

Increasing Minority Ownership of Manufacturing in the Rural South

Summary

To borrow from a recent book title: Manufacturing matters. Despite the fact that manufacturing's share of national employment is decreasing, manufacturing continues to drive the economy in many areas. Manufacturing also accounts for more of the nation's exports, R&D, innovation, high-wage jobs, economic opportunities, and community wealth than any other sector. Therefore, open access to manufacturing ownership is vitally important. Yet manufacturing in the United States continues to be owned primarily by white males—even as minority ownership of other forms of business rises. African Americans are particularly underrepresented among manufacturing owners and managers.

A Piece of the Action: Increasing Minority Ownership of Manufacturing in the Rural South, a recent report by Regional Technology Strategies, Inc. in cooperation with the TVA Center for Rural Studies, examines patterns and examples of minority ownership of manufacturing. The purpose—to learn about ways to increase minority ownership of manufacturing and thereby generate more jobs and income in rural areas. The analysis relied on survey data collected from minority owners of manufacturing firms in North Carolina and Mississippi. Among the studies findings:

- African Americans have the lowest rates of self-employment—only 4.4 percent of all black men and 2.2 percent of all black women
- African American-owned firms are primarily in retail and personal services—not manufacturing
- African American manufacturing firms tend to produce low value-added, non-durable goods
- African American owners of manufacturing firms tend to employ more minority workers, a fact that is important because most of the owners learned on the job and are thus preparing future minority owners and managers of manufacturing firms.

Another key finding of the study was the identification of several obstacles that minorities must overcome if they are to own and manage manufacturing firms.

Difficulty in acquiring capital is universally cited as the number one barrier to business startup, expansion, and growth. And the barrier is likely to loom

even larger in the future, given the expense of modern manufacturing equipment and technology.

Lack of workplace experience and industrial management skills prevents people from breaking into ownership or management given that most new manufacturing firms are started by former employees who got the requisite knowledge on the job. The lack of minorities in skilled and management positions in the past limits the field of candidates for starting firms today.

Prejudice among potential customers and partners remains a problem for minorities in some situations.

Lack of encouragement and peer groups limits the support that can prove essential to entrepreneurs.

Weak networks and technical assistance limit the access of minorities to sources of information, innovation, and markets that they need to make it in business.

Interestingly, the report does not find rural location to be a handicap for southern minority manufacturers. Roads, telecommunications, and one-day delivery services meet their needs.

Finally, the authors make five suggestions to combat these obstacles:

- 1) Encourage more minority youth to enter technical and industrial careers.
- 2) Help minority youth acquire entrepreneurial skills.
- 3) Make more adults aware of entrepreneurial opportunities.
- 4) Increase the availability of capital for entrepreneurial ventures.
- 5) Improve access to support services and connections to markets and sources of information.