BET's founder on why there aren't more black-owned startups

Black Entertainment Television founder and serial entrepreneur Robert Johnson has a simple answer to explain the lack of diversity in the startup community – lack of money.

"African-Americans lag in a significant way in personal net worth, and that's a problem in this country," Johnson said. "For their businesses to compete on a national scale, on a global scale, they need access to capital."

Johnson said the lack of initial funds hurts emerging minority entrepreneurs the most, since many startups get that initial boost from "friends and family" rounds or from people within their local community. But many just do not have access to a network of people able to spare the cash, and the lack of diversity in startups means less minority-owned companies are able to scale.

The numbers back him up. A 2010 study by CB insights found that just 1 percent of funded startup founders were black, despite
African-Americans making up about 11 percent of the U.S. population. There have been very few studies of its kind, and CB Insights presented the data in 2015 to White House officials and others as part of the Google for Entrepreneurs NextWave initiative promoting diversity in the tech community.

Johnson spoke about the lack of funding for black-owned startups in an interview regarding his latest business, RLJ Capital Markets, an investment bank he launched with California-based Roth Capital Partners. To read more about his latest business, click here.

While the new investment bank will serve all companies that are looking to grow, Johnson stressed how difficult it is for early-stage minority-owned businesses to secure capital of any kind to fuel their businesses.

"One of the most disappointing things that this country has not addressed is that it has not come up with a way to push capital into hands of emerging minority entrepreneurs," he said.

There is a wide racial disparity in personal net worth, with a typical black household having just 6 percent of the wealth of the typical white household, according to reports based off Census Bureau data. In 2011, the median white household had $111,146 in wealth holdings, compared with just $7,113 for the median black household, according to a report by Demos and The Institute on Assets and Social Policy.

But Johnson said he pitched an idea to Congress to get more money in the hands of black-owned businesses, including startups: Allow American companies to repatriate about $2 trillion in overseas profits – but on the condition they invest in minority-owned businesses.

“That would drive the U.S. economy and, at the same time, put capital into the minority community,” Johnson said.

Andy Medici  
Staff Reporter  
Washington Business Journal