When Minorities Become the Majority - The Vision for 2050

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SOUTHPORT, CT -- DiversityBusiness.com /- Census data leave no doubt that minorities are rapidly increasing as a proportion of the total United States population. This is the result of immigration and minorities higher birthrates compared to Caucasians. Minorities will become the majority of the national population around the year 2050, but many communities have made the transition already.

This country is not preparing for this momentous demographic shift that will create a new majority. The most pressing problem is that today’s minorities are getting neither the help they need to fully participate in the entrepreneurial economy, nor the education they need to staff the workforce in the service/knowledge economy.

**Although overt, intentional discrimination** has become socially and legally unacceptable in US society, the situation facing minorities destines all but a few of them to remain an economic underclass. When an economic underclass becomes the majority, the American Dream becomes no more than a fairy tale for most people, the class division between the embarrassingly wealthy and the unacceptably poor takes on epic proportions, and alienation, resentment, and social unrest become increasingly prominent in the American ethos.

The issue is not just a matter of fairness among the haves and have-nots. Even those who subscribe to the view that life isn’t fair need to pay attention to their long-term self-interest: the impact of minority underachievement will extend beyond the minority community to constrain gross domestic product, and harm the haves ability to remain affluent. Instead of contributing robustly to the national economy, minorities will remain on the sidelines of their value chains, generating little wealth, few jobs, low tax revenues, and fiscal burdens.

**Exclusion from the lucrative parts of value chains** arises because minorities are not achieving the level of literacy much less advanced education necessary to participate fully in the service/knowledge economy. In most of this country’s minority-dominated communities inner cities, barrios, and Indian reservations no more than half today’s ninth-graders will graduate from high school. Many of those who graduate will not be able to read, write, do basic math, and use a computer the most basic skills required for employment beyond the realm of unskilled labor. The social and economic costs of this inter-generational fate are rising as minorities grow in proportion to the national population.

This is a local problem, indeed, but it’s also a national problem. The U.S. needs a highly educated workforce to maintain national competitive advantage in the global economy. The country also needs a growing infusion of knowledge-based new ventures to sustain the entrepreneurial economy and to replace major corporations that have lost their competitive edge. Despite these growing needs, minorities as a group are not getting the education the country needs them to have, nor are their enterprises getting the help they need to survive, prosper, grow to scale, and take their place in the economic system. It’s sad if jobs are going overseas because of labor costs. It’s a national tragedy if jobs are going overseas because our burgeoning minority population lacks the basic literacy to do...
Nobody doubts the population trends evident in the Census data, but few people are taking steps to prepare the country, their businesses, or their community for the changes these demographic shifts portend. The time to act is now because the people we educate and develop now will be the ones who ensure our prosperity in the future. Small, Band-Aid changes simply won't make enough of a difference: the problem is too big, too complex, and too ingrained in the U.S. social system. For example, imposing achievement testing on secondary schools and providing scholarship assistance has little to no effect on impoverished youngsters who start kindergarten with all the disadvantages of poverty: limited vocabulary, undereducated parents, a local culture that disrespects education, few positive role models, fetal alcohol syndrome, poor nutrition, unaddressed health problems, and so on. School is just too challenging for such people, and in the absence of support systems, they drop out early. Tragically, the well-meaning scholarships are wasted.

Poor national literacy in the information age is obviously a national problem, and it is deepening with demographic shifts. Unless major, systemic changes are made, we won't have available the competent corporate workforces or the innovative entrepreneurial economy on which this country's future prosperity depends.

We'll need to make adjustments in a wide variety of domains among them: public policy, supplier diversity efforts, urban economic vitality and social stability, wealth creation in poor rural communities, workforce planning, immigration policy, management of the national education system, the adequacy of retirement resources, the ability to serve domestic-emerging markets, and competitive advantage in a global business context. We need to be proactive in preparing for the changes that are surely coming. If we continue to be reactive, making patchwork adjustments to accommodate stages of the transition, everyone will be worse off.

