



Bridging the Gap: An Analysis of Baltimore's Minority- and Women- Owned Business Communities

Submitted by:
Sage Policy Group, Inc.

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Table of Contents

List of Figures.....	3
Synopsis.....	6
Executive Summary.....	6
Introduction.....	13
Methodology.....	16
Results.....	17
<i>Sizing Up Greater Baltimore’s Minority- and Women-Owned Business Communities-How big are they?.....</i>	17
<i>How Large are the Minority and Female Populations in the Baltimore MSA?.....</i>	18
<i>Based on this Population Distribution, how large (theoretically) should The Minority- and Women-Owned Business Communities be?.....</i>	19
<i>Based on the Statistics Characterizing 24 Other Major Metropolitan Areas, how large should the Minority- and Women-Owned Business Communities be?.....</i>	20
Why Mainstream Businesses Should Care.....	26
Obstacles to Non-Mainstream Business Performance-A Review of the Literature.....	27
<i>Barriers to the Formation and Growth of Minority Firms.....</i>	27
Lack of Financial Capital.....	28
Lack of Access to Financial Markets.....	30
Lack of Access to Business Networks.....	31
Deficits in Human Capital.....	31
Limited Market Access.....	32
<i>Barriers to the Formation and Growth of Women-Owned Businesses.....</i>	33
Obstacles to Non-Mainstream Business Performance – An Analysis of Baltimore-Specific Factors.....	33

Bridging the Gap-Countervailing Best Practices.....	36
Objective-Improving Survival Rates.....	36
A Survey of Best Practices across the US focused on Minority-Owned Businesses.....	37
<i>Forging Strategic Alliances</i>	37
<i>One-Stop Shops</i>	38
<i>An Incubator for Minority- and/or Women-Owned Businesses</i>	39
<i>Promoting Self-Sufficiency</i>	39
<i>Minority Business Mentoring</i>	40
A Survey of Best Practices across the US focused on Women-Owned Businesses.....	40
<i>The Women’s Business Development Center in Chicago</i>	40
<i>Private Sector Reforms</i>	41
Recommendations Derived from Survey of Best Practices.....	41
Conclusions.....	42
Bibliography.....	44
Appendix A: Disparity Study Information-Baltimore.....	46
Appendix B: What is Implan?.....	55

List of Figures

Figure A: Missing Business, 2002 estimate.....	7
Figure B: Lost Employment and Sales due to Under-Representation of Minority-Owned Businesses in Baltimore MSA.....	8
Figure C: Total Economic Loss to Baltimore MSA due to Under-Representation of Minority-Owned Businesses in Baltimore MSA.....	8
Figure D: Distribution of Economic Loss to Categories of Businesses Operating in Baltimore MSA Traceable to Under-Representation of Minority Businesses.....	8
Figure E: Lost Employment and Sales due to Under-Representation of Women-Owned Businesses in Baltimore MSA.....	9
Figure F: Total Economic Loss to Baltimore MSA due to Under-Representation of Women-Owned Businesses in Baltimore MSA.....	9
Figure G: Distribution of Economic Loss to Categories of Business Operating in Baltimore MSA Traceable to Under-Representation of Women-Owned Businesses.....	9
Figure 1: Minority-Owned Businesses in Baltimore MSA by Industry, 2004 Estimated Profile.....	14
Figure 2: Women-Owned Businesses in Baltimore MSA by Industry, 2004 Estimated Profile.....	14
Figure 3: Average Employment for Minority- and Women-Owned Firms, Baltimore vs. Nation, 1997.....	15
Figure 4: Relative Employment Growth among Minority- and Women-Owned Firms in Baltimore MSA, 1992-1997.....	15
Figure 5: Percentage of Firms by Industry in Baltimore MSA, 1997.....	15
Figure 6: 1997 Baltimore MSA Business Communities by Number of Firms, Employment and Sales.....	17
Figure 7: 1997 Percent shares of mainstream, minority, and women-owned businesses in proportion to all businesses.....	18
Figure 8: 2002 Baltimore MSA Business Communities by Number of Firms, Employment and, Sales.....	18
Figure 9: 2002 Percent share of mainstream, minority, and women-owned businesses in proportion to all businesses.....	18
Figure 10: Decomposition of Baltimore MSA population by race, 2000.....	19
Figure 11: Decomposition of Baltimore MSA population by gender, 2000.....	19
Figure 12: Relative size of Baltimore MSA minority-owned business community compared to size of mainstream business community: Number of Firms, 1997.....	19
Figure 13: Relative size of Baltimore MSA women-owned business community compared to size of mainstream business community: Number of Firms, 1997.....	19

Figure 14: 2000 Minority/Female Populations of 25 large U.S. metro areas.....	21
Figure 15: Firm-to-population ratio for minority- and women-owned firms in 24 large metro areas.....	22
Figure 16: Minority-to-Population Ratio, Select Metropolitan Regions.....	23
Figure 17: Comparison of Baltimore MSA firm-to-population ratio to weighted average of 24 large metro areas.....	23
Figure 18: Missing Businesses, 2002 estimate.....	24
Figure 19: Lost Employment and Sales due to Under-Representation of Minority-Owned Businesses in Baltimore MSA.....	24
Figure 20: Total Economic Loss to Baltimore MSA due to Under-Representation of Minority-Owned Businesses in Baltimore MSA.....	25
Figure 21: Distribution of Economic Loss to Categories of Business Operating in Baltimore MSA Traceable to Under-Representation of Minority-Owned Businesses.....	25
Figure 22: Lost Employment and Sales due to Under-Representation of Women-Owned Businesses in Baltimore MSA.....	26
Figure 23: Total Economic Loss to Baltimore MSA due to Under-Representation of Women-Owned Businesses in Baltimore MSA.....	26
Figure 24: Distribution of Economic Loss to Categories of Business Operating in Baltimore MSA Traceable to Under-Representation of Women-Owned Businesses.....	26
Figure 25: Income Distribution of U.S. Householders by Race, 1999.....	29
Figure 26: 2000 Baltimore MSA (separating Baltimore City from MSA suburbs*) per capita income by race and ethnicity.....	30
Figure 27: 2000 Baltimore MSA (separating Baltimore City from MSA suburbs*) per capita income by race and ethnicity.....	30
Figure 28: Educational Attainment of U.S. Householders, 1999.....	31
Figure 29: 2000 Educational Attainment of Baltimore MSA: Baltimore, MD.....	32
Figure 30: 2000 Educational Attainment of Baltimore MSA: MSA Suburbs.....	32
Figure 31: Ranking of Minority Population's Median Household Income in Large Metropolitan Areas, 2000.....	35
Figure 32: Ranking of the Portion of Total Households that are Minority Single-Family Households in Large Metropolitan Areas, 2000.....	36
Figure A1: Market Area Analysis: Construction Prime Contracts, Baltimore MSA, 1990-1998.....	50
Figure A2: Market Area Analysis: Architectural & Engineering Prime Contracts, Baltimore MSA, 1990-1998.....	50
Figure A3: Market Area Analysis: Service Prime Contracts, Baltimore MSA, 1990-1998.....	51
Figure A4: Market Area Analysis, Commodity Contracts, Baltimore MSA, 1990-1998.....	51
Figure A5: Availability of Construction Prime Contracts: African American vs. Non-Minority Men.....	51

Figure A6: Availability of Construction Prime Contracts: Hispanic American vs. Non-Minority Men.....	52
Figure A7: Availability of Construction Prime Contracts: Asian American vs. Non-Minority Men.....	52
Figure A8: Availability of Construction Prime Contracts: Native American vs. Non-Minority Men.....	52
Figure A9: Availability of Construction Prime Contracts: Women vs. Non-Minority Men.....	53
Figure A10: Availability of Construction Prime and Subcontractors.....	53
Figure A11: Availability of Architectural and Engineering Prime Contractors.....	53
Figure A12: Availability of Architectural and Engineering Subcontractors.....	53
Figure A13: Availability of Service Prime and Subcontractors.....	53
Figure A14: Availability of Commodity Vendors.....	54

Bridging the Gap: An Analysis of Baltimore’s Minority- and Women-Owned Business Communities

Synopsis

Relative to the minority- and women-owned business communities in other major U.S. metropolitan areas, the minority- and female-owned business community in Baltimore is smaller at both the macro and micro levels. Both categories of business are under-represented relative to Baltimore’s non-mainstream population. Moreover, the average minority- and women-owned business in Baltimore is smaller than their average counterpart in most other leading metropolitan areas.

This under-representation of non-mainstream business results in a Baltimore area economy that registers \$5 billion less in sales activity than it otherwise would. Not only is this a detriment to the non-mainstream business community, but this analysis suggests that an adequately sized non-mainstream business community would allow mainstream businesses to increase their sales by roughly \$1.8 billion/annum. Moreover, the under-representation of non-mainstream businesses leaves mainstream businesses with less dense supplier networks and the heightened need to locate suppliers outside this region.

To address the non-mainstream business shortfall in Baltimore, this analysis recommends that local leaders spearhead several efforts, including support of the concept of a minority business incubator at Morgan State University, the development of mentor-mentee programs, and the development of an institution that mimics the best practices of the Women’s Business Development Center in Chicago.

Executive Summary

Objective

The Greater Baltimore Committee (GBC) hired Sage Policy Group, Inc. (SPG)¹ to conduct a study of minority-owned and women-owned businesses in the Baltimore metropolitan area. The overarching objectives of the analysis include:

- determining the size and importance of the minority-owned and women-owned business communities in the Baltimore region;
- determining the extent to which these types of businesses prosper relative to their mainstream counterparts;
- identifying barriers to minority business and women-owned business success;
- identifying best practices that successfully promote these business communities²;
- quantifying the economic impact of successful introduction of these business practices; and

¹ The authors of this report are Anirban Basu and Braedyn Woodring of Sage Policy Group, Inc. Research support was provided by Oyinate Koya.

² SPG did not exclude the possibility that certain best practices already reside in the Baltimore metropolitan area.

- determining how mainstream businesses can improve the performance of non-mainstream businesses while simultaneously improving their own business performance.

Findings

The findings of this study reveal that an enormous gap exists between the number of minority-owned firms that should exist and the number that actually do based on the demographics of the Baltimore area and separately on the performance of other metropolitan areas. If one benchmarks the presence of minority businesses in Baltimore against the number that exists in twenty-four other large U.S. metropolitan areas, **there is a shortfall of over 13,700 minority businesses in the Baltimore area.**

Figure A: Missing Businesses, 2002 estimate

Business Category	# of Businesses that Should Exist based on Baltimore's Population and the Performance of Comparison Metros	# of Businesses that Actually Exist in Baltimore MSA (2002)	Business Shortfall
Minority-Owned	42,935	29,194	13,741
Women-Owned	63,612	58,576	5,036
Total	106,547	87,770	18,777

Most minority businesses are quite small; many are just one-person outfits with no paid employees. However, even with this small average firm size, the minority business shortfall is associated with an absence of over 20,000 jobs and nearly \$3 billion in sales per annum in the Baltimore metropolitan area. To put this in perspective, as of June 2004, the number of unemployed in Baltimore City, the jurisdiction with the highest unemployment in the Baltimore metropolitan area, was roughly 26,000.³

When one considers the multiplicative effect of these “missing” businesses, employment and sales, the impact on the region is even more stark. **But for the relative lack of minority-owned businesses, the Baltimore area would have over 30,000 more employees and over \$5 billion⁴ more in sales. Mainstream businesses themselves would experience an increase in sales of over \$1.8 billion.** Lost employee compensation associated with these “missing” minority businesses equals \$803,747,453. Moreover, state and local government tax revenues in Maryland are \$132,723,399 lower

³ These numbers gain additional relevance when one takes into account the fact that minority employers are more likely to hire minority employees. Stoll, Michael A., Raphael, Steven, Holzer, Harry J., “Why Are Black Employers More Likely to Hire African Americans than White Employers?” (2001).

⁴ To put this figure into perspective, Baltimore's Gross Metro Product in 2002 was \$100.32 billion. Our analysis suggests that were minority firms proportionately represented in Baltimore, the region's economy would be roughly 5 percent larger than it is.

than they would be were minority firms proportionately represented in the Baltimore MSA.

Figure B: Lost Employment and Sales due to Under-Representation of Minority-Owned Businesses in Baltimore MSA

Minority-Owned			
Average firm size (2002)	Average sales per firm (2002) ⁵	Direct Foregone Employment	Direct Foregone Sales
1.474	\$217,952	20,255	\$2,994,878,432

Figure C: Total Economic Loss to Baltimore MSA due to Under-Representation of Minority-Owned Businesses in Baltimore MSA

Direct Foregone Employment	Total Foregone Employment, Multiplier ⁶ = 1.6	Direct Foregone Sales	Total Foregone Sales, Multiplier ⁷ = 1.67
20,255	32,408	\$2,994,878,432	\$5,001,446,981

This economic loss can be further disaggregated across the various categories of businesses analyzed here, minority-owned, women-owned and mainstream.

