

How HBCUs Help Shape the Entrepreneurial Ecosystem



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Takeaways

Entrepreneurial success is one of the greatest drivers of wealth creation, yet minority-owned businesses face far too many barriers that hold them back. For example, 80% of Black-owned businesses fail within 18 months of formation due to insufficient access to capital, networks, and technical assistance.

As more attention is focused on issues surrounding entrepreneurial equity, we wanted to better understand the role of Historically Black Colleges and Universities (HBCUs). With over 100 of these institutions across the country, were they helping entrepreneurs and, if so, how?

In our first-of-a-kind research, we found that among HBCUs:

- 93% have an option for undergraduates to major in business.
- 75% offer entrepreneurship courses.
- 38% offer a Master of Business Administration.
- 72% have opportunities for students/alumni to build networks on entrepreneurship and business issues.
- 47% have opportunities for local entrepreneurs and business owners to build networks.
- 57% offer technical assistance to entrepreneurs.
- 6% have programs to directly provide seed funding for startups.
- 27% have programs that help entrepreneurs find external funding.

For generations, Black people in America have been denied the basic resources to build wealth in this country. While that systemic issue has far-reaching implications, the effects are especially pronounced when it comes to new business creation. Generations without sufficient access to education, financial assets, and social capital have left Black Americans virtually in last place in the race for entrepreneurial success. Today in the United States, one-in-five small businesses fail in the first year.¹ But for Black entrepreneurs, four-in-five businesses fail within 18 months.²

Fixing issues around entrepreneurial equity will require a long-term, national effort that involves structural government support in addition to far more private sector collaboration. Within that effort, though, what role do Historically Black Colleges and Universities (HBCUs) play? Cheyney University became the first HBCU in 1837. The institution, and others like it since then, sought to open school doors to Black people who had been denied a post-secondary education elsewhere. But what are the 102 accredited HBCUs doing to specifically support entrepreneurs?

To answer that, we researched what each of the 102 schools were doing across three key areas for entrepreneurs: 1) whether they offered formal business and entrepreneurship education, 2) whether they supported the building of entrepreneurial networks, and 3) whether they provided technical assistance for new ventures. We did not evaluate the effectiveness of specific programs provided but, instead, sought to get an initial sense of what was available to entrepreneurs of color.

Business and Entrepreneurship Education

While a formal business education is by no means a requirement to start a business, it can provide invaluable support and knowledge. It's no wonder that 45% of Fortune 100 CEOs received undergraduate degrees in a business field.³ Courses in business and entrepreneurship often provide an important foundation to concepts integral

to the management and operation of a company. This includes practical education in subjects like bookkeeping, advertisement, and general management often along with the soft skills of entrepreneurship, both of which are central to creating a business from scratch.⁴ In our research, we found that the vast majority of HBCUs offer business and entrepreneurship opportunities for students, with one-third also providing graduate level opportunities. Specifically:

- 93% of HBCUs have an option for undergraduates to major in business.
- 75% of HBCUs offer entrepreneurship courses.
- 38% of HBCUs offer a Master of Business Administration.

According to the National Association for College Admission Counseling, 20% of HBCU students complete business degrees at the undergraduate level.⁵ Now, just because an individual majors in business doesn't mean they will go and start a new business. However, HBCUs play an important role in exposing concepts of entrepreneurship to students before their careers begin.

Spotlight

Fayetteville State University offers both an MBA and BS in Entrepreneurship. They have a variety of course offerings in the field of entrepreneurship, including Entrepreneurial Finance, Economics of Entrepreneurship and Innovation, Social Entrepreneurship, and Marketing for Entrepreneurs. They also have an entrepreneurship club, a Center for Entrepreneurship, and Small Business and Technology Development Center.

Morgan State University offers a BS in Business Administration and Entrepreneurship, as well as an MBA and a PhD in Business Administration. Course offerings include Startup Development, Business Accelerator, Social Entrepreneurship, Entrepreneurship Opportunity Recognition, and more. The University's Entrepreneurial Center also offers a variety of educational events on campus, has its own podcast, and hosts webinars.

The Center for Black Entrepreneurship in Atlanta, Georgia is an academic center focused on producing, training, and supporting Black entrepreneurial talent. Located on the campuses of Morehouse and Spelman Colleges, and in partnership with the Black Economic Alliance Foundation, the Center offers students a curriculum of practical training in how to create a business, launch a startup, and scale innovations into commercially viable products. The Center also helps students overcome barriers in accessing mentors and professional investors by providing connections to successful entrepreneurs and leaders in venture capital and private equity. A groundbreaking, complementary initiative is the BEA Foundation's \$50 million evergreen Black Economic Alliance Entrepreneurs Fund, which will provide seed, start-up, and early-stage capital to businesses founded and led by Black entrepreneurs. A portion of the fund is earmarked to invest in CBE participants.

