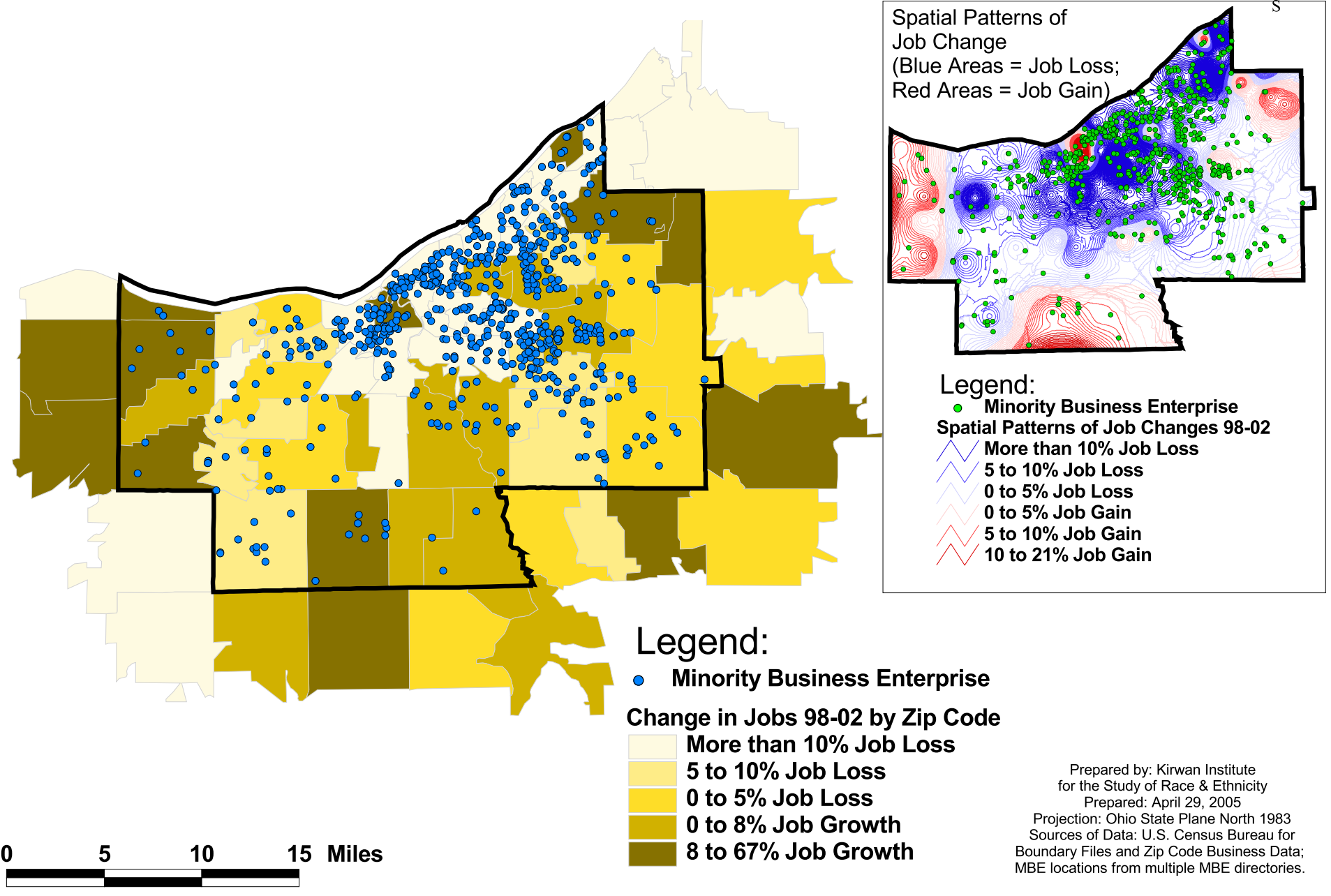
● Minority Business Enterprises
Percent Change in Number of Firms 1998-2002

- 8.3 to 20.3% Decline in Firms
- 3.6% to 8.3% Decline in Firms
- 0 to 3.6% Decline in Firms
- 0 to 5% Growth in Firms
- 5 to 36.9% Growth in Firms



Prepared by: Kirwan Institute
for the Study of Race & Ethnicity
Prepared: April 29, 2005
Projection: Ohio State Plane North 1983
Sources of Data: U.S. Census Bureau for
Boundary Files and Zip Code Business Data;
MBE locations from multiple MBE directories.

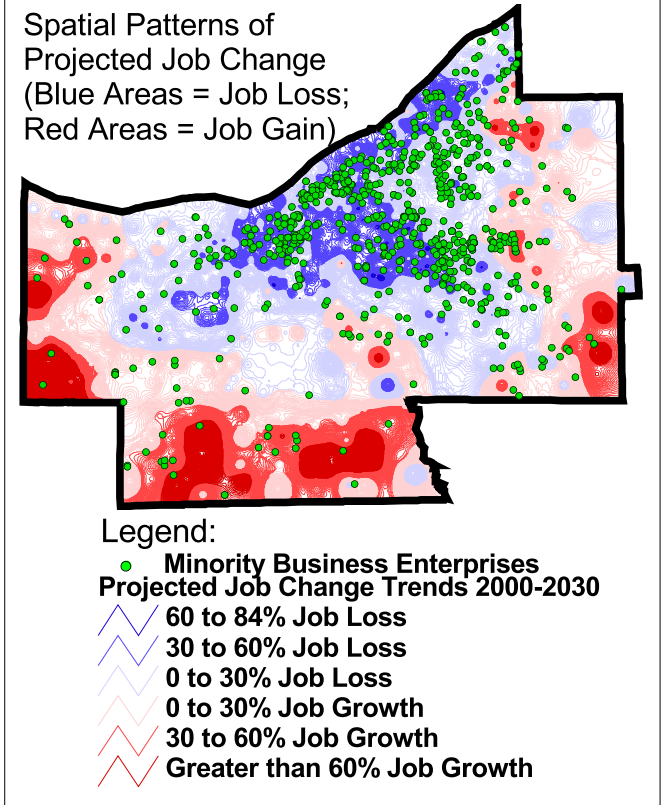
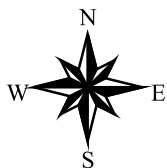
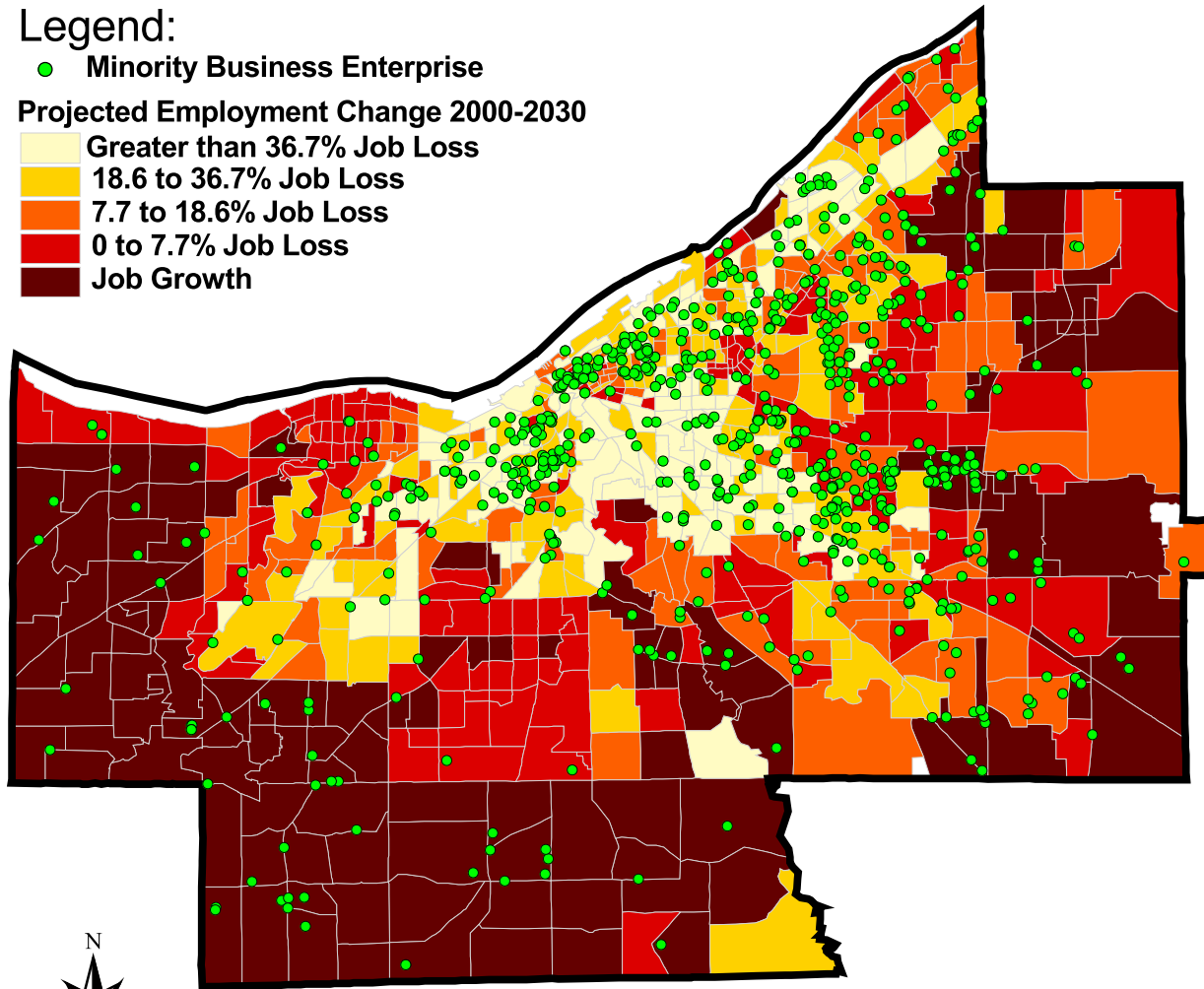
Map 7: Job Changes by Zip Code (1998 to 2002) overlaid with Minority Business Establishments



Map 8: Projected Job Change (%) by Traffic Analysis Zone 2000 to 2030 in Cuyahoga County overlaid with Minority Business Establishments

Legend:

- Minority Business Enterprise
- Projected Employment Change 2000-2030**
- Greater than 36.7% Job Loss
 - 18.6 to 36.7% Job Loss
 - 7.7 to 18.6% Job Loss
 - 0 to 7.7% Job Loss
 - Job Growth



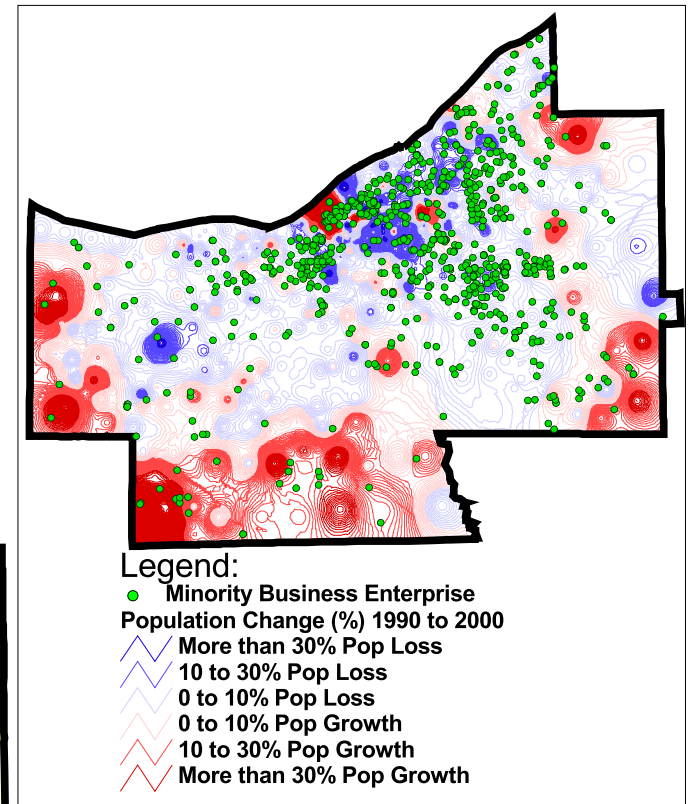
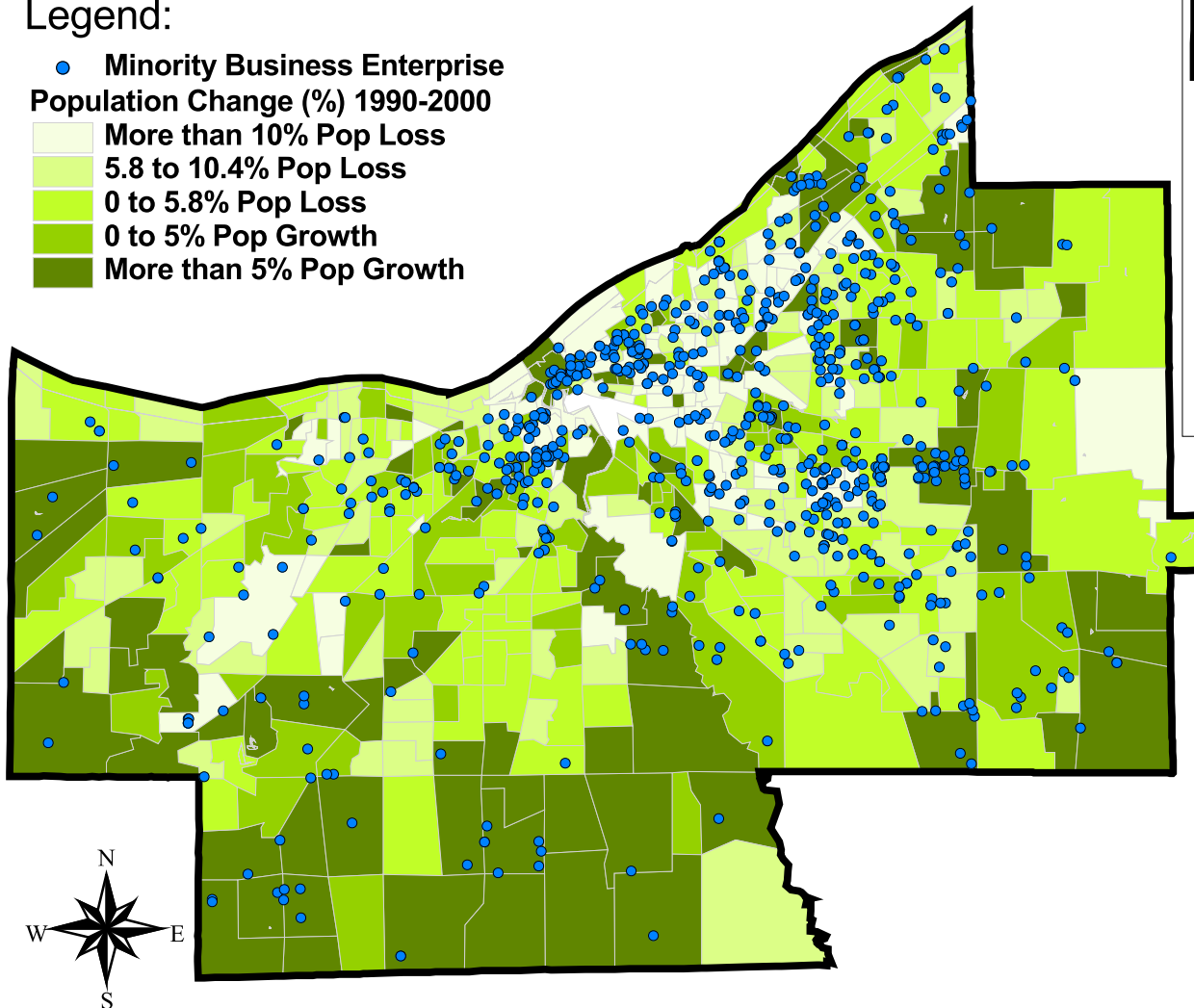
Prepared by: Kirwan Institute
for the Study of Race & Ethnicity
Prepared: April 29, 2005
Projection: Ohio State Plane North 1983
Sources of Data: U.S. Census Bureau for
Boundary Files and Job Projection Data from
Metropolitan Planning Organization;
MBE locations from multiple MBE directories.

