

**Calcell Wireless, Inc.**

2723 Easton Drive Burlingame, CA 94010 (415) 347-4757 Fax (415) 347-7998

February 28, 1994

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Dr. Robert Pepper  
Chief, Office of Plans and Policy  
Federal Communications Commission  
1919 M Street, NW Room 822  
Washington, D.C., 20554

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MAR 1 1994

MAR 2 1994

OFFICE OF PLANS & POLICY

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Dear Dr. Pepper:

One of the members of Calcell's management team, Oye Ajayi-Obe, met with you recently and based on that discussion felt that any information that we could bring to your attention to support the need for set aside spectrum or tax certificates for designated entities might be helpful. Jo Ann Anderson of the NTIA indicated that she has forwarded some material to you within the last two days regarding this issue. We were told that this information was needed urgently, and no later than March 1. As a result, we have identified several other sources of material, including some form a book published by Tim Bates, that may prove helpful. Oye plans to hand deliver most of this information to you on March 1.

In addition, I have attached a study prepared by Ark Capital that addresses to some extent the capital formation challenges faced by minority and women-owned businesses. I hope you and your staff find this information useful.

Calcell has developed an innovative concept for licensing PCS spectrum called Infrastructure Preferences that are not based on race or gender. It would be open to all firms and would be awarded to firm who agree to voluntarily meet the Infrastructure Preference criteria. A bidding credit up to 25% would be granted to firms that agree to meet the criteria outlined below. The details of this plan are summarized in Calcell's November 1993.

If we can be of any further assistance, let us know.

Sincerely,

*Albert H. Fuzin*  
President + CEO

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## Criteria For Infrastructure Preference Eligibility

<p>Overall Objectives</p>	<ul style="list-style-type: none"> <li>• A commitment by the preference holder to:             <ul style="list-style-type: none"> <li>- Revitalize designated enterprise zones and other impoverished inner city or rural areas<sup>1</sup></li> <li>- To provide a wireless communications infrastructure in these areas at an expedited pace.</li> </ul> </li> </ul>
<p>Performance Objective</p>	<ul style="list-style-type: none"> <li>• PCS service will be provided in designated enterprise zone areas one full year ahead of the FCC mandated build-out requirements for the overall territory covered by the license.</li> </ul>
<p>Economic Opportunity Objectives</p>	<ul style="list-style-type: none"> <li>• The headquarters for the PCS license holder will be located within the boundaries of a designated enterprise zone.</li> <li>• 50% of the branch offices of the license holder will be located in designated enterprise zones, or 50% of the total workforce will be employed in company locations within designated enterprise zones.</li> <li>• Infrastructure preference holders will agree to employ a work force that reflects the demographics of its licensed market and includes racial minorities as a percentage of the total workforce equal to or greater than their percentage of the overall population in the licensed market.</li> <li>• The license holder will dedicate at least 1% of its annual operating budget to specific education and job training programs for socially and economically disadvantaged employees.</li> <li>• The license holder will award 10 percent of its capital expenditures and supply contracts to firms owned by women and racial minorities, with a minimum of 5 percent of the total purchases from minority-owned firms.</li> </ul>

<sup>1</sup> In some rural trading areas there may not be any designated enterprise zones. In such cases Calcell suggests defining other impoverished areas as the locations to meet requirements specified for designated enterprise zones. Criteria should center on helping areas with unusually high unemployment rates and with per capita incomes of 70% or less of the trading area as a whole. Local economic development agencies could define such zones prior to the auctions.

## **Benefits Awarded to Infrastructure Preference Holders**

In exchange for committing to the infrastructure preference requirements listed above, eligible firms would receive the following benefits:

- The payment terms of the winning bid would be substantially different for the infrastructure preference holder. Such a license holder would be able to pay their "winning bid" for the license made at the competitive bidding auction in equal installment or royalty payments over the 10 year life of the license.
- The deposit rules for bidding in the designated entity band would apply to companies requesting an infrastructure preference. For example, a non-refundable 10% deposit might be required up front for a winning bid if the same deposit were required for other designated entities participating in the auction.
- In lieu of completing the annual installment or royalty payments, infrastructure preference holders in compliance with the infrastructure preference requirements outlined above would have those payments substantially reduced (up to 100%)<sup>2</sup>. The preference holder would be expected to provide evidence that they are in compliance with the infrastructure preference requirements annually, approximately 30 days preceding the timing of each additional installment or royalty payment. Compliance monitoring would be conducted by the local economic development agency.
- If a company fails to meet one or more of the infrastructure preference requirements after having been granted an infrastructure preference, then full payment of the installment or royalty payment due for that year would be required. However, the company may apply for a special hardship exemption if failure to comply is caused by extenuating circumstances. In this case the monitoring agency would decide whether to require full payment or seek only partial payment if it deems the application for hardship worthy.

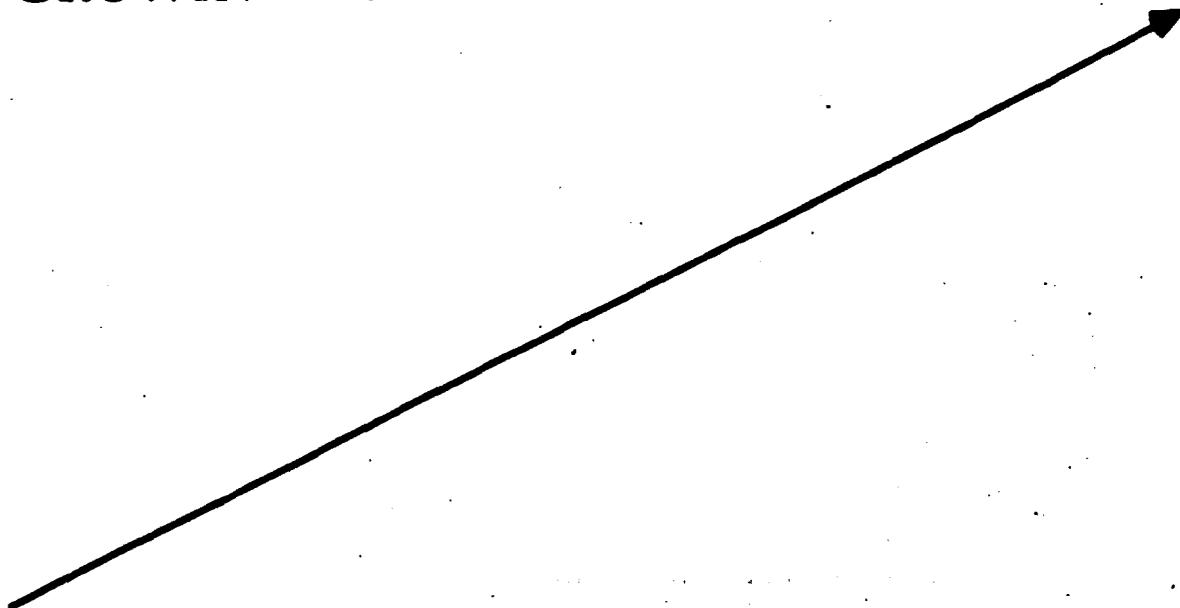
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<sup>2</sup>Infrastructure Preference holders will incur substantial costs to comply with requirements. Some of the additional costs of doing business include: the 1% mandatory budget for employee training, costs for increased security and higher theft losses in high crime locations, lower initial employee productivity as more under skilled workers are employed, and the administrative costs to certify compliance. Calcell believes that the credit for installment payments or royalties should roughly offset the increased cost of doing business up to the point of providing a 100% credit on those payments.

