BIPOC Entrepreneurs and Leveraging Capital

Research question: Can different levels of capital eliminate barriers for BIPOC entrepreneurs in the publishing industry?

Introduction

In an ideal business world, racial discrimination and biases wouldn't be aspects of society. Unfortunately, as many Black, Indigenous, and People of Color (BIPOC) entrepreneurs have found, this is their reality.

As reported by the Annual Business Survey (ABS), "approximately 18.3% (1.0 million) of all U.S. businesses were BIPOC-owned" in 2018 (Alonzo, 2021). Out of that number, about 54,325 of those reported businesses are privately owned in the publishing industry (Watson, 2021). Based on the numbers, it's unknown how many of the businesses are bookstores, literary agencies, publishing presses, freelance businesses, etc, but what we do know is that there is a significant racial gap in the publishing industry.

This research paper aims to identify the barriers BIPOC entrepreneurs go through, in predominately White communities, and what kind of capital can be leveraged to benefit those businesses in the publishing industry. Whether the business is a bookstore, publishing press, or literary magazine, gaining the advantage of various capitals might look different to each business. For BIPOC entrepreneurs in the publishing industry, it boils down to being able to leverage social capital, financial capital, and symbolic capital. To leverage capital, BIPOC entrepreneurs must first identify the barriers that make it more difficult for them to gain access to those capitals.

BIPOC Entrepreneurs and Barriers

The BIPOC community experience many challenges in society that create a domino effect in the business world. The main barriers identified are focused on mentorship, the racial wealth gap and generational wealth, and funding and resources. Connecting to the different types of business capital, they're mainly tied to social capital and economic capital on a systemic level, which will be addressed in the next section.

Mentorship

In any field, mentors can help expand one's network. The issue is that many BIPOC entrepreneurs don't have access to the right kind of mentors. It's reported that "there are not as many BIPOC people who have successful entrepreneurs within their families or social circles in the publishing industry" (Harrison, 2018). BIPOC entrepreneurs don't necessarily need to have a mentor who identifies as BIPOC nor needs to have a close family or friend be an entrepreneur to be a mentor, but it has its benefits when addressing issues that go beyond financial capital, like cultural and societal roadblocks. A mentor can also solicit advice about funding, networking events, and even connect to professionals in the field. The barrier to finding mentors results in BIPOC entrepreneurs having to make an additional effort to find mentors through networking and/or find formal mentorship programs through work and other programs, but that takes time away from starting up the business.

Racial Wealth Gap and Generational Wealth

BIPOC communities face barriers when it comes to wealth building. These barriers stem from a long history of discrimination and racial inequity.

Donna Gambrell, chief executive officer of Appalachian Community Capital and the former director of the U.S. Treasury Department's Community Development Financial Institutions Fund, states that "BIPOC-owned small businesses often face obstacles because they lack start-up funding and their families and friends are also often similarly financially constrained" (Jarvis, 2021). Gambrell recognizes the financial obstacles and hints at generational wealth being a factor with family. Like many startups, entrepreneurs might not have the initial funds to launch their businesses. Many look towards friends and family for investment and funding. This factor is a barrier for many BIPOC entrepreneurs, specifically Black entrepreneurs, due to the historically low average net worth of their families. BIPOC entrepreneurs can't ask their close family if don't have initial funds to invest in the first place.

As for generational wealth, it's a barrier that BIPOC communities are forced to endure and has a domino effect in the entrepreneurship world. It's a financial risk to invest in a startup, especially if monetary savings are slim. The chance of risk is higher than the potential reward, especially when considering many small businesses don't last beyond five years. This is a contributing factor of why families in a BIPOC community might not invest in businesses due to trying to build generational wealth in other ways.

Funding and Resources

BIPOC entrepreneurs start with lower funding and resources due to socioeconomic barriers. Without the proper financing, it's difficult for these entrepreneurs to advertise themselves and fund any overhead expenses needed for their business.