Figure D: Distribution of Economic Loss to Categories of Businesses Operating in Baltimore MSA Traceable to Under-Representation of Minority Businesses

Category of Business	Total Foregone Employment	Total Foregone Sales (\$)
Mainstream	10,719	\$1,854,069,339
Women-Owned	936	\$94,308,722
Minority-Owned	20,753	\$3,053,068,920
Total	32,408	\$5,001,446,981

Figure D shows that even mainstream firms should be concerned by the fact that minority-owned firms are under-represented in the Baltimore MSA. Were the minority business community as fully formed as it is in comparison metropolitan areas on average, mainstream businesses in the Baltimore MSA would stand to gain \$1.854 billion more in sales, and would have over 10,719 more employees, a gain of roughly 1.1 percent over 2002 totals.

Results characterizing the presence of women-owned businesses in the Baltimore MSA are more encouraging. Women-owned businesses in the Baltimore MSA have performed

⁵ Average sales based on 1997 figure inflated by inflation estimate for the Baltimore area, 1997-2002.

⁶ We have defined the employment multiplier as the following ratio: total employment/direct employment. The multiplier has been taken from a Baltimore-based IMPLAN model developed by SPG.

⁷ We have defined the sales multiplier as the following ration: total foregone sales/direct foregone sales. The multiplier has been taken from a Baltimore-based IMPLAN model developed by SPG.

remarkably well in recent years, and appear to be more proportionately represented in Baltimore. Figures E through G present our women-owned business findings.

Figure E: Lost Employment and Sales due to Under-Representation of Women-Owned Businesses in Baltimore MSA

Women-Owned			
Average employees per firm (2002)	Average sales per firm (2002) ⁸	Direct Foregone Employment	Direct Foregone Sales
1.387	\$134,710	6,985	\$678,399,560

Figure F: Total Economic Loss to Baltimore MSA due to Under-Representation of Women-Owned Businesses in Baltimore MSA

Direct Foregone Employment	Total Foregone Employment, Multiplier ⁹ = 1.6	Direct Foregone Sales	Total Foregone Sales, Multiplier ¹⁰ = 1.67
6,985	11,176	\$678,399,560	\$1,132,927,265

Figure G: Distribution of Economic Loss to Categories of Business Operating in Baltimore MSA Traceable to Under-Representation of Women-Owned Businesses

Category of Business	Foregone Employment	Foregone Sales (\$)
Mainstream	3,696	\$419,983,599
Women-Owned	7,308	\$699,762,362
Minority-Owned	172	\$13,181,304
Total	11,176	\$1,132,927,265

Obstacles and Countervailing Best Practices

Barriers to successful minority business formation and growth include:

(1) a lack of financial capital, (2) a lack of social capital (for example, business networks and familial resources), (3) deficits in human capital and (4) a lack of access to the market.¹¹

⁸ Average sales based on 1997 figure inflated by inflation estimate for the Baltimore area, 1997-2002.

⁹ We have defined the employment multiplier as the following ratio: total employment/direct employment. The multiplier has been taken from a Baltimore-based IMPLAN model developed by SPG.

¹⁰ We have defined the sales multiplier as the following ratio: total foregone sales/direct foregone sales. The multiplier has been taken from a Baltimore-based IMPLAN model developed by SPG.

¹¹ "Do Minority-owned businesses get a Fair Share of Government Contracts?" The Urban Institute, p.34

Our research concludes that financing issues explain much of the underperformance of minority businesses in the Baltimore area. Baltimore's minority population earns incomes lower than the minority populations in most other major metropolitan areas. As a result, the barriers to capital formation that affect minority business communities everywhere have disproportionate impact in Baltimore because of the greater need for financial support among fledgling entrepreneurs.

Minorities generally, although having a greater need for private loans (due to their low incomes and wealth), tend to have greater difficulty guaranteeing and accessing loans. African Americans and Latinos, especially, are less likely than whites to borrow from banks when starting or expanding their businesses.¹² Other financial barriers include: "limited track record as a business, limited assets of business, owner not understanding the credit process, lack of working relationship with the bank, owner not having required financial documents and amount of collateral required."¹³ These obstacles appear to be even more prevalent in Baltimore than elsewhere, and therefore require local policymakers to deal more creatively and aggressively with these barriers to success.

Barriers to successful women-owned business formation and growth include:

(1) limited access to commercial credit, (2) virtual exclusion of women-owned businesses from government procurement activities, (3) limited Management and technical training, and (4) inadequate information and data on women-owned businesses.

Countervailing best practices include:

- developing innovative financing programs to support low-income minority/female entrepreneurs;
- setting up formal mechanisms designed to forge strategic alliances between the mainstream and non-mainstream business communities;
- creating one-stop shops focused specifically on non-mainstream businesses. These one-stop shops can be made particularly affective if they leverage the presence the local HBCUs, and co-locate business support facilities including incubators;
- developing formal mentoring programs that provide a vehicle through which successful mainstream and non-mainstream businesses support emerging non-mainstream businesses; and
- mimicking practices developed by the Women's Business Development Center in Chicago.

¹² "Do Minority-owned businesses get a fair share of Government Contracts?" The Urban Institute, p.36

¹³ Sherrie Taylor, Chandra Strong. "Do Financial Barriers still exist for women owned businesses", p.3, 2002.

Why Mainstream Businesses Should Care

Mainstream businesses have more than a passing interest in the success of minority- and female-owned firms. As this analysis indicates, the under-representation of minority- and female-owned businesses results in a smaller Baltimore metropolitan area economy, stunted deal flow, and fewer final sales among all categories of business. Moreover, the presence of a proportional number of female- and minority-owned businesses would provide mainstream businesses with a denser supply network, more competition among suppliers, and greater capacity to minimize costs and improve the bottom line.

Heightened success among non-mainstream businesses would also improve the quality of life in the Baltimore metropolitan area. Because of the regions demographics, the regions urban core has the most to gain from non-mainstream business success. The formation of healthy businesses in our urban core would likely help alleviate many of our regions worst ills, including high urban unemployment, low male labor force participation, inadequate skills formation, poverty, etc.

Unfortunately, mainstream businesses have not tended to view the formation and success of minority- and female-owned businesses as a priority. We believe that this is the result of public policies that have pitted mainstream businesses against their minority-owned and female-owned counterparts in the area of government contracting. To craft a confluence of interests between mainstream and non-mainstream businesses, we offer a set of recommendations unrelated to government contracting practices.

The Pivotal Role of Local Business Leaders

We believe that local business leaders can have the greatest impact by working to forge better links between the mainstream and non-mainstream business communities. We are encouraged by the fact that the GBC is already sponsoring networking opportunities between mainstream and non-mainstream businesses. We are also highly supportive of the mentor-entrepreneurship program built into the GBC's current strategic plan. We believe that GBC workshops focused on the creation of strategic alliances are also conducive to improving non-mainstream business success.

Local business leaders may want to consider going one step further by encouraging links between its membership and the minority communities themselves, since much of the problem is not simply associated with existing minority businesses, but with the fact that too few minority businesses have been formed in the first place. Given the role of educational attainment in business formation, we encourage local institutions to continue to focus on issues of education and to further the quest for accountability.

Further, mainstream businesses should be made to understand that their sales and growth prospects can only improve if the minority business community grows in stature, and becomes as large as one would expect given the size of minority business communities in other large U.S. metropolitan areas. Our data and analysis are consistent with the notion

that great untapped business potential lies within our local minority communities; potential that if unleashed would benefit not only minority communities, but also the mainstream business community.

Recommendations for Consideration by Baltimore Area Leaders

- Local leaders should spearhead an effort to create a pool of capital to be made available specifically to low-income minority and female entrepreneurs. The presence of such a fund would allow Baltimore to close the gap between it and other cities; cities that have outperformed Baltimore in terms of non-mainstream business formation and growth largely because of more convenient demographics.
- Local leaders should help mainstream businesses identify effective local MBEs and to utilize these MBEs as often and forcefully as possible, especially when they replace a supplier that is not locally based. The effort should begin with major purchasers in the Baltimore area.
- Local leaders should consider an effort to create a SBDC/PTAC structure at Morgan State University that focuses on (among other things) involving minority businesses in homeland security.
- Local leaders should explore ways (including creating new forums) to further connect with the Baltimore Hispanic Chamber of Commerce to bring entrepreneurs from various communities together.
- Local leaders should lead an effort to enable Baltimore to develop an incubator focused on minority businesses. Special attention should be focused on assisting businesses to obtain 8(a) certification from the federal government to promote federal contracting here. An attractive location for the incubator could be Morgan State University.
- Local leaders along with other associations of business should sponsor a buy African-American campaign in Baltimore marketed not only to minorities, but also to mainstream communities.
- Local leaders should create a program/seminar to help minority businesses identify complementary mainstream markets for their goods/services.
- Local leaders create a Minority Business Council Mentoring Program that follows the best practice established in Cincinnati.
- Local leaders should spearhead an effort to create a Women's Business Development Center that is guided by the best practice established in Chicago.

We believe that adoption of some or all of these recommendations will substantially improve minority- and women-owned business survivorship in the Baltimore area, and help to bridge the gap that exists between Baltimore and other metropolitan areas, and the gap that exists between mainstream and minority communities.

Introduction

The Greater Baltimore Committee (GBC) hired Sage Policy Group, Inc. (SPG) to conduct a study of minority-owned and women-owned businesses in the Baltimore metropolitan area. The overarching objectives of the analysis include:

- determining the size and importance of the minority-owned and women-owned business communities in the Baltimore region;
- determining the extent to which these types of businesses prosper relative to their mainstream counterparts;
- identifying barriers to minority business and women-owned business success;
- identifying best practices that successfully promote these business communities¹⁴; and
- quantifying the economic impact of successful introduction of these business practices.

One of the great difficulties researchers have faced is that data characterizing minority- and women-owned businesses tend to be highly lagged. That said, the latest data available make it clear that minority- and women-owned businesses are important to our region and to our state. Data from the late-1990s¹⁵ show that at that time, over one in five businesses in Maryland was minority-owned, and that the state ranked eighth in the nation in terms of the total number of minority-owned firms.¹⁶ Despite representing over 20 percent of all firms and nearly 35 percent of Maryland's population, minority-owned businesses represented only 4 percent of total business sales in 1997.¹⁷

It is worth noting that Baltimore ranked eighth in the nation in terms of the percent share of women-owned firms as a proportion of all privately owned firms in 2002. As of 2002, there were an estimated 58,600 majority-owned, privately-held women-owned firms in the Baltimore area, accounting for 31 percent of all privately-held firms in the metropolitan area.¹⁸ In that year, women-owned firms in the Baltimore region employed over 81,000 people, and generated nearly \$7.9 billion in sales. Estimates from the Center for Women's Business Research suggest that between 1997 and 2002, the number of women-owned firms in the region rose 11 percent, employment grew 2 percent, and sales rose 31 percent.¹⁹

¹⁴ SPG did not exclude the possibility that certain best practices already reside in the Baltimore metropolitan area.

¹⁵ U.S. Census Bureau, 1997 Economic Census.

¹⁶ Data from the Greater Baltimore State of the Region Report, 2003, show that of 20 metropolitan areas considered in the report, Greater Baltimore ranked 7th for the percentage of minority-owned firms.

¹⁷ According to the Census Bureau, in 1997, only California, New Mexico, Texas and Florida could also claim that minorities owned over 20 percent of all businesses.

¹⁸ Center for Women's Business Research, Women-Owned Businesses in Baltimore, MD: 2002, A Fact Sheet, p. 1.

¹⁹ Id.

Figures 1 and 2 provide estimates for the size and industry composition of the minority- and female-owned business communities in Baltimore today. The data show that the largest component of minority-owned businesses is the service sector, followed by retail trade, and the combined transportation/communications sector. Construction ranks fourth. Among women-owned businesses, the largest components are also services and retail trade, but financial services also stands out as a major category into which female-owned businesses fall.