- **The rules for reducing or waiving the installment or royalty payments will remain in effect even if a company changes management or ownership as long as the new owners continue to meet the infrastructure preference requirements.**
- **If a firm or group submits winning bids on multiple licenses and receives infrastructure preferences for multiple licenses, then the infrastructure preference requirements apply to all of the licenses held by the company or entity on a combined basis, rather than for each individual license. At its option, a preference holder could ask to be evaluated on a license by license basis.**

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**MINORITY- AND WOMEN-OWNED BUSINESSES:  
GROWING FORCES IN THE U.S. ECONOMY**



**A REPORT ON INVESTMENT OPPORTUNITIES  
BY ARK CAPITAL MANAGEMENT COMPANY**

Prepared by Ark Capital Management

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Ark Capital Management would like to express its appreciation to the following individuals for their assistance in compiling this research report.

Barbara Blair

Lisa Lyons

Lucia Retherford

Steven Sprindis

Yvor Stoakley

Ericka Wood

Additional copies may be obtained from:

Ark Capital Management

29 North Wacker Drive, Suite 795

Chicago, Illinois 60606

Phone: 312-541-0330

Fax: 312-541-0335

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# I

## OVERVIEW

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## OVERVIEW

### THE TREND FOR MINORITIES AND WOMEN: BUSINESS GROWTH

**M**inorities and women are starting businesses at a rate exceeding four times that of the total U.S. population, according to the U.S. Census Bureau. At present, more than 12,000 minority-owned companies and 32,000 women-owned companies in the U.S. earn annual revenues of at least \$1 million, with many exceeding \$100 million. In total, some 6.6 million businesses are owned by minorities and women, with the largest companies reaching \$1.6 billion in annual revenues.

The potential for further growth is equally impressive. Minorities now comprise 25% of the U.S. population, a percentage that is growing rapidly, while women account for slightly more than half of the total. Government data also indicate that, while minority and women entrepreneurs create new business opportunities at a very high rate, most of these businesses lack access to traditional capital resources. As a result of the financing shortage, many companies have not been able to reach full growth potential.

This report, conducted by the principals of Ark Capital Management, highlights the demographic and economic trends that are converging to bring about rapidly growing opportunities for women- and minority-owned businesses in the United States and examines the obstacles and opportunities for making effective equity investments in these businesses.

Ark Capital Management is the manager of the Ark Capital Fund, the first private equity fund-of-funds to specialize in investments in women- and minority-owned businesses. The Ark Capital Fund is targeted to raise as much as \$300 million to provide expansion financing to further the growth of later-stage emerging companies owned by women and minorities, and at the same time, to provide market returns to the Fund's institutional investors.

# II

## U.S. MINORITY AND WOMEN BUSINESS INFRASTRUCTURE

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## II. U.S. MINORITY AND WOMEN BUSINESS INFRASTRUCTURE

### A. Introduction

The past 25 years have seen explosive and unprecedented growth and development of the minority and women business infrastructure as part of the U.S. economy. Minorities, who total approximately 25% of the U.S. population, and women, who comprise over 50% of the U.S. population, are playing a pivotal role in the growth and viability of the U.S. economy, both as consumers and as producers of goods and services. Their vital role is evidenced by their significant purchasing power, their contributions as workers, managers, and professionals in public and private corporations and institutions, and their characteristically American entrepreneurial activities as business owners.

The business infrastructure discussed in this report would be vastly different if the 60 million minorities in the U.S. were evenly dispersed in the population. What creates the unique economic opportunity is the concentration of minorities in key population centers and regions of the U.S. They create a workforce with purchasing power and spawn business enterprises to provide goods and services to their communities. The growth of the minority and women business infrastructure also has created a new wave of investment opportunities in the private equity industry.

The most visible manifestation of a robust minority and women business infrastructure is the rapid growth of minority and women business ownership now underway. This growth has been supported in large part by three key factors: 1) a large and growing core of managers and professionals with extensive business experience; 2) a large and growing pool of educated professionals; and 3) the rapid growth of the minority population stimulated by a steady stream of immigrants pursuing the American dream.

By embracing and supporting a vision of prosperity that can be made real by this business infrastructure, the United States is uniquely positioned to benefit from this wealth of diversity and entrepreneurial activity and thereby take the lead role in the emerging global economy.

### B. Findings on Minority and Women Business Infrastructure

In an unprecedented effort to quantify the size and scope of the minority and women business infrastructure from an investment perspective, Ark's research has revealed a thriving combination of resources:

- Over 1.2 million minority-owned firms generated \$77.8 billion in gross sales and receipts in 1987.

- Over 12,000 minority-owned firms have revenues exceeding \$1 million.
- Over 4.1 million women-owned firms generated \$278.1 billion in sales and receipts in 1987.
- Over 32,000 women-owned firms have revenues exceeding \$1 million.
- Over 400,000 new graduate degrees have been awarded to minorities since 1976.
- Minorities, who comprise 25% of the U.S. population, represent more than \$560 billion in purchasing power. Women, who comprise over 50% of the U.S. population, represent \$1.2 trillion in purchasing power.
- More than 813,000 minorities are employed as officials, managers, or professionals in private industry. 121,000 minorities were employed as managers and professionals in financial services in 1989.
- In 1992, women-owned firms are expected to exceed the *Fortune* 500 firms in employment and experience a net increase of 300,000 jobs compared to a net decrease of 200,000 to 300,000 for the *Fortune* 500 firms.