0 3 6 Miles

Map 9: Population Change (%) 1990 to 2000 in Cuyahoga County overlaid with Minority Business Establishments

Legend:

- Minority Business Enterprise
- Population Change (%) 1990-2000
- More than 10% Pop Loss
- 5.8 to 10.4% Pop Loss
- 0 to 5.8% Pop Loss
- 0 to 5% Pop Growth
- More than 5% Pop Growth



Prepared by: Kirwan Institute
for the Study of Race & Ethnicity
Prepared: April 29, 2005
Projection: Ohio State Plane North 1983
Sources of Data: U.S. Census Bureau Population
Data; MBE locations from multiple MBE directories.

0 3 6 Miles

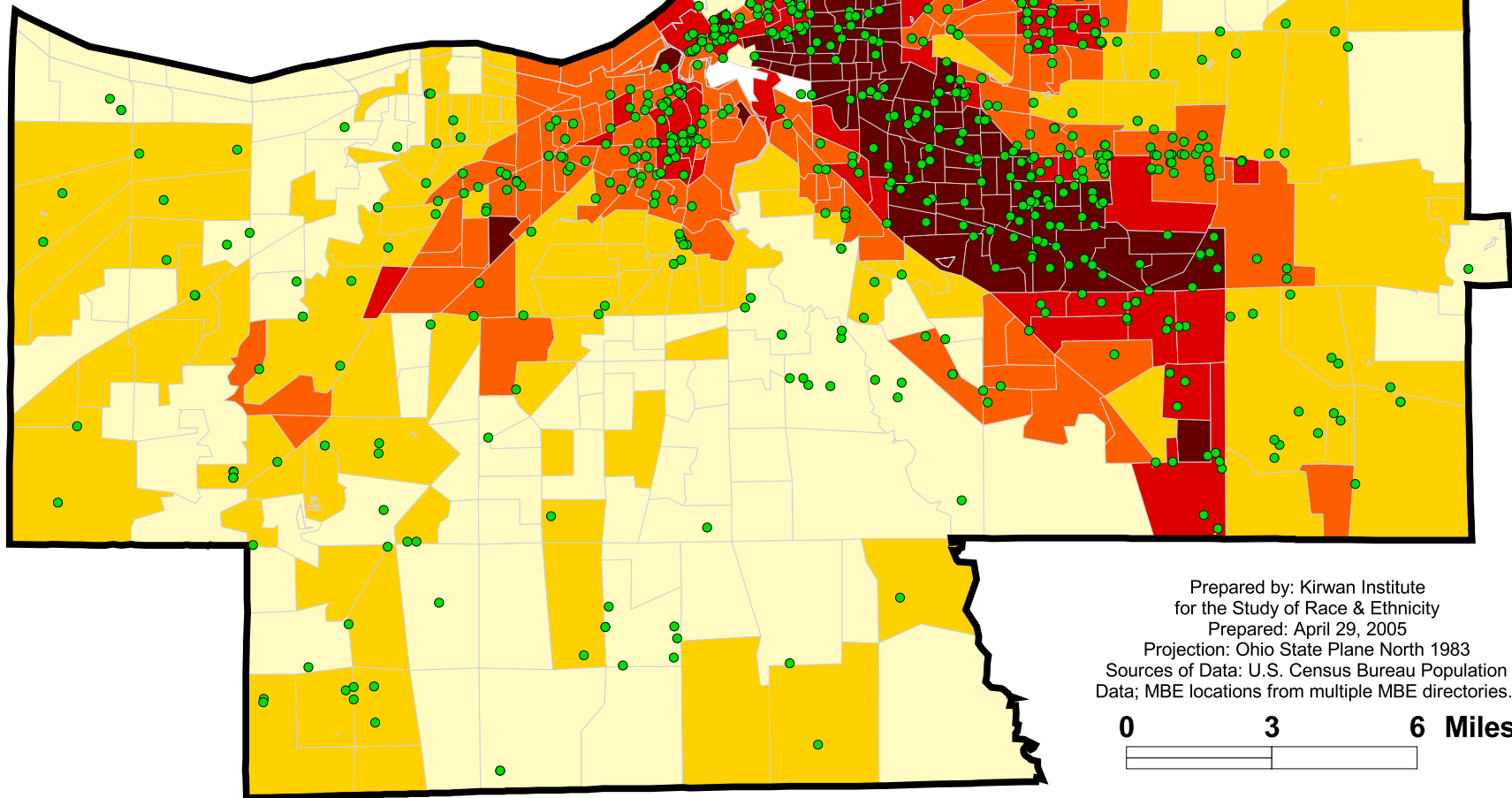
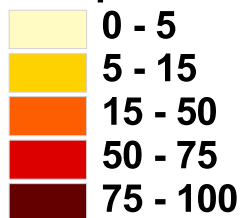
Map 10: Distribution of Non-White Population (% Non-White in 2000) overlaid with Minority Business Enterprises



Legend:

• Minority Business Enterprise

% Population Non-White in 2000



ATTACHMENT B:

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ATTACHMENT C:

LARGEST MBE'S IN CUYAHOGA COUNTY

Name	Zip	Area	Owner	Sales/ receipts	Employees	NAICS Description	Year One
Anderson-DuBose, Inc.	44139	SE-SUB	Warren Anderson	\$176,000,000	100	Wholesale, Food	1991
PatRican, Inc.	44103	E-CLV	Bob Roberts	\$ 99,000,000	6?	General contractor	1990
Ferrous Metal Processing	44144	W-SUB	Eduardo Gonzalez	50 to 100 mill.	100 to 249	Fabricated metal	1984
Cleveland Die & Mfg.	44111	W-CLV	Juan Chada	\$ 34,000,000	258	Special tool, die & jig mfg	1973
Tradex International, Inc.	44102	W-CLV	S.T. Daniel	\$ 32,000,000	26	Hospital Supplies	1988
Strong Tool Co., LLC	44132	NE-SUB	Cedric D. Beckett	\$ 30,000,000	68	Metalworking and other industrial tools	2002
CommSteel, Inc.	44103	E-CLV	Eddie Perkins	\$ 21,000,000	70	Structural and misc' steel fabrication	1991
Elson's International	44104	E-CLV	Steven Williams	20 to 50 mill.	20 to 49	Corrugated and wood packaging	1993
Northcoast Business Systems, Inc.	44125	S-SUB	Sonny Kumar	20 to 50 mill.	100 to 249	Sales and service, computers and peripherals	1985
First Choice Medical Staffing	44109	W-CLV	Karen Villalba	20 to 50 mill.	500 to 999	Business services; staffing, home health care	1998
ZIN Technologies	44142	W-SUB	Daryl Laisure	\$ 17,000,000	200	Advanced engineering	1958
Guarantee Specialties	44108	E-CLV	Jim Burns	\$ 15,000,000	65	Motor vehicle metal stamping	1916
Ralph Tyler Co.	44114	DWNT	Ralph Tyler	10 to 20 mill.	100 to 249	Architectural Services	1979
SBK - Brooks Investment Corp.	44113	DWNT	Eric Small	10 to 20 mill.	20 to 49	Investment banking and security dealings	1987
L. Gray Barrel and Drum Co.	44104	E-CLV	Lomack Gray	10 to 20 mill.	20 to 49	Metal container mfg	1984
Polytech, Inc.	44114	DWNT	Norman R. Bliss	\$ 10,000,000	103	Engineering, mechanical	1969
Resource International, Inc.	44125	S-SUB	Farah B. Majidzadeh	\$ 10,000,000	100	Engineering Services	1974
Bradley Construction	44108	E-CLV	Howard L. Bradley	\$ 7,900,000	25	General contractor	1977
Vertex Computer Systems	44087	SE-SUB	Sharda Iyer	\$ 6,000,000	175	Software, IT	1989
Global Promotions & Incentives, Inc.	44128	SE-SUB	Andre Thornton	\$ 6,000,000	15	Promotional Services	1989
Robert P. Madison, Inc.	44115	DWNT	Robert P. Madison	\$ 5,900,000	30	Architectural Services	1954
Empigard Metal Finishing, Inc.	44104	E-CLV	David Harper	5 to 10 mill.	50 to 99	Electroplating and other metal work	1984
Radio One - Cleveland	44114	DWNT	David Bevans	5 to 10 mill.	50 to 99	Radio Stations	2000
iSource Performance Materials	44114	DWTN	Brian Hall	5 to 10 mill.	50 to 99	Retail and wholesale, chemicals	2000
Coleman Spohn Corp	44103	E-CLV	Lonzo Coleman	5 to 10 mill.	50 to 99	HVAC contracting	1994
Tech Ready Mix	44101	E-CLV	Mark Perkins	5 to 10 mill.	20 to 49	Building material dealer	1999
The Call & Post Newspaper	44120	E-SUB	Michael House	5 to 10 mill.	20 to 49	Newspaper Publisher	1998
Ozanne Construction	44114	DWTN	Dominic L. Ozanne	5 to 10 mill.	10 to 19	Commercial Building Construction	1984

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Name	Zip	Area	Owner	Sales/ receipts	Employees	NAICS Description	Year One
Wilco Information Management	44128	E-SUB	Kenneth Wilson	5 to 10 mill.	10 to 19	IT Consulting	1983
Resource International	44125	S-SUB	Farah B. Majidza	5 to 10 mill.	50 to 99	Engineering services	1974
Otto Konigslow Mfg.	44110	NE-SUB	John P. Lawson	5 to 10 mill.	50 to 99	Metal stamping	1992
Instrumatics	44135	W-SUB	Ray Patel	5 to 10 mill.	50 to 99	Printed and etched circuit boards	1984
United Ready Mix	44113	DWNT	Derrick Robinson	5 to 10 mill.	20 to 49	Concrete ready mix	1987
DLZ Ohio, Inc.	44113	DWNT	V.V. Rajadhyaksh	5 to 10 mill.	20 to 49	Civil engineering services	1999
Mopack Services, Inc.	44110	NE-SUB	Clinton Morgan	5 to 10 mill.	10 to 19	Wholesale, corrugated boxes	1992
Personalized Data Corporation	44132	NE-SUB	Anthony Rugue	5 to 10 mill.	20 to 49	Data processing services	1995
Expert Systems Applications	44139	SE-SUB	James Vaughan, Jr.	5 to 10 mill.	20 to 49	Computer software design	1996
Servco Products, Inc.	44110	NE-SUB	James Cleveland	5 to 10 mill.	10 to 19	Wholesale, fasteners & other hardware	1998
Advanced Federated Protection	44103	E-CLV	Alan S. Lewis	5 to 10 mill.	10 to 19	Wholesale, alarm systems	1999
New Era Builders	44110	NE-SUB	Joseph M. Lopez	5 to 10 mill.	20 to 49	General contractor; single-family-homes	1995
Application Design Consultants	44122	E-SUB	Vinod Sachdeva	5 to 10 mill.	10 to 19	Computer software design	1992
MB Electric	44146	SE-SUB	Marlene Brock	5 to 10 mill.	20 to 49	Electrical contractor	2003
MAR Development, Inc.	44143	NE-SUB	Michelle Rhodes	5 to 10 mill.	20 to 49	General contractor	2002
Spaulding Construction	44113	DWNT	Lee Spaulding	5 to 10 mill.	50 to 99	General contractor	2003
Flite II Travel AMEX	44122	E-SUB	Gail Cochran	\$ 5,000,000	10	Travel Agency	1978
Smith International Enterprises	44122	E-SUB	Herbert Smith	\$ 5,000,000	10	Miscellaneous mfg and int'l trade services	1991
Diversified Services Corp.	44103	E-CLV	Wendell Turner	\$ 5,000,000	10	Wholesale, Food	1981
Benjamin Rose Institute	44106	E-CLV	Turowski, Adrian	2.5 to 5 mill.	100 to 249	Home health care services	1998

Note: In case of a business purchase, "Year One" refers to the year that the business became an MBE. This list may not be complete but is our best estimate.

ATTACHMENT D:

NATIONAL COMPARISON TABLES

Table D1: African-American Population and Number of African American-Owned Firms in Selected Cities (20 cities with the largest African-American population)

Place	City (African-American population, 2000)	Total Number of African American-Owned Firms (City), 1997	Metropolitan Region (Afr.-Amer. pop), 2000
Atlanta	258,610	7,853	1,216,230
Baltimore	424,449	7,255	718,236
Chicago	1,084,221	23,576	1,602,248
Cincinnati	145,615	2,982	221,456
Cleveland	249,192	3,474	431,892
Columbus	185,173	4,084	221,098
Dallas	314,678	7,661	546,907
Detroit	787,687	11,282	1,045,652
Houston	505,101	16,855	749,864
Indianapolis	207,056	4,910	232,887
Jacksonville	218,451	3,220	244,672
Los Angeles	444,635	17,593	999,747
Memphis	402,367	8,080	496,864
Milwaukee	230,503	3,325	245,151
New Orleans	329,171	6,425	508,464
New York	2,274,049	63,327	2,451,277
Oakland	150,139	4,714	331,363
Philadelphia	672,162	9,285	1,065,713
Pittsburgh	93,904	1,292	202,160
Washington DC	350,455	10,909	1,335,065

Note: African-American population includes census respondents who stated that they were African-American or Black, and either one race or a combination of races.

Source: U.S. Bureau of the Census, 2000, and 1997 Economic Census, Minority- and Women-Owned Businesses, U.S. Bureau of the Census.

Table D2: Number of African American-owned Firms Per 1000 Persons (African American persons), 1997

Ranking	Place	Firms Per 1000 Persons (City)	Firms with Employees per 1000 persons (City)	Metropolitan Region (Firms Per 1000 Persons)
1	Los Angeles	39.6	3.2	38.3
2	Houston	33.4	4.4	32.4
3	Oakland	31.4	2.4	32.5
4	Washington DC	31.1	3.5	36.5
5	Atlanta	30.4	3.8	28.4
6	New York	27.8	2.5	28.3
7	Dallas	24.3	4.2	25.6
8	Indianapolis	23.7	3.3	23.3
9	Columbus	22.1	3.5	22.4
10	Chicago	21.7	2.0	22.2
11	Cincinnati	20.5	2.4	21.3
12	Memphis	20.1	2.7	22.0
13	New Orleans	19.5	2.8	19.2
14	Baltimore	17.1	2.2	23.3
15	Jacksonville	14.7	2.3	14.4
16	Milwaukee	14.4	2.1	15.8
17	Detroit	14.3	1.6	16.9
18	Cleveland	13.9	2.0	19.9
19	Philadelphia	13.8	1.9	16.8
20	Pittsburgh	13.8	2.7	15.5

Note, for all tables: The metropolitan region is defined as the MSA or the PMSA, per 1997 Bureau of the Census definitions.

Source, for all tables: 1997 Economic Census, Minority- and Women-Owned Businesses, U.S. Bureau of the Census. (<http://www.census.gov/csd/mwb/>).

Table D3: Company Size, African American-owned Firms, Average Number of Employees Per Firm (of firms that have at least one employee), 1997

Ranking	Place	Employees per Firm (City)	Total Sales/receipts Per Firm (City)	Employees per Firm (Metropolitan Region)
1	Cincinnati	13.6	899,520	11.5
2	Oakland	12.6	507,890	5.3
3	Washington DC	12.2	974,000	12.7
4	New Orleans	11.4	575,915	11.9
5	Chicago	11.4	947,440	9.7
6	Atlanta	10.7	840,000	8.1
7	Milwaukee	10.4	392,408	11.0
8	Houston	10.1	505,490	9.5
9	Cleveland	10.1	876,996	8.9
10	Detroit	9.5	900,280	14.3
11	Baltimore	9.0	657,806	8.0
12	Pittsburgh	8.2	356,368	7.2
13	Dallas	8.0	1,061,726	7.6
14	Memphis	7.1	380,349	6.5
15	Indianapolis	7.0	638,484	7.0
16	Philadelphia	6.8	524,152	6.2
17	New York	5.8	441,205	5.7
18	Columbus	4.5	975,599	5.5
19	Los Angeles	3.2	379,506	9.6
20	Jacksonville	2.6	215,100	2.7

Note: Census provided incomplete information for Washington DC, Atlanta, and Jacksonville (city only, the metropolitan regions had complete information). The total number of employees and the total sales/receipts listed above for these three cities is the best estimate of NEDLC.

