



**America's Monthly News Magazine About
Minority Business Enterprise and Diversity**

[MBN Home](#)

[About Us](#)

[Contact Info](#)

[Advertise](#)

[Subscribe](#)

[Archives](#)

[Current](#)

MBNUSA

[About Us](#)

[Contact Info](#)

[Advertise](#)

[Subscribe](#)

[Archives](#)

[Current](#)

**January 15 - February
15, 2006**

▶ [Diversity Focus](#)

▶ [Cover Story](#)

▶ [Extraordinaire](#)

[<more>](#)



2006 Should Pay Dividends for Entrepreneurs

As minority business owners and entrepreneurs consider opportunities for start-up and growth in 2006, they literally can look up to the stars. They all seem to be aligning.

"I'm very bullish on '06," said Victor Edozien, managing director with the business-consulting firm Asaba Group in Natick, Mass.

Clearly, the U.S. economy is expanding, and that is expected to carry over from 2005-2006, Edozien and other prognosticators said. He noted that recent quarterly U.S. economic growth has been more robust than over the previous two or three years.

"For an entrepreneur trying to start a business it is best to do that when the economy is expanding rather than when it's contracting. That bodes well," Edozien said.

Favorable economic conditions are leading to other positive indicators — such as low inflation, available capital and consumer demand for services. Ben S. Bernanke, who was nominated to be Federal Reserve board chairman by President Bush, foretold of the expanding economy in a March 2005 Chicago speech to the Executives' Club of Chicago. "The baseline forecast for the U.S. economy in 2005 and indeed beyond this year appears quite favorable. In particular, in the past few quarters the evidence that the recovery is self-sustaining has become more persuasive, while inflation pressures appear contained," Bernanke said in his talk.

Michael Zey, a professor and futurist with Montclair State University/Expansionary Institute in Mt. Freedom, N.J., said Bernanke's accession at the Fed should be good news for entrepreneurs. While Bernanke has a proclivity for keeping inflation low, which could place upward pressure on interest rates, "I see him as a moderate and someone who is concerned about keeping business going. What an entrepreneur needs is a healthy business environment, and I think that's what we're going into," Zey said.

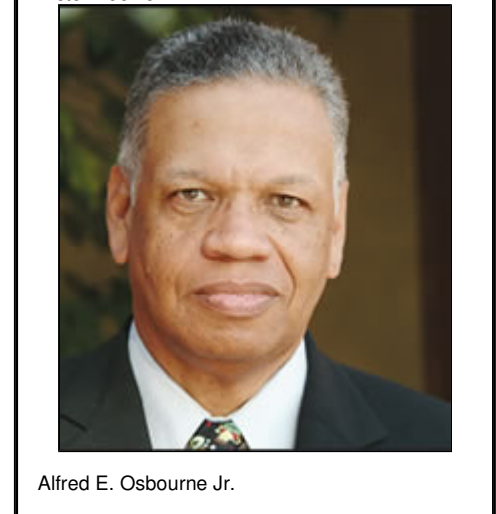
He noted that the U.S. economy has managed to remain vibrant despite hiccups due to hurricanes Katrina and Rita and the spike in energy prices — more signs that 2006 will encourage entrepreneurship.

In the area of equity capital, Edozien noted "funds out there are now looking to place money. They are looking for ideas and what I call good teams that have a proven track record. If you're an entrepreneur [who] has history of good execution, you shouldn't have much problem in finding equity capital, especially in a good sector."

A November 2005 report said U.S. venture capital fund-raising continued to increase in the third quarter with a 16 percent boost over 2004. Some 27 funds were raised during the quarter, totaling about \$5.91 billion, according to the report from Venture One, a subsidiary of Dow Jones. Through November 2005, about \$15.93 billion had been raised this year, and commitments forecast to surpass the \$18.43 billion raised in 2004.



Victor Edozien



Alfred E. Osbourne Jr.

On the credit side, small business loans outstanding by commercial banks increased by 5.5 percent between June 2003 and June 2004, according to a study released in November 2005 by the Office of Advocacy of the U.S. Small Business Administration. Small business loans outstanding under \$1 million totaled \$522 billion as of June 2004, an increase of \$27 billion or 5.5 percent between June 2003 and June 2004, the report noted, an increase of 2.3 percent during the previous period.

