



U.S. Chamber of Commerce
Foundation

Better Business: The Present & Future of B2B Commerce with Black-Owned Businesses

February 2023



Executive Summary

The relationship between procurers and Black-owned businesses that conduct business-to-business (B2B) commerce is enjoying growing economic influence. Procurers increasingly recognize they can improve resilience within their supply chains by incorporating B2B Black-owned businesses. And B2B Black-owned businesses are realizing they can strengthen their businesses through partnerships with procurers that can provide business growth as well as the potential for additional funding and scalability that is harder to find when focusing solely on the consumer market.

To better understand the dynamics of the procurer and B2B Black-owned business rapport, the U.S. Chamber of Commerce Foundation collaborated with the North Carolina State University (NCSU) Poole College of Management. This work evolved through student-led practicum projects in fall 2021 and spring 2022 where research was conducted to explore these synergies. Both qualitative and quantitative research was carried out to gauge the experiences and attitudes of procurers and B2B Black-owned businesses. This report is a summation of the work performed by the NCSU graduate student teams each semester, with further insight and recommendations by the Chamber Foundation.

Although procurers and B2B Black-owned businesses both desire to work with each other, the methods they use to connect are different. Whereas procurers said they mostly rely on the databases of minority-certifying organizations or other third parties to locate potential suppliers, B2B Black-owned businesses cited referrals or warm business connections as their principal methods for obtaining new clients. Further, most procurers said they ideally want new suppliers to meet all of their certification and production needs from the outset of the business relationship to facilitate the onboard process and quickly meet procurer production demands. However, this is often challenging for many B2B Black-owned businesses.

Black-owned businesses pursuing B2B relationships remarked that such requirements present a challenge given the time it typically takes to become familiar with a procurer's systems and processes and meeting any standards certifications that are necessary. Communication is also a hindrance, but from different perspectives. Procurers voiced frustration with their internal communications teams to promote the advantages of and procedures related to working with B2B Black-owned businesses, while B2B Black-owned businesses felt challenged by the slow communication with procurers that sometimes occurs.

Despite these differences, options exist to better unite procurers and B2B Black-owned businesses for new business development. Takeaways from the findings show that procurers can collaborate with Black-certifying organizations or business coalitions to incentivize B2B Black-owned businesses to become certified and listed in the databases that procurers often consult for new suppliers. Involvement with incubators or accelerators can also provide greater opportunities for procurers and B2B Black-owned businesses to connect. In addition, B2B Black-owned businesses can seek out new opportunities independently or through memberships in business organizations to augment their business acumen and networks.

More harmonious relationships between current procurers and B2B Black-owned businesses can also be achieved. To facilitate the efficiency and satisfaction of B2B Black-owned businesses with which they work, procurers can aim to shorten their payment duration, innovate ways to accelerate payment, communicate regularly with B2B Black-owned businesses, and create company cultures that foster inclusivity. Equally, B2B Black-owned businesses can maximize their relationships with procurers by participating in procurer training or mentoring programs and proactively contacting procurers to build relationships.



Background

Diverse small and medium-size enterprises (SMEs) play a critical role in the American economy. These businesses comprise over 1 million minority-owned businesses with employees in the U.S., accounting for 20% of all such businesses.¹ Among the diverse SMEs, 99.9% of them have fewer than 500 employees.

Recognition of diverse SMEs originated following the Civil Rights Movement of the 1960s. After the 1968 Detroit race riot, the American automotive and electronics industries began to establish supplier diversity programs to better integrate into their supply chains diverse SMEs conducting B2B commerce and to create new opportunities that could benefit their own bottom lines. Shortly thereafter, the U.S. government founded the Minority Business Development Agency in the Department of Commerce to provide business consulting services to minority business owners. To further strengthen the federal commitment to minority businesses, Public Law 95-507 was enacted in the late 1970s requiring government agencies to set goals related to purchasing from diverse B2B SMEs and therefore encourage government contractors from the private sector to incorporate diverse B2B SMEs into their supply chains.²

Since then, a network of organizations has developed to support diverse B2B SMEs and the procurers hiring them. Several entities are designated by the federal government to certify organizations as minority owned, assist diverse B2B SMEs with business development, and facilitate networking between diverse B2B SMEs and procurers. Some of these organizations include the National Minority Supplier Development Council, the Women's Business Enterprise National Council, and Disability: IN. The SBA and state and local governments also have certification processes for diverse B2B SMEs that conduct business with them.