Table D4: Sales & Receipts of All African American-owned Firms Per Capita (for each African-American resident), 1997

Ranking	Place	City (per capita)	City (Total, dollars)	Metropolitan Region (per capita)
1	Dallas	\$ 4,915	1,547,000,000	\$ 4,055
2	Atlanta	\$ 3,913	1,012,000,000	\$ 2,433
3	Washington DC	\$ 3,808	1,335,000,000	\$ 4,053
4	Columbus	\$ 3,747	694,000,000	\$ 3,628
5	Houston	\$ 2,809	1,419,000,000	\$ 2,461
6	Cincinnati	\$ 2,509	365,000,000	\$ 2,853
7	Indianapolis	\$ 2,392	495,000,000	\$ 2,667
8	Chicago	\$ 2,262	2,453,000,000	\$ 2,106
9	Oakland	\$ 2,113	317,000,000	\$ 1,845
10	Los Angeles	\$ 1,989	884,000,000	\$ 3,323
11	New Orleans	\$ 1,958	644,000,000	\$ 1,725
12	Cleveland	\$ 1,928	480,000,000	\$ 2,562
13	Detroit	\$ 1,725	1,359,000,000	\$ 3,354
14	Baltimore	\$ 1,723	731,000,000	\$ 1,893
15	New York	\$ 1,626	3,697,000,000	\$ 1,633
16	Memphis	\$ 1,425	573,000,000	\$ 1,419
17	Philadelphia	\$ 1,235	830,000,000	\$ 1,557
18	Pittsburgh	\$ 1,162	109,000,000	\$ 1,579
19	Milwaukee	\$ 1,113	257,000,000	\$ 1,552
20	Jacksonville	\$ 725	158,000,000	\$ 672

Note, for all tables: The metropolitan region is defined as the MSA or the PMSA, per 1997 Bureau of the Census definitions.

Source, for all tables: 1997 Economic Census, Minority- and Women-Owned Businesses, U.S. Bureau of the Census. (<http://www.census.gov/csd/mwb/>).

Table D5: Job Creation in African American-owned Firms, Number of Employees in African American-owned Firms Per 1,000 African-American population, 1997

Ranking	Place	City (per 1000)	City (Total)	Metropolitan Region (per 1000)
1	Houston	44.4	22,409	33.7
2	Washington DC	42.8	15,000	42.5
3	Atlanta	40.6	10,500	22.6
4	Dallas	33.8	10,649	26.9
5	Cincinnati	33.1	4,826	31.2
6	New Orleans	31.4	10,348	27.5
7	Oakland	29.6	4,438	17.6
8	Chicago	22.9	24,815	19.5
9	Indianapolis	22.9	4,732	22.2
10	Pittsburgh	22.6	2,124	19.9
11	Milwaukee	21.8	5,023	25.8
12	Cleveland	19.8	4,931	21.3
13	Baltimore	19.3	8,191	20.0
14	Memphis	19.1	7,667	17.4
15	Columbus	15.5	2,869	19.0
16	Detroit	15.4	12,114	28.5
17	New York	14.3	32,603	14.7
18	Philadelphia	13.2	8,896	14.5
19	Los Angeles	10.2	4,546	32.3
20	Jacksonville	6.0	1,312	5.4

Note: Census provided incomplete information for Washington DC, Atlanta, and Jacksonville. The total number of employees listed above for these three cities is the best estimate of NEDLC. Washington DC and Atlanta totaled between 10,000 and 24,999 employees. Jacksonville totaled between 1,000 and 2,499 employees but Duval County, where Jacksonville is located, had 1,317 employees and one more firm than Jacksonville city.

Table D6: Micro-Enterprise Index – Number of African American-owned Firms with No Employees Per 1,000 African-Americans, 1997

Ranking	Place	City	Metropolitan Region
1	Los Angeles	36.4	34.9
2	Oakland	29.0	29.2
3	Houston	29.0	28.9
4	Washington DC	27.6	33.2
5	Atlanta	26.6	25.7
6	New York	25.4	25.7
7	Indianapolis	20.5	20.1
8	Dallas	20.1	22.1
9	Chicago	19.7	20.2
10	Columbus	18.6	19.0
11	Cincinnati	18.0	18.6
12	Memphis	17.4	19.3
13	New Orleans	16.8	16.8
14	Baltimore	14.9	20.8
15	Detroit	12.7	14.9
16	Jacksonville	12.5	12.4
17	Milwaukee	12.3	13.4
18	Cleveland	12.0	17.5
19	Philadelphia	11.9	14.4
20	Pittsburgh	11.0	12.8

Note, for all tables: The metropolitan region is defined as the MSA or the PMSA, per 1997 Bureau of the Census definitions.

Source, for all tables: 1997 Economic Census, Minority- and Women-Owned Businesses, U.S. Bureau of the Census. (<http://www.census.gov/csd/mwb/>).

Table D7: Growth in the Black Businesses – 1992 to 1997 (Cities)

Ranking	Place	Firms Per Capita, Percentage Change	Sales & Receipts per Capita, Percentage Change	Firms with Employees Per Capita, Percentage Change
1	New York	80%	152%	138%
2	Chicago	54%	126%	66%
3	Memphis	43%	212%	63%
4	Milwaukee	37%	45%	50%
5	Atlanta	36%	261%	46%
6	Indianapolis	35%	85%	49%
7	Philadelphia	29%	51%	74%
8	Jacksonville	28%	41%	42%
9	Houston	24%	164%	85%
10	Columbus	23%	268%	96%
11	Cincinnati	23%	285%	48%
12	Detroit	22%	180%	45%
13	New Orleans	20%	219%	86%
14	Cleveland	18%	284%	61%
15	Pittsburgh	15%	116%	70%
16	Los Angeles	14%	-66%	6%
17	Oakland	10%	47%	-35%
18	Dallas	8%	368%	102%
19	Washington DC	8%	195%	57%
20	Baltimore	-4%	214%	79%

Source: 1992 and 1997 Economic Census, Minority- and Women-Owned Businesses, U.S. Bureau of the Census. (<http://www.census.gov/csd/mwb/>).

ATTACHMENT E:**A FRAMEWORK FOR INDUSTRY SECTOR SELECTION FOR AFRICAN AMERICAN-OWNED BUSINESSES****Industry Sector Analysis**

This analysis attempts to help economic development planners, lenders, foundations, and non-profit intermediaries to select specific industry sectors that may have greater success for African-American-owned business promotion. This analysis focuses on African American-owned businesses because they have faced the greatest barriers to certain industry sectors due to race and ethnicity, according to the national literature review. The sectors to select for promotion with Hispanic-owned and Asian-owned firms depend more on regional economic dynamics rather than a general national competitive advantage or disadvantage.

The analysis identifies sectors and sub-sectors nationally where African American-owned firms, have a competitive advantage (or less of a competitive disadvantage) and may be good sectors to focus on for economic and workforce development strategies. This information will be combined with Cleveland-specific data on economic sectors and MBE's (especially African American-owned firms) in order to better focus funding and support for targeted MBE promotion.

The sub-sectors have been chosen based of four criteria:

- National market share of African American-owned firms as measured by total sales and receipts (1997 latest data)
- Growth in national market share of African American-owned firms (1992 to 1997)
- Growth in total sales and receipts of African American-owned firms (1992 to 1997)
- Average weekly earnings of production workers in entire sub-sector, U.S. (2002), in order to determine if the sector has jobs that will lead to family self-sufficiency.

Table E1 shows that nationally African American-owned firms are most heavily concentrated in local and interurban passenger transportation and personal services. The sales and receipts ratio of African American businesses to all businesses in the local passenger transportation sub-sector is 14.35 times greater than the overall sales and receipts ratio of African American businesses to all businesses. All the sub-sectors in Table E1 have a ratio of greater than 1.0. The largest sub-sector in terms of number of African American-owned firms, total sales and receipts and number of employees is business services.

Table E1: Competitive Advantage of African American-owned Firms: Ratio of Sales and Receipts of African American-owned Firms to all Firms by Industry, Compared to Overall Ratio of Sales and Receipts of Black Firms to All U.S. Firms, 1997

Two-digit SIC	Description of Industry Sector	Index	Number of Firms	Total Sales/Receipts (\$1,000)	Total Employees
41	Local and interurban passenger transportation	14.35	24,086	1,196,335	20,258
72	Personal services	9.36	103,865	2,716,514	23,882
83	Social services	4.45	66,530	1,730,719	42,428
42	Motor freight transportation & warehousing	3.96	37,429	3,367,978	14,872

Two-digit SIC	Description of Industry Sector	Index	Number of Firms	Total Sales/ Receipts (\$1,000)	Total Employees
73	Business services	3.25	104,939	7,300,408	156,974
58	Eating & drinking places	2.85	13,111	2,807,246	80,696
79	Amusement and recreation services	2.82	29,343	1,152,652	3,307
17	Construction--special trade contractors	2.58	46,819	3,948,663	49,463
87	Engineering, accounting, research, management, & related services	2.55	37,505	3,490,799	34,463
76	Miscellaneous repair services	2.31	5,049	380,573	2,784
55	Automotive dealers & gasoline service stations	2.21	4,073	6,856,574	16,867
80	Health services	2.20	51,732	6,375,807	100,450
81	Legal services	2.19	8,799	1,120,994	7,954
16	Heavy construction other than buildings construction--contractors	1.97	1,305	992,073	6,346
75	Automotive repair, services, & parking	1.88	15,922	834,119	8,922
15	Building construction—general contractors & operative builders	1.84	8,159	2,748,172	15,045
64	Insurance agents, brokers, and services	1.83	11,373	645,551	4,668
7	Agricultural services	1.82	11,742	398,558	5,427
47	Transportation services	1.70	5,720	293,082	2,566
59	Miscellaneous retail	1.14	50,754	1,814,590	10,899
65pt	Real estate (excluding subdividers and developers)	1.05	22,118	1,088,428	5,664

Note: Minimum total employees – 2000. Source: 1997 Survey of Minority Business Owners, Economic Census, US Census Bureau.

Because it is important to consider the employment and workforce potential of economic development initiatives, this analysis looks at the average weekly earnings of production workers for each sub-sector. Table E2 compares the earnings for all of the industries listed in Table E1. The weekly earnings and hours worked is based on all firms, not just African American-owned firms. Sub-sectors are considered to pay too little to remain viable as an economic development strategy if the weekly earnings are less than \$400. Therefore, Personal Services is dropped from consideration even though it has a market index of nearly 10.0 for African American-owned firms. The same is true of Social Services and Eating and Drinking establishments. On the other end of the spectrum, three sub-sectors have average earnings among production workers of over \$750 weekly – Heavy Construction; Engineering, Accounting, Research and Management Services; and Legal Services.

Table E2: Average Weekly Earnings of Production Workers (non-supervisory) by Detailed Industry, All U.S. Firms, 2002

Two-digit SIC	Description of Industry Sector	Market Index, African American-owned Firms	Avg. Weekly Earnings (2002)	Avg. Weekly Hours Worked (2002)
16	Heavy construction	1.97	\$787	43.4
87	Engineering, accounting, research, management, & related services	2.55	\$758	36.8
81	Legal services	2.19	\$755	35.0
17	Construction--special trade contractors	2.58	\$730	38.0
15	Building construction; gen. contractors	1.84	\$703	38.2
76	Miscellaneous repair services	2.31	\$576	37.5
47	Transportation services	1.70	\$574	35.7
80	Health services	2.20	\$540	33.3
73	Business services	3.25	\$523	33.7
42	Trucking & warehousing	3.96	\$472	40.0
55	Automotive dealers & service stations	2.21	\$471	35.8
75	Automotive repair, services, & parking	1.88	\$449	35.1
41	Local & interurban passenger trans.	14.35	\$430	33.6
07	Agricultural services	1.82	\$402	34.0
83	Social services	4.45	\$336	31.2
59	Miscellaneous retail	1.14	\$329	29.8
72	Personal services	9.36	\$322	31.0
79	Amusement and recreation services	2.82	\$283	25.6
58	Eating & drinking places	2.85	\$185	25.4

Note: Minimum total employees – 2000. The last year for which SIC earnings data is available is 2002. Data is not available for insurance agents or real estate. Source: Bureau of Labor Statistics.

The other two factors are the growth rate among African American-owned businesses and the growth rate overall. The sales and receipts growth rate for insurance carriers was mainly due to re-definition of industries and de-regulation from 1992 to 1997 (Table E3). There was more than a five-fold increase in sales and receipts by African American-owned businesses in the Heavy Construction and Fabricated Metal Products sub-sectors. Even though sales and receipts in Educational Services by African American-owned businesses increased 241%, the overall increase was over 2600%, indicating that African American-owned businesses are quickly losing market share in this sub-sector.

Table E3: Growth Factor, Increase in Reported Total Sales & Receipts, 1992 to 1997, African American-owned Firms, U.S.

Two-digit SIC	Description of Industry Sector	Total Sales/Receipts (\$1,000)		Percent Increase	Percent Increase, US Total
		1992	1997		
63	Insurance carriers	2,627	489,588	18,537%	4113%
16	Heavy construction other than buildings construction--contractors	156,055	992,073	536%	289%
34	Fabricated metal products	91,041	574,576	531%	503%
82	Educational services	70,718	240,830	241%	2638%
15	Building construction--general contractors & operative builders	840,456	2,748,172	227%	229%
50	Wholesale trade - durable goods	1,107,372	3,570,685	222%	663%
73	Business services	2,371,433	7,300,408	208%	378%
83	Social services	582,275	1,730,719	197%	757%
55	Automotive dealers & gasoline service stations	2,384,443	6,856,574	188%	174%
27	Printing & publishing	180,062	510,036	183%	435%
23	Apparel & other textile products	82,592	226,104	174%	181%
17	Construction--special trade contractors	1,465,642	3,948,663	169%	215%
41	Local and interurban passenger transportation	462,237	1,196,335	159%	288%
87	Engineering, accounting, research, management, & related services	1,352,798	3,490,799	158%	280%
42	Motor freight transportation & warehousing	1,346,941	3,367,978	150%	277%
76	Miscellaneous repair services	169,785	380,573	124%	165%
80	Health services	2,858,582	6,375,807	123%	431%
64	Insurance agents, brokers, and services	308,003	645,551	110%	209%
81	Legal services	551,363	1,120,994	103%	72%
Total	All industries	32,197,361	71,214,662	121%	458%

Note: Minimum total employees – 2000. This refers to reported sales and receipts in the Economic Census Survey of Business Owners. In general, the response in 1997 was better than the rate in 1992. Source: 1997 Survey of Minority Business Owners, Economic Census, US Census Bureau.

Table E3 shows that African American-owned businesses lost market share from 1992 to 1997, as the sales and receipts of black firms increased by 121 % from 1992 to 1997 while the overall growth rate was 458%. However, there were six sub-sectors where African American-owned firms gained market share from 1992 to 1997 (Table E4). By far the greatest increase in market share of African American-owned firms was in Heavy Construction. This is most likely due to ongoing affirmative procurement programs in the public sector. The other two large sub-sectors on this list are Legal Services and Automotive Dealers.

Table E4: Growth Factor, Increase in Reported Total Sales & Receipts in African American-owned Firms Compared to Overall U.S. Increase in Reported Total Sales & Receipts, 1992 to 1997

Two-digit SIC	Description of Industry Sector	African American-owned Firms Share of Total U.S. Market (Sales/receipts)		Percentile Increase	Total Sales/receipts, 1997 (\$1,000)
		1992	1997		
16	Heavy construction other than buildings construction--contractors	0.46%	0.76%	0.29%	992,073
62	Security & commodity brokers, dealers, exchanges, & services	0.00%	0.16%	0.16%	417,869
81	Legal services	0.71%	0.84%	0.13%	1,120,994
55	Automotive dealers & gasoline service stations	0.81%	0.85%	0.04%	6,856,574
63	Insurance carriers	0.01%	0.05%	0.04%	489,588
34	Fabricated metal products	0.23%	0.24%	0.01%	574,576
Total	All industries	0.97%	0.38%	-0.58%	71,214,662

Note: Minimum total employees – 2000. Only includes sub-sectors where the market share of African American-owned firms increased from 1992 to 1997. Source: 1997 Survey of Minority Business Owners, Economic Census, US Census Bureau.

Table E5 summarizes the market share and growth rate of African American-owned firms for all industry sub-sectors. For example, even though African American-owned firms in the Fabricated Metal Manufacturing grew dramatically from 1992 and 1997, the market share in 1997 remained very low – only 0.24 %, 64 % of the overall market share of African American-owned firms.