Ark's evaluation of the market reveals that a solid cadre of leading businesses with untapped investment and growth potential are current candidates for expansion financing.

### C. Minority-Owned Firms

#### 1. Prospects for Growth

The decade of the 1990's is expected to be a period of great growth for minority businesses in America. Data from the 1980's indicates that the forces of education, population growth, and professional and managerial experience have combined to create rapid growth in business ownership within this segment of the U.S. population.

Minority-owned firms represent 8.9% of all U.S. firms. The number of firms grew 64% from 1982 to 1987 to 1.2 million firms and generated \$77.8 billion in sales in 1987. What is important is that from 1982 to 1987, while the number of minority-owned firms increased 64%, their gross revenues increased 126%. These firms are increasing in numbers at 4 times the rate of total U.S. businesses and achieving increasingly higher revenue levels. Table 1 illustrates the number of firms by minority group, including the sales/receipts.

**TABLE 1**  
**COMPARISON OF BUSINESS OWNERSHIP BY MINORITY GROUP: 1982 AND 1987**

Minority Group	Firms (number)			Sales and receipts (\$millions)		
	1982	1987	Percent Change	1982	1987	Percent Change
<i>All Minorities</i>	741,640	1,213,750	63.7	34,454	77,840	125.9
Black	308,260	424,165	37.6	9,619	19,763	105.5
Hispanic	233,975	422,373	80.5	11,759	24,732	110.3
Native American	13,573	21,380	57.5	495	911	84.4
Asian/Pacific Islander	187,691	355,331	89.3	12,654	33,124	161.8

Source: U.S. Census Bureau, 1987 Survey of Minority-Owned Business Enterprises

With the explosive growth of minority-owned firms in size and number has come an increase in the quality of these firms. Among the more than 1.2 million minority firms in 1987, there were more than 12,000 firms with revenues of at least \$1 million. Many of these firms generated more than \$50 million in revenues. Twenty percent of the minority-owned businesses employ over 836,000 people. More than 400 firms had over 100 employees each and together generated more than \$4.4 billion in revenues in 1987.

## 2. Industry Profile

Minority-owned firms experienced a dramatic industry shift between 1960 and 1980 from traditional small-scale retail and personal service businesses to nontraditional fields such as manufacturing, construction and business services, according to *The Journal of Human Resources*. The 1985 study, "Entrepreneur Human Capital Endowments and Minority Business Viability", authored by Timothy Bates, a professor at the University of Vermont, found that improved education levels (which he termed human capital) and the availability of some financial capital stimulated this dramatic shift. He found that personal services employed 28.9% of all minority entrepreneurs in 1960 and 13.7% in 1980, while skill-intensive fields such as finance, insurance, real estate and business services were the fastest growing lines of minority enterprises. Further, the research showed positive correlation between high net profits and the availability of financial capital and human capital in minority businesses. The research found that firms with above average entrepreneurial education enjoyed a 36% net income premium over firms without comparable education. Unlike many other studies on minority business performance which rely on government data on primarily disadvantaged minority businesses, Bates based his research on the Dunn and Bradstreet (D & B) Financial Profiles database of all businesses, which includes minority businesses in nontraditional lines of business as skill-intensive services, manufacturing, and heavy construction. The D & B database reflected a trend toward greater industry diversity and firm size and was felt to typify the minority business community of the future.

Today, minority-owned companies are represented in every major industry group in the U.S. Table 2 shows the distribution of the numbers of minority firms and their receipts in the major industry groups. Eighty-two percent of all minority-owned firms' receipts come from four industries: construction, wholesale trade, retail, and services. Nearly 32% of receipts by minority-owned firm's were in services and financial services (finance, insurance, real estate), mirroring the industry profile of firms in the U.S. economy overall.