Robust Network Development

Successful business professionals and entrepreneurs often rely on three different types of support networks. *Operational networks* are contacts who are experts in a particular industry and may also be part of professional organizations and trade associations.⁶ *Strategic networks* are contacts who can offer guidance for career development.⁷ And personal networks could be colleagues from fraternities or sororities, student organizations, or other personal friends.⁸

In our research, we found that three-quarters of HBCUs provide opportunities for their students to expand networks while slightly less than half of them help entrepreneurs in the surrounding area. Specifically:

- 72% of HBCUs have opportunities for students/alumni to build networks on entrepreneurship and business issues.
- 47% of HBCUs have opportunities for local entrepreneurs and business owners to build networks.

Spotlight

The Entrepreneurship Living Learning Community (ELLC) at Bowie State University is an innovation hub providing housing for 500+ students, student businesses, makerspaces, and public retail space. It cultivates next-generation innovators by connecting students, faculty, alumni, donors, and business owners. The ELLC is also home to the Entrepreneurship Academy and the Bowie Business Innovation Center, the first business accelerator located at a Maryland HBCU.

Clark Atlanta University was named one of four HBCUs to lead a Regional Center for Entrepreneurship. The national center will be at Howard University, with Clark Atlanta leading Southeastern efforts. Each regional center will lead HBCU partners in their respective areas to coordinate education programs, research strategies, business outreach, and other community outreach efforts. A significant focus is to engage the Black business community in growing their enterprises.

Technical Assistance and Funding

In addition to formal business education and networks, entrepreneurs are often in need of technical assistance and access to capital and contracting opportunities. Technical assistance ranges from specific industry knowledge to legal services, to strategic management guidance. It could mean helping someone understand and complete a loan application or giving advice on market conditions and interpreting data when making decisions.⁹ Businesses risk being stagnant and not being able to scale without technical assistance.

Separately, access to funding is essential for ventures to start, hire, and expand. According to the Kauffman Foundation, nine-in-ten employer firms demand some

type of funding when starting up.¹⁰ And minority-owned businesses struggle far more than their white-owned counterparts to access adequate capital.

In our research, we found that nearly half of HBCUs have programs and centers that offer technical assistance. Additionally, far fewer HBCUs were able to directly provide capital to startups, but almost one-third helped entrepreneurs search for funding. Specifically:

- 57% of HBCUs offer technical assistance to entrepreneurs.
- 6% of HBCUs have programs to directly provide seed funding for startups.
- 27% of HBCUs have programs that help entrepreneurs find external funding.

Spotlight

The Aggie Venture Development Lab housed at North Carolina A&T State University is an incubator for students interested in entrepreneurship and innovation. Students have 24-hour access to a shared facility, mentoring, workshops, and business service providers (such as accountants, lawyers, and graphic designers with small business experience). The Lab also has a funding source called The Aggie Start Up Fund which provides cash awards to seed startup businesses for participants who reach certain milestones within the Startup Lab program. Funds are meant to help with things such as prototyping, building a website, and filing a patent. Students are also connected to funding opportunities in the city and state.

The Morehouse Innovation and Entrepreneurship Center offers programs designed to enhance business development for small and minority-owned businesses through exposure, training, and research. For example, the Department of Defense's Mentor-Protégé Program at Morehouse has given students the opportunity to partner with large companies to help more than 80 small firms compete for prime and subcontracts nationwide.¹¹ The business services provided include process management, technical assistance, and professional training.

The Louisiana-based Southern University System is the only HBCU system in the nation. It offers extensive services for current and future business owners across its five campuses. The Law Center serves the entrepreneurs of Baton Rouge with a Small Business Development Center and Technology & Entrepreneurship Clinic. Just in the last year, students and practicing attorneys have provided over 380 hours of direct legal counsel to small businesses and nonprofits on intellectual property issues. The Law Center has also received a grant to establish a new center in partnership with the Minority Business Development Agency.¹² This center will help minority-owned firms claim their share of the global marketplace while helping them compete for public and private contracts. Other campuses in the Southern University system provide a Small Business Incubator, connecting first time entrepreneurs with the

necessary education and resources about business certifications, office space, and one-on-one coaching.¹³

Conclusion

Entrepreneurs of color face far more challenges to starting and growing businesses in this country than their white peers. Breaking down these barriers is no small task and will require a large and sustained effort for years. Within that, HBCUs can play an integral role. Based on our initial analysis, many already provide business and entrepreneurship education, help expand networks, and provide technical assistance. A smaller but notable number are going beyond these efforts and helping new ventures with funding.

Support services that assist entrepreneurs with the three C's—capital, counseling, and contracting opportunities—are vital to small businesses at any stage and critical for increasing entrepreneurial equity. But work must *also* be done to ensure services are high caliber and truly help the populations they seek to serve. Programs must have the resources to deliver quality support. In 2020, the total endowments from the top ten HBCUs was just 1% of the top ten predominately white institutions, so funding is an issue for many of these institutions.¹⁴ Programs must *also* be designed with a focus on quality and metrics for evaluation. Our initial research did not evaluate program quality, and additional research in that area would be timely.

Appendix

Methodology:

The figures in this paper consist only of the 102 Historically Black Colleges and Universities officially recognized and accredited by the United States Department of Education. Our findings draw on information that is publicly available from the institutions and news outlets. To view the full summary of our insights, find a table linked below.

[HBCUs and the Entrepreneurial Ecosystem.](#)

ENDNOTES

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