Figure 1: Minority-Owned Businesses in Baltimore MSA by Industry, 2004 Estimated Profile

Industry	Firms	% of Firms	Sales (millions)	% of Sales	Employment	% of Employment
Construction	1,317	4%	\$245	4%	2,850	7%
Transportation/Comm.	2,381	8%	\$302	5%	1,610	4%
Agricultural Services	282	1%	\$18	0.3%	403	1%
Service	14,229	47%	\$1,638	25%	15,858	39%
Finance/Insurance	1,462	5%	\$224	3%	894	2%
Retail Trade	4,814	16%	\$1,445	22%	10,004	25%
Wholesale Trade	369	1%	\$695	11%	2,937	7%
Manufacturing	218	1%	\$245	4%	4,053	10%

Source: 1997 Economic Census, U.S. Census Bureau, Center for Women's Business Research

Figure 2: Women-Owned Businesses in Baltimore MSA by Industry, 2004 Estimated Profile

Industry	Firms	% of Firms	Sales (millions)	% of Sales	Employment	% of Employment
Construction	1,705	3%	\$678	8%	4,732	7%
Transportation/Comm.	1,632	3%	\$385	5%	2,938	5%
Agricultural Services	783	1%	\$57	1%	707	1%
Service	33,883	56%	\$1,957	23%	26,558	41%
Finance/Insurance	5,226	9%	\$565	7%	2,521	4%
Retail Trade	8,119	13%	\$1,241	15%	14,382	22%
Wholesale Trade	889	1%	\$1,233	15%	4,277	7%
Manufacturing	967	2%	\$840	10%	8,232	13%

Source: 1997 Economic Census, U.S. Census Bureau, Center for Women's Business Research

This analysis will spend a considerable amount of time determining whether there are an anticipated number of minority- and women-owned businesses in the Baltimore metropolitan area given its demographic profile. While the number of non-mainstream businesses is important, another important aspect is the relative size of these businesses. SPG's analysis of the data suggest that both minority- owned and women-owned firms are smaller in the Baltimore MSA than in a representative sample of other leading U.S. metropolitan areas. For instance, the average minority-owned firm in Baltimore

employed 1.43 paid employees in 1997, compared to 1.49 nationally. The same pattern is reflected in female-owned business data. In 1997 the average female-owned business employed 1.23 paid employees versus 1.31 nationally. This is presented in Figure 3 below.

Figure 3: Average Employment for Minority- and Women-Owned Firms, Baltimore vs. Nation, 1997

Type	Average Employment Baltimore MSA	Average Employment U.S.
Minority-Owned Businesses	1.43	1.49
Women-Owned Businesses	1.23	1.31

Source: 1997 Economic Census, U.S. Census Bureau

Figure 4: Relative Employment Growth among Minority- and Women-Owned Firms in Baltimore MSA, 1992-1997

Type	Total Employment (thousands) 1992	Total Employment (thousands) 1997	% Growth 1992-1997
All Business	1,092.70	1,168.10	6.9%
Minority-Owned	32.98	40.66	23.3%
Women-Owned	47.87	64.62	35.0%

Source: 1992 and 1997 Economic Census, U.S. Census Bureau; Bureau of Labor Statistics.

Despite this, Figure 4 indicates that non-mainstream businesses have been a potent source of economic and employment expansion in Baltimore in recent years. Employment growth among both minority- and female-owned firms was more rapid during the mid-1990s than among mainstream businesses. A goal of this report is to identify methods and practices through which this growth pattern can continue.

Figure 5: Percentage of Firms by Industry in Baltimore MSA, 1997

Industry	% of Minority-Owned Firms	% of Women-Owned Firms	% of Mainstream Firms	% of All Firms
Construction	4%	3%	15%	10%
Transportation/Comm.	7%	2%	5%	5%
Agricultural Services	1%	1%	3%	2%
Services	49%	58%	38%	45%
Finance/Insurance	5%	9%	17%	13%
Retail Trade	17%	15%	11%	13%
Wholesale Trade	1%	2%	5%	4%
Manufacturing	1%	2%	3%	2%

Source: 1997 Economic Census, U.S. Census Bureau

Figure 5 shows that both minority- and women-owned firms are disproportionately represented in services, retail trade, while having less presence in construction, financial services, manufacturing, and wholesale trade/distribution. This may indicate a need to focus on non-mainstream businesses currently in these segments.

Throughout this report, SPG documents the success or lack thereof among the minority- and women-owned business communities of this region relative to their mainstream business counterparts. To the extent that the non-mainstream business community has failed to mimic the success of its mainstream counterparts, SPG has attempted to identify explanations of underperformance by looking to the latest scholarly research. SPG has also looked to the research to identify best practices; those practices that have proven successful in closing the performance gap between the mainstream and non-mainstream business communities. Finally, SPG has calculated the benefits of closing the performance gap in terms of augmented gross regional product, employment, wages and tax revenues.

Methodology

This effort revolves largely around data compilation and basic analysis. The modeling required for this project was minimal. For contemporary information on the minority- and women-owned business communities, SPG looked principally to the following sources:

Survey of Minority Owned Business Enterprises, 1997 Economic Census, U.S. Census Bureau; Survey of Women Owned Business Enterprises, 1997 Economic Census, U.S. Census Bureau; Summary of Findings: Survey of Minority Owned Business Enterprises, 1997 Economic Census, U.S. Census Bureau; U.S. Business Statistics, U.S. Census Bureau, 1997-2001; 2000 Census, U.S. Census Bureau; Minorities in Business, U.S. Small Business Administration, Office of Advocacy, 2001; Women in Business, U.S. Small Business Administration, Office of Advocacy, 2001; Key Facts About Women Business Owners and Their Enterprises, National Women's Business Council; Women-owned Businesses in the Top 50 Metropolitan Areas, 2002: A Fact Sheet, Center for Women's Business Research, 2001; Women-owned Businesses in Baltimore, MD, 2002: A Fact Sheet, Center for Women's Business Research, 2001; MGT of America, Inc, City of Baltimore Minority Business Enterprise Disparity Study, 2000.

Analysis was performed by SPG to fill in data gaps where possible without engaging in protracted speculation. This exercise is unavoidable in a study such as this, which would otherwise be based on insufficiently contemporary data but for the attempt at analytical updating.

In order to quantify the impact of improving non-mainstream business fortunes, SPG used an IMPLAN input-output econometric model to quantify associated economic benefits. This model's multipliers were tailored to Baltimore area specifications, and allowed SPG to report predicted increases to gross regional product, employment, wages and state/local tax revenues.

To understand the manner in which IMPLAN functions, consider the following example. A new firm opens in a region and directly employs 100 workers. The firm purchases supplies, both from outside the region as well as from local suppliers, which leads to increased business for local firms, thereby creating jobs for say, another 100 workers. This is called the indirect effect. The workers at the firm and at suppliers spend their income mostly in the local area, creating jobs for hypothetically another 50 workers. This is the induced effect. The direct, indirect, and induced effects add up to 250 jobs created from the original 100 jobs. Thus, in terms of employment, the total economic impact of the hypothetical firm in our example is 250.²⁰

Results

Sizing Up Greater Baltimore's Minority- and Women-Owned Business Communities - How big are they?

According to data obtained from the Census Bureau's 1997 Economic Census, minority firms numbered 28,497, representing 15.6 percent of all firms, and generated sales of \$4,067,836 million, which accounted for 2.7 percent of total sales for all firms. Minorities employed 40,659 workers and had an annual payroll of \$797,070,000.²¹

In 1997, women-owned firms numbered 52,665, representing 28.8 percent of all firms, and generated sales of \$6,030,676 million, accounting for about 4 percent of total sales for all businesses. Women-owned firms employed 64,623 employees and generated an annual payroll of \$1,286,000,000.²²

Figure 6: 1997 Baltimore MSA²³ Business Communities by Number of Firms, Employment and Sales

	Number of firms	Employment	Sales (\$000s)	Average Employment	Average Sales
All	182,549	997,996	152,233,721	5.5	\$833,933
Mainstream	101,387	892,714	142,135,209	8.8	\$1,401,907
Women	52,665	64,623	6,030,676	1.2	\$114,510
Minorities	28,497	40,659	4,067,836	1.4	\$142,746

Source: 1997 Economic Census, U.S. Census Bureau

²⁰ Total economic impact is defined as the sum of direct, indirect and induced effects.

²¹ This translates into a per worker compensation of roughly \$19,604/annum. For comparison purposes, the average compensation for mainstream businesses in the Baltimore MSA in 1997 was \$29,823/annum. The total payroll for mainstream businesses was \$26.6 billion.

²² This translates into per worker compensation of roughly \$19,900/annum.

²³ The Baltimore MSA includes: Baltimore City and Baltimore, Howard, Harford, Carroll, Anne Arundel and Queen Anne's counties.

Figure 7: 1997 Percent shares of mainstream, minority, and women-owned businesses in proportion to all businesses

	Number of firms	Employment	Sales
All	100.00%	100.00%	100.00%
Mainstream	55.5%	89.4%	93.4%
Women	28.8%	6.5%	4.0%
Minorities	15.6%	4.1%	2.7%

Data characterizing the size of the women-owned business community are more current than data characterizing the minority-owned business community, which allows us to provide the following information.²⁴ As of 2002, there were an estimated 58,576 majority-owned, privately-held women-owned firms in the Baltimore area, which accounted for 31 percent of all privately-held firms in the metropolitan area. This compares to the 29 percent share of businesses recorded five years prior. In 2002, women-owned businesses in Baltimore, MD employed over 81,000 people and earned nearly \$7.9 billion in sales. Between 1997 and 2002, the number of women-owned firms in Baltimore rose by 11 percent, employment rose 26 percent and sales grew 31 percent.²⁵

Figure 8: 2002 Baltimore MSA Business Communities by Number of Firms, Employment and, Sales

	Number of firms	Employment	Sales (\$000s)
All ²⁶	187,143	1,057,358	166,183,001
Mainstream	99,373	933,105	153,520,622
Women	58,576	81,219	7,890,795
Minorities ²⁷	29,194	43,034	4,771,584

Figure 9: 2002 Percent share of mainstream, minority, and women-owned businesses in proportion to all businesses

	Number of firms	Employment	Sales
All	100.00%	100.00%	100.00%
Mainstream	53.1%	88.2%	92.4%
Women	31.3%	7.7%	4.7%
Minorities	15.6%	4.1%	2.9%

How Large are the Minority and Female Populations in the Baltimore MSA?

The total population of the MSA in 2000 was 2,552,994²⁸ with the following racial/ethnic/gender decomposition:

²⁴ Thanks to research conducted by the National Women’s Business Council.

²⁵ In 2002, there were an estimated 10,094 women-owned employer firms (a subset of all women-owned firms) in Baltimore, MD, which was a 28 percent increase between 1997 and 2002. This was four times the growth rate of all employer firms in the metropolitan area (7%).

²⁶ Employment and sales estimated based on extrapolation from 1997 data.

²⁷ SPG estimates.

Figure 10: Decomposition of Baltimore MSA population by race, 2000

Race/Ethnicity	Number	Percent of total population
White	1,719,315	67.34%
Black	669,962	26.24%
Asian	68,873	2.69%
Hispanic	51,329	2.01%
American Indian/Alaska Native	6,976	0.27%
Native Hawaiian or other Pacific Islander	1,028	0.04%
Other	18,111	0.71%

Source: U.S Census Bureau

Figure 11: Decomposition of Baltimore MSA population by gender, 2000

Gender	Population (number)
Male	1,228,231
Female	1,324,763

Source: U.S Census Bureau

Based on this Population Distribution, how large (theoretically) should the Minority- and Women-Owned Business Communities be?

Figures 12 and 13 present the respective firm-to-population ratios for the mainstream, minority and female communities. Based on the most recent data available, the firm-to-population ratio is much higher for the non-minority, non-female population than for the minority and female populations, respectively.

Figure 12: Relative size of Baltimore MSA minority-owned business community compared to size of mainstream business community: Number of Firms, 1997

	Number of firms (1997)	Population (2000)	Firm-to-Population Ratio
Mainstream	101,387	1,719,315	0.05897
Minority	28,497	833,679	0.03418

Figure 13: Relative size of Baltimore MSA women-owned business community compared to size of mainstream business community: Number of Firms, 1997

	Number of firms (1997)	Population (2000)	Firm-to-Population Ratio
Mainstream	101,387	1,719,315	0.05897
Women	52,655	1,324,763	0.03974

²⁸ The Greater Baltimore Committee, State of the Region Report, 2003.

Based on the Statistics Characterizing 24 Other Major Metropolitan Areas, how large should the Minority- and Women-Owned Business Communities be?

The following analysis serves as the basis for many of our conclusions. This analysis benchmarks the Baltimore MSA against other 24 large metro areas in the nation. The analysis determines whether the Baltimore MSA has as many minority- and female-owned businesses given the relative presence of these businesses in other major metropolitan areas. In this analysis, SPG has taken into account the size of the minority and female populations relative to the corresponding populations in Baltimore. Figure 14 provides basis Census data on minority and female populations in Baltimore and other 24 metro areas of interest. Figure 15 provides the firm-to-population ratio for the minority and female populations by metro area, and then provides a weighted average of the comparison areas by category. Figure 16 compares these metro-specific averages with Baltimore's corresponding ratio.

