

COVID-19 Impact on XBE's



Challenges Faced by Diverse Business Enterprises in a
Pandemic Environment

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Overview

During these unprecedented times, we are discovering now more than ever the disparities in impact on the diversity in our communities. The COVID-19 virus has shown us that diverse businesses are struggling and more of them are likely to fail than non-diverse businesses.

Prior to Covid-19, all disadvantaged and diverse business enterprises (XBE's) saw tremendous growth, helping this demographic become a significant part of the American economy despite challenges they continued to face in the business world. Within the context of COVID-19, however, the disparities that minorities face led to grave consequences. Research shows that not only were XBE's hit harsher than most, but we are seeing an increasing change in attitude towards them.

COVID AFFECTS WORKERS IN ALL FIELDS

In a work study conducted on the impact of COVID-19 on female immunologists in Europe, the majority of care-work needed to be done in the home was left for women to complete. Due to the virus forcing most people to stay and work from home, working women have to balance their jobs as well as their responsibilities at home. This made it much more difficult for the “carers” to work efficiently, especially mothers of young children or those looking after sick dependents in the household.



It was also more difficult for women to write publications or grant applications. For example, in Spain only 29% of submitted projects had a female leader and just 28% of those grants submitted were awarded to female principal investigators. Using social media, Francesca Di Rosa collected some information on the changes in the time dedicated to work by male and female immunologists during the pandemic. The most evident effect of quarantine was a 10-hour per week drop in the time dedicated to work by women with children, going from 45 hours to 35 hours per week. In contrast, men (with or without children) and women without children did not report a similar drop. One question of the survey was whether at the time of the pandemic they did their work from home in a room of their own, or rather in a shared room. **Only 31 percent of women performed their work from home in a room of their own, versus 57 percent of men working in their own room.**

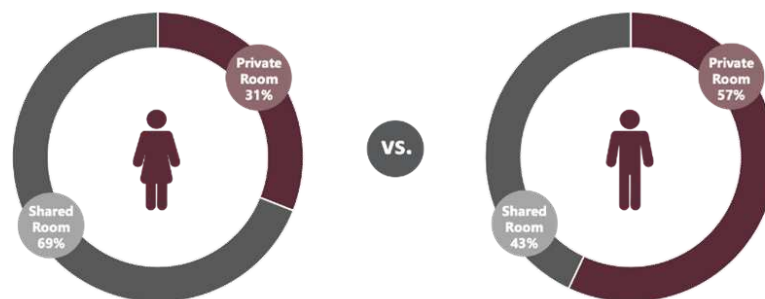


Figure 1.0
A chart showing that 31% of women work from home in their own home offices, while 57% of men work from home in their own home offices.

Current Association of American Medical Colleges (AAMC) guidelines state that on-site clinical rotations need to be suspended due to the COVID-19 pandemic. These guidelines pose difficulties for minority students underrepresented in medicine (UIM) as they are about 40% less likely than their non-Hispanic white counterparts to attend a medical school with an affiliated radiation oncology (RO) department. This lack of traditional away rotations also affects indirect potential benefits such as letters of recommendation, research opportunities, and networking. As of right now there are limited formal programs with a potential to improve workforce diversity in RO. Given the interest in training a diverse and culturally competent workforce, the medical profession has advocated for deliberate efforts through pipeline recruitment. One proactive approach to mitigate the effect of COVID-19 on senior UIM medical students is through a Radiation Oncology Intensive Shadowing Experience (RISE). The goal of RISE is to provide clinical exposure, didactic teaching, mentorship, and networking opportunities for UIM trainees, allowing for promotion of diversity, equity, and inclusion in RO.

Melba Newsome from Charlotte, North Carolina reported January 13, 2021 that North Carolina was one of the first states to release coronavirus data by race and the numbers showed the disparate impact of the virus on people of color. This has been confirmed by the skyrocketing rates of the virus in other cities with high Black populations. In 1993 Congress passed the National Institutes of Health Revitalization Act which requires federally funded research projects to include

women and minorities in their trials. But the numbers appear to be headed in the wrong direction. People of color account for fewer than 10% of patients enrolled in clinical trials according to the National Institute on Minority Health and Health Disparities. In early October, **Moderna announced that it had failed to recruit enough Black, Latinx, and Native American participants in its study.**

COVID CREATES DIFFICULTIES FOR GROCERS, VINEYARDS, AND CANNING INDUSTRIES

One of the United States' most essential worker is the one who works in grocery stores. However, the pandemic has made it difficult for grocery stores around the country to stay open and provide the supplies their customers need. The Director of Public Relations of Wegmans Food Market Inc. Deana Percassi said that "as grocers, we have experienced more change in the past few months than we have in the last 50 years, from supply chain and workforce, to communication and operating procedures, the way we do business is very different."