More specifically, unless we revise our present course of complacency and neglect of the minority population, the past success of the U.S. economy and the unprecedented wealth it has bestowed on U.S. residents cannot be sustained in the coming decades. This means not only will minorities and women continue to be denied a fair share of wealth and opportunity, but all Americans will also face a bleaker future. Whites entering their careers will have decreased opportunity as the competitive advantage of U.S. corporations erodes in the global economy and the spending power of U.S. workers shrinks; mid-career whites will continue to experience a plateaued or eroding standard of living; and whites approaching the end of their careers will be disappointed in the yields of their equity-based pension plans, which depend heavily on the success of large U.S. corporations with global reach.

This is not a case of minorities needing to be helped so that they can prosper at the expense of whites: in fact, our economic models show that minorities will not be significantly better off than they are today. Their standard of living will remain stagnant, while the whites standard of living will decline. Therefore the situation is not win-lose: its lose-lose. That's why we need to embark on a new trajectory and create a different future.

Leadership has yet to emerge that will galvanize the comprehensive response that is needed. In the 1960's, Dr. Martin Luther King, Jr. led this country out of institutionalized discrimination in the social and political realms. In the new century, institutionalized discrimination is primarily economic. Minorities can sit at lunch counters, use the same toilets as whites, and they can vote; but they continue to under-participate in the entrepreneurial and mainstream economies. This form of discrimination is institutionalized in the sense that the system stacks the odds against their success.
Everyone pays a price the privileged as well as the expanding underclass when minorities and their communities cannot achieve economic self-sufficiency, much less the prosperity that would lift them out of their inter-generational poverty cycle.

**Enlightened people are already concerned about the problem**, and are taking some steps to deal with it. But current interventions are piecemeal, inadequate to address the scope of the problem, and focused on effort rather than impact. Taking action is not the same thing as achieving results, and all the data show that not much is changing, even though the problem looms larger with each passing day. More than half our cities are already minority dominated, with many others soon to join them; the income, education, and computer-literacy gaps are widening; and hopelessness and despair are breeding social instability in this country’s stagnating enclaves. I’m not raising a specter of what could happen in 2050; I’m describing what is already happening.

**We need a comprehensive solution. That will require a different paradigm of intervention.**

Solutions that have been applied in the past by the government and the Federal Reserve the levers of public policy are unimpressive. They have been applied in isolation and therefore cannot create a different future. (Such solutions include: imposing targeted tariffs; adjusting interest rates; providing incentives to achieve specific objectives, including tax breaks and "set-aside" clauses in procurement contracts; and allocating special funding to alleviate the most pressing problems.) Some public policy solutions intended to foster economic independence have perversely increased dependence of disadvantaged business enterprises on narrow business portfolios. Other public policy solutions create incentive structures that reward high indirect costs in an era when a business must be lean in order to prosper in the unsheltered global marketplace.

**We should not be impressed with how our elected officials have been addressing this** looming national crisis. The growth in number of minority- and women-owned businesses has paradoxically been matched with a reduction in the staffing of the Small Business Administration and the budget of the Minority Business Development agency the two federal institutions chartered to help these businesses become established and grow to scale. The history of the SBA 7(jj) allocation for training disadvantaged business owners tells how much of a priority this issue is receiving. Only $2 million was allocated this past year to help over 4 million minority businesses. Do the math. That’s an investment of 50 cents per struggling business! Politicians serve at the will of the people. We should ensure that they are committing to reversing the years of neglect, and then hold them accountable for making a difference. It’s everyone’s duty to express their concerns to politicians, and its everyone’s duty to vote.