Table E5: 1992 to 1997 Growth Rates, Black Firms to All U.S. Firms, Sorted by 1997 Market Index

Two-digit SIC	Description of Industry Sector	Index	Market Share	African American-owned Firms Growth Rate	All US Firms Growth Rate
41	Local and interurban passenger transportation	14.35	5.51%	159%	288%
72	Personal services	9.36	3.59%	85%	89%
83	Social services	4.45	1.71%	197%	757%
42	Motor freight transportation & warehousing	3.96	1.52%	150%	277%
73	Business services	3.25	1.25%	208%	378%
58	Eating & drinking places	2.85	1.09%	57%	147%
79	Amusement and recreation services	2.82	1.08%	73%	234%
17	Construction--special trade contractors	2.58	0.99%	169%	215%
87	Engineering, accounting, research, management, & related services	2.55	0.98%	158%	280%
76	Miscellaneous repair services	2.31	0.89%	124%	165%
55	Automotive dealers & gasoline service stations	2.21	0.85%	188%	174%

Two-digit SIC	Description of Industry Sector	Index	Market Share	African American- owned Firms Growth Rate	All US Firms Growth Rate
80	Health services	2.20	0.84%	123%	431%
81	Legal services	2.19	0.84%	103%	72%
16	Heavy construction other than buildings construction--contractors	1.97	0.76%	536%	289%
75	Automotive repair, services, & parking	1.88	0.72%	51%	181%
15	Building construction--general contractors & operative builders	1.84	0.71%	227%	229%
64	Insurance agents, brokers, and services	1.83	0.70%	110%	209%
7	Agricultural services	1.82	0.70%	63%	125%
47	Transportation services	1.70	0.65%	82%	186%
59	Miscellaneous retail	1.14	0.44%	46%	254%
65pt	Real estate (excluding sub-dividers and developers)	1.05	0.40%	-30%	27%
54	Food stores	0.92	0.35%	54%	313%
56	Apparel and accessory stores	0.81	0.31%	86%	418%
23	Apparel & other textile products	0.71	0.27%	174%	181%
34	Fabricated metal products	0.64	0.24%	531%	503%
27	Printing & publishing	0.61	0.24%	183%	435%
57	Home furniture, furnishings, & equipment stores	0.52	0.20%	57%	277%
48	Communications	0.46	0.18%	56%	1380%
82	Educational services	0.45	0.17%	241%	2638%
62	Security & commodity brokers, dealers, exchanges, & services	0.40	0.16%		1001%
50	Wholesale trade - durable goods	0.40	0.15%	222%	663%
51	Wholesale trade - nondurable goods	0.30	0.12%	22%	479%
63	Insurance carriers	0.13	0.05%	18537%	4113%
Total	All industries		0.38%	121%	458%

Note: Minimum total employees – 2000. Source: 1997 Survey of Minority Business Owners, Economic Census, US Census Bureau.

Based on the data in the tables above, the following ten sub-sectors appear to be the best choices for an economic development strategy among African American-owned businesses:

1. **Heavy Construction.** (SIC 16; NAICS 237). This sub-sector leads the way in two categories – the wage level of production workers and growth in market share of black owned firms compared to all U.S. firms, and is second only to insurance carriers in growth rate of black owned firms (as measured by total sales and receipts).

Examples: Highway, street and bridge construction; water and sewer line and treatment plant construction; power plant construction.

2. **Local and Interurban Passenger Transportation.** (SIC 41; NAICS 485). This sub-sector has far and away the largest black market share of any sector – 5.5 %, which is more than 14 times the national average for all African American-owned firms. The average production worker wage level is on the low side (\$430 per week), but the large market share and a growing black industry – 159 % growth in sales and receipts from 1992 to 1997 – make this one number two.

Examples: School and employee bus; taxi service; limousines; charter bus.

3. **Engineering and Management Services.** (SIC 87; NAICS 5412, 5413, 5416, 5417, 5611, 5612). Engineering and Management Services scores very high on the production worker wage scale and growth in sales and receipts of black firms, where there was a 159 % increase from 1992 to 1997. It is also one of the largest sub-sectors with total sales and receipts of \$3.5 billion in 1997 by African American-owned firms.

Examples: Engineering; architecture; urban planning; accounting; research and testing; management, business and PR consulting.

4. **Legal Services.** (SIC 81; NAICS 5411). Legal Services scores high on the production worker wage scale and the growth in African American market share. The African American market share increased from 0.71% in 1992 to 0.84% in 1997.
5. **Trades Contractors.** (SIC 17; NAICS 238). The Trades sector scores high on production wages and overall share of the African American market (0.99% in 1997). It had good growth from 1992 to 1997 and is one of the largest sub-sectors, with sales and receipts by African American-owned firms of \$3.9 billion in 1997.

Examples: Masonry; carpentry; concrete; electrical work; plumbing and heating; tile and marble; painting; wrecking and demolition.

6. **General Contractors - Building Construction.** (SIC 15; NAICS 236). General Contractors is the fourth fastest growing sub-sector for African American-owned firms, with a growth rate in sales and receipts of 227 % from 1992 to 1997, almost equal to the growth rate of all U.S. General Contractor firms. Production worker wage levels are also very good.

Examples: single- and multi-family residential construction; industrial and commercial building construction.

7. **Business Services.** (SIC 73; NAICS 5613 to 5619). This one drops off significantly from the first six. African American market share of Business Services was relatively high (1.25 %) in 1997; growth in sales and receipts of African American-owned firms was good (208 % from 1992 to 1997), but average production worker earnings are only moderate - \$523 weekly.

Examples: Photocopying; tax assistance; employment agencies; mail centers; detectives and security; building cleaning; pest control; trade show services.

8. **Automotive Dealers.** (SIC 55; NAICS 441). African American-owned Automotive dealers had only a moderate market share in 1997 but market share increased slightly from 1992 to 1997, fed by a growth in sales and receipts of 188 %.

Examples: Motor vehicles dealers; boat dealers; motorcycle dealers; RV dealers.

9. **Trucking & Warehousing.** (SIC 42; NAICS 484). African American-owned firms have a relatively high market share in the Trucking and Warehousing sub-sector – 1.52 % in 1997. The moderate wage level of production workers - \$472 in 2002 – keeps this one from being higher on the list. Sales and receipts increased by 150 % from 1992 to 1997.

Examples: Local and long-distance trucking; ground couriers; warehousing and storage.

10. **Social Services.** (SIC 83; NAICS 624). This one is on the list due to the African American market share of 1.71 % in 1997 and sales and receipts growth of 197 % from 1992 to 1997. But the low average wage-level of production workers - \$336 in 2002 – keeps it at the bottom of the list.

Examples: Services for children, youth, elderly, disabled; food or housing services; job training services; child-care.

Combining Sub-Sectors Into Sectors

Looking at these ten sub-sectors, one can identify three larger sectors to focus economic development efforts in the African-American community.

- A. Construction. Three of the top six sub-sectors are within the Construction industry. Construction has proven to be a successful sector to work with on sectoral work-force development strategies. Emphasis should be on all three sub-sectors – heavy construction; trades contractors and general contractors (building construction). The MBE Construction industry has a long history in many places of support from the public sector. Barriers to more completely entering the private sector mainstream relate to financing for bonding and operating capital. Total employees in African American-owned firms (1997): 70,854.
- B. Professional and Business Services. The Professional, Technical, Legal and Business Services sector had three sub-sectors included in the top seven – Engineering and Management Services; Legal Services; and Business Services. The Engineering, Architectural, and Urban Planning Services are very complimentary to the Construction sector. This sector generally has lower capital investment needs than construction. Other sub-sectors had lower market shares, but have strong growth and may fit well within this sector too, including insurance agents and real estate agents. Total employees in African American-owned firms (all mentioned sub-sectors, 1997): 209,273.
- C. Transportation. Two of the top nine sub-sectors were within the Transportation sector – local passenger transportation and trucking. A third leading sub-sector – automotive dealers – is complimentary. Two other sub-sectors, which had a strong market share but failed on some of the other criteria, include Automotive Repair and Transportation Services (inspection, weighing, loading, cargo/shipping agents). African American-owned firms have relatively high market shares in each of the five sub-sectors mentioned with strong growth from 1992 to 1997. Production wages are not as high as in the other two sectors. Total employees in African American-owned firms (all mentioned sub-sectors, 1997): 63,485.

Sub-Sectoral Selection Among African American-owned Firms in Cleveland

In general, African American-owned firms in the Cleveland metro had 0.66 % market share of sales and receipts of all companies (Table E6). If the African American-owned firms in an industry had a 1.32 % market share it would be twice that of the overall black market share and given an “industry index” score of 2.0.

Table E6: Market Share Strength of African American-owned Firms in Cleveland, 1997

	Cleveland Region	U.S.
African American portion of population (2000)	19.2%	12.9%
Number of African American-owned Firms	8,575	823,499

	Cleveland Region	U.S.
Number of African American-owned Firms, portion of all firms	5.27%	4.00%
Black Firms to Black Population Ratio	1 : 3.6	1 : 3.2
Total Sales and receipts, African American-owned Firms (in billions)	\$1.11	\$71.21
Sales and receipts of African American-owned Firms, portion of total sales and receipts)	0.66%	0.38%
Black Sales and receipts to Black Population Ratio	1 : 29	1 : 34

Note: Cleveland region refers to the Cleveland Primary Metropolitan Statistical Area (PMSA) – Cuyahoga, Geauga, Lake, Lorain, and Medina counties.

The industry where the African American market share was the highest was: Construction and Developers (3.0 times the metro ratio – $3.0 \times 0.66 = 1.98\%$ market share). (See Table 4 from body of the text and repeated here.) Nationally the ratio for this industry for African American-owned firms is 2.1 (2.1 times the overall national market share of 0.38%). In other words, in Cleveland African American-owned firms have more successfully penetrated the Construction industry than have African American-owned firms nationally.

This is also true of the Wholesale Trade; Finance, Insurance and Real Estate; and Manufacturing sectors. Cleveland African American-owned firms have lower market strength than African American-owned firms nationally in the Services and Retail Trade sectors.

Table 4: Market Share Strength of African American-owned Firms by Industry, 1997

	Cleveland PMSA	U.S.
All Industries (portion of total sales/receipts)	0.66%	0.38%
Industry Index (Industry Market Share by Overall Market Share)		
Construction & Developers	3.0	2.1
Services	1.7	2.6
Transportation, Communications & Utilities	1.5	1.4
Retail Trade	1.2	1.4
Wholesale Trade	0.8	0.4
Financial, Insurance and Real Estate	0.8	0.3
Manufacturing	0.3	0.2

Note: Cleveland region refers to the Cleveland Primary Metropolitan Statistical Area (PMSA) – Cuyahoga, Geauga, Lake, Lorain, and Medina counties.

When standardizing sales and receipts of African American-owned firms by the total African-American population, one can see that firms in Cleveland had sales and receipts of \$2,562 per capita in 1997 compared to \$1,955 for the U.S. overall, a ratio of 1.31. The sectors where African American-owned firms in Cleveland have had the most success by this measure are: Finance, Insurance and Real Estate; Wholesale Trade; Manufacturing; and Construction (Table E7). On the other end of the scale, African American-owned firms in Cleveland have a low market share compared to nationally in the Services; Retail Trade; and Transportation, Communications & Utilities sectors. Nationally, the Services sector is the largest sector among African American-owned firms, accounting for 36.4 % of overall sales and receipts by African American-owned firms compared to only 22.6 % of sales and receipts by African American-owned firms in Cleveland.

Table E7: Sales and receipts Per Capita of African American-owned Firms by Sector, 1997

	Cleveland PMSA	U.S.	Cleveland to US Ratio
All Industries	\$2,562	\$1,955	1.31
Financial, Insurance and Real Estate	\$286	\$85	3.38
Wholesale Trade	\$485	\$160	3.03
Manufacturing	\$215	\$101	2.12
Construction & Developers	\$353	\$212	1.67
Transportation, Communications & Util.	\$195	\$175	1.12
Retail Trade	\$388	\$379	1.02
Services	\$578	\$712	0.81

Note: Dollar amounts refer to Total Sales and receipts of African American-owned Firms Per Capita (per African-American resident).

Although more detailed industry data on African American-owned firms is not available at the city or metropolitan level, it is available at the state level. The industry sub-sectors with the strongest African American-owned firm market share in Ohio are shown in Table E8. African American-owned firms have the strongest market share in personal services, followed by heavy construction; local and urban passenger transportation; non-classified services; and engineering and related services. The latter compliments well the strength of Ohio's MBE construction sector.

Table E8: Market Share Strength of African American-owned Firms in Ohio, 1997

	Ohio	U.S.
All Industries	0.50%	0.38%
Industry Index (Industry Market Share by Overall Market Share)		
Personal services	6.79	9.36
Heavy construction other than buildings construction- contractors	6.73	1.97
Local and interurban passenger transportation	5.43	14.35
Other services, nonclassified	4.12	1.85
Engineering, architecture, accounting, research, & management services	3.32	2.55
Motor freight transportation & warehousing	3.22	3.96
Building construction--general contractors & operative builders	2.96	1.84
Social services	2.90	4.45
Construction--special trade contractors	2.80	2.58
Eating and drinking places	2.78	2.85
Business services	2.46	3.25
Health services	2.31	2.20
Automobile dealers and gasoline service stations	2.09	2.21

Note: Based on 2-digit SIC data. Only includes industries with sales and receipts of at least \$10,000,000 in Ohio. Includes all industries with a ratio of at least 2.0.

By comparing the Ohio market strength of each sub-sector to the national market strength, it can be determined in which industries African American-owned firms have done particularly well in compared to their peers in the rest of the country (Table E9). Heavy construction and building construction are in the top five. The engineering and architectural services sub-sector is tied for sixth. Three industries have a relatively low market share but

African American-owned firms have done much better in Ohio than nationally – Manufacturing, Finance, and Wholesale Trade in nondurable goods.

Table E9: High Market Share of African American-owned Firms in Ohio, 1997

	Ohio	U.S.	Ohio to U.S. Ratio
All Industries	0.50%	0.38%	
Industry Index (Industry Market Share by Overall Market Share)			
Heavy construction	6.73	1.97	3.41
Manufacturing (no detail available)	0.55	0.24	2.29
Unclassified services	4.12	1.85	2.23
Finance, insurance & real estate (no detail)	0.68	0.31	2.18
Building construction	2.96	1.84	1.61
Wholesale trade – non-durable goods	0.39	0.30	1.30
Engineering, architecture, accounting, research, management & related services	3.32	2.55	1.30

Note: Includes industry sectors with statewide sales and receipts of at least \$10 million and sectors where the Ohio market share for African American-owned firms is at least 130% of the market share of all U.S. African American-owned firms.

On the other hand, certain sub-sectors have a weak presence among African American-owned firms in Ohio compared to nationally. Table E10 lists those sectors where the market share ratio of African American-owned firms in Ohio is 60 % or less of the market share ratio nationally. Noteworthy among this list is Legal Services, because of its high wage levels (see Table E2). Aside from Food Stores, these are all industry sectors where African American-owned firms have succeeded to a certain extent in gaining market share, but this is much less true in Ohio. It will be necessary to examine if there are specific barriers to these markets in Ohio and Cleveland.

Table E10: Low Market Share of African American-owned Firms in Ohio, 1997

	Ohio	U.S.	Ohio to U.S. Ratio
All Industries	0.50%	0.38%	
Industry Index (Industry Market Share by Overall Market Share)			
Miscellaneous Repair Services	0.37	2.31	0.16
Amusement & Recreation Services	0.74	2.82	0.26
Local and interurban passenger transportation	5.43	14.35	0.38
Motion Pictures	0.57	1.34	0.42
Agricultural Services	0.80	1.82	0.44
Food Stores	0.44	0.92	0.48
Automotive Repair, Services & Parking	0.98	1.88	0.52
Legal Services	1.28	2.19	0.59

Note: Includes industry sectors with a national market share of at least 0.9% and where the Ohio market share for African American-owned firms is less than 60% of the market share of all U.S. African American-owned firms.

In conclusion, construction and the trades are strong nationally and even stronger in Cleveland. Professional and Technical Business Services are generally strong nationally and in Cleveland. However, Legal Services, a sub-sector of this category, is quite weak in Ohio and Cleveland. Because of its strength nationally and high wage levels, this sub-sector may need a special strategy in Cleveland. Local transportation and trucking are strong nationally but

weaker in Cleveland. Health services are somewhat strong nationally and in Cleveland and are worth pursuing as an MBE sectoral strategy. Three additional strengths to build on in Cleveland are Manufacturing, Wholesale Trade and Financial Institutions.