**TABLE 2**  
**COMPARISON OF MINORITY-OWNED FIRMS WITH ALL U.S. FIRMS BY INDUSTRY: 1987**

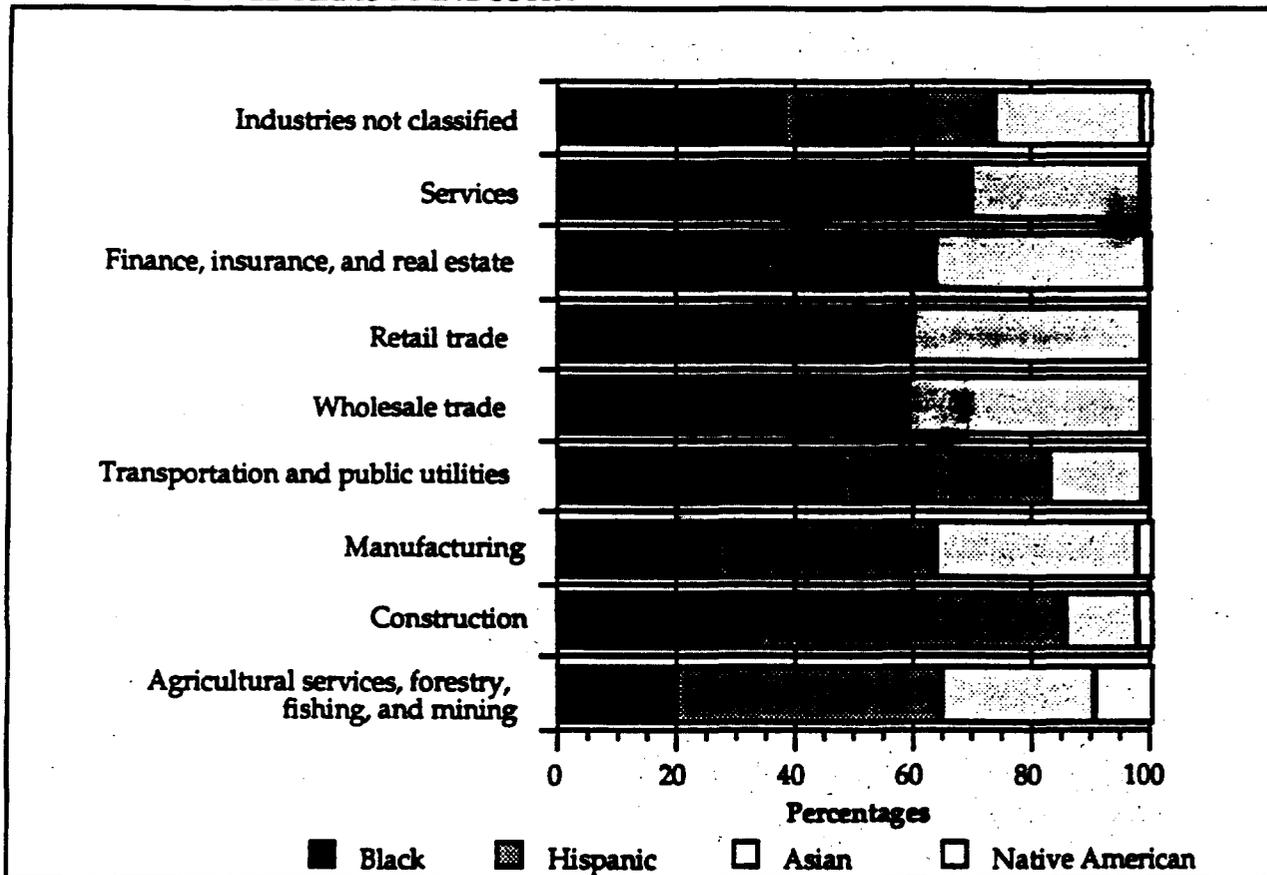
INDUSTRY	ALL U.S. FIRMS		MINORITY-OWNED FIRMS		MINORITY OWNED AS A % OF ALL FIRMS	
	Firms (number)	Sales & receipts (\$millions)	Firms (number)	Sales & receipts (\$millions)	Firms (number)	Sales & receipts
<i>All Industries</i>	13,695,480	1,994,808	1,213,750	77,840	8.9	3.9
Agricultural services, forestry, & fishing	356,950	20,585	36,864	1,372	10.3	6.7
Mining	121,092	15,084	1,613	103	1.3	0.7
Construction	1,651,102	232,372	107,650	6,903	6.5	3.0
Manufacturing	432,971	226,824	29,879	3,961	6.9	1.7
Transportation and public utilities	592,751	76,355	76,229	3,666	12.9	4.8
Wholesale trade	439,200	298,264	26,432	7,950	6.0	2.7
Retail trade	2,241,494	544,768	226,140	26,904	10.1	4.9
Finance, insurance, and real estate	1,227,215	123,710	76,442	2,760	6.2	2.2
Services	5,937,671	417,105	562,559	21,991	9.5	5.3
Industries not classified	695,034	39,741	69,942	2,230	10.1	5.6

Source: U.S. Census Bureau, 1987 *Survey of Minority-Owned Business Enterprises*

Because of the large number of firms concentrated in service industries, minority firms offer ideal opportunities for consolidation within these industries. The services industry, including financial services, with over 52% of the companies, offers excellent possibilities for mergers and acquisitions. Such mergers and acquisitions would enable companies to achieve critical mass and improve efficiency. The top minority-owned banks and insurance companies, based on their assets and regional proximity, are examples of merger opportunities. Likewise, the retail trade industry group offers more than 226,000 companies from which to select. These companies are positioned to be part of an investment strategy that calls for creating larger, more efficient companies.

The distribution of industry share by minority groups shows the roles that they play in major industries, as Figure 1 illustrates.

**FIGURE 1**  
**MINORITY-OWNED FIRMS BY INDUSTRY**



Source: U.S. Census Bureau, 1987 Survey of Minority-Owned Business Enterprises

It is noteworthy that Native Americans, with less than 3% of the minority population, own 9% of the firms in the agricultural services, forestry, fishing, and mining industry groups. According to *Tribal Assets: The Rebirth of Native America*, there are over \$2 billion in revenue producing assets connected with those industries on Native American property. Native Americans own 40 million acres of range and grazing land, 5 million acres of commercial timber, and 30% of known western coal reserves.

Among other minority groups, black-owned firms tend to be clustered in transportation and public utilities and strong in finance and insurance, services, retail, and construction. Asian-owned firms tend to be strong in retail trade as well as wholesale, manufacturing, finance and real estate. Hispanic-owned firms are concentrated in construction, agricultural services, manufacturing, and wholesale trade.

firms comprise nearly one-third of all minority firms in the U.S. and had close to 150% of the average annual receipts of minority companies overall. The gains accomplished by minority-owned firms are even more impressive given the fact that the vast majority of minority-owned companies that started in the 1970's and 1980's received negligible financial support or mentoring from the professional venture capital community.

Native Americans also are increasingly asserting their economic independence. In some cases they have taken unprecedented steps to create opportunities by engaging in buyout transactions. The buyouts of a New England cement factory and a Wisconsin electric company are two such examples (Table 14, Appendix I). Such transactions are feasible because of the attractiveness of the business to the Native American community, particularly when they involve Native Americans as employees as well as the use of tribal land and resources. With greater resources such as culturally sensitive mentoring and capital, Native Americans have the potential to excel further as business owners and as an economic community in the United States.

#### D. Women-Owned Businesses

##### 1. Prospects for Growth

Women-owned businesses constitute a substantial and growing share of the U.S. economy. These businesses are positioned to play a pivotal role in every aspect of U.S. economic life. Women-owned firms grew 57.5% between 1982 and 1987 to 4.1 million and increased revenues 183% to \$278 billion in the same period, according to a 1987 Census Bureau study. Further, in the same study, 2,937 women-owned firms employed 100 or more people, accounting for \$53 billion in revenues. According to a more recent study by the National Foundation of Woman Business Owners (NFWBO) in conjunction with Cognetics, Inc., women owned 5.4 million businesses at year-end 1991. The more recent estimates show that women-owned companies comprise 30% of all U.S. companies and are expected to reach 40% by the year 2000. Table 4 summarizes the results of the 1987 survey.