Figure 14: 2000 Minority/Female Populations of 25 large U.S. metro areas²⁹

Metro Area	Minority	Female
Baltimore, MD	833,679	1,324,763
Atlanta, GA	1,522,310	2,082,645
Boston, MA	595,385	1,767,022
Chicago, IL	2,829,484	4,225,080
Dallas, TX	1,155,468	1,764,119
Denver, CO	435,305	1,054,210
Detroit, MI	1,277,713	2,284,081
Fort Lauderdale, FL	477,731	839,786
Houston, TX	1,623,810	2,098,020
Las Vegas, NV	410,153	769,805
Los Angeles, CA	4,882,276	4,815,233
Miami, FL	682,804	1,164,467
Minneapolis-St. Paul, MN	411,955	1,502,520
New York, NY	4,768,578	4,890,660
Orlando, FL	411,476	835,181
Phoenix, AZ	798,958	1,619,573
Portland-Vancouver, OR	269,919	966,264
Riverside-San Bernardino, CA	1,234,383	1,632,413
Sacramento, CA	484,695	829,527
San Diego, CA	941,994	1,398,736
San Francisco, CA	716,972	864,152
San Jose, CA	776,925	829,611
Seattle-Everett, WA	517,787	1,211,104
Tampa-Clearwater-St. Petersburg, FL	409,494	1,240,719
Washington D.C.MD-VA-WV	1,965,455	2,525,807

Source: U.S. Census Bureau, 2000 Census.

²⁹ These metros were chosen for this analysis because of the availability of rich economic data from the 1997 business census and because of a desire to create a ratio that did not over-reflect trends in one particular region of the nation. It is for this reason that the Philadelphia-Wilmington metropolitan area was dropped. Readers may be interested to know that the minority firm to minority population ratio in Philadelphia is 0.03175, which is lower than Baltimore's. Philadelphia's women-owned business to female population ratio is 0.03866, which is also lower than Baltimore's.

Figure 15: Firm-to-population ratio for minority- and women-owned firms in 24 large metro areas³⁰

Metropolitan Area	Minority	Women
Atlanta, GA	0.03861	0.05157
Boston, MA	0.04201	0.05238
Chicago, IL	0.03382	0.04419
Dallas, TX	0.04574	0.04927
Denver, CO	0.04768	0.06366
Detroit, MI	0.02428	0.03991
Fort Lauderdale, FL	0.07947	0.05467
Houston, TX	0.05692	0.04285
Las Vegas, NV	0.02879	0.04288
Los Angeles, CA	0.05925	0.04439
Miami, FL	0.20335	0.05925
Minneapolis-St. Paul, MN	0.02889	0.05302
New York, NY	0.04966	0.04718
Orlando, FL	0.05123	0.05040
Phoenix, AZ	0.03197	0.04294
Portland-Vancouver, OR	0.04090	0.06124
Riverside-San Bernardino, CA	0.04509	0.03002
Sacramento, CA	0.04970	0.04250
San Diego, CA	0.05275	0.04633
San Francisco, CA	0.07632	0.07013
San Jose, CA	0.05199	0.04478
Seattle-Everett, WA	0.05009	0.05896
Tampa-Clearwater-St. Petersburg, FL	0.06317	0.04770
Washington, D.C.-MD-VA-WV	0.05057	0.05031
WEIGHTED AVERAGE	0.05150	0.04802

³⁰ Ratio calculated using data from the most recent Census of Minority Businesses, most recent population Census, and most recent Census of Women-Owned Business.

Figure 16: Minority-to-Population Ratio, Select Metropolitan Regions



Figure 17: Comparison of Baltimore MSA firm-to-population ratio to weighted average of 24 large metro areas, 1997

Metropolitan Area	Minority	Women
Baltimore, MD	0.03418	0.03974
WEIGHTED AVERAGE	0.05150	0.04136

Figure 17 shows that minority businesses in the Baltimore MSA were highly under-represented as of 1997 when one simultaneously considers Baltimore’s demographics and the formation of minority business in 24 other major metropolitan areas. This analysis updates these data, and utilizes the resulting 2002 estimates. Figure 18 provides an indication of the number of “missing” businesses, those that would theoretically exist if Baltimore’s performance were on par with the balance of major metropolitan areas.

The results presented in Figure 18 represent a study in contrasts. Because of the rapid formation and growth of female-owned businesses during the 1997-2002 period, there appears to a shrinking shortfall in the number of female-owned businesses when Baltimore is benchmarked against other major metropolitan areas. Between 1997 and 2002, the number of female-owned businesses in the Baltimore area expanded 11.2 percent compared to the 11.0 percent rate recorded nationally.

Figure 18: Missing Businesses, 2002 estimate³¹

Business Category	# of Businesses that Should Exist based on Baltimore's Population and the Performance of Comparison Metros	# of Businesses that Actually Exist in Baltimore MSA (2002)	Business Shortfall
Minority-Owned	42,935	29,194	13,741
Women-Owned	63,612	58,576	5,036
Total	106,547	87,770	18,777

Conversely, there is a yawning gap between the number of minority-owned businesses that theoretically ought to exist in Baltimore, and the number that actually do. Figures 19 and 20 provide a measure of estimated loss of economic activity due to these “missing” minority businesses.

Figure 19: Lost Employment and Sales due to Under-Representation of Minority-Owned Businesses in Baltimore MSA

Minority-Owned			
Average employees per firm (2002)	Average sales per firm (2002) ³²	Direct Foregone Employment	Direct Foregone Sales
1.474	\$217,952	20,255	\$2,994,878,432

³¹ For Firms: The shortfall was calculated by taking the number of firms that minority and women-owned businesses would have if they had the same firm-to-population ratio as mainstream businesses, and their actual number.

For Employment: The shortfall was calculated by the gap (number of firms) and multiplying by the average firm size for women and minority owned businesses

For Sales: The shortfall was calculated by the gap (number of firms) and multiplying by average sales per firm for women and minority owned businesses.

*The average size and sales per firm for minority owned firms was calculated by using data from 1997 economic census for the U.S. economy (taking total employees/total firms; total sales/total firms)

*The average size and sales per firm for women owned firms was calculated by using 2002 data from the National Women's Business Council (taking total employees/total firms; total sales/total firms)

³² Average sales based on 1997 figure inflated by inflation estimate for the Baltimore area, 1997-2002.

Figure 20: Total Economic Loss to Baltimore MSA due to Under-Representation of Minority-Owned Businesses in Baltimore MSA

Direct Foregone Employment	Total Foregone Employment, Multiplier ³³ = 1.6	Direct Foregone Sales	Total Foregone Sales, Multiplier ³⁴ = 1.67
20,255	32,408	\$2,994,878,432	\$5,001,446,981

This economic loss can be further disaggregated across the various categories of businesses analyzed here, minority-owned, women-owned and mainstream.

Figure 21: Distribution of Economic Loss to Categories of Business Operating in Baltimore MSA Traceable to Under-Representation of Minority-Owned Businesses

Category of Business	Foregone Employment	Foregone Sales (\$)
Mainstream	10,719	\$1,854,069,339
Women-Owned	936	\$94,308,722
Minority-Owned	20,753	\$3,053,068,920
Total	32,408	\$5,001,446,981

Figure 21 shows that even mainstream firms should be concerned by the fact that minority-owned firms are under-represented in the Baltimore MSA. Were the minority business community as fully formed as it is in comparison metropolitan areas on average, mainstream businesses in the Baltimore MSA would stand to gain \$1.854 billion³⁵ more in sales, and would have over 10,719 more employees, a gain of roughly 1.1 percent over 2002 totals.

To put these numbers in perspective, as of June 2004, the number of unemployed in Baltimore City, the jurisdiction with the highest unemployment in the Baltimore metropolitan area, was roughly 26,000.³⁶ Lost employee compensation associated with these “missing” minority businesses equals \$803,747,453. Moreover, state and local government tax revenues in Maryland are \$132,723,399 lower than they would be were minority firms proportionately represented in the Baltimore MSA.

³³ We have defined the employment multiplier as the following ratio: total employment/direct employment. The multiplier has been taken from a Baltimore-based IMPLAN model developed by SPG.

³⁴ We have defined the sales multiplier as the following ratio: total foregone sales/direct foregone sales. The multiplier has been taken from a Baltimore-based IMPLAN model developed by SPG.

³⁵ All dollar figures in 2002 dollars unless otherwise stated.

³⁶ These numbers gain additional relevance when one takes into account the fact that minority employers are more likely to hire minority employees. Stoll, Michael A., Raphael, Steven, Holzer, Harry J., “Why Are Black Employers More Likely to Hire African Americans than White Employers?” (2001).

Figure 22: Lost Employment and Sales due to Under-Representation of Women-Owned Businesses in Baltimore MSA

Women-Owned			
Average employees per firm (2002)	Average sales per firm (2002) ³⁷	Direct Foregone Employment	Direct Foregone Sales
1.387	\$134,710	6,985	\$678,399,560

Figure 23: Total Economic Loss to Baltimore MSA due to Under-Representation of Women-Owned Businesses in Baltimore MSA

Direct Foregone Employment	Total Foregone Employment, Multiplier ³⁸ = 1.6	Direct Foregone Sales	Total Foregone Sales, Multiplier ³⁹ = 1.67
6,985	11,176	\$678,399,560	\$1,132,927,265

Figure 24: Distribution of Economic Loss to Categories of Business Operating in Baltimore MSA Traceable to Under-Representation of Women-Owned Businesses

Category of Business	Foregone Employment	Foregone Sales (\$)
Mainstream	3,696	\$419,983,599
Women-Owned	7,308	\$699,762,362
Minority-Owned	172	\$13,181,304
Total	11,176	\$1,132,927,265

Figures 22 through 24 also suggest that mainstream businesses should be concerned by the ongoing under-representation of female-owned businesses in the local business community. Due to the absence of an appropriately formed women-owned business community, mainstream businesses forfeit nearly \$420 million in annual sales, and support roughly 3,700 fewer employees than they otherwise would.

Why Mainstream Businesses Should Care

Mainstream businesses have more than a passing interest in the success of minority- and female-owned firms. As this analysis indicates, the under-representation of minority- and female-owned businesses results in a smaller Baltimore metropolitan area economy, stunted deal flow, and fewer final sales among all categories of business. Moreover, the presence of a proportional number of female- and minority-owned businesses would

³⁷ Average sales based on 1997 figure inflated by inflation estimate for the Baltimore area, 1997-2002.

³⁸ We have defined the employment multiplier as the following ratio: total employment/direct employment. The multiplier has been taken from a Baltimore-based IMPLAN model developed by SPG.

³⁹ We have defined the sales multiplier as the following ratio: total foregone sales/direct foregone sales. The multiplier has been taken from a Baltimore-based IMPLAN model developed by SPG.

provide mainstream businesses with a denser supply network, more competition among suppliers, and greater capacity to minimize costs and improve the bottom line.

Unfortunately, mainstream businesses have not tended to view the formation and success of minority- and female-owned businesses as a priority. We believe that this is the result of public policies that have pitted mainstream businesses against their minority-owned and female-owned counterparts in the area of government contracting. To craft a confluence of interests between mainstream and non-mainstream businesses, we offer a set of recommendations unrelated to government contracting practices. These can be found in the Executive Summary and in the Best Practices section of the report.

Ultimately, the key to better deal flow in the Baltimore area is for mainstream and non-mainstream businesses to develop a healthier business network. The lack of these networks within the business community may relate to our 20th century history. During the period between World Wars I and II, West Baltimore's Pennsylvania Avenue corridor emerged as the center of African-American life and culture. Historians believe that in many ways, segregation enabled (forced) African-Americans to construct a self-contained and self-sufficient community. African-Americans during this period owned and operated barbershops, salons, laundries, catering companies, dental offices and served as real estate brokers, physicians, attorneys, pharmacists, accountants and others.

Of course, life has changed since 1954 and the arrival of desegregation. But the pattern of differentiated business communities seems to remain, a notion that can be confirmed by a tour of downtown Baltimore along an east-west axis. Making matters more concerning is the fact that the African-American business hub that revolved around Pennsylvania Avenue is not what it once was. Middle class flight from Old West Baltimore accelerated during the 1960s and 1970s, and the community finds itself in a period of secular decline that begins after The Avenue was attacked during the 1960s civil rights riots. The ongoing loss of African-American business vitality is reflected in part in the fact that minority businesses remain under-represented in the Baltimore MSA. Mainstream businesses could do much to improve the situation, and in fact have an incentive to do so.

Obstacles to Non-Mainstream Business Performance – A Review of the Literature

Barriers to the Formation and Growth of Minority Firms

Based on previous research and the data presented in this report, it is evident that minority-owned businesses in the Baltimore MSA do not perform as well as their mainstream counterparts, especially in terms of sales per firm, survival rates, and representation. According to the report, "Do Minority-owned businesses Get a Fair Share of Government Contracts?" authored by The Urban Institute (1997), minority-owned businesses face four main obstacles to their growth and formation. These obstacles are:

(1) A lack of financial capital, (2) a lack of social capital (for example, business networks and familial resources), (3) deficits in human capital and (4) a lack of access to the

market.⁴⁰ Accordingly, these barriers could be the result of pre-existing and historical social obstacles that minorities face. For example, many minorities have relatively low levels of educational attainment, which subsequently creates limitations in job opportunity and range of personal income.⁴¹

According to published research, minority communities also tend to suffer from the ramifications of an ascriptive egalitarian mentality, which typically categorizes minorities as a “group with low productivity, achievement, and quality service”.⁴² Consequently, many minorities are too discouraged to even form a business and tend to remain at their lower-earning occupations rather than endeavoring in self-employment.⁴³

Lack of Financial Capital

Minorities all too often lack the necessary income, wealth, and access to financial that are essential for the formation of successful business enterprises and they are less likely to receive substantial income from investments⁴⁴ Figure 25 shows that African-Americans are disproportionately represented in low-income brackets, with over two-thirds of African-American households earning less than \$45,000 in 1999.

