

Business...

Black Entrepreneurs and The Third Wave

By EDWARD DUGGER, III

The Third Wave. Black entrepreneurs. It seems that these two topics do not have much in common. Today they do not. Whether they do in the future will depend on the creativity of Black entrepreneurs during the next 20 years. It will determine whether there are any significant Black-controlled businesses in the year 2000.

Until recently the human race has undergone two great waves of change which have altered cultures throughout the world in ways which were inconceivable by earlier generations. The First Wave of change—the agricultural revolution—was the first turning point in human social development and lasted for thousands of years. The second turning point was the industrial revolution or Second Wave which has lasted for only 300 years. The Second Wave has shaped the world as we know it today and is ingrained in our social, political and economic structures. It was fueled by nonrenewable energy sources and spread with the development of such innovations as "mass production," "mass distribution," "mass education," the "nuclear family" and the "corporation."

The Third Wave is just beginning and will probably last only a few decades. Although this coming period has been called many names (the Information Age, the Electronic Era, etc.) they all mean the same thing—change, occurring at a dazzling rate. During this period humanity will experience the most profound social restructuring of all time. Most Blacks alive today will feel the full impact of the Third Wave in their lifetimes.

Such a period of change will generate unprecedented opportunities. In the economic sphere thousands of new market opportunities will spawn thousands of new multimillion and several multibillion dollar companies. Will Black entrepreneurs ride this giant wave or be drowned by it?

As a venture capitalist whose business it is to finance minority-controlled businesses with unusual growth potential, I have made a few observations which relate to this issue.

- Companies owned and/or managed by minorities other than Blacks have made more inroads into high growth industries than have Blacks.

- Black controlled businesses are heavily concentrated in low growth service industries.

- The most successful and promising minority companies have not been founded by MBA's—but rather by engineers, scientists and other technical

professionals.

Entrepreneurs—Black, Asian or White—who have benefited the most from the emerging Third Wave are those who have successfully commercialized technical knowledge within a capable business organization.

This makes sense. The Third Wave will be propelled by the application of innovative technology to all facets of our lives. Those who understand such technology, its commercial opportunities and the requirements for successfully bringing it to market, will benefit enormously during the next 20 years. Thousands of Black entrepreneurs could become multimillionaires while building dynamic companies. Or nothing at all could happen. My observations concerning the current status of Black entrepreneurship are not encouraging. But they concern the past and the present. What does the future hold?

A survey of about 1,000 of the nation's top Black MBA's conducted by Urban National Corporation (a private venture capital firm specializing in minority growth companies) provides a few insights. It indicated that about 15% viewed themselves as future entrepreneurs. The majority were currently between 30 and 40 years of age and expected to start their new ventures within two to five years after having acquired seven to ten years of business experience.

Their strongest business skills were in the areas of general management and sales/marketing and in five years they expected them to be in the same areas. Their venture interests were strongest in professional services (13%), real estate (9%) and assembly manufacturing (7%). One-third have begun developing their business plan and have identified members of the senior management team; 40 percent have done neither. Eighty percent have \$20,000 or less to invest in their venture.

Reviewing the data I am left with three impressions. First, as a group, these would-be entrepreneurs are thinking small. Despite their graduate degrees from the top business schools and years of experience within our major corporations their entrepreneurial focus is on ventures with low barriers to entry, low capital requirements and low growth potential.

Second, I see little evidence that significant linkages are being made between those Blacks who can manage business organizations and those technicians—Black, Asian or White who can translate innovative technology into commercial goods and services. Third, I

see a strong tendency to think in terms of continuities that may not survive the Third Wave.

These impressions concern me. The new business opportunities that emerge with the Third Wave will be technical and big. Benefiting from these opportunities will require thinking technically and thinking big. My concern is that Black entrepreneurs will end up "scratching where there is no itch".

If Black entrepreneurs are to have a significant role in the economic environment of the Third Wave, some must begin to think technically and think big. Thinking technically means thinking innovatively. Yet it means more than building a better mousetrap. In essence it means changing the ways in which things are done—preferably for the better. It is the difference between multiplication tables and a calculator, a typewriter and a word processor or a \$100 bill and a credit card.

Thinking big means thinking strategically. It means anticipating change, discontinuities, scarcities, and demand. It means understanding the difference between the possible, the probable and the preferable. Above all it means translating these insights into a comprehensive plan that takes into account uncertainty and capitalizes on our ever-changing reality.

An entrepreneur is probably thinking technically and thinking big if he or she confidently can answer the following questions:

- What are the key variables for success in this business and its industry and will they change in the next five or ten years?
- What range of management skills are necessary to grow this business rapidly and who has them?
- In five to seven years will this business be an attractive candidate for acquisition or a public offering?
- What investment terms would make this business an attractive opportunity today for sophisticated investors?
- What must I derive from this venture at a minimum to make it worth my while?

A few Black entrepreneurs are thinking technically and big. One is a biomedical engineer who is the founder of a company which manufactures his patented non-invasive medical instruments. After a few false starts he recognized his own administrative weaknesses and employed an experienced executive to manage the growth of his business. He remains the single largest shareholder of a company that has the potential for achieving sales of \$30 million in five years.

Another entrepreneur is making his mark in the broadcasting business. A lawyer by training, he became knowledgeable about broadcasting by investing in a broadcast company. He