TABLE 4  
COMPARISON OF WOMEN-OWNED BUSINESSES TO TOTAL U.S. POPULATION

Gender	Firms (number)			Sales and receipts (\$millions)		
	1987	1982	Percent Change	1987	1982	Percent Change
Women	4,114,787	2,612,621	57.5	278,100	98,300	183.0
Total U.S. Population	13,695,480	12,066,726	13.5	1,994,808	967,500	106.2

Source: U.S. Census Bureau, 1987 Survey of Women-Owned Businesses

Women-owned companies are without a doubt a major factor in the U.S. economy. They employed 11.7 million workers in 1990, or approximately 10% of the U.S. workforce, the same number as employed by the *Fortune* 500 companies, according to the NFWBO study. The study projected that women-owned firms will employ more people than the *Fortune* 500 companies in 1992. *Fortune* 500 companies are expected to lose 200,000 to 300,000 jobs by the year 2000 while women-owned business are expected to create 300,000 new jobs.

## 2. Industry Profile

Women-owned firms cover a broad spectrum of industries. Table 5 shows the number and receipts of women-owned firms by industry. Apart from their significant activities in retail business services and personal services, they also represent a wide range of other industries. Women-owned businesses account for 36% of all U.S. firms in retail trade, finance, insurance, and real estate, and 38% of services firms.

**TABLE 5**  
**10 LARGEST MAJOR INDUSTRY GROUPS BY RECEIPTS FOR WOMEN-OWNED FIRMS: 1987**

Major Industry Group	Firms (number)	Receipts (\$millions)
Wholesale trade - nondurable goods	39,514	24,008
Miscellaneous retail	546,353	21,189
Automotive dealers and service stations	20,942	20,224
Business services	690,494	18,936
Wholesale trade - durable goods	42,999	18,797
Food stores	48,469	14,428
Eating and drinking places	90,848	14,167
Real estate	335,429	12,641
Personal services	561,695	10,289
Health services	235,318	9,618

Source: U.S. Census Bureau, 1987 *Survey of Women-Owned Businesses*

## 3. Geographic Profile

While geographic concentration of minorities is one attribute that accounts for business ownership by minority groups, geography is not a relevant factor in the location of women-owned businesses. The primary reason is that housing patterns that would apply to minorities would not apply to women in general. However, in assessing women-owned businesses in the 10 largest metropolitan statistical areas (MSA's) in 1987, it is clear that certain MSA's – New York, Chicago, and Boston, for example – exhibit

disproportionately high receipts for women-owned businesses relative to their states. Table 6 compares the women-owned firms in the 10 largest MSA's with the total number of women-owned firms in those states. Although the Los Angeles - Long Beach MSA has a larger number of women-owned firms than New York, the latter outstripped the former by 70% in total revenues/receipts.

**TABLE 6  
COMPARISON OF WOMEN-OWNED FIRMS IN 10 LARGEST  
METROPOLITAN STATISTICAL AREAS TO STATE TOTALS: 1987**

MSA	Firms (number)	Receipts (0000)	State	Firms (number)	Receipts (0000)	Percent MSA to State	
						Firms	Receipts
Los Angeles-Long Beach, CA	162,417	10,775,455	California	559,821	31,026,855	29	35
New York, NY	136,209	17,314,335	New York	284,912	29,969,920	48	58
Chicago, IL	89,424	9,195,448	Illinois	177,057	13,884,278	51	66
Washington, DC-MD-VA	78,744	4,940,165	D.C.	na	na	na	na
Philadelphia, PA-NJ	68,032	6,748,908	Pennsylvania	167,362	13,339,231	41	51
Houston, TX	59,866	2,652,715	Texas	298,138	13,384,958	20	20
Boston, MA	58,975	7,544,694	Massachusetts	111,376	11,139,810	53	68
Detroit, MI	58,791	4,182,607	Michigan	133,958	7,889,112	44	53
Dallas, TX	55,452	2,721,988	Texas	298,138	13,384,958	19	20
Anaheim-Santa Ana, CA	54,367	3,266,368	California	559,821	31,026,855	10	11

Source: U.S. Census Bureau, 1987 Survey of Women-Owned Businesses

#### 4. Leading Women-Owned Businesses

The quality and viability of women-owned firms is increasing with the rapid growth in the number of such enterprises. There are more than 32,000 women-owned businesses with annual gross receipts greater than \$1 million. As a measure of viability, 40% of women-owned businesses have been in business for more than 12 years, compared to 54% of all businesses. Data was compiled from Crain's *Chicago Business*, *Savvy Women*, and *Working Women* to form the list of some of the more successful women-owned companies in the U.S. (see Appendix III). They range in revenues from \$10.0 million for the smallest woman-owned company on the list to \$1.6 billion for the largest woman-owned company.

#### E. Drivers of Dynamic Growth

##### 1. Population Growth & Immigration

Approximately one in every four Americans is a member of a minority group. Because this population base of 60 million people is experiencing rapid growth, the minority population is playing an increasingly significant role in the U.S. economy. As the U.S. economy struggles to free itself from its recent

stagnation, the significant and growing minority population is becoming part of the solution to unleash the full productive capacity of the U.S. in the global economy. The diversity of the population and its concentration in key business centers throughout the U.S. creates unique investment opportunities beyond what even the robust numbers indicate. Table 7 shows a profile of the minority and women population in the U.S.

**TABLE 7**  
**MINORITY AND WOMEN POPULATION PROFILE**

Minority Group/ Gender	Population		Number of Businesses (thousands)	
	Number (millions)	Percentage	1982	1987
Women	124.3	51.0	2,613	4,115
Black	30.0	12.1	308	424
Hispanic	22.4	9.0	148	422
Native American	2.0	0.8	15	24
Asian/Pacific Islander	7.3	2.9	219	371