**Interventions arising from the private sector have likewise had little real impact.** Supplier diversity programs typically focus on efforts (such as diversity spend and event sponsorships) rather than outcomes (such as whether minority-owned businesses survive, prosper, grow, and genuinely participate in the high-value-added sectors of the value chain and whether wealth, jobs, and career paths are being created in minority-dominated communities). We should not be impressed, for example, when a major company sponsors a power breakfast with a celebrity speaker and considers it their contribution to making a real difference. That’s a publicity stunt, not a problem-solving intervention. It would be more responsible to take the same money and invest it in a high-potential disadvantaged business by providing capital, training, real mentoring, consulting, etc. It would be an investment in their own supply chain, rather than expensive publicity that brings them little exposure beyond the supplier diversity domain. If the company has done all it can to develop its suppliers, and they have money left over, by all means, a subsidized breakfast is a welcome contribution.
Non-profits chartered to serve minority businesses fail their stakeholders when they are preoccupied with self-preservation, territoriality, publicity, and energy-sapping competition with other nonprofits sharing the same mission. The tragedy is that there are more than 10 million WBEs, 4 million MBEs, and probably a million veteran-owned businesses in the United States; only a tiny fraction of these businesses are being served at all. With such a large unmet need in this country, enmity and non-cooperation among service providers who could jointly make a difference is needless, discouraging and shameful. The misguided emphasis on territoriality among nonprofits hurts the people they purport to serve. For example, I encountered one small business owner who was burnt out on paperwork she needed to be certified four times: at the city level, the state level, as a minority, and a WBE. Any one of these certifying authorities could have ascertained that she was a woman and a minority and checked which city and state she lived in and worked from. They could have also looked at her discharged papers and certified that she was a veteran, too.

Neither should we be impressed with the contribution of the nation’s business schools to addressing the problem. Of the more than 1,500 business schools in the country, only a tiny fraction has an explicit mission of serving the minority community. Business schools purport to forecast the future and prepare the business community to meet the challenges. The future involves a minority-dominated entrepreneurial economy. In terms of scope and scale, the Tuck School is probably doing more than any other business school, and we’re not doing enough.

In sum, the old paradigm needs to change because we’re accomplishing very little. The situation is tragic because the public, private and non-profit sectors are not making significant progress in comparison with the magnitude of the problem and the resources being dedicated to address it. But the limited impact is hardly surprising given that the various interventions are more often independent and one-dimensional rather than collective and synergistic. Systemic problems require systemic solutions, not isolated interventions that address particular symptoms that embarrass or threaten those who are currently doing well in U.S. society. Traditional approaches need to be subjected to an objective assessment of the gap between the progress being made and the rate at which the problem is growing.

The problem with Band-Aid solutions is that they don’t break the cycles that keep minorities from progressing toward economic self-reliance. Negative cycles are causal loops that reinforce a predicament. Let’s consider a few examples of what we need to deal with:

- **Poverty and poor education:** low-income communities have low tax revenue, therefore they have little money to spend on well-equipped schools and good teachers. Under-educated people remain low-income (because higher-paying jobs require adequate education) and therefore can’t afford to move to communities with good school systems; the next generation is predestined to repeat the cycle.
- **Access to capital:** Entrepreneurs need to pledge collateral for loans to finance their fledgling businesses. But few minority entrepreneurs own their homes. If they had a thriving business, they could generate enough revenue to buy a home. But because they don’t start out owning a home, they can’t get the capital they need for their business to thrive.
- **Bonding:** A lot of large-scale construction business has been made available to minorities provided they can obtain bonding. But they can’t get the bonding until they become bigger, and they can’t get bigger unless they have bonding levels that will allow them to take on bigger projects.
- **Access to contracts:** High value-added contracts offer high profit margins, but these tend to
be given to firms with experience. Minority firms don’t get these contracts because they lack experience in doing such work. Because they don’t get the contracts, they never get the experience.

These examples of negative cycles should illustrate why systemic problems defy simplistic solutions. The latter tend to alleviate symptoms, at best, but they don’t address the underlying cause, because it is cyclical. In the above examples, respectively, providing scholarships, offering low-interest loans, setting aside a percentage of building contracts for minorities, and inviting minorities to log on to a supplier diversity web site are kind gestures rather than real solutions to struggling minority firms plight.