APPENDIX F:

SPATIAL-ECONOMIC TRENDS BY INDUSTRY IN CUYAHOGA COUNTY AND MINORITY BUSINESS ENTERPRISES

Mapping of business locations and business growth for all businesses by specific NAICS sectors indicates distinct spatial trends in business growth by sector. The five sectors analyzed by map were sectors with strong representation from MBE's – Construction; Wholesale Trade; Professional and Technical Services; Administrative and Support Services; and Retail Trade.

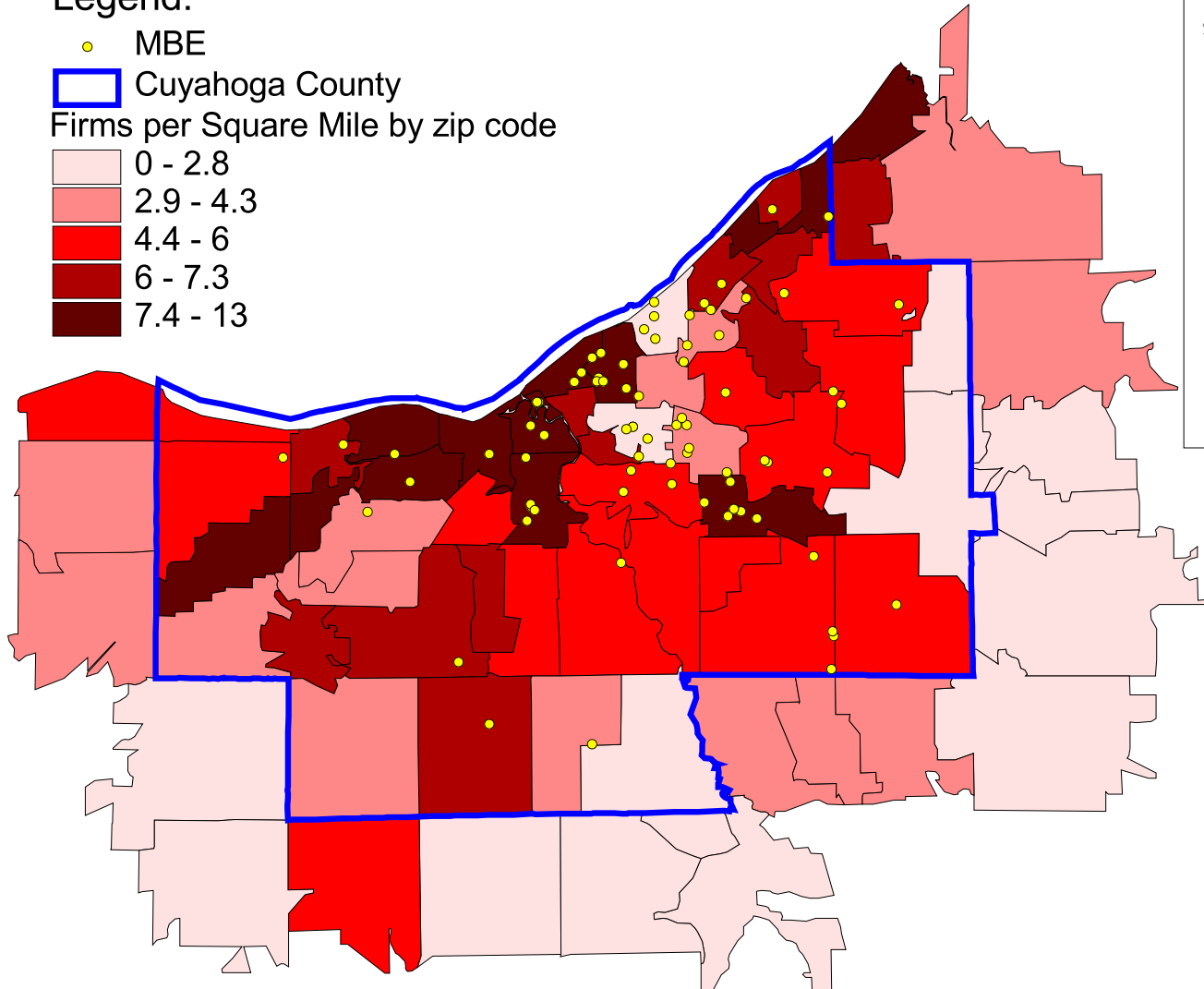
With the exception of retail trade firms, MBE's are generally located in the areas of concentration of their respective industry in the regional economy. However, MBE's are located in areas experiencing firm growth in the overall economy only in the case of the construction sector. This may indicate that MBE firms are helping to drive growth in the construction industry.

- Construction firms are distributed throughout Cuyahoga County, with some concentration on the west side of Cleveland and northeastern Cuyahoga County. There is moderate correlation between the location of construction firms overall and the areas of growth in construction and the location of MBE construction firms. The largest growth in construction businesses from 1998 to 2002 was found in eastern Cuyahoga County.
- Wholesale trade firms were also spatially correlated with wholesale trade MBE's in Cuyahoga County. Wholesale trade businesses were generally clustered in west Cleveland and near southeastern Cuyahoga County. Recent growth (1998 to 2002) in wholesale trade business establishments is primarily found outside of Cuyahoga County in nearby suburban counties. This growth is generally far from most MBE's in Cuyahoga County.
- Firms in Professional, Scientific and Technical Services are highly concentrated in downtown Cleveland and the inner western and eastern suburbs of Cuyahoga County. Recent growth in these firms (1998 to 2002) has occurred in the City of Cleveland, but the majority of growth has occurred outside Cuyahoga County. The location of MBE's in Professional, Scientific and Technical Services correlates closely to the current clustering of professional and technology firms but MBE's are less well represented in the areas where these businesses have grown in recent years, with the exception of northeast Cleveland.
- Administrative support service businesses are generally distributed throughout Cuyahoga County, with the majority located downtown or in several clusters in surrounding inner suburbs. Some growth in administrative support firms (from 1998 to 2002) has occurred on Cleveland's south side, as well as growth in surrounding suburban counties. Administrative support service MBE's are distributed in several areas of administrative service firm concentration, especially in downtown Cleveland and eastern Cuyahoga County, but not in areas of administrative support firm growth.
- Retail businesses are found throughout Cuyahoga County, with large concentrations of retail firms found near Cleveland's downtown and the western and eastern suburbs. Between 1998 and 2002, little growth in retail businesses occurred in Cuyahoga County. The majority of this growth was located west of Cuyahoga County in Lorain and Medina counties. Retail MBE's are somewhat close to the concentration of retail firms but retail firm growth has not occurred in areas with large numbers of MBE's.

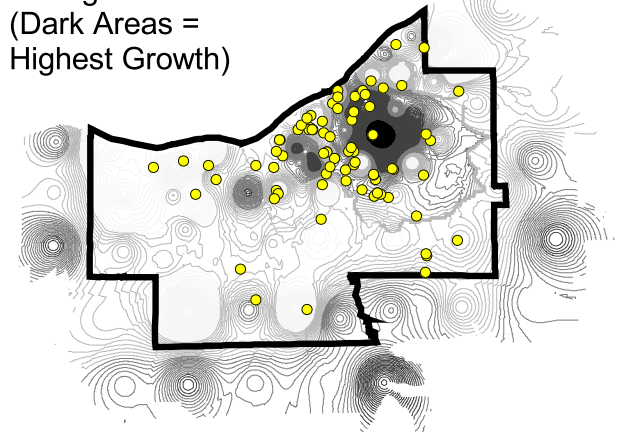
NAICS 23: Construction firms per square mile (2002)
overlaid with Construction MBE's
Note: Smaller Image Represents Spatial Trends in
the Growth of Firms 1998 to 2002

Legend:

- MBE
- Cuyahoga County
- Firms per Square Mile by zip code
- 0 - 2.8
- 2.9 - 4.3
- 4.4 - 6
- 6 - 7.3
- 7.4 - 13



Spatial Patterns of
 Change in Firms 98-02
 (Dark Areas =
 Highest Growth)



- MBE
- Change in Firms
- 36 - -11
- 10 - 1
- 2 - 15
- 16 - 115
- 116 - 309



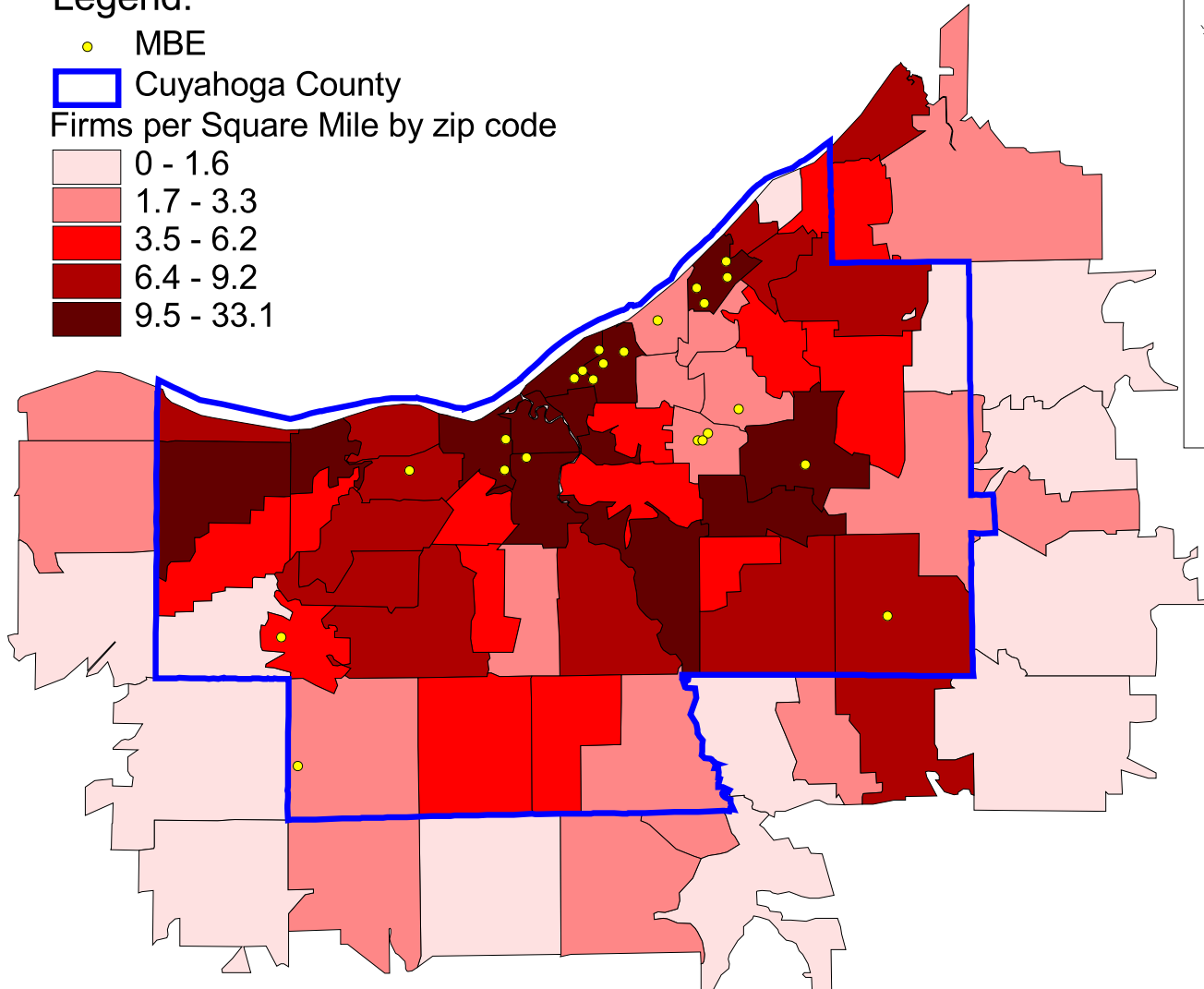
Prepared by: Kirwan Institute
 for the Study of Race & Ethnicity
 Prepared: July 29, 2005
 Projection: Ohio State Plane North 1983
 Sources of Data: U.S. Census Bureau for
 Boundary Files and Zip Code Business Data;
 MBE locations from multiple MBE directories.



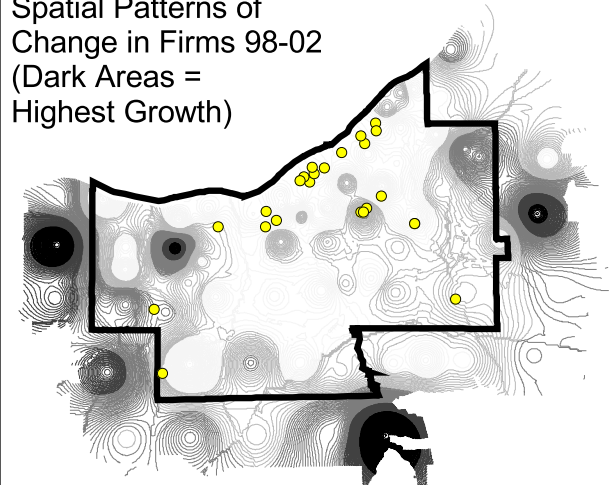
NAICS 42: Wholesale Trade firms per square mile (2002)
overlaid with Wholesale Trade MBE's
Note: Smaller Image Represents Spatial Trends in
the Growth of Firms 1998 to 2002

Legend:

- MBE
- Cuyahoga County
- Firms per Square Mile by zip code
- 0 - 1.6
- 1.7 - 3.3
- 3.5 - 6.2
- 6.4 - 9.2
- 9.5 - 33.1



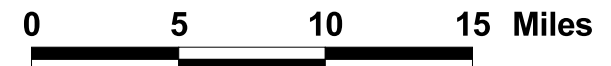
Spatial Patterns of
 Change in Firms 98-02
 (Dark Areas =
 Highest Growth)



- MBE
- Change in Firms
- 39 - -9
- 8 - 7
- 8 - 35
- 36 - 60
- 61 - 133



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 MBE locations from multiple MBE directories.