⁴⁰ “Do Minority-owned businesses get a Fair Share of Government Contracts?” The Urban Institute, p.34

⁴¹ “Do Minority-owned businesses Get a Fair Share of Government Contracts?” The Urban Institute, p.34

⁴² “Do Minority-owned businesses get a fair share of Government Contracts?” The Urban Institute, p.34

⁴³ “Do Minority-owned businesses get a fair share of Government Contracts?” The Urban Institute, p.34

⁴⁴ “Do Minority-owned businesses get a fair share of Government Contracts?” The Urban Institute, p.35

Figure 25: Income Distribution of U.S. Householders by Race, 1999⁴⁵

Income	White		Black		American Indian, Eskimo or Aleut		Asian or Pacific Islander		Total	
	#	%	#	%	#	%	#	%	#	%
Under \$2500	1,155,917	1	427,240	3	30,917	4	102,646	3	1,716,720	2
\$2500-\$14,999	11,799,531	13	3,239,511	25	204,031	24	356,224	11	15,599,298	15
\$15,000-\$24,999	12,149,979	14	2,111,892	16	131,458	16	325,761	10	14,719,090	14
\$25,000-\$34,999	11,041,632	13	1,746,177	14	93,157	11	347,436	10	13,228,403	13
\$35,000-\$44,999	9,668,406	11	1,387,788	11	103,161	12	361,420	11	11,520,773	11
\$45,000-\$54,999	8,304,526	9	1,005,219	8	85,736	10	282,143	8	9,667,625	9
\$55,000-\$64,999	6,981,263	8	817,660	6	59,626	7	254,971	8	8,113,520	8
\$65,000-\$74,999	5,553,068	6	481,311	4	30,281	4	212,642	6	6,277,300	6
\$75,000-\$84,999	4,738,461	5	427,150	3	28,767	3	206,705	6	5,401,083	5
\$85,000-\$95,499	3,358,777	4	293,289	2	30,233	4	117,059	4	3,799,357	4
\$95,000 and over	12,929,189	15	912,055	7	50,661	6	770,474	23	14,657,343	14
Total	87,680,749	100	12,849,292	100	848,027	100	848,027	100	104,710,512	100

⁴⁵ “Minorities in Business, 2001”. U.S. Small Business Administration. Office of Advocacy, p.6

Figure 26: 2000 Baltimore MSA (separating Baltimore City from MSA suburbs*) per capita income by race and ethnicity⁴⁶

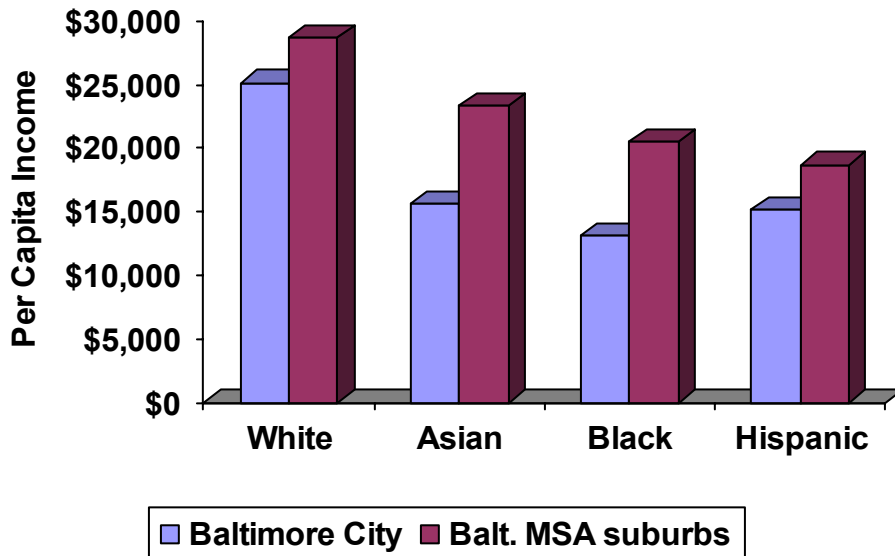


Figure 27: 2000 Baltimore MSA (separating Baltimore City from MSA suburbs*) per capita income by race and ethnicity⁴⁷

Group	Baltimore City, MD	Suburbs*
Total	\$16,978	\$26,939
White	\$25,139	\$28,632
Black	\$13,132	\$20,522
Hispanic	\$15,170	\$18,715
Asian	\$15,584	\$23,324

* Suburbs refer to metropolitan area (MSA) excluding the city (ies).

Lack of Access to Financial Markets

Minorities, although having a greater need for private loans (due to their low incomes and wealth), tend to have greater difficulty guaranteeing and accessing loans. African Americans and Latinos, especially, are less likely than whites to borrow from banks when starting or expanding their businesses.⁴⁸ Other financial barriers include: “limited track record as a business, limited assets of business, owner not understanding the credit

⁴⁶ Tabulations for demographic indicators based on data from the U.S. Census Bureau; 1990, 2000; tabulations on nationality based on data from CDC’s National Center for Health Statistics.

⁴⁷ Tabulations for demographic indicators based on data from the U.S. Census Bureau; 1990, 2000; tabulations on nationality based on data from CDC’s National Center for Health Statistics.

⁴⁸ “Do Minority-owned businesses get a fair share of Government Contracts?” The Urban Institute, p.36

process, lack of working relationship with the bank, owner not having required financial documents and amount of collateral required.”⁴⁹

Given the presence of banks, brokerages, and other financial institutions in the Baltimore region, this is an issue that local leaders should continue to highlight.

Lack of Access to Business Networks

Business networks include membership in formal trade and business organizations or informal relationships with other business owners. These networks are able to provide business owners with valuable information about new clients and suppliers, new projects, and new technological advancements. Historically, it has been shown that minorities have had less access than non-minorities to business networks. This inability to form strong networks hinder minority business development in terms of learning about ways to secure capital, cut back on business expenses, and hearing about advances made in technology.⁵⁰

Deficits in Human Capital

Minorities tend to have lower levels of education, which lead to lower income jobs and less experience in the fields of self-employment and entrepreneurship. Figures 28-30 provide background information on this factor. Local leaders can contribute by continuing to focus on education and promoting accountability.

Figure 28: Educational Attainment of U.S. Householders, 1999⁵¹

	White	Black or African American	Amer. Indian or Eskimo Aleut	Asian or Pacific Islander	Hispanic or Latino
Less than 9 th grade	6%	6%	14%	6%	25%
9-12 th	41%	50%	43%	26%	45%
College	44%	39%	40%	50%	27%
Post Graduate	9%	5%	3%	19%	3%

⁴⁹ Sherrie Taylor, Chandra Strong. “Do Financial Barriers still exist for women owned businesses”, p.3, 2002.

⁵⁰ “Do Minority-owned businesses get a fair share of Government Contracts?” The Urban Institute, p.37

⁵¹ “Minorities in Business, 2001”. U.S. Small Business Administration. Office of Advocacy, p.6

Figure 29: 2000 Educational Attainment of Baltimore MSA: Baltimore, MD⁵²

	No high school diploma	High school diploma	At Least some college
Total	31.6	28.7	40.2
White	26.7	22.9	50.4
Black	34.7	32.0	33.4
Hispanic	37.8	17.9	44.3
Asian	22.6	13.0	64.5

Figure 30: 2000 Educational Attainment of Baltimore MSA: MSA Suburbs*

	No high school diploma	High school diploma	At Least some college
Total	13.7	26.8	59.6
White	13.2	27.3	59.5
Black	15.7	26.9	57.4
Hispanic	21.2	20.0	58.8
Asian	14.6	15.9	69.6

* Suburbs refer to metropolitan area (MSA) excluding the city (ies).

Limited Market Access

Minority-owned businesses tend to cater toward lower income clientele; consequently, white consumers with higher spending power usually do not purchase goods and services from minority-owned businesses. As a result, minority-owned businesses remain limited in the range of revenue grossed for their firms.⁵³

Barriers to the Formation and Growth of Women-owned Businesses

Women-owned businesses face barriers to their growth similar to those stated for minority-owned businesses. Inability to obtain access to sufficient capital, business networks, and markets often lead to lower performance for women-owned businesses.

Research conducted during the 1980s and 1990s shows that there are four main barriers that women business owners face. These are: (1) Limited access to commercial credit, (2) Virtual exclusion of women-owned businesses from government procurement activities, (3) Limited Management and technical training, and (4) Inadequate information and data on women-owned businesses⁵⁴. The Center for Women’s Business Research concludes that top challenges faced by women business owners include:

⁵² Tabulations for demographic indicators based on data from the U.S. Census Bureau; 1990, 2000; tabulations on nationality based on data from CDC’s National Center for Health Statistics.

⁵³ “Do Minority-owned businesses get a fair share of Government Contracts?” The Urban Institute, p.39

⁵⁴ Sherrie Taylor, Chandra Strong. “Do Financial Barriers still exist for women owned businesses”, p.1

“learning about business opportunities, reduction in the number of opportunities due to bundling of smaller contracts into fewer larger contracts, and the greater need for corporate cost cutting”⁵⁵

Non-financial barriers include, “chauvinism and negative attitudes” toward women business owners⁵⁶, with mainstream entrepreneurs regarding women business owners as a group with minimal experience in self-employment and business training. Problems with obtaining loans because the banks needed a co-signer, usually a husband or a father, were common among women looking to go into business for themselves⁵⁷.

In 2001, a survey conducted by the National Foundation for Women Business Owners showed that women business owners of fast growing firms were more likely to meet their capital needs through the use of personal credit, while their male counterparts used business or commercial bank loans⁵⁸. As a result, many women business owners are likely to go into personal debt in order to sustain their firms.

Minority women business owners tend to have even more difficulty in obtaining financial support for their businesses. A 1998 National Foundation for Women Business Owners found that less than one-third (29%) of minority women business owners had bank credit, compared to over half (53%) of Caucasian women business owners.⁵⁹

Obstacles to Non-Mainstream Business Performance – An Analysis of Baltimore-Specific Factors

In order to determine the factors contributing to the under-representation of non-mainstream businesses in the Baltimore MSA, SPG ran a series of multivariate regressions. The goal of this regression analysis was to determine whether Baltimore’s underperformance along this dimension was due to poor school performance, slow growth of the local economy, low household incomes among minority demographics, or other factors idiosyncratic to Baltimore. SPG used a number of variables to control for these factors, including high school dropout rates, proportion of single-parent households, minority household income, and annual percentage job growth.

⁵⁵ The Center for Women’s Business Research, “Access to Markets: Landmark Study Reveals Opportunities and Obstacles for Women Business Owners doing business with corporations”, p.3

⁵⁶ Sherrie Taylor, Chandra Strong. “Do Financial Barriers still exist for women owned businesses”, p.2

⁵⁷ Sherrie Taylor, Chandra Strong. “Do Financial Barriers still exist for women owned businesses”, p.3

⁵⁸ Sherrie Taylor, Chandra Strong. “Do Financial Barriers still exist for women owned businesses”, p.4

⁵⁹ Sherrie Taylor, Chandra Strong. “Do Financial Barriers still exist for women owned businesses” p. 3-4

SPG also tested, using a dummy variable, whether Baltimore's underperformance could be explained by factors such as discrimination or presence of a business climate hostile to non-mainstream businesses. Testing for the presence of such factors yielded statistically insignificant results.

Our results suggest that the leading explanation for Baltimore's underperformance is due to 1) low minority median household incomes, and 2) the high proportion of single-parent households in the local minority population. The presence of low median household incomes works against entrepreneurial activity because too few minorities enjoy a level of savings that permits them to form their own enterprise. The higher tendency toward single-parent households also works against entrepreneurial activity, because single parents often have too much family responsibility and too little support to engage in new and risky venture formation.

We conclude that Baltimore's challenging demographics force this community to respond creatively. Most observers are already aware of the special challenges minority and female entrepreneurs face in obtaining capital. The policy response must be to develop pools of capital that are to be made available specifically to low-income minority and female entrepreneurs. The presence of such a fund would allow Baltimore to close the gap between it and other cities; cities that have outperformed Baltimore in terms of non-mainstream business formation largely because of convenient demographics.