The organizations purporting to be addressing the problem need to own up to where they are failing. They need to be held accountable for achieving real impact. And they need to be subjected to rigorous cost-benefit analysis when their budgets and strategies are being reviewed. A candid assessment will reveal that the current trajectory is untenable, and our plans for changing the system are inadequate and need to be replaced with an integrated intervention of much greater scale and scope.

The need for a paradigm shift arises from a sense that we’re doing the same old thing, year after year, and hoping for different results. Today's minority-inclusion movement seems to have settled into a self-congratulatory complacency about having put in effort without bothering to ask is the effort producing significant results.

For example, we have institutionalized a supplier diversity industry with its own circuit of golf outings, low-yield opportunity fairs, and black-tie awards ceremonies. But there is little discussion of how these efforts and expenditures prepares the U.S. for a future in which the current minority becomes the majority, fully participating in the business system. It’s a convention circuit that features the same faces, the same speeches, the same panel discussions, the same best-practice role models, the same experts, and the same opportunity expos. Despite the spending, this multimillion-dollar industry hasn’t made much progress in creating local economies in inner cities, minority-dominated rural areas, or Indian reservations; minority suppliers haven’t been elevated into the wealth-generating sectors of value chains; nor have entrepreneurial cultures been fostered and developed to revitalize and sustain impoverished communities.

High-impact intervention is crucial because the U.S.A. is at a crossroads in economic history. Its place in the world economy is approaching a tipping point. U.S. national competitive advantage is stable which, in a fast-moving marketplace, means stagnant. Meanwhile, rival nations such as China and India are occupying an ever-strengthening position in the global economy.

Future national competitive advantage will depend on the quality of the U.S. workforce and the vitality of our entrepreneurial economy, both of which will be dominated by minorities. The success of minority participation in U.S. business is therefore a national priority, and needs to be treated as such.

To continue to ignore the gravity of the problems that loom as demographic shifts take their full effect is to put the national competitive advantage of the U.S. and with it, the economic well-being of its populace in jeopardy. And this situation is not unique to the United States: other countries with significant minority populations, such as France, face analogous challenges, with just as much urgency to take corrective action.
This article aspires to combat complacency and stimulate a conversation among the broad spectrum of thought leaders who have knowledge and insight to share in creating a strategy for a different future for minorities and women. The trajectory we are on threatens the future wealth creation of corporations, the pension funds that will sustain baby boomers in their retirement years, the adequacy of federal and state resources to serve societal needs, the prosperity and social stability of inner cities, and the economic health of rural communities and Indian reservations.

**The issues need your attention: this is not someone else's problem.**

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Launched in 1999, DiversityBusiness, with over 50,000 members, is the largest organization of diversity owned businesses throughout the United States that provide goods and services to Fortune 1000 companies, government agencies, and colleges and universities. DiversityBusiness provides research and data collection services for diversity including the "Top 50 Organizations for Multicultural Business Opportunities", "Top 500 Diversity Owned Companies in America", and others. Its research has been recognized and published by Forbes Magazine, Business Week and thousands of other print and internet publications.

The site has gained national recognition and has won numerous awards for its content and design. DiversityBusiness reaches more diverse suppliers and communicates more information to them on a more frequent basis then all other organizations combined. We also communicate with mainstream businesses, government agencies and educational institutions with information related to diversity. Our magazine reaches over 300,000 readers, a monthly e-newsletter that reaches 2.4 million, and website visitors of 1.2 million a month. It is a leading provider of Supplier Diversity management tools and has the most widely distributed Diversity magazine in the United States. DiversityBusiness.com is produced by Computer Consulting Associates International Inc. (CCAii.com) of Southport, CT. Founded in 1980.

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