Private sector procurers have developed their own internal systems to meet governmental requirements. Corporate supplier diversity programs have evolved into a key business strategy, particularly for large purchasing organizations, with performance metrics and internal accountability for achieving diverse B2B SME goals. These initiatives have expanded for good reason. Research shows that purchasing from diverse B2B SMEs generates a 133% greater return on procurement investment than purchases from traditional suppliers and lowers the cost of buying operations by 20%.³





Black-Owned Businesses Among Diverse B2B SMEs

Of the more than 1 million minority-owned businesses, 134,567 of them are Black-owned with the vast majority of these being SMEs.⁴ While there are many advantages to providing products and services to procurers, challenges still exist for B2B Black-owned businesses to succeed.

Access to financial capital is a significant hurdle that B2B Black-owned businesses face. In one study, 36% of B2B Black-owned businesses said they have difficulty accessing credit compared to 29% of non-Black respondents.⁵ Considering Black entrepreneurs typically have more than three times less startup capital than their white counterparts; experience challenges regularly in gaining access to capital, such as loans and full financing; and have a high likelihood of startup failure due to large debt-to-income ratios, B2B Black-owned businesses are at a disadvantage when working with procurers.⁶

Another hindrance to B2B Black-owned businesses' success is lack of social capital and knowledge of business resources. Informal relationships often lead to business partnerships, and B2B Black-owned businesses may not possess strong connections to key decision makers in procurement departments.

B2B Black-owned businesses may also hesitate to seek out resources and form relationships outside their communities.⁷ Only 58% of Black-owned businesses pursued professional services to assist in business development compared to 70% of white business owners, citing reasons such as mistrust, inaccessibility, and expense as deterrents.⁸ These circumstances suppress the ability of B2B Black-owned businesses to fully realize their potential.

To better understand the challenges and opportunities faced by B2B Black-owned businesses, the U.S. Chamber of Commerce Foundation (Chamber Foundation) partnered with the North Carolina State University (NCSU) Poole College of Management to execute this research as part of a graduate student-led practicum project. The research examines challenges and opportunities not only from the perspective of B2B Black-owned businesses but from that of procurers and their role in the development of B2B Black-owned businesses.





Methodology

This research was conducted during the two semesters of the NCSU 2021-2022 school year by two separate graduate student groups focusing on different aspects of the study each semester.

In fall 2021, the NCSU student team was tasked with exploring the perspective of procurers in working with B2B Black-owned businesses. Between October and November 2021, interviews were conducted with 11 large purchasing organizations from the pharmaceutical, technology, and manufacturing industries. This convenience sample of interviewees was identified through established relationships of the U.S. Chamber Foundation and NCSU's Supply Chain Resource Cooperative. With oversight from the U.S. Chamber Foundation, interviews were transcribed and analyzed. A final paper was created by the NCSU student team summarizing the findings, for which the team received a class grade and university credit.

The research undertaken by the student group in spring 2022 centered on the perspective of B2B Black-owned businesses and was both quantitative and qualitative. For the quantitative portion, the U.S. Chamber Foundation drafted and conducted a survey in February 2022 of 307 grantees from its Coalition to Back Black Businesses (CBBB) and from B2B Black-owned businesses not participating in the CBBB.

The survey data was provided to the NCSU student team, which analyzed it using descriptive statistics and logistic regression.

The spring NCSU student team also conducted interviews with a sample of CBBB grantees to gain more information about their personal experiences with business development and procurement processes. The U.S. Chamber Foundation oversaw data analysis in addition to interview transcription and analysis done by the NCSU students. The final paper drafted by the NCSU student team summarized the research findings, and the team received a class grade and university credit for the project.

This report is derived from the final student papers that were produced each semester with additional research and insight from the U.S. Chamber Foundation.



Findings

Connecting Procurers and Black-Owned Businesses

The Connection Disconnect: Databases Versus Referrals

Many of the procurers interviewed utilize databases developed internally or by third parties to locate eligible B2B Black-owned businesses. These tools allow procurement managers to obtain access to the most up-to-date information, including a business' industry, commodity, and certification status. The procurers interviewed acknowledged they would not be able to effectively find B2B Black-owned and other diverse businesses without these databases.

Procurers vary in the degree to which these databases are incorporated into their business procurement operations and used by staff. One respondent stated the company's supplier database is integrated with its enterprise resource planning system to directly include B2B black-owned businesses in its bids. Other procurers with less seamless internal connections, however, spoke of difficulties linking procurement managers and buyers to potential B2B Black-owned businesses during their bid processes since the data regarding which businesses were Black-owned or diverse was not directly connected to the procurement process.