Figure 31: Ranking of Minority Population's Median Household Income in Large Metropolitan Areas, 2000

Metropolitan Area	Minority Median Household Income
San Jose, CA	\$69,916
San Francisco, CA	\$51,476
Washington, D.C. MD-VA-WV	\$49,127
Seattle-Everett, WA	\$42,841
Atlanta, GA	\$41,332
Portland-Vancouver, OR	\$39,825
Chicago, IL	\$39,258
Sacramento, CA	\$38,728
Denver, CO	\$38,687
San Diego, CA	\$38,502
Fort Lauderdale, FL	\$38,449
Las Vegas, NV	\$38,428
Los Angeles, CA	\$37,943
Riverside-San Bernardino, CA	\$37,940
Boston, MA	\$37,908
Minneapolis-St. Paul, MN	\$37,394
New York, NY	\$36,729
Dallas, TX	\$36,037
Detroit, MI	\$35,804
Phoenix, AZ	\$35,375
Baltimore, MD	\$35,301
Miami, FL	\$34,152
Houston, TX	\$34,106
Orlando, FL	\$33,296
Tampa-Clearwater-St. Petersburg, FL	\$31,320

Source: U.S. Census Bureau, 2000 Census.

Figure 32: Ranking of the Portion of Total Households that are Minority Single-Family Households in Large Metropolitan Areas, 2000

Metropolitan Area	Portion of Total Households that are Minority Single-Family Households
Detroit, MI	37%
Baltimore, MD	36%
Atlanta, GA	31%
Chicago, IL	31%
New York, NY	31%
Tampa-Clearwater-St. Petersburg, FL	31%
Boston, MA	30%
Fort Lauderdale, FL	30%
Minneapolis-St. Paul, MN	28%
Orlando, FL	28%
Washington, D.C. MD-VA-WV	28%
Miami, FL	27%
Dallas, TX	26%
Houston, TX	26%
Las Vegas, NV	26%
Los Angeles, CA	26%
Phoenix, AZ	26%
Riverside-San Bernardino, CA	26%
Sacramento, CA	26%
Denver, CO	25%
San Diego, CA	25%
San Francisco, CA	22%
Seattle-Everett, WA	22%
Portland-Vancouver, OR	21%
San Jose, CA	19%

Source: U.S. Census Bureau, 2000 Census.

Bridging the Gap – Countervailing Best Practices

Objective - Improving Survival Rates

The under-representation of minority-owned and women-owned businesses in the Baltimore MSA is traceable to a number of factors. But at its core, the explanation traces to two simple realities. The first has been widely discussed in this report. Evidence suggests that the Baltimore MSA has not experienced the rate of business formation that other major MSAs have experienced. The second explanation is that in the Baltimore area, too few minority- and women-owned businesses survive.

This is nothing unique to Baltimore. The SBA’s Office of Advocacy sponsored a study that examined minority business turnover and the reasons for it utilizing a database of

firms with employees.⁶⁰ Forty-seven percent of the businesses with positive payrolls that started in 1992 survived until at least 1996.⁶¹ The survival rate for new white non-Hispanic-owned businesses was 48.7 percent.⁶² For new black-owned businesses, it was 34.7 percent and for new white Hispanic-owned businesses, it was 44.9 percent. For businesses started by Asians and other minorities, the survival rate was 50.4 percent.⁶³

Among women-owned businesses, the data are more encouraging. Fully three quarters (75.5%) of the employer business locations in existence in 1997 were still in operation three years later.⁶⁴ Women-owned businesses exhibit the same tenacity and survival rates as the average US employer firm.⁶⁵

A Survey of Best Practices across the US focused on Minority-Owned Businesses

Forging Strategic Alliances

One promising, non-procurement related best practice is the forging of strategic alliances. The number of strategic alliances between majority companies has grown exponentially. Globally, over 32,000 alliances were formed between 1995 and 1998, which account for 18 percent of the revenues of America's largest companies.⁶⁶ These alliances have been formed to enable businesses to enhance their capacity to enter larger markets.

As majority companies grow larger, minority businesses must compete with these alliances. In order to remain competitive, minority businesses must also develop partnerships and joint ventures. The benefits of strategic alliances for minority businesses are potentially tremendous. These partnerships can be with other minority business entrepreneurs (MBEs) or with majority-owned companies.

We encourage local businesses leaders to help mainstream businesses recognize effective local MBEs and to utilize these MBEs as often and forcefully as possible, especially when they replace a supplier that is not locally based. We are encouraged by the fact that the GBC is already sponsoring networking opportunities between mainstream and non-mainstream businesses. We are also highly supportive of the mentor-entrepreneurship

⁶⁰ Alicia Robb, while on staff in the Office of Advocacy, matched the Census Bureau's 1992 Survey of Minority-Owned Business Enterprises (SMOBE) and 1992 Women-Owned Businesses survey data with the 1989-1996 Business Information Tracking Series (BITS). The BITS is an annual, longitudinal database containing data on nearly all US businesses and establishments with positive payrolls.

⁶¹ *Models for Success*, US Small Business Administration.

⁶² *Id.*

⁶³ *Id.*

⁶⁴ *Trends in Women-Owned Employer Establishments: 1997 to 2000*, National Women's Business Council, Issue in Brief, January 2004.

⁶⁵ *Id.*

⁶⁶ Amanda Lang, *Consultant Feels Alliances Don't Get the Credit They Deserve*, National Post, January 26, 1999, p. C11.

program built into the GBC's current strategic plan. We believe that GBC workshops focused on the creation of strategic alliances are also conducive to improving non-mainstream business success.

One-Stop Shops

These have become terribly popular in recent years. With professional personnel and resources, states can institutionalize one-stop shops for small business owners. These sites offer individualized service, which is often what newly minted minority and female entrepreneurs require. In this regard, Maryland is a national leader. The Maryland Office of Business advocacy assists small businesses in navigating government regulations and serves as a liaison to state, local and federal agencies for new businesses.⁶⁷

But Maryland can take this concept one step further. Small Business Development Centers reach out to African-Americans in a big way throughout the nation. Sixteen SBDCs are located at Historically Black Colleges and Universities. However, in the Baltimore area, the SBDC is located at Towson University. We suggest that an SBDC or similar enterprise be created at Morgan State University to support emerging African-American entrepreneurs. The enterprise should have a professional staff that is expert in the issues that impact minority-owned businesses, including issues related to minority certification at the federal, state and local levels.

In Michigan, the Michigan Small Business Technology Development Center has also been co-located with a Procurement Technical Assistance Center (PTAC) to leverage resources and assist customers seeking contracts. The PTACs of Michigan are not-for-profit organizations funded by the Defense Logistics Agency (DLA), the Michigan Economic Development Corporation (MEDC) and local funding partners. The PTACs support national security by ensuring a broad base of capable suppliers for the defense industry and other agencies.

Given the presence of NSA in the Baltimore region, and initiatives launched by NSA and the State of Maryland to promote business development, local leaders should consider an effort to create a SBDC/PTAC structure at Morgan State University that focuses on (among other things) involving minority businesses in homeland security.

Hispanic Businesses

On April 29th, 2004, Ford Motor Company and America Online launched the first-ever Spanish language community hub for entrepreneurs.⁶⁸ This hub, which has been named Mi Negocio ("my business"), is designed to be a one-stop shop for Hispanic small business owners, and features live chats, in-person forums and informative articles from

⁶⁷ Models for Success, op. cit. at 9.

⁶⁸ Elizabeth Lloyd, Reaching Hispanic Entrepreneurs, May 20, 2004, at 1.

Fortune Small Business and Business 2.0. Mi Negocio is powered by AOL Latino, one of the largest Internet service providers for the US Hispanic population.⁶⁹

The primary goal of the AOL and Ford partnership is to empower Hispanic Entrepreneurs and Small Business Managers with Spanish language business content, advice and connections. We recommend that local leaders explore ways to connect with the Baltimore Hispanic Chamber of Commerce and other business entities to bring entrepreneurs from these various communities together.

An Incubator for Minority- and/or Women-Owned Businesses

Most states have experienced a boom in home-based businesses and microenterprises. State programs differ with respect to how to approach the issues that face these businesses, but every successful program appears to address: 1) the fundamentals of starting and operating a business; 2) how to comply with laws and regulations; and 3) how to obtain capital.⁷⁰

Some states go further. The Southeastern Utah Business and Technical Assistance Center, a nonprofit community corporation sponsored by local governments, offers over 15,000 square feet of space to 20 new businesses. The Bloomington Business Incubator and Small Business Development Center in Indiana has taken a similar approach. The STAR Center (Start-up Training Assistance Resources) in Indiana provides low-cost office space and an aggressive micro-lending program. We recommend that Baltimore develop an incubator focused on minority businesses, and where possible, focus on those businesses that could profit from 8(a) certification from the federal government.

Promoting Self-Sufficiency

In Seattle, Washington, the Black Dollar Days Task Force has focused on promoting self-sufficiency for inner-city African-Americans and supported a community endowment fund. Perhaps a similar Buy African-American campaign could be initiated in Baltimore.

At the same time, we caution against promoting a view that minority businesses should focus primarily on minority customers. Literature suggests that too many minority businesses target only minority consumers. Though minority purchasing power is surging in the US, at least on a macroeconomic basis, minority firms should not restrict themselves to the minority marketplace. Local leaders may want to consider a separate seminar to help minority businesses identify complementary mainstream markets for their goods/services.

⁶⁹ Id.

⁷⁰ Models for Success, op. cit. at 10.

Minority Business Mentoring

The South Central Ohio Minority Business Council Mentoring Program was originally formed in 1993 as part of the former Cincinnati Minority Supplier Development Council, as a collaborative effort with the Cincinnati Business Committee (CBC), the Greater Cincinnati Chamber of Commerce and the City of Cincinnati. Since its introduction, these organizations have continually and consistently supported the Mentoring Program and contributed to further the growth and development of minority entrepreneurs.⁷¹

The program is designed to generate positive incremental benefits by bringing majority and minority businesses together in an environment that stimulates growth within the minority business community. It seems obvious that local business leaders can play a role that mimics the role of the CBC in this regard. Moreover, given Baltimore's demographics, local business leaders can endeavor to create far greater return on its efforts than that recorded in Cincinnati.⁷²

Levels of mentoring relationships include:

Mentor-to-Protégé – Company mentoring an MBE

Partner-to-Protégé – Advanced level MBE that can mentor/develop another MBE

A Survey of Best Practices across the US focused on Women-owned Businesses

The Women's Business Development Center in Chicago

The oldest and one of the largest and most successful Women's Business Centers in the US is in Chicago. In 1986, the founders of the Center were ready, and put together a plan searching for support. Corporations and foundations turned the founders away, but then Illinois Governor Jim Thompson concluded that the Small Business Development Centers were not doing enough for women and minorities. He provided funding for a specialized development center for Hispanics, one for African-Americans and one for women.⁷³

Once the Women's Business Development Center was well established, its leadership began seeking funds from corporations and foundations. Their funding grew from an initial \$150,000 to \$2.5 million today.⁷⁴

After 18 successful years serving women in the Chicago area, the Women's Business Development Center continues to expand.⁷⁵ Today, it offers a bilingual program to assist Latinas with business development, and train and counsel hundreds of women through

⁷¹ South Central Ohio Minority Business Council.

⁷² Id.

⁷³ Id. at 25.

⁷⁴ Id. at 26.

⁷⁵ Id.

their Child Care Business Initiative.⁷⁶ They have assisted women-owned businesses win over \$250 million in government and private sector contracts, have facilitated over \$35 million in loans, and have taught more than 40,000 women entrepreneurs business skills through one-on-one counseling and training workshops. Through their Teach and Venture program, they provide resources and equity venture capital to high-growth, women-owned businesses.⁷⁷

We believe the local business leaders could launch an initiative that could begin to mimic the Chicago experience. Naturally, such an endeavor would require the support of the Governor of Maryland, the Mayor of Baltimore, and the corporate community. However, given the success achieved in Chicago, Baltimore should at least attempt to pull together its fractious forces to support greater women-owned business formation and survival.

Private Sector Reforms

A good example of private sector policy change is the Wells Fargo Women's Loan Program. Established in 1995, it has served over 337,000 women business owners. The current goal is \$20 billion in loans to women over 10 years. Many other national and community banks have now developed specific programs for loans to women.⁷⁸

Recommendations Derived from Survey of Best Practices

Based on our survey of best practices across the nation, we recommend the following:

- local leaders should help mainstream businesses recognize effective local MBEs and to utilize these MBEs as often and forcefully as possible, especially when they replace a supplier that is not locally based. The effort should likely begin with major purchasers in the Baltimore area;
- local leaders should consider an effort to create a SBDC/PTAC structure at Morgan State University that focuses on (among other things) involving minority businesses in homeland security;
- local leaders explore ways (including creating new forums) to further connect with the Baltimore Hispanic Chamber of Commerce to bring entrepreneurs from these various communities together;
- that Baltimore develop an incubator focused on minority businesses, and where possible, focus on those businesses that could profit from 8(a) certification from the federal government. We believe an attractive location for the incubator could be Morgan State University;
- a buy African-American campaign in Baltimore, perhaps marketed not only to minorities, but also to mainstream communities;

⁷⁶ Id.