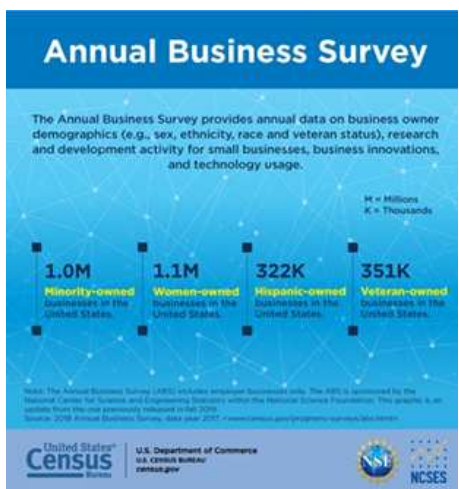
Along with grocers facing difficulties, wine sales went down in March when there were uncertainties about the virus as explained by Andrea Colaruotolo-O'Neill, Casa Larga Vineyards President.

This pandemic has also affected suppliers of cans to beverage companies because more people are buying drinks in cans to take them on the go. Large breweries like Royal Docks Brewing Co. in Stark County's Jackson Township and Cleveland area-based Fat Head's Brewery have not fared well during this "can-demic". Dave Sutula of Royal Docks said that "**I switched all of my 12-ounce brands into bottles. That was a \$130,000 investment on a bottling line just to weather the storm... we're still here, but business sucks right now**". They sold about one fifth of their sales in 2019.

THE BIGGER PICTURE ON XBE'S

According to the “Presidential Proclamation on Minority Enterprise Development Week, 2019,” **“Minorities own almost 30 percent of America’s businesses, which employ 7.2 million Americans and generate over \$1 trillion a year in revenue.** Indeed, the number of minority-owned businesses in operation nationwide has increased by 38 percent since 2007.” This important statistic gives a good look at how vital minority-owned businesses have been to the economy, and provides a good base number to compare where minority businesses stand today.

The Minority Business Development Agency also published numbers that showed that for the past 10 years, over 50 percent of the 2 million new businesses were minority-owned. Numbers from the U.S. Census Bureau reported 1.1 million Women-owned, 1 million minority-owned, 322 thousand Hispanic-owned, and 351 thousand Veteran-owned businesses in the United States (Bureau, ABS Release Provides Data on Minority- and Women-Owned Businesses).



That being said, this growth in Minority businesses included a 16 percent drop in average gross receipts. More minority owners feel that they can enter the U.S. economy, yet they are faced with less opportunities for capital accumulation, amongst other entrepreneurial facets. (Minority Entrepreneurs, U.S. Senate Committee on Small Business & Entrepreneurship)

COVID-19 IMPACT ON XBE'S

The government regulations that were implemented to combat COVID-19 directly impacted many businesses' ability to remain open, and also resulted in a demand shift that negatively impacted the entire U.S. economy. Research by Robert Fairlie reveals an unprecedented drop in active business owners in February 2020 - April 2020.

Plummeting from 15 million to 11.7 million in this two-month timeframe, small businesses saw a larger percentage drop (22 percent) than was seen during the Great Recession (5 percent). **Black businesses saw the largest drop of all demographics, witnessing a 41 percent drop in their active businesses.** In May they saw a 26 percent drop in businesses, and 19 percent in June. Latinx businesses saw a 32 percent drop in April, 19 percent in May, and 10 percent in June. Asian Businesses experienced a 26 percent drop, with 21 percent in May and 10 percent in June. Immigrant Businesses saw a large 36 percent drop in April, 25 percent in May, and 18 percent in June (Fairlie, The Impact of COVID-19 on Small Business Owners: The First Three Months after Social-Distancing Restrictions, 13-16).

COVID-19 has caused many minority business owners to close their doors permanently, while others struggle to bounce back and reopen their businesses. Many minority business owners don't have the resources to maintain their business if COVID-19 regulations persist for very long. As of January 2021, we are still seeing many of the same protocols in place, with Vaccination only in its early phases, and protocols expected to run through 2021. **Without support, many more businesses will not have the ability to remain afloat.** This sentiment runs true in a survey that asked business owners several questions regarding their outlook on COVID-19 and their business.

MINORITY BUSINESSES & THEIR CONFIDENCE IN STAYING OPEN

According to a survey by MetLife & U.S. Chamber of Commerce, Minority-owned businesses were the hardest hit by the pandemic. The report states, “... **two in three (66%) minority-owned small businesses are concerned about having to permanently close their business versus 57% for non-minority small businesses.**” Other highlighted data points in the report were the following:

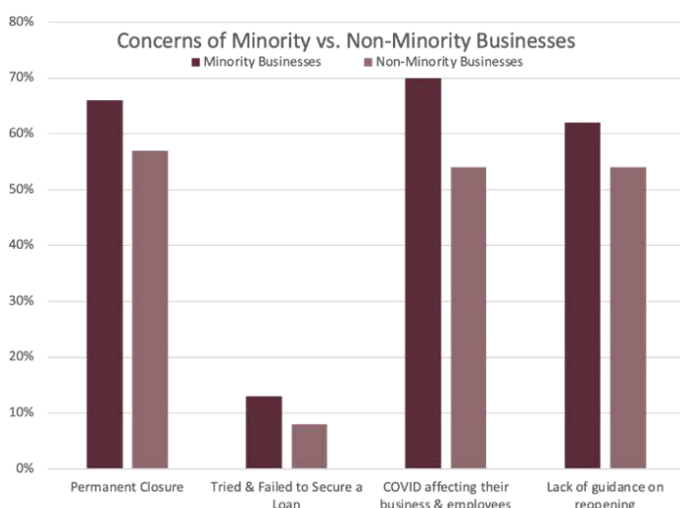
- Minority owned businesses slightly more likely to have tried and failed in securing a loan (13 % versus 8 % of non-minority businesses)
- More minority-owned businesses expect revenue to decrease (5% in Q1 to 24% now)
- Gaps exist in views around reopening (70% versus 58% of nonminority-owned small businesses)
- Differing views on reopening guidance (62% versus 54% of non-minority businesses)
- Minority businesses report more competition