Another commonly mentioned method of B2B Black-owned business recruitment is through forums or conferences sponsored by procurers or third parties.

These gatherings specifically target B2B Black-owned businesses or other diverse companies, offering meet and greet opportunities for potential suppliers to interact with procurers and share their capabilities to gain new contracts. Some of these events are coordinated by organizations that certify B2B diverse businesses. One company said that being closely involved with such agencies enables it to form beneficial relationships with B2B Black-owned businesses.

Conversely, when B2B Black-owned businesses were asked how they generally obtain business from procurers, 58% said it was through referrals. Only 16% said they were contacted by a procurer interested in doing business with them, and 3% connected to procurers at a B2B business diversity event (see **Figure 1**). The B2B Black-owned businesses that were interviewed reiterated the importance of referrals or prior relationships that contribute to their current business clientele. Said one business owner, "We haven't done any marketing campaigns, so it's pretty much word of mouth."

"We haven't done any marketing campaigns, so it's pretty much word of mouth."

Interviewee, Coalition to Back Black Businesses grantee



Figure 1. Methods Through Which B2B Black-Owned Businesses Obtained Clients (n=107)

- Referrals from other clients or business associates
- Targeted marketing to procurers
- Approached by procurers
- Participation in a supplier diversity event

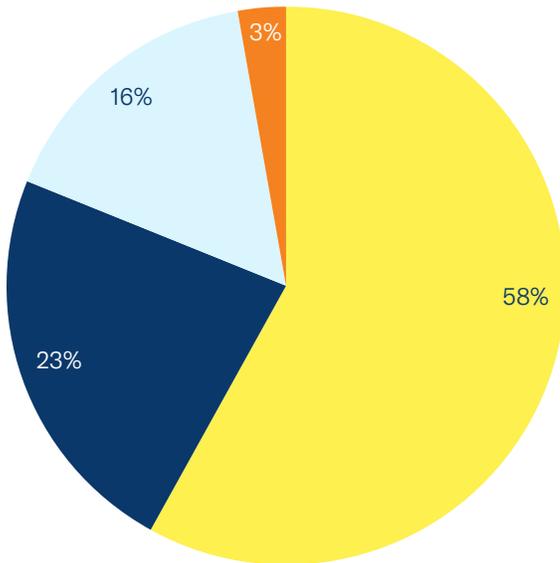


Figure 2. Percentage of Respondents Affiliated With a Business or Trade Organization (n=90)

Name of the business organization	Percentage of respondents affiliated with the organization
Business associations specific to your industry	46%
Local chamber of commerce	38%
Minority chamber of commerce	31%
U.S. Chamber of Commerce	20%
Other	16%
Urban League	14%
eWomenNetwork	2%

Minority Certification

Certification as a B2B Black-owned business was a common theme among the procurers interviewed, with almost three-fourths of procurers saying that third-party certification is a requirement to track qualified spending internally. Procurers typically depend on diversity status being established by third-party organizations designated by the federal government.

However, few companies said certification was mandatory for them to partner with a B2B Black-owned business and that they also work with self-identified suppliers, while still encouraging diverse business certification. One company, recognizing the financial challenges for B2B Black-owned businesses to become certified, said it would accept B2B Black-owned businesses without certification but would not count the spend toward their diverse supplier metrics until a B2B Black-owned business was officially certified through an accepted third party.

Among B2B Black-owned businesses, the impetus to become certified as a minority business is somewhat different. Only 22% of the B2B Black-owned businesses surveyed were minority certified, representing another chasm between procurers and B2B Black-owned business. In addition, only 14% of survey respondents said their procurers required minority certification. Nevertheless, B2B Black-owned businesses recognize the benefits of certification. Of the businesses interviewed that were minority certified, one commented that being certified led to new opportunities for funding and other business development events that were reserved expressly for certified companies. Others said they have yet to take full advantage of the resources provided as a result of certification.

B2B Black-owned business also said that membership in a business or trade organization can be constructive and provide valuable resources, such as how to run and grow their business. As seen in **Figure 2**, almost half of survey participants are members of at least one business or trade organization, with the most common affiliations with a trade organization specific to their industry (46%), their local chamber of commerce (38%), or a minority chamber of commerce (31%). One B2B Black business owner who is a member of a trade association said, “When I had questions, concerns, or needed information, it would take me days to get information before joining the association. Now, I can just reach out to someone through the organization who can provide information more readily.”