⁷⁷ Id.

⁷⁸ Policy and Progress: Supporting the Growth of Women's Business Enterprise, National Women's Business Council, Washington, DC, May, 2004.

- local leaders may want to consider a separate seminar to help minority businesses identify complementary mainstream markets for their goods/services;
- local leaders create a Minority Business Council Mentoring Program that follows the best practice established in Cincinnati; and
- local leaders spearhead an effort to create a Women’s Business Development Center that is guided by the best practice established in Chicago.

We believe that adoption of some or all of these recommendations could substantially improve minority- and women-owned business survivorship in the Baltimore area, and help to bridge the gap that exists between Baltimore and other metropolitan areas, and the gap that exists between mainstream and minority communities.

Conclusions

While women-owned businesses are moderately under-represented in the Baltimore Metropolitan Statistical Area, minority-owned businesses are heavily under-represented. SPG’s analysis suggests that there are approximately 13,700 “missing” minority businesses in the Baltimore MSA, who would otherwise employ over 20,000 local employees and generate nearly \$3 billion in sales. When a local multiplier is applied, the region forfeits approximately \$5 billion in sales, and has over 32,400 fewer employees than it otherwise would.

Among the factors that contribute to the lack of minority businesses is a disassociation with formal and informal business networks and a lack of access to capital. The problem of capital availability is particularly acute among minority-owned businesses owned by women. We recommend that local leaders bolster efforts to create better networks between minority and mainstream businesses, and encourage members in the financing community to work more aggressively with minority communities in the Baltimore MSA. We also suggest that seminars be developed that help minority businesses leverage technology and enter the mainstream marketplace.

Among the factors that contribute to the lack of women-owned businesses is a lack of access to capital and inadequate access to supportive markets. As is the case with minority-owned business development, local business leaders can have greatest impact on the success and formation of women-owned business by forging more solid ties between women-owned businesses and the mainstream community.

This report concludes that there exists a confluence of interests between mainstream and non-mainstream firms in the Baltimore metropolitan area. All things being equal, improved performance and heightened formation of non-mainstream enterprises would improve deal flow for all businesses, and would also improve our regions quality of life, particularly in the urban core.

In order to promote more rapid non-mainstream business formation and expansion, SPG recommends the following to local business leaders.

Future Action Items

- Local leaders should spearhead an effort to create a pool of capital to be made available specifically to low-income minority and female entrepreneurs. The presence of such a fund would allow Baltimore to close the gap between it and other cities; cities that have outperformed Baltimore in terms of non-mainstream business formation and growth largely because of convenient demographics.
- Local leaders should help mainstream businesses identify effective local MBEs and to utilize these MBEs as often and forcefully as possible, especially when they replace a supplier that is not locally based. The effort should begin with major purchasers in the Baltimore area.
- Local leaders should consider an effort to create a SBDC/PTAC structure at Morgan State University that focuses on (among other things) involving minority businesses in homeland security.
- Local leaders should explore ways (including creating new forums) to further connect with the Baltimore Hispanic Chamber of Commerce to bring entrepreneurs from various communities together.
- Local leaders should lead an effort to enable Baltimore to develop an incubator focused on minority businesses. Special attention should be focused on assisting businesses to obtain 8(a) certification from the federal government to promote federal contracting here. An attractive location for the incubator could be Morgan State University.
- Local leaders along with other associations of business should sponsor a buy African-American campaign in Baltimore marketed not only to minorities, but also to mainstream communities.
- Local leaders should create a program/seminar to help minority businesses identify complementary mainstream markets for their goods/services.
- Local leaders create a Minority Business Council Mentoring Program that follows the best practice established in Cincinnati.
- Local leaders should spearhead an effort to create a Women's Business Development Center that is guided by the best practice established in Chicago.

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Appendix A – Disparity Study Information – Baltimore

Area Analysis: Baltimore City, MD

The following pages offer a sample of the mail survey conducted by MGT of America, Inc. for the City of Baltimore during September through November, 1999. The survey asked a range of questions involving the racial, ethnic, and gender characteristics of business owners, survival rates, availability of business loans, legal organization of the firm and whether the firm had experienced any discriminatory practices. A total of 5,163 questionnaires were distributed in September 1999 with a total of 403 completed and returned to MGT by November 1999. This information has been offered because of the importance of government procurement practices in stimulating minority business development.

Profile of Company Owner: Mail Survey, City of Baltimore, 1999

Question	Total	Race/Ethnicity of Business Owner					Other	Women	Non-MBEs	Gender of Owner	
		African American	Hispanic American	Asian American	Native American	Male-owned				Female-Owned	
Gender of Company's Majority Owner											
Majority Owner	50	62	92	80	67	50	0	100	100	0	
Male	39	32	0	15	33	33	100	0	0	100	
Female	11	7	8	5	0	17	NA	NA	NA	NA	
No Response											
Race/Ethnicity of Company's Majority Owner											
White American	48	0	0	0	0	0	100	100	41	65	
Hispanic	32	100	0	0	0	0	0	0	40	26	
Asian	3	0	100	0	0	0	0	0	5	0	
Native American	5	0	0	100	0	0	0	0	8	2	
Other	2	0	0	0	100	0	0	0	2	1	
No Response	2	0	0	0	0	100	0	0	2	1	
No Response	9	NA	NA	NA	NA	NA	NA	NA	3	4	
Owner's years of experience in the field											
0-10 years	12	20	17	5	0	17	12	2	9	17	
11-20 years	34	42	25	40	33	50	48	16	27	49	
31-40 years	28	25	42	30	67	17	28	39	34	24	
Over 40 years	12	11	8	25	0	0	6	23	17	5	
No answer	5	1	8	0	0	0	4	15	7	3	
	9	2	0	0	0	17	2	6	5	3	

Is your company certified as an MBE with the city of Baltimore

Yes	54	76	75	80	67	67	69	5	49	67
No	34	12	8	5	33	33	20	89	44	21
No answer	12	12	17	15	0	0	12	6	7	12

Race/Ethnicity of Business Owner

Gender of Owner

African American	Hispanic American	Asian American	Native American	Other	Women	Non-MBEs	Male-Owned	Female-Owned
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Question	Total	African American	Hispanic American	Asian American	Native American	Other	Women	Non-MBEs	Male-Owned	Female-Owned
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Your company was established

1970 or earlier	18	2	8	10	0	17	13	48	23	9
1971-1980	14	12	8	5	0	17	13	21	16	12
1981-1990	29	35	42	30	17	17	26	22	30	29
1991-1999	33	47	42	55	50	50	40	6		41
No answer	6	5	0	0	33	0	9	4	3	9

Organization Structure of Company

Corporation	77	73	92	95	67	100	71	88	84	71
Sole Proprietorship	13	18	8	5	0	0	17	5	10	17
Partnership	1	1	0	0	0	0	2	2	1	2
Non profit organization	3	4	0	0	0	0	2	1	1	3
Other	1	1	0	0	0	0	0	0	1	0
No answer	6	4	0	0	33	0	9	9	3	8

Company's primary line of business

Construction	17	20	50	15	33	0	18	15	23	14
Services	31	42	33	20	0	50	28	22	28	35
Architectural/Enginrg	9	5	8	45	0	0	11	7	9	8
Commodities	20	9	8	10	17	0	16	41	23	15
Some other business	15	18	0	10	0	50	17	8	12	15
No answer	8	6	0	0	50	0	12	7	5	13

Excluding self, number of full time employees

0-10	55	72	67	40	33	33	65	29	51	64
11-20	10	9	17	20	17	33	4	18	14	5
21-50	12	7	0	25	17	0	12	22	15	11
51-100	4	0	0	0	0	17	3	7	4	3
Over 100	8	1	17	0	0	0	4	18	8	3
No answer	11	12	0	15	33	17	13	6	8	14

**Business Loans, Mail Survey, City of Baltimore,
1999**

Question	Total	Race/Ethnicity of Business Owner					Other	Women	Non- - MB Es	Gender of Owner	
		African American	Hispanic American	Asian American	Native American					Male- owned	Female- Owned
Percentage of time company has applied, been approved, or denied any of the following											
Business Start-up Loan											
<i>Applied</i>											
Never	22	19	33	15	33	50	19	27	22	19	
At least once	11	22	17	10	17	17	8	5	12	12	
No answer	67	60	50	75	50	33	74	69	65	69	
<i>Approved/Obtained</i>											
Never	60	38	60	48	67	50	100	75	55	57	
At least once	40	62	40	52	33	50	0	25	45	43	
Operating Capital Loan											
<i>Applied</i>											
Never	16	15	25	20	0	0	13	21	16	15	
At least once	32	35	58	40	50	50	27	24	36	28	
No answer	52	49	17	40	50	50	61	55	48	57	
<i>Approved/Obtained</i>											
Never	25	32	0	30	50	25	25	13	21	29	
At least once	75	68	100	70	50	75	75	87	79	71	
Performance bond											
<i>Applied</i>											
Never	19	22	33	15	0	33	16	18	18	19	
At least once	17	12	50	25	17	0	13	27	23	13	
No answer	64	65	17	60	83	67	72	55	59	69	
<i>Approved/Obtained</i>											
Never	33	58	14	28	0	100	33	18	26	40	
At least once	67	42	86	72	100	0	67	82	74	60	

Business Loans, Mail Survey, City of Baltimore

Question	Total	Race/Ethnicity of Business Owner					Other	Women	Non- - MBEs	Gender of Owner	
		African American	Hispanic American	Asian American	Native American					Male- owned	Female- Owned
Percentage of time company has applied, been approved, or denied any of the following											
Bid Bond											
<i>Applied</i>											
Never	19	21	33	20	0	33	19	17	17	21	
At least once	17	14	42	20	17	0	9	29	23	11	
No answer	64	65	25	60	83	67	73	54	59	69	

<i>Approved/Obtained</i>										
Never	35	56	14	17	0	100	47	16	22	52
At least once	65	44	86	83	100	0	53	84	78	48
Equipment Loan										
<i>Applied</i>										
Never	17	20	42	15	17	17	13	16	16	17
At least once	24	22	42	25	17	17	24	31	30	21
No answer	59	50	17	60	67	67	64	53	54	63
<i>Approved/Obtained</i>										
Never	23	31	43	20	100	50	12	13	20	21
At least once	67	69	57	80	0	50	88	87	80	79
Commercial Liability Insurance										
<i>Applied</i>										
Never	9	10	17	0	0	0	6	10	8	8
At least once	35	49	58	60	33	83	44	53	55	44
No answer	56	41	25	40	67	17	50	37	37	48
<i>Approved/Obtained</i>										
Never	8	12	13	0	0	0	6	4	7	10
At least once	92	88	87	100	100	100	94	96	93	90
Professional Liability Insurance										
<i>Applied</i>										
Never	11	11	25	5	0	17	6	13	11	8
At least once	33	33	42	42	17	50	36	30	35	35
No answer	56	56	33	33	83	33	58	57	54	57
<i>Approved/Obtained</i>										
Never	15	20	17	8	0	25	5	23	18	13
At least once	85	80	83	92	100	75	95	77	92	87
If denied a loan, bond, or insurance: Based on race or gender of company										
Yes	4	7	8	10	0	17	2	0	5	4
No	9	9	8	10	33	0	3	12	10	6
Don't know	9	20	8	0	0	17	6	2	12	7
No answer	78	64	75	80	67	67	89	86	73	83
Whether company has been denied membership to a professional association										
Yes	1	2	0	0	0	0	0	0	1	1
No	84	82	100	85	67	100	83	84	84	84
Don't know	5	8	0	10	0	0	4	4	8	4
No answer	11	8	0	5	33	0	13	12	9	11

Market Area Analysis: Baltimore, MD MSA

The market area analysis includes the four main industry sectors of construction, architecture and engineering, service, and commodity.

- **Construction includes:** building construction, heavy construction (road and bridge construction) and specialty trades construction (carpentry, electrical, and plumbing).
- **Architecture and engineering includes:** landscaping and horticultural services (landscape counseling and planning) and engineering, architectural, and surveying services.
- **Service includes:** health services, social services, accounting, research, management, and related services, computer programming, data processing, and other computer related services as well, legal services, printing and reproduction services, miscellaneous repair services, transportation services, landscaping and horticultural services (garden and lawn services), services to dwelling and other buildings (building cleaning and maintenance services), sanitary services (garbage), motor freight transportation and warehousing and business services.
- **Commodity includes:** services providing office supplies, building supplies, equipment and parts, pharmaceuticals and consumable goods and supplies.

Source: City of Baltimore Minority Business Enterprise Disparity Study, MGT of America, Inc.

