BLACK BUSINESS, GROUP RESOURCES, AND THE ECONOMIC DETOUR
Contemporary Black Manufacturers in Chicago's Ethnic Beauty Aids Industry

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This article examines the experiences and attitudes of contemporary Black manufacturers in the ethnic beauty aids industry. This industry produces specialized haircare products and cosmetics for Black consumers. Although this article focuses on owners of manufacturing businesses in a single industry, it is important because Black manufacturers have historically been active in the ethnic beauty aids industry. The historical embeddedness of Black manufacturers in this industry makes it an important focal point for the examination of factors contributing to continuity and change in Black entrepreneurship, particularly where medium and large, Black-owned business establishments are concerned. As a result, this article provides a framework for the examination of Black entrepreneurship in other sectors of the economy.

The central argument of this article is that contemporary Black manufacturers in the ethnic beauty aids industry focus on developing markets for their products in the Black community because they believe capital constraints and racial discrimination close opportunities to them in the mainstream economy. Several dimensions of this argument are discussed in this article. Specifically, the relationship between capital constraints, growing competition from White-owned conglomerates, and the development of a group

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economy in Black America are examined. This discussion leads to an analysis of the mobilization of group resources in the Black community and the importance of such resources to Black entrepreneurship.

To understand why Black manufacturers of ethnic beauty aids adopt an alternative business strategy based on mobilizing group resources in the Black community, it is necessary to examine the institutional constraints they confront. Black entrepreneurs have historically lacked full access to mainstream markets. On the surface, this results from capital constraints; however, at a more fundamental level, the economic barriers they face are an outgrowth of historical patterns of racial discrimination in society. In fact, a number of scholars have discussed the status of Black entrepreneurship over the years (Bates, 1993, 1997; Butler, 1991; Drake & Cayton, 1993; DuBois, 1968; Foley, 1966; Frazier, 1962; Harris, 1969; Marable, 1983; Myrdal, 1962; Pierce, 1971; Silverman, 1998; Washington, 1971). There is a general agreement that Black entrepreneurship has historically been truncated as a result of capital constraints, market barriers, and racism. In fact, Black entrepreneurs have only recently begun to find a narrow range of business opportunities opened to them outside of the Black community, often serving corporate and government clients (Bates, 1997). However, the traditional pattern of Black business development has been characterized by a lack of participation in broader markets and a concentration of business activities in the Black community.

These issues are described by Stuart (1969) and later by Butler (1991) using the concept of "an economic detour." Stuart (1969) argues that during de jure segregation, Black entrepreneurs followed an economic detour. Blacks built businesses in minority markets because White customers were hesitant to buy from Black-owned businesses. Stuart (1969, p. xxv) stresses that because the average Black business owner is undercapitalized and faces racism, "he must choose those lines of commerce and personal services that white competitors have either not elected to invade and nearly monopolize, or the very nature of which tend to make less effective the force of white competition and peculiar racial restrictions." In particular, Stuart identified barber shops, beauty parlors, and other businesses linked to the ethnic beauty aids industry among those where Black entrepreneurs historically clustered.

The concept of an economic detour is further developed by Butler (1991, pp. 72-73), who points out that an economic detour entails government action, or inaction, that allows segregation to interfere with the normal operation of the marketplace. In this discussion, Butler (1991, pp. 72-73) emphasizes that, although other entrepreneurial groups have faced discrimination, Black Americans, particularly during de jure segregation, were the targets of racism in an institutional context, and this placed them at a greater disadvantage in the economy. Butler (1991, pp. 74-75) draws a clear distinction between the character of Black entrepreneurship and immigrant entrepreneurship, arguing that, whereas other races and ethnic groups have been free to operate in the larger economy, historically, Blacks were not.

Although de jure segregation is no longer in place, various aspects of Stuart's (1969) and Butler's (1991) arguments remain relevant to the analysis of contemporary Black entrepreneurship, particularly where businesses that do not serve corporate and government clients are concerned. In general, Black business owners are still stigmatized in society, and their economic opportunities continue to be limited due to perceived and actual discrimination. As a result, their economic activities are often linked to a group economy in the Black community. However, this group economy is not the same as the "ethnic enclave economies" identified by Portes and Bach (1985), Portes and Manning (1986), and Zhou (1992). It differs from ethnic enclave economies along several important dimensions.