Working Together

Some B2B Black-owned businesses know what they want to do to better meet procurers' needs.

29%

of B2B Black-owned businesses said they would hire more employees.

12%

would improve production capacity.

But they face challenges in scaling.

74%

said they lacked funding to scale their businesses, a substantial barrier to their growth and development.

“As much income and revenue as we have pushing through our banks, I still can’t walk into a bank and get a loan.”

Interviewee, Coalition to Back Black Businesses grantee

What Procurers Need Versus What B2B Black-Owned Businesses Can Deliver

Ideally, procurers need specialized suppliers who are diverse and have the capability to fulfill orders from the start. Some procurers interviewed said, however, that finding B2B Black-owned businesses that fit these qualifications was often a dilemma, particularly for commodities categories that require highly specific products or skills.

Procurers often come across B2B Black-owned businesses that have the necessary capabilities but lack the requisite capacity, where making capital investments to service the procurer may not be feasible or too risky. Further, scalability prevents some suppliers from accessing certain supply chains.

Another preference procurers mentioned is having suppliers that are International Organization for Standardization (ISO) certified or have appropriate manufacturing certifications and can pass order fulfillment readiness audits for clearance immediately. At times, sourcing teams encounter B2B Black-owned businesses that are not ready to do business with them which forces procurers to rely on existing suppliers and creates a missed opportunity for B2B Black-owned businesses.

Some of the challenges voiced by procurers in doing business were echoed by the B2B Black-owned businesses surveyed and interviewed. Fourteen percent of those reported that their procurers required minimum orders that are too high, 9% said there is a lack of clarity around the standards requirements of procurers, and 6% had difficulties in meeting standards requirements.

To better meet the needs of procurers, 29% of B2B Black-owned businesses said they would hire more employees and 12% would improve production capacity. However, 74% also said they lacked funding to scale their businesses, a substantial barrier to their growth and development. One business owner said, “As much income and revenue as we have pushing through our banks, I still can’t walk into a bank and get a loan.”



Training and Mentoring Diverse Suppliers

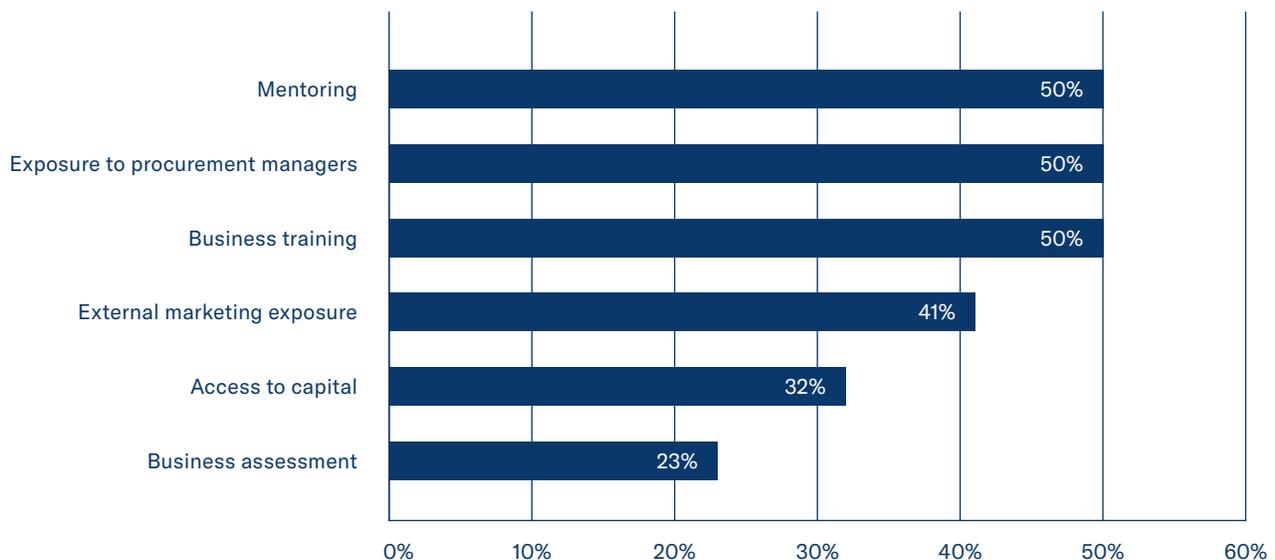
Training and onboarding new B2B Black-owned businesses to a procurer's processes and systems can facilitate understanding and build internal relationships with key staff. More than half of the procurers interviewed said they did not have an onboarding process specific to B2B Black-owned businesses or other diverse suppliers, while some said they had onboarding programs for all new suppliers regardless of minority status. Other procurers plan to institute trainings similar to supplier diversity programs. For example, one procurer mentioned that it has a supplier diversity council, which provides education, development, and webinars to help its diverse suppliers.