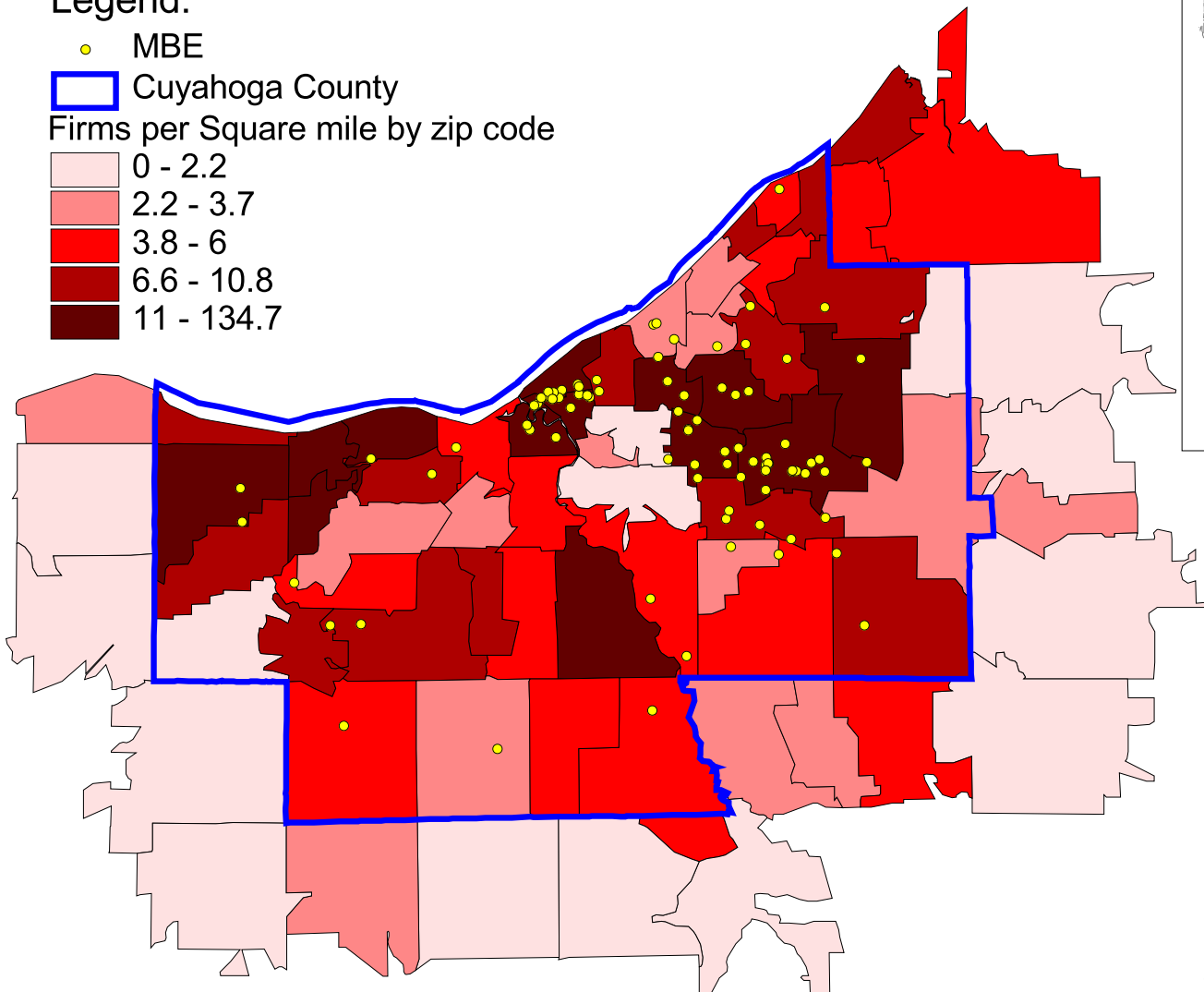


NAICS 54: Professional, Scientific, and Technical Services firms per square mile (2002) overlaid with Professional, Scientific, and Technical Services MBE's

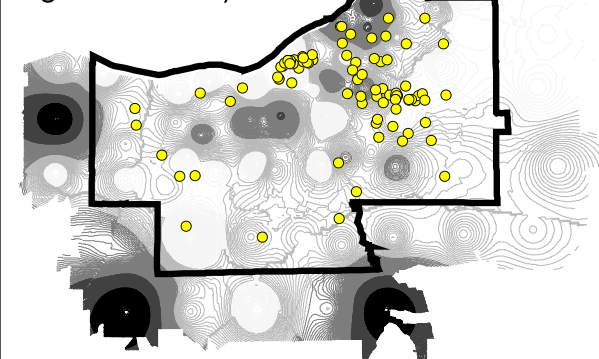
Note: Smaller Image Represents Spatial Trends in the Growth of Firms 1998 to 2002

Legend:

- MBE
- Cuyahoga County
- Firms per Square mile by zip code
- 0 - 2.2
- 2.2 - 3.7
- 3.8 - 6
- 6.6 - 10.8
- 11 - 134.7



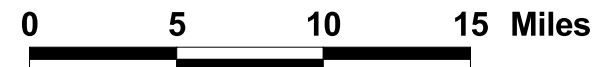
Spatial Patterns of Change in Firms 98-02
(Dark Areas = Highest Growth)



- MBE
- Change in Firms
- 24 - 8
- 9 - 27
- 28 - 66
- 67 - 114
- 115 - 199



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Projection: Ohio State Plane North 1983
Sources of Data: U.S. Census Bureau for
Boundary Files and Zip Code Business Data;
MBE locations from multiple MBE directories.



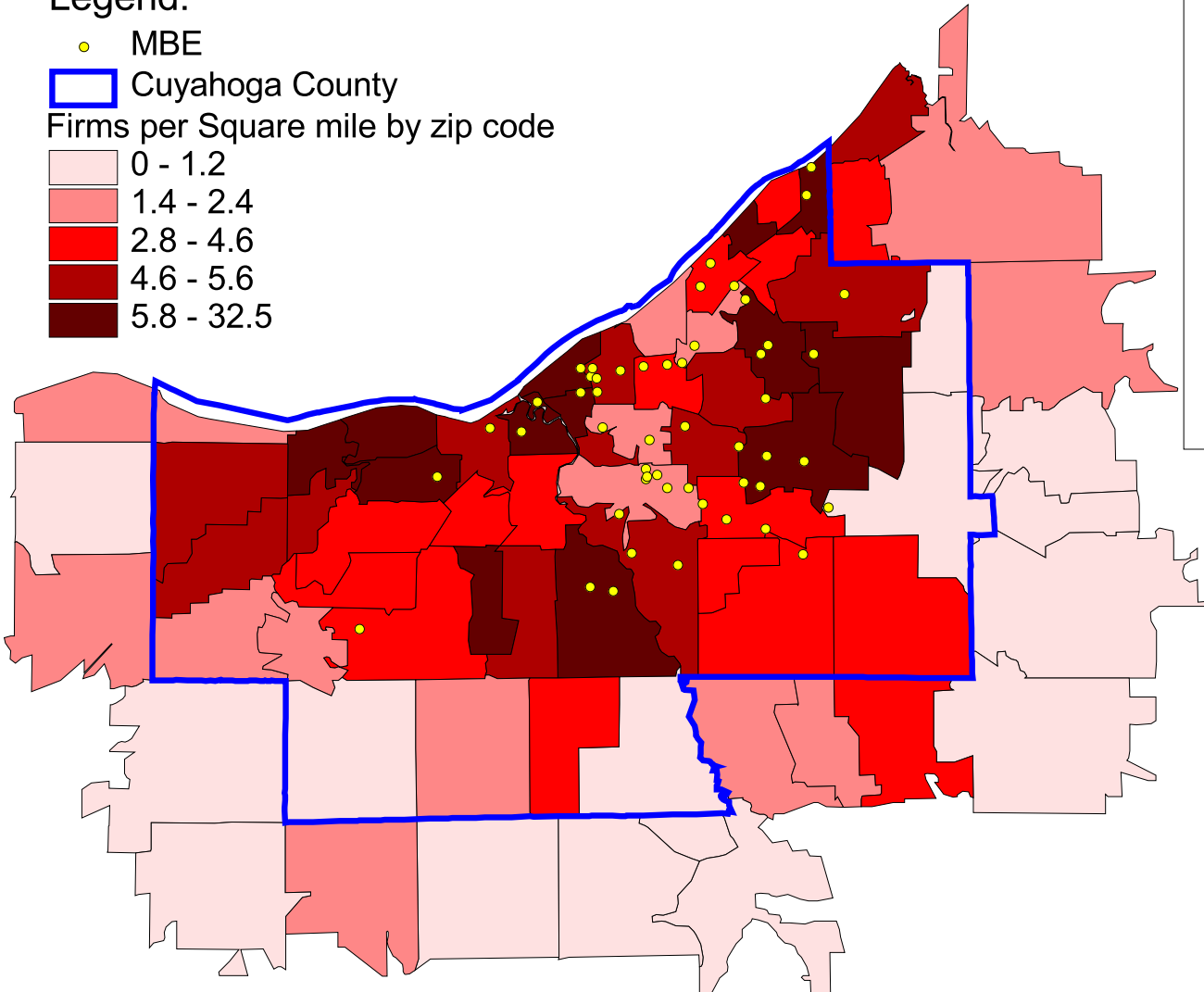
NAICS 56: Administrative and Support Services firms per square mile (2002) overlaid with Administrative and Support Services MBE's

Note: Smaller Image Represents Spatial Trends in the Growth of Firms 1998 to 2002

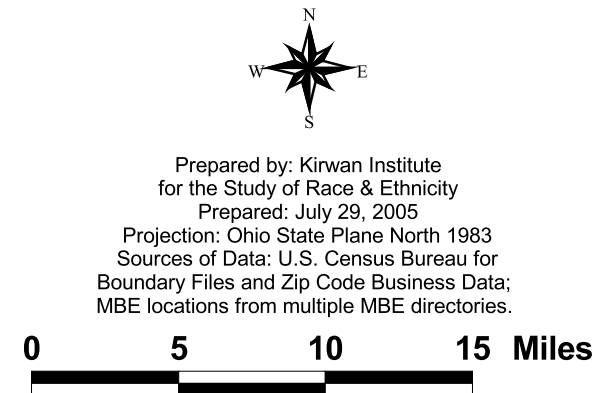
Spatial Patterns of Change in Firms 98-02
(Dark Areas = Highest Growth)

Legend:

- MBE
- Cuyahoga County
- Firms per Square mile by zip code
- 0 - 1.2
- 1.4 - 2.4
- 2.8 - 4.6
- 4.6 - 5.6
- 5.8 - 32.5



- MBE
- Change in Firms
- 53 - -22
- 21 - -7
- 6 - 5
- 6 - 20
- 21 - 122

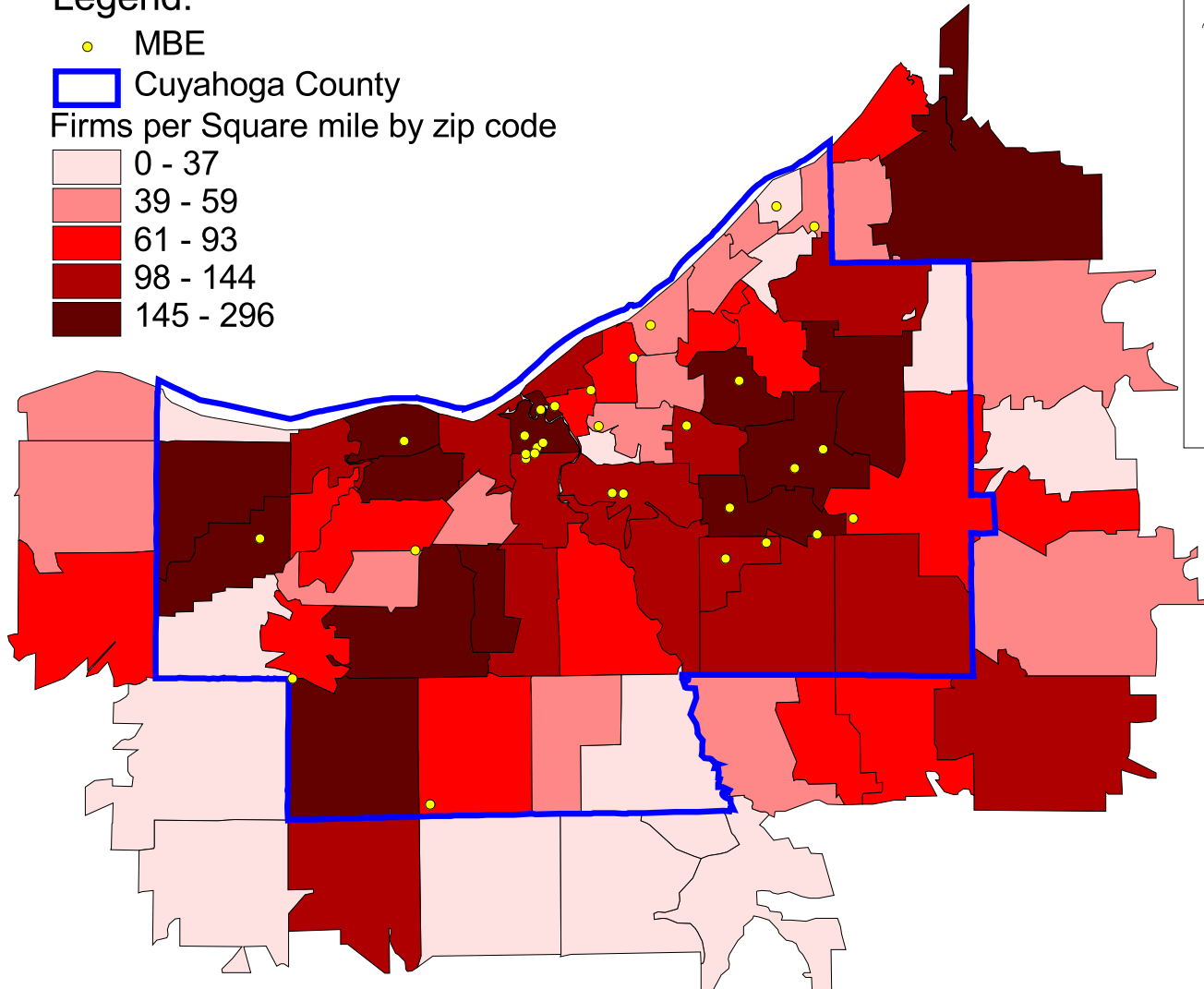


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Projection: Ohio State Plane North 1983
Sources of Data: U.S. Census Bureau for
Boundary Files and Zip Code Business Data;
MBE locations from multiple MBE directories.

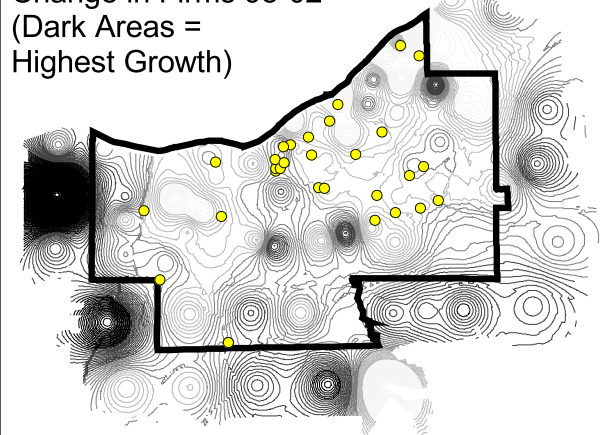
NAICS 44&45: Retail Trade firms per square mile (2002)
overlaid with Retail Trade MBE's
Note: Smaller Image Represents Spatial Trends in
the Growth of Firms 1998 to 2002

Legend:

- MBE
- Cuyahoga County
- Firms per Square mile by zip code
- 0 - 37
- 39 - 59
- 61 - 93
- 98 - 144
- 145 - 296



Spatial Patterns of
 Change in Firms 98-02
 (Dark Areas =
 Highest Growth)



- MBE
- Change in Firms
- 44 - -13
- 12 - -5
- 4 - 3
- 4 - 16
- 17 - 108



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 Projection: Ohio State Plane North 1983
 Sources of Data: U.S. Census Bureau for
 Boundary Files and Zip Code Business Data;
 MBE locations from multiple MBE directories.



From the maps and from Chart F1, below, we can see that certain types of MBE firms by industry sector have located in distinct parts of Cuyahoga County. We were able to determine the economic sector of 452 of the more than 800 MBE's in our database. The downtown area has a concentration of professional service and retail trade MBE's. The east side of Cleveland has a concentration of construction, administrative and support services, and manufacturing. Similarly, the northeast portion of Cuyahoga county, including northeastern Cleveland, also has a concentration of firms in administrative and support services and manufacturing, as well as wholesale trade. The near east suburbs, including extreme eastern Cleveland, have the largest concentration of MBE's in general and in particular in professional services and financial services. (See Attachment G for area definitions.)

The MBE's on the west side of Cleveland, as well as the western and southern suburbs, are more concentrated in retail trade and manufacturing than MBE's in the rest of the county. Western and southwestern Cleveland also has a concentration of wholesale trade MBE's.