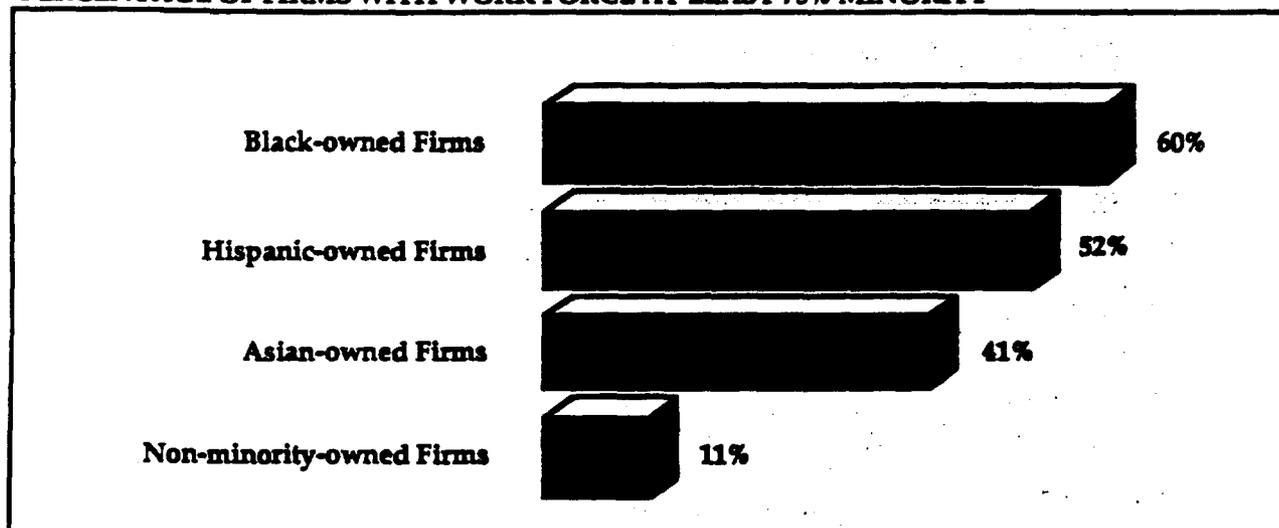
Sources: U.S. Census Bureau, 1987 Survey of Minority-Owned Business Enterprises; U.S. Census Bureau, 1987 Survey of Women-Owned Businesses; U.S. Census Bureau, 1990 Census Count of Specific Racial Groups

New immigrants entering the United States, many of them minorities from Asia and Latin America, are strengthening America's ability to compete in the global economy. These immigrants are bringing fresh perspectives and skills to the U.S. work force. In some cases, they bring skills that are in short supply, such as engineering and manufacturing expertise, and in other cases they bring capital in accordance with U.S. government immigration programs targeting such resources. For example, new immigration laws have tripled the number of visas for engineers, scientists, multi-national executives, managers, and other skilled people in demand to 140,000 per year. This includes 10,000 visas per year for investor immigrants who are required to bring \$500,000 to \$1 million in capital and create at least 10 new jobs each in their business ventures. Table 15 in Appendix I shows the U.S. metropolitan statistical areas with the highest immigration in 1989. These statistics correlate closely with the geographic profile of minority-owned businesses in Table 3 on page 9.

The large and growing minority population has played a pivotal role in sustaining minority-owned businesses in the U.S. As workers, professionals, and managers, minorities provide a vital source of human capital from which minority-owned businesses can select. Access to a skilled workforce is paramount to the ability of any business to expand. The expanding enrollment of minorities in traditional academic institutions and increased utilization of minorities in all aspects of the workforce

have created the talent pool necessary for minority-owned businesses to thrive. A recent *Wall Street Journal* survey of the composition of the workforce of minority-owned businesses shows a strong dependence by minority-owned firms on minority workers. The results of that survey are shown in Figure 2.

**FIGURE 2**  
**PERCENTAGE OF FIRMS WITH WORK FORCE AT LEAST 75% MINORITY**



Source: *The Wall Street Journal*, April 3, 1992

## 2. The Role of Education

The movement of a steady stream of minorities and women with advanced degrees into the workforce continues to play a major role in the growth and prosperity of minority and women-owned businesses. In the 1980's, college enrollments and graduations by women exceeded that of men for the first time in the history of the United States. In response to this dramatic demographic shift, employers have been adjusting their hiring practices to effectively address the fact that the overwhelming majority of new entrants into the workforce are women and minorities. According to the Hudson Institute's *Workforce 2000*, 85% of the new employees entering the workforce between the years 1985 and 2000 will be minorities and women. This trend lends support to accelerated growth in minority- and women-owned businesses. Table 16 in Appendix I shows the dramatic reversal in undergraduate and graduate degrees received from predominantly male to predominantly female and historical information on women college graduates.

Minorities are also taking advantage of the fact that the most efficient way to gain better opportunities in the American society is to earn a college degree. Table 17 in Appendix I shows total college enrollment by race/ethnicity. While undergraduate enrollments for non-Hispanic whites and blacks have remained

relatively stable between 1976 and 1988 – at approximately 10 million and 1 million respectively – Asians and Hispanics have doubled their enrollments, reflecting rapid increases in immigration and overall growth in population. Over 166,000 minorities enrolled in graduate programs in 1988.

An increasing number of minorities are finding a graduate business education to be an asset and a means to accelerate their business careers. As Table 18 in Appendix I shows, in the 1986-1987 academic year, over 6,700 minorities received graduate business and management degrees. Spurred by the increases in the various ethnic minority populations and the heightened minority interest in business, the number of minorities with advanced business degrees is expected to continue to rise.

### 3. The Role of Business Experience

Minorities and women have gained substantial business experience in the corporate environment over the past 25 years. In 1986, American companies employed 813,175 managers and professionals from minority backgrounds and 2,757,657 women. These managers and professionals work in a wide variety of industries and constitute the backbone of the minority and women business infrastructure. Table 8 demonstrates the magnitude of the workforce from minority backgrounds, including professional and management level workers.

**TABLE 8**  
**JOB PATTERNS IN 1986**

Minority Group / Gender	Total Employment	Officials / Managers	Professionals
All Employees	32,507,660	3,854,323	4,074,434
Women	14,535,090	966,555	1,791,102
All Minorities	6,755,267	348,119	465,056
Black	3,989,834	180,381	189,652
Hispanic	1,897,807	97,518	88,152
Asian/Pacific Islander	735,424	57,834	177,185
Native American	132,202	12,386	10,067

Source: U.S. Equal Opportunity Commission, *Job Patterns for Minorities and Women in Private Industry*, 1986

The largest number of women managers are found in the service industry (37.8%), followed by finance, insurance and real estate (18.1%), wholesale and retail trade (15.5%), manufacturing (11.6%), transportation and public utilities (4.9%) and construction (2.3%). This profile of women executives is consistent with the pattern of women business ownership in the United States (Appendix III).