Portes and Bach (1985), Portes and Manning (1986), and Zhou (1992) describe ethnic enclave economies as settings where immigrants can obtain higher levels of social and economic mobility than in the mainstream economy. As a result, ethnic enclave economies entail dual benefits, offer immigrants higher levels of economic mobility than the mainstream economy, and serve a social function as ethnic havens. Unlike an ethnic enclave economy, which has a dual economic and social function, the group economy in the Black community serves primarily a social function. This is because the group economy in the Black community creates a safe haven for Blacks, buffering them from racism in mainstream institutions. However, Blacks accrue few economic benefits from participation in the group economy. Wong (1977) makes this point clear, stating that Black entrepreneurs see business ownership as "an end in itself" because the Black entrepreneur's "principal motive is the desire to be his own boss—not profit making. Indeed, after overhead, his 'profits' are typically no more than prior working wages in the secondary labor market" (p. 460).

Despite limited economic benefits, Blacks receive important social benefits from the group economy in the Black community. Entrepreneurship is a source of social autonomy from mainstream institutions for Blacks. In fact, the social meaning of Black entrepreneurship has become an important rallying point for social change in the Black community. For instance, the "doctrine of the double-duty dollar," which instructs Black consumers to buy from Black businesses, has been articulated by Black leaders since the early 1900s (Drake & Cayton, 1993; Kunjufu, 1991; Light, Har-Chvi, & Kan, 1994; Washington, 1971). In effect, Black entrepreneurship is an institution in the Black community that facilitates the mobilization and development of group resources, despite the presence of racial barriers to capitalization and access to the mainstream economy.

METHODS AND SAMPLE CHARACTERISTICS

The data for this article come from a series of in-person interviews with Black manufacturers of ethnic beauty aids in Chicago. These interviews were conducted between January 1996 and August 1996. When contacted for interviews, informants were asked to be part of an academic study of minority-owned businesses in the ethnic beauty aids industry. During the interviews, informants were asked a series of open-ended questions about the organization and operation of their businesses and similar businesses in the ethnic beauty aids industry. The questions were drawn from an interview guide that was prepared in advance. The interview guide consisted of 14 items and 38 probes. This research instrument focused on a core set of questions that related to the theoretical issues under examination. In particular, the research instrument focused on examining issues concerning the business goals of Black entrepreneurs in the Black community, the business networks they had access to, and the role of race in their businesses. The interviews were tape recorded, and the tapes were transcribed verbatim. Each interview was administered at the given informant's place of business during normal business hours. The interviews ranged from 1 to 2 hours in length.

At the end of the interviews, informants were asked to respond to a 25-item survey. The survey contained closed-ended questions focusing on the general characteristics of a manufacturer's business, the manufacturer's perceptions of the business climate in which it was embedded, and related issues that paralleled the questions and probes contained in the interview guide. The surveys took approximately 5 minutes to complete. The sampling strategies used in conjunction with the research instruments and the characteristics of the entrepreneurs who were interviewed and surveyed are discussed later. However, before moving on to these topics, further discussion of the use of the interview guide as a primary research instrument and the closed-ended survey as a secondary research instrument is necessary.

The adoption of an ethnographic data collection strategy based on dual instrumentation served many purposes. First, a small sample was anticipated due to the characteristics of the businesses being examined. Second, it was anticipated that informants would face time constraints. So, dual instruments were used to expand the amount of data collected. Third, if an informant refused to commit to a formal interview or was unable to finish an interview in progress, the option of completing a brief survey was available. Fourth, upon the completion of an interview, informants were given surveys to return at a later date. The survey was used to check for consistency in the interview and as a mechanism to maintain contact with the informant in the event that additional information was desired. In many ways, research instruments were developed to accommodate the informants and create opportunities to maximize data collection within the constraints of the research setting. Dual instrumentation allowed for data to be collected immediately during an interview and incrementally through the survey and any subsequent contact that it generated.

The nature of this study also demanded that the research instruments be concise and flexible. It was anticipated that informants would be available for only short periods of time because they were involved in the operation of businesses. As a result, the interview was designed to be administered in 1 hour, and the survey was designed to take 5 minutes. Of course, in some instances, interviews went beyond 1 hour, but the placement of questions and themes in the text of the interview guides allowed for the acceleration of interviews when informants became anxious to resume their work. This emphasis on remaining nonintrusive helped facilitate rapport with informants because they were reassured that the interview would not interfere with their daily routine.

Given the small population under examination, a number of methodological steps were taken to insure that the entire population of Black manufacturers was identified and that the informants in the sample were representative of the population. One of the issues addressed was the absence of a comprehensive list of Black manufacturers of ethnic beauty aids in Chicago. The lack of a comprehensive list of manufacturers was further complicated by the rate of business failure and changes in ownership in this industry. Because of these issues, numerous sources were used to identify businesses. Some of the more important sources were local business organizations in the Black community. These organizations were extremely helpful in supplying the names of businesses and in providing references to gain access to the research site. Other sources were the business directories published in the Black community, such as the *Chicago Black Pages*. Also, individuals active in levels of the ethnic beauty aids industry, outside of manufacturing, were contacted. Through discussions with other scholars, it was found that these types of sources were the most widely used in studies of this nature.