Graphic used with permission from Professor Robert Fairlie



These data points show that minority small-businesses, more than their non-minority neighbors, are not confident in their ability to keep their doors open or secure loans. They also reported a higher expectation of loss of revenue, an increased fear and concern of the risks COVID-19 poses on their business, concern on re-openings, and a higher level of competition in an unstable environment.



A chart comparing diverse- and non-diverse businesses. Two in three (66%) minority-owned small businesses are concerned about having to permanently close their business versus 57% for non-minority small businesses. Minority owned businesses slightly more likely to have tried and failed in securing a loan (13% versus 8% of non-minority businesses). Gaps exist in views around reopening (70% versus 58% of nonminority-owned small businesses). Differing views on reopening guidance (62% versus 54% of non-minority businesses).

CHANGING ATTITUDES ON XBE'S

The survey outlined above also looked at what small business owners' perceptions were concerning racial equality. The report stated, "According to the survey, **nearly seven in ten small businesses now think that minority-owned small businesses face more challenges than non-minority-owned businesses** (69%), up 17 points from 52% since the start of the year. Propelling this shift is a large change in non-minority small business owners' beliefs: the number of non-minority businesses owners who say "minority business owners face more challenges" shot up 20 percentage points since the first quarter (from 47% to 67%)."

As we move through the pandemic, a majority of small businesses agree that minority businesses are facing more challenges, and believe that more needs to be done to help. (74%) of all small businesses believe that there should be more business and investment opportunities available for minorities (39% strongly believe this). 66% of small businesses agree that minority-owned small businesses have been disproportionately impacted by COVID-19. A strong majority of small businesses believe it is important to take steps toward racial equality. The two actions seen as particularly critical are making a commitment to fairness in hiring, promotion, and pay (79% view this as important), and supporting local, Black-owned businesses (74%). **61% say it is important to partner with organizations or educational institutions supporting Black-owned business development.**

These various statistics show that American small businesses believe that minority businesses and owners are facing unique challenges, and that partnership with organizations that support Black-owned development is important.

Key Findings

1. XBEs are 30% of the U.S. Economy and are becoming more vital every day.

More and more of the U.S. Economy is dependent on XBE's. Prior to the COVID-19 pandemic, XBEs accounted for 30 percent of U.S. Businesses, and over \$1 trillion of our economy. As we move forward it is important to make sure that this crucial part of our economy has the resources to grow and flourish, further helping diverse communities, and our economy as a whole. As COVID ripped through these communities, more and more small businesses agree that XBEs are hit disproportionately harder, and that more businesses should support XBEs.

2. 70% of Small Businesses think XBEs face more challenges.

Diverse communities were the hardest hit during the pandemic. Many businesses had to shutter their doors due to demand shifts as a result of lockdown protocols. Black businesses in particular saw a sharp fall in their businesses, while other XBEs saw high numbers as well compared to their non-XBE counterparts. Their confidence in the economy was also affected as customers stayed home and businesses were unable to open.

3. Black businesses are facing a 58.5% greater failure rate than white businesses.

Latinx businesses are facing a 46.6% greater failure rate, and Asian businesses are facing a 34.6% greater failure rate. XBEs are facing a greater failure rate than white businesses. Female businesses face an 18% greater failure rate than male businesses.

4. Less than 10% of people of color were participants in the COVID vaccine study.

With a smaller percentage of people of color being represented as participants in this study, people of color in communities are less likely to trust the results of the vaccine. Thus, fewer people may be willing to receive the vaccination which will be detrimental to businesses opening again since the virus will not be eradicated.

5. Today's Challenges

Today, Businesses need to ensure their suppliers are able to flourish in today's COVID economy. Many of these enterprises likely could use resources such as Coaching, development, or capital resources. Others might need mentoring and certification. Many businesses also face difficulties with meeting the performance demands of the corporate customer.

HOW THE DIVERSITY CONSORTIUM CAN HELP

Given the challenges, what's a company to do? The first step may be to re-evaluate your corporate supplier diversity strategy. Then outreach to your suppliers to see if they can weather the storm. Providing your diverse suppliers with mentoring, coaching, and financial support they need will grow their capacity to deliver you the quality products you rely upon. Need help? Ask us how at info@thediversityconsortium.com or www.thediversityconsortium.com.



Meet the Authors



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