To couple with these statements, it's known that banks have a long history of "disadvantaging BIPOC with lower-quality credit products, at higher interest rates" (Voidonicolas, 2021). This barrier hinders BIPOC entrepreneurs from being qualified for loans, taking credit out for their businesses, and receiving the necessary assistance to do both and more. It's not explicitly specified why banks might treat BIPOC communities differently, although it's in the speculation of racial biases, this is one of the many examples of racial inequity.

The Logic of the Field

The logic of a publishing field is "a set of factors that determine the conditions under which individual agents and organizations can participate in the field – that is, the conditions under which they can play the game successfully" (Thompson, 2013). Within the various business capitals, cultural capital and economic capital are said to be the main forces that make up for a successful entrepreneurship venture (Noorda, 2021). This is a blanket statement for entrepreneurship as a whole and does not address BIPOC entrepreneurship, as its own entity, or its obstacles.

Based on some of the barriers addressed, BIPOC entrepreneurs can leverage social capital, economic capital, and symbolic capital for a financially successful business. The root of the barriers is deeper than the business world. They bleed into society, discrimination, and racial biases, but identifying the various capitals that can be leveraged to overcome those barriers and become stepping stones for BIPOC entrepreneurs and their businesses.

Social Capital

Social capital is defined as "the networks of contacts and relationships that an individual or organization has built up over time" (Thompson, 2013). The key phrase of the definition is "built up over time," meaning that social capital is important in all levels of building a business and maintaining one. Social capital can include networking and making meaningful connections in the community, both of which can crucially help a business.

Social capital is important in any stage, but it's particularly important during the startup phase. It can start with networking and attending social gatherings that allow for a greater chance of meeting people interested in the business, whether to invest or work with. It can also start with the entrepreneur's mission statement and core values that they illustrate to the community. By tying back to the overall goals of their business and what they're trying to accomplish by starting their business, it can attract their target audience and community to invest. Both aspects are dependent on the knowledge the entrepreneur has of their target audience and market and how clear they convey their message to the community. A strong mission statement and core values can go a long way to connecting with a community.

For BIPOC entrepreneurs to gain social capital, it could mean partnerships with other companies and organizations to help with events or promotional activities. Many BIPOC-owned businesses, especially in the publishing industry, make it known that their business is BIPOC-owned, and for good reason. With the industry being overwhelmingly White, diversity is celebrated. Partnerships with other companies that are BIPOC-owned, or have their own symbolic and social capital, can help BIPOC entrepreneurs gain business, exposure, and networking opportunities.

For any type of business, social capital might be daunting or overwhelming, but it can make all the difference in having a successful business, especially for BIPOC communities.

Social capital can be tied to cultural capital, especially in the publishing industry. With racial diversity comes cultural nuances and viewpoints that should be celebrated in the business. Depending on the type of business, BIPOC entrepreneurs can target their racial or ethnic communities for networking and/or financial purposes. They can also aim towards solely marketing to their communities because of their lived experiences and cultural ties.

Economic Capital

Economic capital speaks to "the money and resources needed to start and keep companies operational" (Thompson, 2013). A business must have a clear business plan, or at the very least a financial plan so entrepreneurs know what their baseline funding looks like.

Economic capital might be the hardest capital to leverage, for BIPOC entrepreneurs, based on the barriers of the racial wealth gap and generational wealth that can set them apart from their White counterparts. The racial wealth gap and generational wealth can be barriers for BIPOC entrepreneurs from obtaining a bank loan. Aspects like debt, assets, and history of loans are considered and for Black families, specifically, this might be proven to be a significant factor given their statistically low net worth. Both of the unfortunate barriers cannot be fixed overnight, but there are other ways to gain economic capital aside from bank loans. Other resources include crowdfunding, fundraising events, and business grants. All options require a heavy level of investment in time and research but can be obtained if bank loans cannot. For business grants, it boils down to how clear the business' purpose is due to many of their strict requirements to apply.