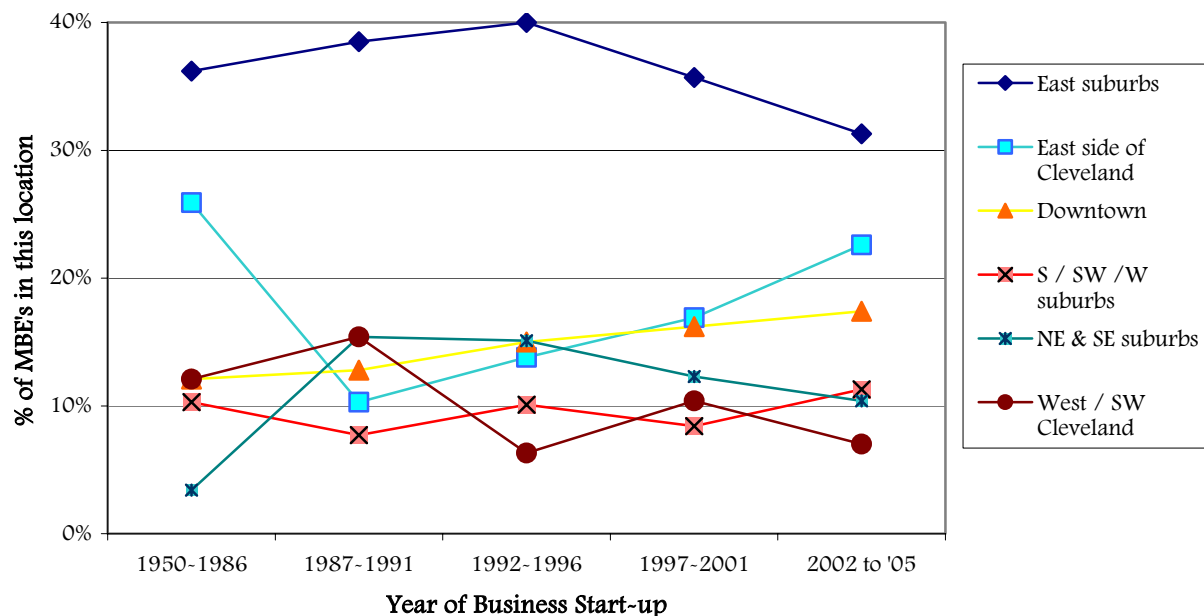
Chart F1: Industry by Location of Cuyahoga County MBE's

Industry	<i>Down- town</i>	<i>East side CLVD</i>	<i>West/ SW CLVD</i>	<i>NE suburbs</i>	<i>East suburbs</i>	<i>SE suburbs</i>	<i>South suburbs</i>	<i>W/SW suburbs</i>	<i>Total</i>
Construction	11%	24%	10%	8%	34%	6%	5%	2%	83
Wholesale Trade	12%	17%	17%	17%	25%	4%	4%	4%	24
Professional Services	28%	9%	4%	2%	41%	5%	8%	3%	100
Admin/Support Services	10%	25%	8%	11%	33%	4%	8%	0%	72
Retail Trade	23%	15%	15%	8%	18%	8%	10%	5%	40
Financial Services	11%	8%	8%	3%	53%	3%	11%	3%	36
Manufacturing	6%	29%	10%	13%	16%	0%	10%	16%	31
ALL MBE's	15%	18%	9%	7%	36%	4%	7%	3%	452

Note: Industry sector determined by NAICS. Source: InfoUSA. See Attachment G for area definitions by zip code.

Chart F2 demonstrates a cyclical nature of the location of MBE start-ups. (Some of the suburban categories with similar MBE start-up cycles were combined to simplify the analysis.) Before 1987 most MBE's were located in either eastern Cleveland or the near eastern suburbs. The near eastern suburban area (and extreme southeast Cleveland) continued to be the most common location of MBE startups from 1987 to 1996 but has declined somewhat since then. The eastern side of Cleveland saw a dramatic drop in MBE start-ups from 1987 to 1991. This has steadily increased from 1992 to the present, with a strong rise in the last three years, perhaps indicating the fruits of effective neighborhood business development there. Downtown Cleveland has also seen a steady rise in MBE start-ups since 1987, with 17% of MBE startups from 2002 to 2005 located there. Western and southwestern Cleveland saw a drop in MBE start-ups from 1992 on. Far northeast Cleveland, the northeastern suburbs and the southeastern suburbs had a gain in MBE start-ups from 1987 to 1996 but have seen a drop since then. To a certain extent, these suburban areas seem to be competing with the east side of Cleveland as a location for MBE's. (They drop when the east side of Cleveland rises and vice versa.) The south, southwest, and western suburbs have remained rather steady as a choice for a small portion of MBE start-ups, although there has been an increase from 2002 to 2005.

Chart F2: Year of Business Start-up by Location



Sales Volume and Credit Rating of MBE's by Location in Cuyahoga County

The "2005 Sales Volume" map shows that MBE's of various size ranges are distributed throughout Cuyahoga County, with some concentration of larger companies in northeast and southwest Cleveland and southwest Cuyahoga. This study was able to identify 80 MBE's with over \$2.5 million in sales or receipts and 189 MBE's in the \$0.5 to \$2.5 million sales range (Chart F3). The northeastern (30%), southeastern (35%), and southwestern (41%) suburbs all

Chart F3: Location of MBE's by Size of Company in Estimated 2005 Sales Volume

Location	<i>Small (< \$500,000 in sales)</i>	<i>Small to mid (\$500,000 to \$2.5 million)</i>	<i>Mid to large (\$2.5 to \$250 million)</i>	<i>MBE's with Sales Volume data</i>	<i>MBE's with NO Sales Volume data</i>	<i>Total MBE's</i>
Downtown	23 (34%)	31 (46%)	13 (19%)	67	28 (29%)	95
East side of Cleveland	25 (31%)	36 (45%)	19 (24%)	80	60 (43%)	140
West / SW Cleveland	18 (43%)	18 (43%)	6 (14%)	42	43 (51%)	85
East suburbs	73 (47%)	67 (43%)	15 (10%)	155	152 (50%)	307
NE suburbs	9 (30%)	12 (40%)	9 (30%)	30	40 (57%)	70
SE suburbs	5 (25%)	8 (40%)	7 (35%)	20	32 (62%)	52
South suburbs	9 (31%)	14 (48%)	6 (21%)	29	34 (54%)	63
W/SW suburbs	4 (33%)	3 (25%)	5 (41%)	12	20 (63%)	32
ALL MBE's	166 (38%)	189 (43%)	80 (18%)	435	409 (48%)	844

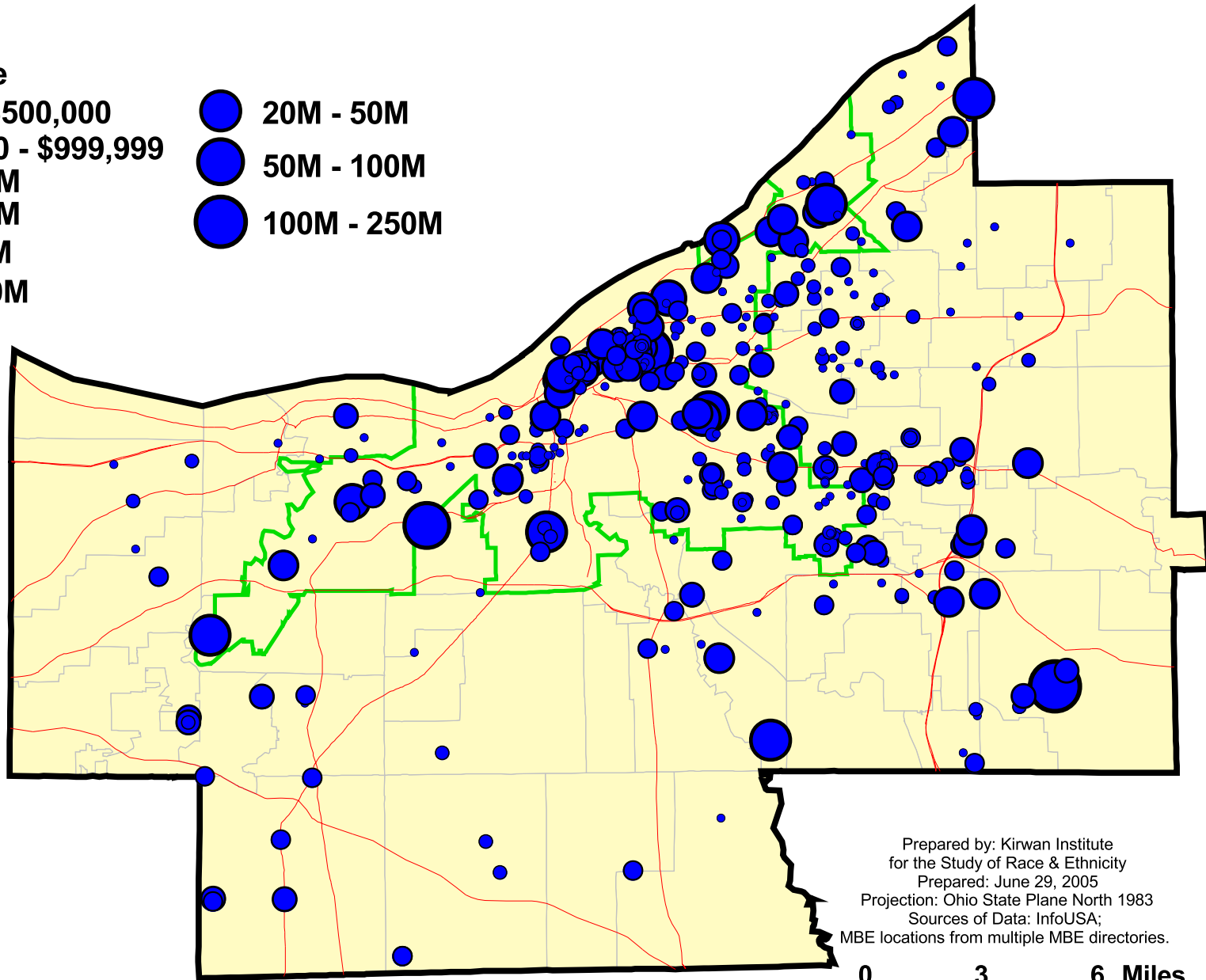
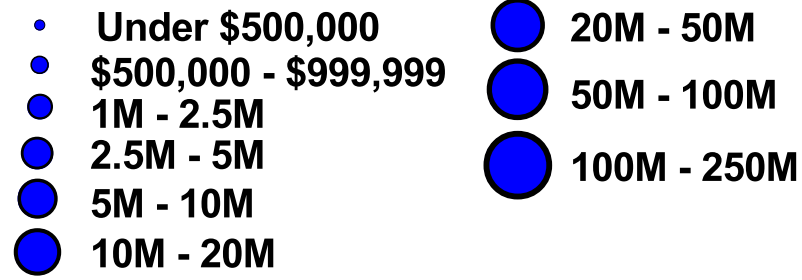
Source: InfoUSA. Only MBE's with identified sales volume are included in percentages of size of company. InfoUSA estimates 2005 sales based on 2003 and 2004 sales.

2005 Sales Volume for MBE's InfoUSA sample



Legend:

Sales Volume



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Projection: Ohio State Plane North 1983
Sources of Data: InfoUSA;
MBE locations from multiple MBE directories.



suburbs all had a higher concentration of mid-to-large MBE's than did the remainder of Cuyahoga (18% overall). This also might be explained because these suburban areas had a higher portion of MBE's whose sales volume data could not be located, with a large part of these likely being small-sized companies. The east side of Cleveland also had a concentration of mid-to-large MBE's (24%), so the city vs. suburb split was not uniform. The near eastern suburbs had the highest concentration of small MBE's and the lowest concentration of mid-to-large MBE's. The small-to-mid MBE's (sales volume of \$500,000 to \$2.5 million) were distributed almost evenly throughout the city and county.

Using a business data source (InfoUSA) we were able to determine the percentage of MBE's which changed categories of volume of sales and receipts, for example changed from the \$1.0 - \$2.5 million sales range to the \$2.5 - \$5.0 million sales range. Of the MBE's that were operating in 2001 and for which there was data, 10% moved upward in sales range while 22% dropped (Chart F4). This is concerning and may be due to both the economic downturn as well as the halting of public set-aside policies.

Both Chart F4 (below) and the "Change in Sales Volume" map (following) show that the west and southwest sides of Cleveland were the only Cuyahoga County areas where a higher portion of MBE's increased in sales than decreased from 2001 to 2005. This may be due to a growing Hispanic/Latino business community there. On the other hand, two areas had less than 10% of MBE's increase in sales and more than 20% decrease in sales from 2001 to 2005 – the east side of Cleveland and the southeastern suburbs.

Chart F4: Location of MBE's by 2001 to 2005 Change in Sales Volume		
Location	<i>Portion of 2001 MBE's which had increased sales from 2001 to 2005</i>	<i>Portion of 2001 MBE's which had decreased sales from 2001 to 2005</i>
Downtown	6%	11%
East side of Cleveland	5%	24%
West / SW Cleveland	13%	10%
East suburbs	10%	22%
NE suburbs	14%	24%
SE suburbs	0%	29%
South suburbs	13%	20%
W/SW suburbs	0%	14%
ALL MBE's	10%	22%

Source: InfoUSA. Only MBE's with identified sales volume in 2001 are included in percentages of size of company.

Change in Sales Volume for MBE's InfoUSA sample (2001-2005)



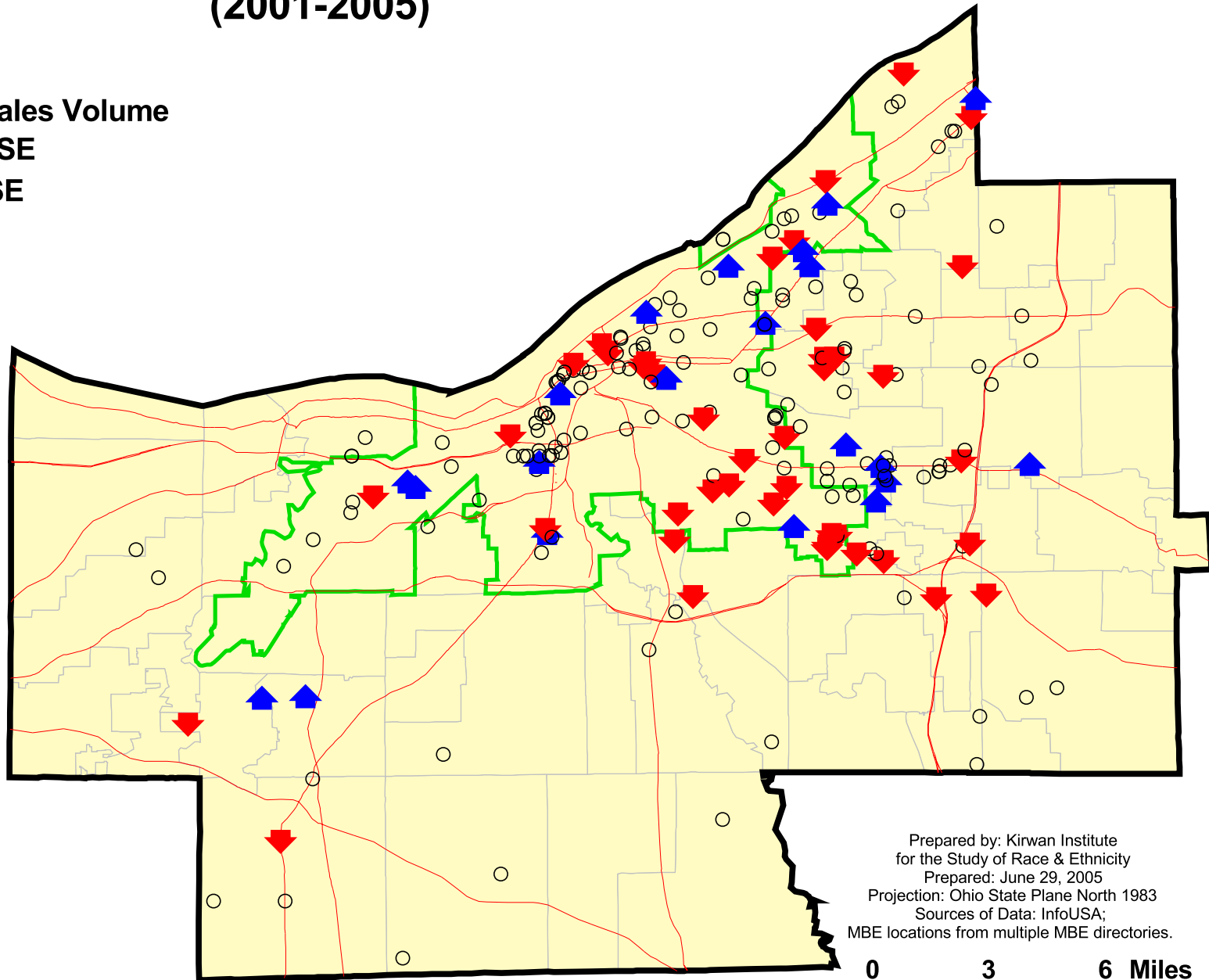
Legend:

Growth in Sales Volume

▼ **DECREASE**

▲ **INCREASE**

○ **SAME**



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Projection: Ohio State Plane North 1983
Sources of Data: InfoUSA;
MBE locations from multiple MBE directories.

0 3 6 Miles

MBE's on the west and southwest sides of Cleveland again had the best performance when looking at credit ratings (Chart F5 and the "Credit Rating Map"). MBE's located there had the highest percentage of credit ratings at 80 or above (67%), the lowest percentage of credit ratings below 70 (10%), and the highest percentage of credit ratings that improved from 2001 to 2005 (65%).