#### 4. Financial Services Industry Experience

The finance, insurance, and real estate segments of the minority and women workforce in the U.S. constitute a very large pool of talent. A 1989 U.S. Equal Opportunity Commission report on job patterns for minorities and women in private industry counted more than 616,000 minorities and 1.9 million women working in these fields. More than 20% of each group – or 122,000 minorities and 485,000 women respectively – were managers and professionals. Table 9 shows the results of the survey.

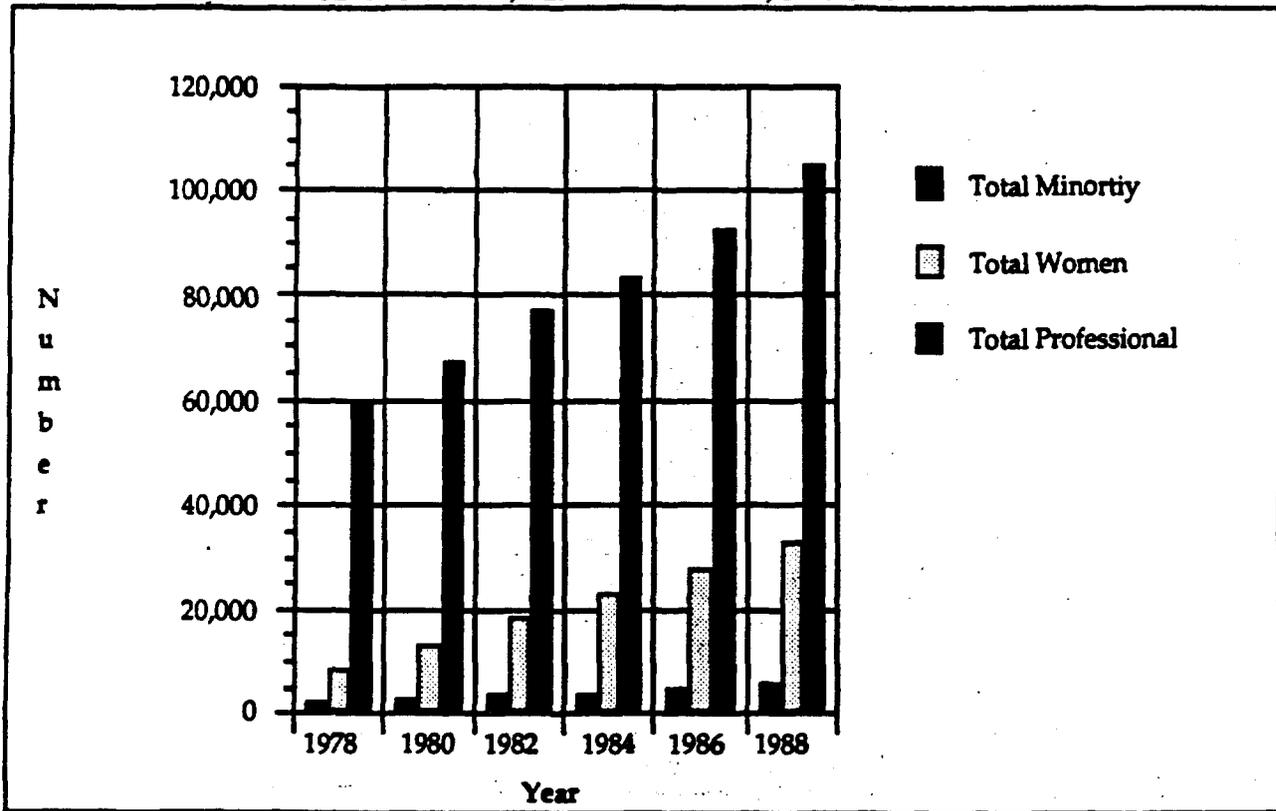
**TABLE 9**  
**OCCUPATIONAL EMPLOYMENT FOR FINANCE,**  
**INSURANCE, AND REAL ESTATE IN THE U.S., 1989**

Minority Group / Gender	Total Employment	Officials / Managers	Professionals
All Employees	2,950,246	541,071	486,586
Women	1,909,930	221,573	263,719
All Minorities	616,364	54,843	67,960
Black	361,332	27,344	35,691
Hispanic	154,259	15,146	14,691
Asian/Pacific Islander	91,571	11,061	16,319
Native American	9,202	1,292	1,259

Source: U.S. Equal Opportunity Commission, *Job Patterns for Minorities and Women in Private Industry*, 1989

The accounting profession, in particular, provides a strong source of minorities and women for the finance and investment professions. The nearly four-fold increase in the number of minorities and women in major accounting firms between 1978 and 1988 depicted in Figure 3 speaks volumes in support of a growing infrastructure of finance professionals who are minorities and women. Accounting education and experience play a vital role in the analytical aspects of investments. These individuals gain broad exposure from in-depth analysis and synthesis of business results for client companies from various industries. The accounting profession has provided a steady stream of qualified professionals into investment and analytical positions in corporate finance, treasury, private placements, and other investment categories.

**FIGURE 3**  
**NUMBER OF PROFESSIONALS EMPLOYED IN MAJOR ACCOUNTING**  
**FIRMS BY MINORITY AND GENDER, SELECTED YEARS, 1978-1988**