Figure A1: Market Area Analysis: Construction Prime Contracts, Baltimore MSA, 1990-1998

County	# of Contracts	% of Contracts	# of Vendors	% of Vendors	Dollars	% of Dollars	CUM%
Baltimore	870	30.62%	118	29.87%	\$467,509,431.66	41.07%	41.07%
Baltimore City	1241	43.68%	145	36.71	\$322,650,392.03	28.34%	69.41%
Anne Arundel	130	4.58%	23	5.82%	\$47,537,686.15	4.18%	84.16%
Carroll	25	0.88%	2	0.51%	\$712,628.76	0.06%	99.68%
Harford	40	1.41%	9	2.28%	\$10,870,482.57	0.95%	98.01%
Howard	99	3.48%	17	4.30%	\$70,877,383.74	6.23%	75.63%

Source: EOCO electronic database from 1995-98 and a hard copy of the Detail Listing Report from 1990-94.

Figure A2: Market Area Analysis: Architectural & Engineering Prime Contracts, Baltimore MSA, 1990-1998

County	# of Contracts	% of Contracts	# of Vendors	% of Vendors	Dollars	% of Dollars	CUM%
Baltimore	354	47.84%	49	31.82%	\$103,530,022.20	58.56%	58.56%
Baltimore City	194	26.22%	45	29.22%	\$35,795,694.33	20.25%	78.81%
Anne Arundel	46	6.22%	4	2.60%	\$10,634,688.99	6.02%	84.82%
Carroll	1	0.14%	1	0.65%	\$24,959.84	0.01%	99.94%
Harford	2	0.27%	1	0.65%	\$1,661,337.00	0.94%	96.50%
Howard	31	4.19%	11	7.14%	\$4,263,103.91	2.41%	89.77%

Source: EOCO electronic database from 1995-98 and a hard copy of the Detail Listing Report from 1990-94.

Figure A3: Market Area Analysis: Service Prime Contracts, Baltimore MSA, 1990-1998

County	# of Contracts	% of Contracts	# of Vendors	% of Vendors	Dollars	% of Dollars	CUM%
Baltimore	732	20.71%	214	19.23%	\$110,651,357.01	16.07%	64.66%
Baltimore City	1427	40.37%	350	31.34%	\$334,488,280.12	48.59%	48.59%
Anne Arundel	248	7.02%	68	6.11%	\$102,334,165.89	14.87%	79.53%
Howard	67	1.90%	32	2.88	\$55,186,910.00	0.75%	93.00%

Source: EOCO electronic database from 1995-98 and a hard copy of the Detail Listing Report from 1990-94.

Figure A4: Market Area Analysis, Commodity Contracts, Baltimore MSA, 1990-1998

County	# of Contracts	% of Contracts	# of Vendors	% of Vendors	Dollars	% of Dollars	CUM%
Baltimore	1313	17.18%	270	13.75%	\$74,654,897.57	13.27%	13.27%
Baltimore City	1891	25.65%	362	18.44%	\$165,020,033.94	29.34%	29.34%
Anne Arundel	478	6.48%	106	5.40%	\$44,860,684.85	7.98%	50.59%
Carroll	59	0.80%	20	1.02%	\$2,785,527.00	0.50%	87.47%
Hartford	93	1.26%	30	1.53%	\$2,389,749.96	0.42%	88.81%
Howard	285	3.87%	57	2.90%	\$16,213,358.19	2.88%	62.64%

Source: EOCO electronic database from 1995-98 and a hard copy of the Detail Listing Report from 1990-94.

Market Area Analysis: Baltimore City, MD

Construction Contracts

Figure A5: Availability of Construction Prime Contracts: African American vs. Non-Minority Men

Fiscal year	African American		Non-Minority Men		Total Firms
	#	%	#	%	
1990	29	8.43%	283	82.27%	344
1991	26	8.18%	260	81.76%	318
1992	26	8.18%	260	81.76%	318
1993	22	9.87%	188	84.30%	223
1994	26	9.89%	215	81.75%	263
1995	28	10.57%	204	76.98%	265
1996	22	8.76%	199	79.28%	251
1997	21	8.24%	206	80.78%	255
1998	24	9.68%	196	79.03%	248
AVG	25	9.01%	223	80.93%	276

Source: City of Baltimore Prequalified Construction Electronic Database

Figure A6: Availability of Construction Prime Contracts: Hispanic American vs. Non-Minority Men

Fiscal year	Hispanic American		Non-Minority Men		Total Firms
	#	%	#	%	#
1990	6	1.74%	283	82.27%	344
1991	6	1.89%	260	81.76%	318
1992	6	1.89%	260	81.76%	318
1993	4	1.79%	188	84.30%	223
1994	2	0.76%	215	81.75%	263
1995	5	1.89%	204	76.98%	265
1996	5	1.99%	199	79.28%	251
1997	5	1.96%	206	80.78%	255
1998	4	1.61%	196	79.03%	248
AVG	5	1.73%	223	80.93%	276

Source: City of Baltimore Prequalified Construction Electronic Database

Figure A7: Availability of Construction Prime Contracts: Asian American vs. Non-Minority Men

Fiscal year	Asian American		Non-Minority Men		Total Firms
	#	%	#	%	#
1990	3	0.87%	283	82.27%	344
1991	3	0.94%	260	81.76%	318
1992	3	0.94%	260	81.76%	318
1993	1	0.45%	188	84.30%	223
1994	4	1.52%	215	81.75%	263
1995	5	1.89%	204	76.98%	265
1996	3	1.20%	199	79.28%	251
1997	2	0.78%	206	80.78%	255
1998	3	1.21%	196	79.03%	248
AVG	3	1.09%	223	80.93%	276

Source: City of Baltimore Prequalified Construction Electronic Database

Figure A8: Availability of Construction Prime Contracts: Native American vs. Non-Minority Men

Fiscal year	Native American		Non-Minority Men		Total Firms
	#	%	#	%	#
1990	0	0.00%	283	82.27%	344
1991	0	0.00%	260	81.76%	318
1992	0	0.00%	260	81.76%	318
1993	0	0.00%	188	84.30%	223
1994	0	0.00%	215	81.75%	263
1995	0	0.00%	204	76.98%	265
1996	0	0.00%	199	79.28%	251
1997	0	0.00%	206	80.78%	255
1998	0	0.00%	196	79.03%	248
AVG	0	0.00%	223	80.93%	276

Source: City of Baltimore Prequalified Construction Electronic Database

Figure A9: Availability of Construction Prime Contracts: Women vs. Non-Minority Men

Fiscal year	Woman		Non-Minority Men		Total Firms
	#	%	#	%	#
1990	23	6.69%	283	82.27%	344
1991	23	7.23%	260	81.76%	318
1992	23	7.23%	260	81.76%	318
1993	8	3.59%	188	84.30%	223
1994	16	6.08%	215	81.75%	263
1995	23	8.68%	204	76.98%	265
1996	22	8.76%	199	79.28%	251
1997	21	8.24%	206	80.78%	255
1998	21	8.47%	196	79.03%	248
AVG	20	7.24%	223	80.93%	276

Source: City of Baltimore Prequalified Construction Electronic Database

Figure A10: Availability of Construction Prime and Subcontractors

Year	A.A.		His.		As.		N.A.		Woman		Non-minority men		Total
Total	#	%	#	%	#	%	#	%	#	%	#	%	
	285	25.15	21	1.85	23	2.03	7	0.62	79	6.97	718	63.37	1133

Source: City of Baltimore Prequalified Construction Electronic Database

Architectural and Engineering Contracts

Figure A11: Availability of Architectural and Engineering Prime Contractors

Year	A.A.		His.		As.		N.A.		Woman		Non-minority men		Total
Total	#	%	#	%	#	%	#	%	#	%	#	%	
	7	3.63	0	0.00	12	6.22	0	0.00	10	5.18	164	84.97	193

Source: City of Baltimore Prequalified A&E Electronic Database

Figure A12: Availability of Architectural and Engineering Subcontractors

Year	A.A.		His.		As.		N.A.		Woman		Non-minority men		Total
Total	#	%	#	%	#	%	#	%	#	%	#	%	
	19	7.14	1	0.38	24	9.02	1	0.38	23	8.65	198	74.44	266

Source: City of Baltimore Prequalified A&E Electronic Database

Service Contracts

Figure A13: Availability of Service Prime and Subcontractors

Year	A.A.		His.		As.		N.A.		Woman		Non-minority men		Total
Total	#	%	#	%	#	%	#	%	#	%	#	%	
	675	34.74	30	1.54	45	2.32	16	0.82	289	14.87	888	45.70	1943

Source: City of Baltimore Bidder Records, EOCO MBE Directory, Utilized Firms

Commodity Contracts

Figure A14: Availability of Commodity Vendors

Year	A.A.		His.		As.		N.A.		Woman		Non-minority men		Total
Total	#	%	#	%	#	%	#	%	#	%	#	%	
	119	6/44	11	0.60	13	0.70	2	0.11	73	3.95	1629	88.20	1847

Source: City of Baltimore Bidder Database, EOCO MBE Directory, Utilized Firms

Appendix B

What is IMPLAN?

IMPLAN is an economic impact assessment software system. The system was originally developed and is now maintained by the Minnesota IMPLAN Group (MIG). It combines a set of extensive databases concerning economic factors, multipliers and demographic statistics with a highly refined and detailed system of modeling software. IMPLAN allows the user to develop local-level input-output models that can estimate the economic impact of new firms moving into an area as well as the impacts of professional sports teams, recreation and tourism, and residential development. The model accomplishes this by identifying direct impacts by sector, then developing a set of indirect and induced impacts by sector through the use of industry-specific multipliers, local purchase coefficients, income-to-output ratios, and other factors and relationships.

There are two major components to IMPLAN: data files and software. An impact analysis using IMPLAN starts by identifying expenditures in terms of the sectoring scheme for the model. Each spending category becomes a "group" of "events" in IMPLAN, where each event specifies the portion of activity allocated to a specific IMPLAN sector. Groups of events can then be used to run impact analysis individually or can be combined into a project consisting of several groups. Once the direct economic impacts have been identified, IMPLAN can calculate the indirect and induced impacts based on a set of multipliers and additional factors.

The hallmark of IMPLAN is the specificity of its economic datasets. The database includes information for five-hundred-and-twenty-eight different industries (generally at the three or four digit Standard Industrial Classification level), and twenty-one different economic variables. Along with these data files, national input-output structural matrices detail the interrelationships between and among these sectors. The database also contains a full schedule of Social Accounting Matrix (SAM) data. All of this data is available at the national, state, and county level.

Another strength of the IMPLAN system is its flexibility. It allows the user to augment any of the data or algorithmic relationships within each model in order to more precisely account for regional relationships. This includes inputting different output-to-income ratios for a given industry, different wage rates, and different multipliers where appropriate. IMPLAN also provides the user with a choice of trade-flow assumptions, including the modification of regional purchase coefficients, which determine the mix of goods and services purchased locally with each dollar in each sector. Moreover, the system also allows the user to create custom impact analyses by entering changes in final demand. This flexibility is a critically important feature in terms of the SPG proposed approach. SPG is uniquely qualified to develop data and factors tailored to this project, and, where appropriate, overwrite the default data contained in the IMPLAN database.

Another major advantage of IMPLAN is its credibility and acceptance within the profession. There are over five hundred active users of IMPLAN databases and software within the federal and state governments, universities, and among private sector consultants. The following list provides a sampling of IMPLAN users.

Sample of IMPLAN Users:

Academic Institutions

Alabama A&M University
Albany State University
Auburn University
Cornell University
Duke University
Iowa State University
Michigan Tech University
Ohio State
Penn State University
Portland State University
Purdue University
Stanford University
Texas A&M University
University of California – Berkeley
University of Wisconsin
University of Minnesota
Virginia Tech
West Virginia University
Marshall University/College of Business

Federal Government Agencies

Argonne National Lab
Fed. Emergency Man. Agency (FEMA)
US Dep't of Agriculture, Forest Service
US Dep't of Ag., Econ Research Service
US Dep't of Int., Bureau of Land Mgmt.
US Dep't of Int., Fish and Wildlife Serv.
US Dep't of Int., National Parks Service
US Army Corps of Engineers

State Government Agencies

MD Dep't of Natural Resources
Missouri Department of Economic Development
California Energy Commission
Florida Division of Forestry
Illinois Dep't of Natural Resources
New Mexico Department of Tourism
South Carolina Employment Security
Utah Department of Natural Resources
Wisconsin Department of Transportation

Private Consulting Firms

Coopers & Lybrand
Batelle Pacific NW Laboratories
Boise Cascade Corporation
Charles River Associates
CIC Research
BTG/Delta Research Division
Crestar Bank
Deloitte & Touche
Ernst & Young
Jack Faucett Associates
KPMG Peat Marwick
Price Waterhouse LLP
SMS Research
Economic Research Associates
American Economics Group, Inc.
L.E. Peabody Associates, Inc.
The Kalorama Consulting Group
West Virginia Research League