The eastern (59%) and northeastern suburbs (62%) also had a slightly higher than average portion of MBE's with a credit rating of 80 or above. On the flip side, only 37% of MBE's in the southeastern suburbs had a credit rating of 80 or above.

Chart F5 and the "2001-2005 Change in Credit Rating" map demonstrate that along with the west side of Cleveland, downtown Cleveland (50%) is the only other area with a higher than average rate of MBE's with improved credit ratings from 2001 to 2005. MBE's on the east side of Cleveland were the least likely to have improved credit from 2001 to 2005 (only 35%).

Chart F5: Location of MBE's by Credit Rating and Change in Credit Rating				
Location	<i>A or B (80 to 100)</i>	<i>C (70 to 79)</i>	<i>U (below 70)</i>	<i>% MBE's with improved credit rating 2001 to 2005</i>
Downtown	55%	25%	19%	50%
East side of Cleveland	56%	21%	23%	35%
West / SW Cleveland	67%	34%	10%	65%
East suburbs	59%	25%	17%	46%
NE suburbs	62%	17%	21%	42%
SE suburbs	37%	47%	16%	38%
South suburbs	57%	13%	30%	44%
W/SW suburbs	54%	15%	31%	38%
ALL MBE's	57%	23%	19%	46%

Source: InfoUSA. Only MBE's with identified credit ratings are included in percentages of size of company.

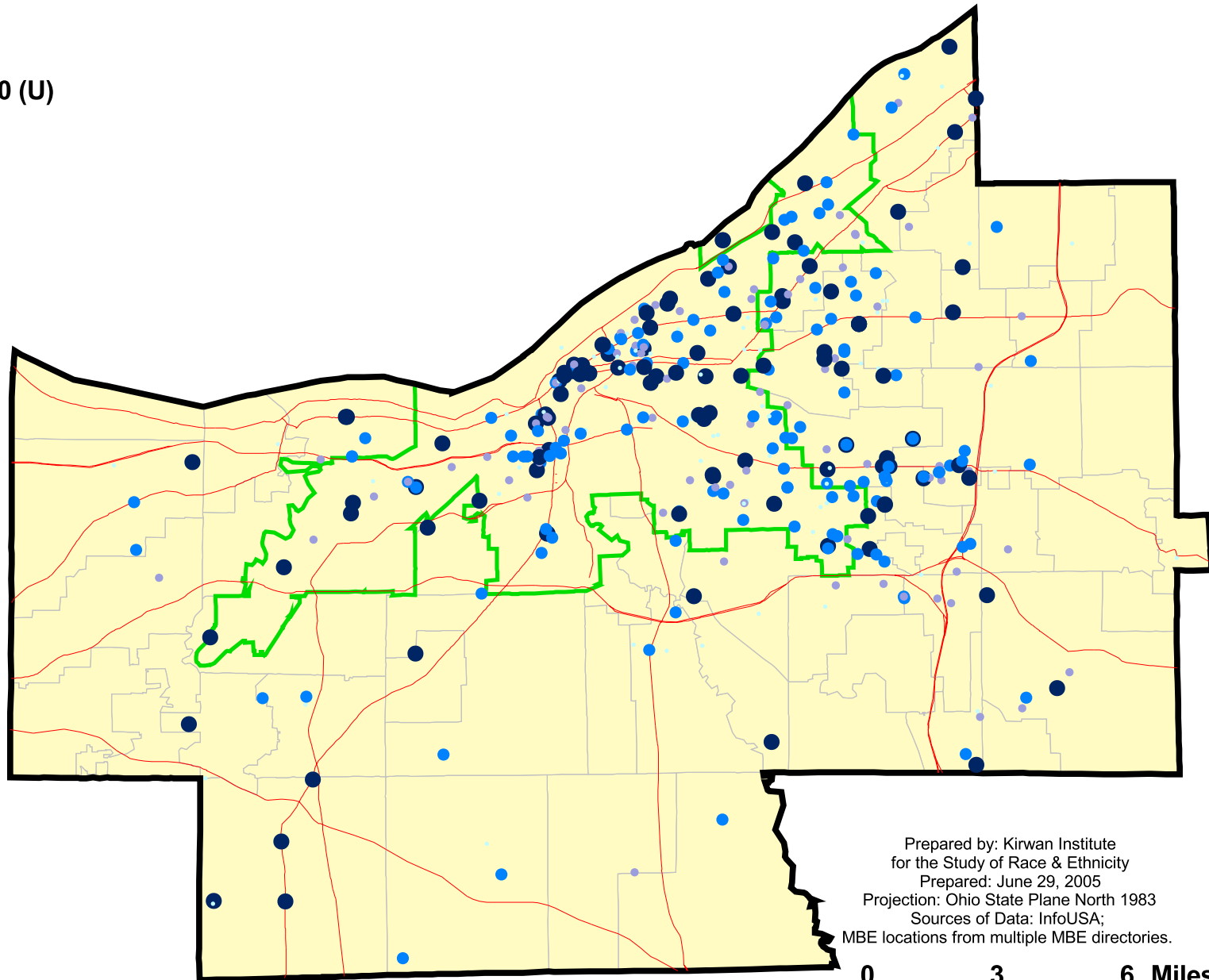
Because the InfoUSA credit ratings are based in part on longevity of the firm, it is natural that many or most firms will have improved credit ratings over time.

2005 Credit Rating for MBE's InfoUSA sample

Legend:

Credit Rating

- Less than 70 (U)
- 70 - 79 (C)
- 80 - 89 (B)
- 90 - 100 (A)



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Projection: Ohio State Plane North 1983
Sources of Data: InfoUSA;
MBE locations from multiple MBE directories.

0 3 6 Miles

Change in Credit Rating for MBE's InfoUSA sample (2001-2005)



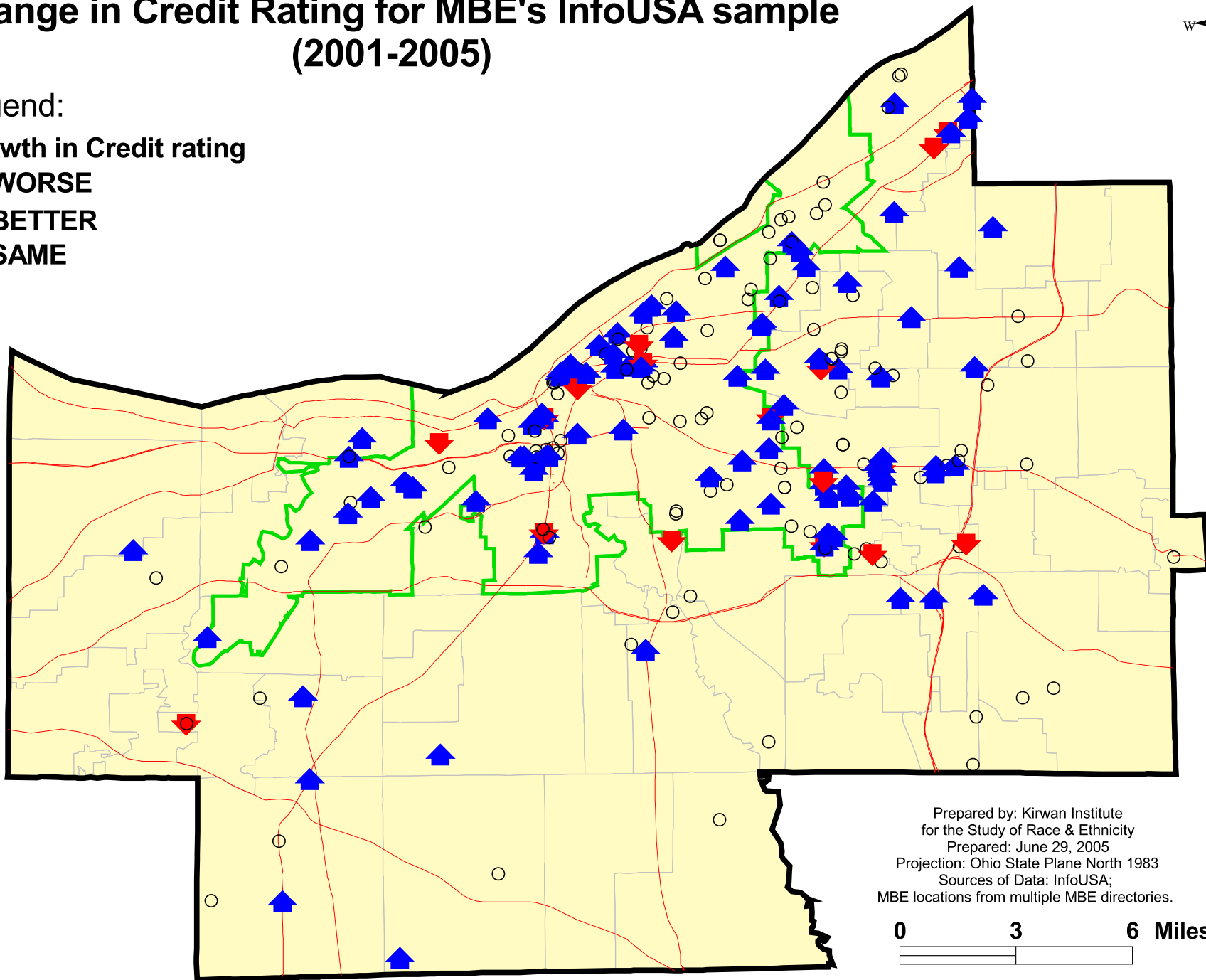
Legend:

Growth in Credit rating

▼ WORSE

▲ BETTER

○ SAME



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Prepared: June 29, 2005
Projection: Ohio State Plane North 1983
Sources of Data: InfoUSA;
MBE locations from multiple MBE directories.

0 3 6 Miles

The size of the company varies greatly by the industry sector (Chart F6). Wholesale trade MBE's (50%) and manufacturing MBE's (46%) are the most likely to currently have estimated annual sales of over \$2.5 million. MBE's in the industry sectors of retail trade (57%), construction (56%), and financial services (53%) were the most likely to be in the small-to-mid range of businesses (annual sales and receipts of \$500,000 to \$2.5 million). Small MBE's tend to be clustered in administrative & support services (68% were small); professional services (41% were small); and retail trade (39% were small).

Chart F6: Industry Sector of MBE's by Percentage within Range of Sales/Receipts Volume				
Industry Sector	Year	<i>Small (Under \$500,000 in sales)</i>	<i>Small to mid (\$500,000 to \$2.5 million)</i>	<i>Mid to large (\$2.5 to \$250 million)</i>
Wholesale Trade	2001	0%	44%	56%
	2005	0%	50%	50%
Manufacturing	2001	19%	27%	54%
	2005	14%	41%	46%
Construction	2001	21%	57%	21%
	2005	23%	56%	21%
Financial Services	2001	31%	56%	13%
	2005	31%	53%	16%
Professional Services	2001	40%	36%	25%
	2005	41%	43%	16%
Admin/Support Services	2001	44%	33%	22%
	2005	68%	25%	7%
Retail Trade	2001	38%	54%	8%
	2005	39%	57%	4%
ALL MBE's	2001	33%	42%	25%
	2005	38%	43%	18%

Source: InfoUSA. Listed in order of 2005 percentage with sales of greater than \$2.5 million. Only MBE's with identified sales volume are included in percentages of size of company. 2005 sales is an estimate based on 2003 and 2004 sales.

Between 2001 and 2005 the size range of MBE's in wholesale trade, manufacturing, professional services, administrative and support services, and retail trade all declined. The sales volume range of MBE's in construction remained virtually unchanged while financial service MBE's were the only sector to grow. Sixteen % of financial service MBE's had annual sales volume of over \$2.5 million in 2005 compared to 13% in 2001.

Chart F6 helps to determine that the best sectors in which to invest to move MBE's from the small-to-mid range to the mid-to-large range may be wholesale trade and manufacturing. The best sectors in which to invest to move MBE's from the small range to the small-to-mid range are construction and financial services. And the best sectors in which to invest to create small business (micro-enterprise) with sales of under \$500,000 may be professional services, retail trade and financial services. However, retail trade MBE's tend to tap out before reach the \$2.5 million sales point though, with only 4% above that mark, compared to 16% of both financial and professional services. In addition, the large increase (44% to 68%) of admin and support service MBE's in the below \$500,000 sales range might indicate some saturation in this industry sector as fewer of these firms are able to rise above the \$500,000 sales mark.

MBE start-ups from 2002 to 2005 have been more likely to be in construction or financial services than were older MBE's. Over one-third of construction MBE's (34%) were started between 2002 and 2005 compared to 31% of financial service MBE's and 23% of all other MBE's. Financial service MBE's were also likely to be initiated immediately preceding 2002 as well, with 42% started from 1997 to 2001. From 1997 to 2001 many transportation MBE's (62%) and retail trade MBE's (54%) were started. Perhaps MBE's in these two sectors were slightly less successful than in financial services, as business start-ups in these two sectors declined sharply from 2002 to the present.

Among the most longstanding MBE's are manufacturing companies. Only 10% of manufacturing MBE's were started between 2002 and 2005, while 36% were started before 1987.

At least three out of four MBE's in manufacturing (84%) and wholesale trade (75%) had a 2005 credit rating of at least A or B (Chart F7). They were also the least likely to have a dangerously low credit rating of below 70. On the other hand less than half of retail trade MBE's (49%) and construction MBE's (44%) had a credit rating of A or B. Administrative and support service MBE's were the most likely to have a credit rating below 70 (25%) compared to 19% of all MBE's.

Chart F7: Industry Sector of MBE's by Credit Rating and Change in Credit Rating				
Location	<i>A or B (80 to 100)</i>	<i>C (70 to 79)</i>	<i>U (below 70)</i>	<i>% MBE's with improved credit rating 2001 to 2005</i>
Manufacturing	84%	7%	10%	39%
Wholesale Trade	75%	13%	13%	13%
Professional Services	61%	20%	20%	52%
Financial Services	56%	25%	19%	71%
Admin/Support Services	52%	23%	25%	53%
Retail Trade	49%	36%	15%	39%
Construction	44%	32%	24%	43%
ALL MBE's	57%	23%	19%	46%

Source: InfoUSA. Only MBE's with identified credit ratings are included in percentages of size of company.

Because the InfoUSA credit ratings are based in part on longevity of the firm, it is natural that many or most firms will have improved credit ratings over time.

Financial service MBE's were the most likely to have improved credit ratings from 2001 to 2005 (71%) compared to 46% of all MBE's. On the other hand, only 13% of wholesale trade MBE's had improved credit ratings from 2001 to 2005. This is in part due to already high credit scores in 2001. More concerning is that only 39% of retail trade MBE's and 43% of construction MBE's had improved credit ratings. MBE's in these sectors had lower credit ratings in 2001 and improved less in credit rating than other MBE's from 2001 to 2005.

ATTACHMENT G:

MINORITY BUSINESS ENTERPRISES BY ZIP CODE, CUYAHOGA COUNTY

Area and Zip Code	# of MBE's
<i>Downtown Cleveland</i>	<i>95</i>
44113	44
44114	35
44115	16
<i>East/NE/SE Cleveland</i>	<i>140</i>
44103	47
44104	17
44105	26
44106	20
44108	25
44127	5
<i>West/SW Cleveland</i>	<i>85</i>
44102	25
44107	7
44109	33
44111	18
44144	2
<i>East suburbs and far eastern Cleveland</i>	<i>307</i>
44112	35
44118	47
44120	58
44121	28
44122	80
44124	11
44128	48
<i>Northeast suburbs and far northeastern Cleveland</i>	<i>70</i>
44110	27
44117	6
44119	4
44123	5
44132	15
44143	13

Area and Zip Code	# of MBE's
<i>Southeast suburbs</i>	<i>52</i>
44022	5
44087	1
44137	11
44139	15
44146	20
<i>South suburbs</i>	<i>63</i>
44125	14
44129	2
44130	9
44131	9
44133	10
44134	1
44136	12
44141	2
44147	1
44149	1
<i>South & southwest suburbs; far southwestern Cleveland</i>	<i>32</i>
44017	6
44070	4
44116	1
44126	1
44135	7
44138	2
44140	3
44142	2
44145	6

Note: The area labels above were the ones utilized in the Attachment F analysis.