Mentoring programs for procurers are another corporate offering that prepares Black-owned businesses for their supply chains. The programs discussed during the interviews were both formally established and unofficial, where a B2B Black-owned business informally expresses a desire to be mentored by a procurer. Supplier health assessments are another method used to examine the quality and capabilities of B2B Black-owned businesses. Assessments can also trigger an intervention if a supplier falls below performance standards, resulting in an action plan for improvement.

B2B Black-owned businesses are receptive to procurer training and mentoring programs. As seen in **Figure 3**, while only 13% of survey respondents said they had participated in a formal supplier diversity program, these B2B Black-owned businesses indicated that they benefitted from business training (50%), mentoring (50%), exposure to procurement managers (50%), external marketing exposure (41%), access to capital (32%), and business assessments (23%)

One of the B2B Black-owned business interviewees extolled the virtues of participating in supplier diversity development programs saying, "The supplier diversity program was helpful in allowing me to lead my company in the right direction, and that was the beginning of our growth. Right when I finished the program, I was able to come back and adjust some of the things we were doing. From there, our numbers took off tremendously. Ninety percent of where I am today is from the education I received in that program."

Figure 3. Benefits of Participating in a Supplier Diversity Program (n=22)



Communication Between Procurers and B2B Black-Owned Businesses

Where Communication Is Breaking Down

The communication challenges that exist for procurers working with B2B Black-owned businesses are internal. Procurers spoke about difficulties within companies to effectively communicate the value proposition of hiring B2B Black-owned businesses to procurement managers as well as making certain that information on diverse supplier recruitment, hiring, and onboarding programs was conveyed to all relevant staff. One procurer said, “The biggest misconception of communication is the belief that it actually occurred. You have to continually communicate the ‘why’ and the impact of the programs.” None of the procurers mentioned communication issues with the B2B Black-owned businesses that work with them.

Yet B2B Black-owned businesses feel differently about the quality of communication between them and procurers. Among the biggest challenges B2B Black-owned businesses face when working with procurers are slow payment (49%), slow communication (23%), and slow turnaround demand for delivery of goods/ services (23%). This was supported by an interviewee who remarked, “If something is wrong, procurers generally won’t communicate that—you just feel the effects of it.” Likewise, B2B Black-owned businesses said that faster payment and better communication were the top ways that procurers could improve their relationship with them.

Opening the Lines of Communication on Both Sides

The COVID-19 pandemic has changed many aspects of the business world, including communication between procurers and B2B Black-owned businesses. For example, company representatives had to travel long distances to participate in discussions with current and potential suppliers before the pandemic. With the switch to virtual communications in 2020, however, procurers said they are strengthening their B2B Black-owned business relationships by initiating direct conversations with these businesses through workshops, webinars, and discussion forums.

The pandemic has led to other shifts in the procurer and B2B Black-owned business relationship. One procurer mentioned how it now accelerates payments to B2B Black-owned businesses and other diverse B2B businesses. Instead of making suppliers wait 90 days for payment, it converted to a weekly payment system, assisting these with cash flow. Another procurer said that during the pandemic it continued paying its B2B Black-owned businesses and other diverse suppliers even when production was decelerated. One procurer was also tracking suppliers during the pandemic to understand risks to its supply chain and plan ahead to prevent possible production losses.

B2B Black-owned businesses acknowledge that they are equally responsible for keeping procurers abreast of any issues and communicating when assistance or flexibility may be necessary. One B2B Black-owned business said, “On both ends, communication is key, especially when you’re developing a new product or if you’re a new supplier.”





Recommendations

This research uncovered several areas where progress could be achieved. Since procurers rely heavily on diverse supplier databases to locate minority-certified B2B Black-owned businesses, businesses and associations could consider incentivizing B2B Black-owned businesses to obtain minority certification. By working with Black-certifying organizations to lower the financial barriers to entry for B2B Black-owned businesses and create marketing campaigns targeting B2B Black-owned businesses, such industry groups could gain access to a plethora of potential new diverse suppliers through these collaborations.