Economic capital can also be tied to social capital in the sense that networking can be a pathway to funding and other resources. Networking can connect people and businesses from around the world that can have endless possibilities for success. With any type of business, regardless if it's BIPOC-owned or not, the main component of economic capital is to network with potential investors. These could be community members, investment groups, or other businesses.

Symbolic Capital

Symbolic capital is "the accumulated prestige, recognition, and respect accorded to certain individuals or institutions" (Thompson, 2013). With prestige and recognition comes sponsors, clients, and consumers. A thriving business relies on symbolic capital to keep a business running for years to come. It can take years, even decades, to build up symbolic capital, but it's nevertheless a foundational block for BIPOC entrepreneurs and their businesses, especially in the publishing industry. For BIPOC entrepreneurs, symbolic capital can be difficult to obtain if their business doesn't survive at least five years.

Known by many people entering the business world, "about 20% of businesses fail within the first year, 30% within the second year, 50% within the third year, and 70% within the tenth year" (Carter, 2021). BIPOC-owned businesses face even greater odds of failure with eight out of ten failing within only 18 months (Carter, 2021). Other factors might contribute to businesses failing, but gaining symbolic capital can reduce those numbers.

Symbolic capital is dependent on the products of the business and how well the business plan is executed. By producing quality products, pricing them fairly, and correctly targeting the market and audience, symbolic capital will naturally follow when there are more buyers. Symbolic capital is tied to economic capital because correctly pricing products makes a world difference for consumers, which is reliant on the product's quality.

BIPOC entrepreneurs can also gain symbolic capital through networking and creating partnerships that lift each other in the business world and publishing industry. When ranking the capitals, symbolic capital might not be the initial goal but can benefit a business in the long run.

COVID-19 Effects on Entrepreneurship

The COVID-19 pandemic has affected everyone across the world, especially the business world. Factors like financial strain due to layoffs and emotional/mental health have still proven to challenge society and the way we conduct business. *The Entrepreneur* reported that "African American business owners declined 41% and other minority communities also experienced deep losses, including immigrants (a 36% drop) and Latinx (32%), and Asian (26%) business owners" during the pandemic in 2020 (Carter, 2021). These numbers do not specify the contributing factors that forced BIPOC businesses to close. Whether it was due to physical health, mental health, or overall financial strain specific to the pandemic, BIPOC businesses suffered the most.

While these numbers are not specific to the publishing industry, they tell a compelling story of how BIPOC-owned businesses have dealt with the repercussions of the pandemic as a whole. Alongside the pandemic, historical barriers of discrimination and inequity are still alive, all of which BIPOC entrepreneurs and communities are forced to deal with.

The Future of BIPOC Entrepreneurship

Whether the small business is in the publishing industry or not, BIPOC-owned businesses continue to significantly experience more barriers and losses than their White counterparts. Social capital, economic capital, and symbolic capital are tied in many ways and can provide the foreground of a successful business when obtained.

The underlying factor to gaining the various capitals mentioned above is networking. It's the common denominator that can lead to opportunities for funding, mentorship, specific advice about business, and other resources that can eliminate barriers. Regardless of race or business venture, anyone can engage in networking. This might prove to be more difficult for people living in rural communities, but with the age of technology, it's possible to network.

In conclusion, it's difficult trying to leverage aspects of a system when it was designed for one group's benefit and not another. The identified barriers are shortcomings of society that have naturally trickled into the business world and may never be rectified. The evident racial inequity in the business world lends more of a reason to support BIPOC-owned small businesses. The future of entrepreneurship is in the BIPOC community and diversity as a whole. It's difficult to say if leveraging the capital addressed will help retain BIPOC-owned small businesses without looking at specific business plans and objectives, but pointing out the socio-economic barriers is a starting point. Regardless, with the necessary leverage of social capital, financial capital, and symbolic capital, BIPOC businesses can thrive, but only in a society that prioritizes diversity, equity, and inclusion.

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