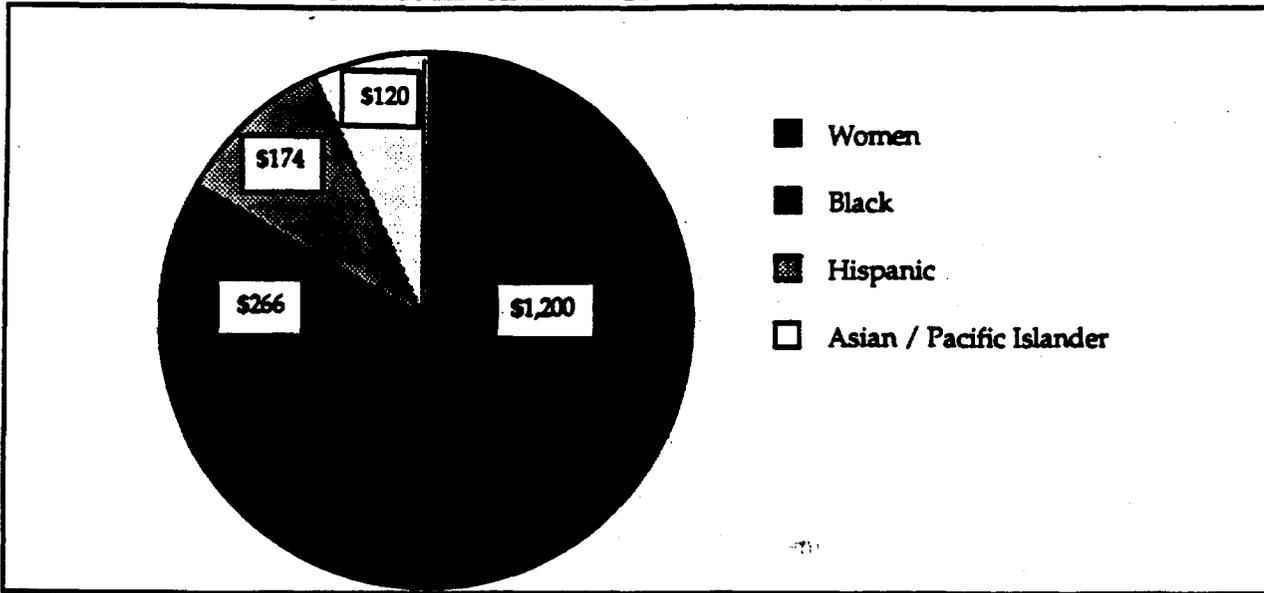


Source: Sharon L. Donahue, American Institute of Certified Public Accountants as cited by *The Commission on Professionals in Science and Technology*

**F. Purchasing Power**

The purchasing power of minorities and women in the United States provides strong evidence of the huge economic resource poised to play a strong role in minority and women business ownership. Minorities, who total approximately 25% of the U.S. population, have amassed purchasing power that exceeds \$560 billion. Women, who comprise approximately 51% of the U.S. population, have purchasing power in excess of \$1.2 trillion. Figure 4 illustrates this fact.

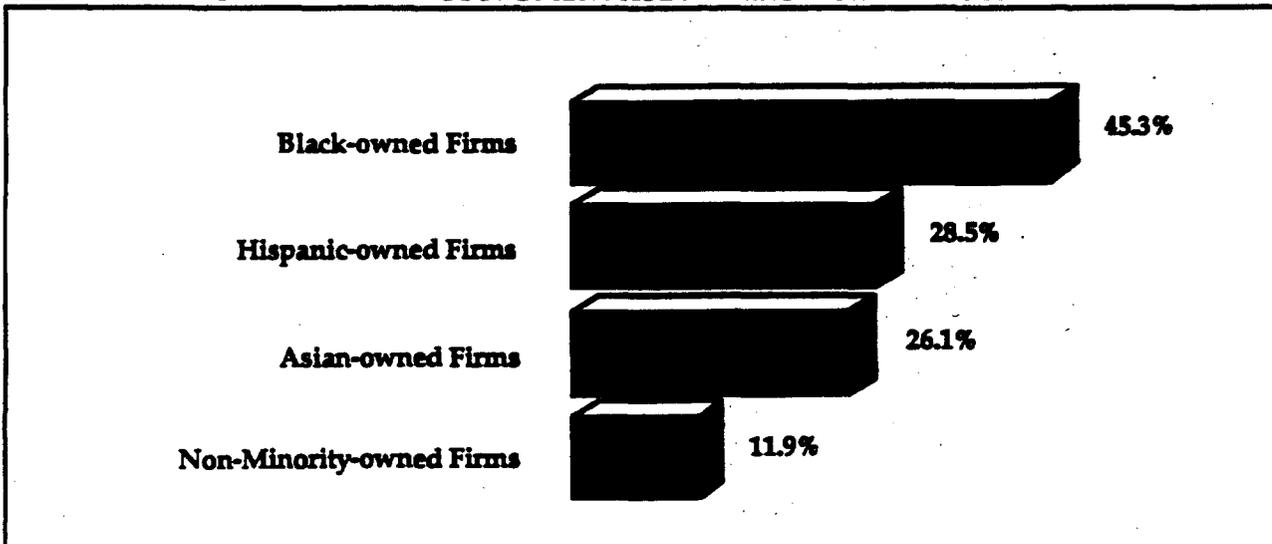
**FIGURE 4**  
**PURCHASING POWER OF WOMEN AND MINORITIES (BILLIONS)**



Source: U.S. Bureau of the Census, *Releases 1990 Census Counts of Specific Racial Groups*

Minority- and women-owned firms depend upon the purchasing power of minority and women consumers to create businesses and to achieve critical mass in their revenue and customer base. A recent *Wall Street Journal* survey shows (Figure 5) that minority-owned firms depend upon a loyal minority customer base to sustain their businesses. In this survey, minority businesses were 2 to 4 times as likely to have a customer base that was at least 75% minority. However, the survey indicated that minority firms tended to broaden their customer base after attaining a certain size.

**FIGURE 5**  
**PERCENTAGE OF FIRMS WITH CUSTOMER BASE AT LEAST 75% MINORITY**



Source: *The Wall Street Journal*, April 3, 1992

Although the above study was confined to minority-owned firms, data from the National Foundation of Women Business Owners study sites that women-owned businesses tended to be predominantly in markets and industries that require low capitalization and where people skills are at a premium. Women-owned businesses tended to be in retail oriented and consumer driven businesses. U.S. Census data on the industry profile of women-owned businesses showed that more than 64% of the women-owned businesses in the 10 largest major industry groups by receipts were in retail, real estate, personal services, and health services. The total number of women-owned businesses profiled exceeded 2.6 million.

The enormous purchasing power held by minorities and women is key to a consumer-driven economy such as that of the United States. It is, therefore, not surprising that many *Fortune* 500 companies have chosen to target minority markets and the women's market for marketing goods and services. Table 10 depicts how the minority purchasing power accrues to the benefit of the largest merchandisers in the United States.

**TABLE 10**  
**MINORITY PURCHASING IMPACT ON MAJOR MERCHANDISERS**

Minority Group	Merchandiser (percentage of sales)			
	Wal-Mart	K-Mart	Sears	Total Market
White	90.2	81.3	82.5	78.2
Black	4.4	8.6	9.8	12.4
Hispanic	2.6	4.0	3.1	3.4
Other	2.8	5.3	3.7	4.7

Source: *Discount Merchandiser*, February 1989.