"I see this as a good time for entrepreneurs generally," said Alfred E. Osborne Jr., senior associate dean at the Anderson School of Management at the University of California at Los Angeles. "If you're trying to grow a business, you've got to put together the human talent with the money, and I believe that it's never been better."

Osborne said access to capital for established minority business owners should be favorable as well in 2006.

One of the largest problems that minority entrepreneurs used to complain about has been the access to capital. I actually think that access to capital is very good. Interest rates aren't as high as they could be," Osborne said.

Preliminary results from the Survey of Business Owners released by the U.S. Census in July 2005 showed participation of minorities and women in business ownership is trending upward. While the figures cover the latest data from the period 1997 and 2002, they show that growth of minority- and women-owned businesses occurred at a rate of four times that of the 10 percent national average.

Overall, the nation's 23 million businesses operating between 1997 and 2002 had sales of \$22.6 trillion, according to the survey. Black-owned businesses totaled 1.2 million firms in 2002, an increase of 45 percent from 1997. These businesses had \$92.7 billion in sales receipts in 2002, up 30 percent from 1997.

Futurist Zey said helping to fuel business activity and development will be continued advances and familiarity entrepreneurs have with technology.

"Technology is making it easier for people to be in business in general," Zey said. "A number of people are trying out technology in an almost painless way. You don't have to setup a storefront. Your storefront is a virtual one. That's helping people with little capital. We have a lot of people with the entrepreneurial itch in this country."

African-American companies and entrepreneurs in general, however, may require some different strategies in 2006 – simply if just to keep pace with current trends and opportunities, Asaba Group's Edozien said.

"Harsh" sectors like automotive, and defense and aerospace industries, for instance, are transforming themselves through restructuring and consolidation with the goal of ridding themselves of excess capacity in their supply chains, Edozien said.

A good example of this is General Motors Co.'s November 2005 announcement of significant plant closings to occur in 2006.

In the defense and aerospace industries, federal government customers such as the U.S. Department of Defense are streamlining their supply chains in favor of working largely with the largest contractors in their commercial sourcing. "They want the big guys to manage contractors. They're saying, 'I don't want to deal with so many suppliers.' I want to restrict my supplier base. You're seeing a lot of consolidation in the supply chain," Edozien said.

Entrepreneurs seeking business in these need to "look to find situations where you can consolidate and lower your overall cost structure, take capacity out and become best in breed when it comes to cost delivery performance," Edozien added.

In the services area, 38 percent of black-owned firms operated in the health care and other similar industries between 1997 and 2002, according to the Census data. UCLA's Osborne said health care is a sector that should continue to pay business dividends in 2006.

"The greater demographic that we have to worry about is that we're aging, and all kinds of goods and services that work with an aging population are going to do well. Catering to services on the leisure side is part of what seniors care about," Osborne said.

Services that support retirement and convalescent homes, pharmaceuticals, assistance for the elderly, leisure activities, hotels and vacations will create business opportunities because "people living longer are wanting to pamper themselves," Osborne added.

Osborne said minority firms also will want to embrace outsourcing opportunities — not nearly the drain on them as chronicled in the media.

“Larger companies are unbundling parts of their supply chain, and it therefore creates opportunities for minority entrepreneurs and entrepreneurs in general to be vendors of larger firms. Things that they would have done themselves they are now outsourcing.

In a world that is shrinking and virtual, you’ve got to be as good or better than somebody that’s halfway around the globe,” Osborne said.

Edozien of Asaba Group said minority entrepreneurs also need to find ways to gain leverage in sectors that are attracting investment dollars. Areas like telecommunications, utilities and defense government have created traditional sourcing opportunities through formalized supplier development programs, but skills set in these sectors can be transferred to others, such as semiconductors, homeland security and weaponry.

“It makes sense as an entrepreneur to go where you can have the lowest barriers to entry and greatest economic opportunity, but we have to try to think outside of our traditional boxes,” Edozien said.

One tactic in entering a hot, new sector is to acquire businesses outright rather than largely relying on investing in partnerships.

“You then have instant credibility in that environment. Minority businesses keep talking about partnerships, partnerships, partnerships. Sometimes it’s not a partnership. Sometimes you have to just make the acquisition and move forward with it. There are other ways to grow beyond looking for that partner before making your investment,” he said.

TexCorp Communications, Inc.
11333 N. Central Expwy., Suite 201 Dallas, Texas 75243
(214) 369-3200 FAX (214) 265-9393
Copyright © 2005 All Rights Reserved. [Terms & Condition](#)