

**Testimony of
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Select Committee on Economic Disparity and Fairness in Growth
U.S. House of Representatives
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Chairman Himes, Ranking Member Steil, and members of the Select Committee thank you for inviting me to speak with you. I would also like to thank the staff for their thoughtful work.

My name is John Rogers. I am the Chairman and Co-CEO of Chicago-based Ariel Investments, founded in 1983, the first African American owned asset management firm in the country. I am also honored to serve as the Chairman of the Small Business Administration's Council on Underserved Communities, having been appointed to this role by Administrator Isabella Guzman. I am appearing today in my individual capacity.

I am pleased today to talk about some of the challenges facing small and diverse owned businesses in today's economy and offer some solutions to increase opportunity.

I am the product of two pioneering parents – my father was an original Tuskegee Airman, and my mother was the first Black woman to graduate from the University of Chicago Law School in 1946. Entrepreneurship is truly dear to me and clearly in my blood. My great-grandfather J.B. Stradford owned the Stradford Hotel in Tulsa's Greenwood District, the largest Black owned hotel in the nation, before it was fire-bombed in the 1921 race massacre. What the district reflected was a thriving Black business community—something Chicago mirrored years later.

Since then, much has changed for the good, but we have seen some economic conditions tell a different story. Indeed, the economic prospects of the Black community have stalled or even gone backwards. The existing wealth gap in America between Blacks and Whites is well known. But few realize that the gap has widened since segregation was legally outlawed. Research by Dean Kerwin Charles at the Yale School of Management found that while the wealth gap did shrink between 1940 and 1970, it is now wider than in 1950. Similarly, according to Crain's Chicago Business Magazine, zero of the top 150 privately held companies in Chicago are Black owned in 2021, as compared to 20 years ago, when there were three on the list.

I offer three thoughts on why barriers persist for small and minority businesses. First, due to ramifications of historical segregation, there is a tendency to work with people you know and with whom you are comfortable. Second, many corporations and non-profits have embraced well-intentioned supplier diversity programs emphasizing construction, catering, janitorial

services, and other commodity-related fields. However, this approach excludes us from the parts of the economy where wealth, power, and jobs are created today, such as professional services, financial services, media, and technology. I would go as far as calling it a “modern-day Jim Crow” and a reflection of implicit or unconscious bias. Finally, as we get further away from the height of the civil rights movement, many Americans are convinced that the economic playing field is fair.

The disparity in wealth creation opportunities was highlighted by a Boston Consulting Group (BCG) and McKinsey study conducted for the Civic Committee of the Commercial Club of Chicago. The study found that Illinois professional and business services companies made the highest contribution to regional GDP with average net profit margin between 5% and 20%, while construction services were associated with small profit margins of less than 1% and made a much smaller contribution to local GDP.

In Chicago, I will highlight three models yielding results and helping to create change:

- McDonald’s has been a leader in creating multi-generational wealth through its commitment to working with diverse owned suppliers and franchisees going back to 1968.
- The University of Chicago created an Office of Business Diversity over a decade ago and now spends more than \$166 million annually with over 100 minority-owned businesses. The University’s intentional use of the term “Business Diversity” (instead of “supplier diversity”) reinforces how it is willing to work with minority businesses in everything it spends money on.
- Finally, Exelon corporation has led the way through transparency and tracking all spending by enterprise function. Moreover, it also encourages diversity among non-minority-owned partners by requiring them to report the level of contributions made by women and minorities and providing incentives for improvement. Such efforts can help shape the next generation of business leaders and entrepreneurs.

At the federal level, Congress should build on these exemplary models of progress by advancing legislation that would require large corporate federal contractors to provide transparency in annual corporate spending (by category) within the high-margin, high-growth sectors of the economy, including professional services, financial services, technology, media, and other categories that are often overlooked by well-meaning companies focused on traditional procurement.

Looking to the future, and the evolution of 21st century companies, I strongly recommend following the University of Chicago, and other organizations such as the Civic Committee of the Commercial Club of Chicago and CEO Action for Diversity and Inclusion, by replacing the outdated term “supplier diversity” with the more expansive modern term “business diversity.” Furthermore, anchor institutions must understand and act on the idea that minority entrepreneurs not only need *access to capital*, but they also need *access to customers*.

In a world of trillion-dollar market cap companies, small businesses face greater challenges than ever competing and growing in today's competitive business environment. We should consider whether the definition of a small business should be adjusted consistent with how the U.S. economy has evolved. Finally, we should shine a spotlight on the SBA's tools and resources available to small businesses.

As Reverend Jesse Jackson notes, 'baseball became a better sport when Jackie Robinson, Willie Mays, and Hank Aaron were allowed to play.' We all know, and the data show, the U.S. will be a stronger country when all of our diverse talent in the business community is on the playing field contributing their intellect and creativity, and fully engaged in our 21st Century capitalist democracy.

Thank you for the invitation to appear before you. I look forward to your questions.