Incubators and accelerators also offer procurers new opportunities to foster diverse talent and help meet their business-to-business needs.⁹ For instance, a large entertainment and media enterprise's accelerator for industry innovation provides funding, guidance, and office space at its campus, connecting entrepreneurs with industry leaders. Participating companies gain access to education, mentorship, and resources. Creating or aligning with existing incubators and accelerators can help both procurers and B2B Black-owned businesses cultivate mutual relationships that can lead to future business partnerships.

For their part, B2B Black-owned businesses could prioritize seeking out new opportunities and use existing resources to build their business acumen. Black-certifying organizations could help connect B2B Black-owned businesses to the resources and funding that enable them to effectively scale and grow.

The modifications that procurers have made during the COVID-19 pandemic have helped B2B Black-owned businesses provide adequate products and services. Shorter payment times, timely payment by procurers, and monitoring of B2B Black-owned businesses could be made permanent to accommodate B2B Black-owned businesses. Procurers that have the resources to do so could establish training and mentoring programs to maintain ties and relationships with B2B Black-owned businesses. B2B Black-owned businesses could take advantage of training and mentoring programs and search for companies and organizations that can offer them the education and resources to accelerate their business development.

In terms of communication, procurers could establish regular meetings with B2B Black-owned businesses regardless of whether a training or mentoring program exists and create a culture for B2B Black-owned businesses to feel welcome to reach out to procurers. Integrating company diversity and inclusion (D&I) initiatives and departments into procurement processes may facilitate a broader D&I corporate strategy and enhance the quality of offerings provided to B2B Black-owned businesses.

Overall, Black-owned businesses and procurers have myriad opportunities to further enhance their internal operations and external development for B2B commerce. With efforts put forth on both sides, their progress will ultimately create more harmonious relationships and smoother transactions that make for better business.



Acknowledgements

Written by: Sara Zellner, Ph.D., Lynz Consulting LLC, Consultant for the U.S. Chamber of Commerce Foundation

The U.S. Chamber Foundation would like to thank NCSU students Nicole Brugnoli, Rob Hukill, Alanna Hurley, Akshata Abhijit Joshi, Catherine Lewis, Kayes Mahmud, Alicia Watts, and Danielle Zenne for their valuable contributions to the content of this report. A special thanks to NCSU's Supply Chain Resource Cooperative and student adviser John Zapko, who oversaw the NCSU student teams both semesters.

Endnotes

- ¹ U.S. Census Bureau, "Annual Business Survey: Statistics for Employer Firms by Industry, Sex, Ethnicity, Race, and Veteran Status for the U.S., States and Metro Areas: 2019," Accessed July 18, 2022.
<https://data.census.gov/cedsci/table?tid=ABSCS2019.AB1900CSA01&hidePreview=true>.
- ² U.S. Public Law 95-507 - Amendments to the Small Business Investment Act of 1958, 92 Stat. 1757, October 24, 1978.
<https://www.govinfo.gov/content/pkg/STATUTE-92/pdf/STATUTE-92-Pg1757.pdf#page=1>.
- ³ Steven D. Jones, "Benefits of Supplier Diversity May Go Beyond 'Social Good,'" *The Wall Street Journal*, August 21, 2006.
<https://www.wsj.com/articles/SB115611527732140564>.
- ⁴ Adam Grundy and Linda Lee, "Black History Month: Census Bureau Looks at Nation's Black-Owned Businesses," February 22, 2022.
<https://www.census.gov/library/stories/2022/02/increase-in-number-of-united-states-black-owned-businesses-between-2017-and-2019.html>.
- ⁵ David Baboolall, et al., "Building Supportive Ecosystems for Black-owned US Businesses," McKinsey & Company, New York, NY, June 23, 2021.
<https://www.mckinsey.com/industries/public-and-social-sector/our-insights/building-supportive-ecosystems-for-Black-owned-us-businesses>.
- ⁶ David Baboolall, et al., "Building Supportive Ecosystems for Black-owned US Businesses."
- ⁷ Association for Enterprise Opportunity, "The Tapestry of Black Business Ownership in America: Untapped Opportunities for Success," February 16, 2017. https://aeoworks.org/images/uploads/fact_sheets/AEO_Black_Owned_Business_Report_02_16_17_FOR_WEB.pdf.
- ⁸ 2016 Annual Survey of Entrepreneurs, "Providers of Business Advice or Mentoring," U.S. Census Bureau.
<https://www.census.gov/data/developers/data-sets/ase/2016.html>.
- ⁹ Incubators help entrepreneurs refine business ideas and build their companies from the ground up. Accelerators provide early-stage companies that already have a viable product with the education, resources, and mentorship needed to promote and more quickly advance their business.