In total, a population of seven Black manufacturers of ethnic beauty aids was identified in Chicago. All of these individuals were approached for interviews. Of the seven Black manufacturers, four (57%) agreed to be interviewed. The other three Black manufacturers declined to be interviewed. The four Black manufacturers who were interviewed had detailed knowledge of the ethnic beauty aids industry, including knowledge of the companies owned by the Black manufacturers who were not interviewed. For instance, some of the Black manufacturers interviewed were former employees and business associates of the Black manufacturers who declined to participate in this study. Because of such ties, the attitudes and perceptions of the informants in this study approximated those of other Black manufacturers in the ethnic beauty aids industry.

The characteristics of the informants were representative of the population of Black manufacturers in Chicago's ethnic beauty aids industry. For example, their companies varied in size in a manner that captured the characteristics of the entire population. One of the Black-owned manufacturers had fewer than 5 employees, one had 15 employees, and two had more than 20 employees. Also, the sample reflected the gender and age composition of the population. All of the informants were men, and they represented three age cohorts. One was in his 30s, two were in their 40s, and another was in his 50s. Along educational lines, the sample reflected the population. Each of the Black manufacturers was well educated. Three held bachelor's degrees, and one had a master's degree. In addition, the tenure of the businesses in the sample was similar to the tenure of the businesses in the population. The Black manufacturers who were interviewed had been in business for various periods of time. One of the Black manufacturers had been in business for fewer than 5 years, one for 7 years, another for 15 years, and the other for more than 20 years. Because the population was small, each of the manufacturers had an intimate knowledge of the natural history of the industry. As a result, interviews with these individuals led to the development of a holistic view of manufacturing in Chicago's ethnic beauty aids industry.

A common set of themes emerged during these interviews. For instance, the Black manufacturers stressed the importance of finding adequate sources of venture capital for their companies. They discussed how undercapitalization hampered their ability to expand their companies and advertise their products. In fact, the Black manufacturers who were interviewed clearly contrasted their ability to mobilize capital and the ability of White manufacturers to do so. They described how Black-owned companies were often at a disadvantage when compared to better capitalized, White-owned companies. This disparity in accessing capital made it difficult for Black-owned companies to compete with White-owned companies. As a result, an alternative business strategy was adopted by Black manufacturers, which was based on mobilizing group resources in the Black community.

RACE AND CAPITAL

The nexus between race and capital explains why Black entrepreneurs do business in the context of an economic detour. A better understanding of this nexus is obtained by examining Black manufacturers in the ethnic beauty aids industry. All of the Black manufacturers who were interviewed in Chicago identified times when limited access to capital from mainstream institutions caused them to change their business strategies. Some of them believed that their inability to attract capital to their companies was partially the result of racial discrimination in society. For instance, one Black manufacturer discussed how he was a banker before he started his company in the ethnic beauty aids industry. However, when he started his company, he was unable to obtain a loan from a mainstream bank. Instead, he had to rely on personal loans and small contributions from business partners. He made this comment about his experience raising venture capital for his company:

> There were like four of us at the time, we put in $50 a month when we were starting out so we could do things like have a telephone, get things typed, have business cards, have letter heads, things like that. Get incorporated. That we did from our own personal cash. But every other thing we did, we borrowed money, either from friends, or from like, we got the company started with an initial $3,000 I borrowed from a friend of mine, a business friend of mine. That got us started, $3,000.

All of the Black manufacturers who were interviewed indicated that, when they started their businesses, they had limited capital. In itself, such humble beginnings are no different from those of other entrepreneurs. However, Black entrepreneurship is also embedded in an environment where access to institutions, resources, and networks in mainstream society is limited because of racial discrimination. As a result, real and perceived racial barriers add an extra burden to Black entrepreneurs, reducing the range of economic opportunities available to them.

In addition to reducing the range of opportunities to Black entrepreneurs, the perception and presence of racial barriers shapes their attitudes about the economic opportunities open to them. For instance, one Black manufacturer perceived a clear connection between capital constraints and issues of race in American society. When asked how he raised the venture capital for his company, he gave the following response:

> I didn't have any. You know, when you're Black, ethnic, a lot of things are not available to you. You have to literally make something out of nothing. When I went to get incorporated in 1981, I saw my attorney, Mr. A., and I told him what my plan was and what I wanted to do. He was at one time a big time chemist for the Helene Curtis Company. He looked back at me in his big chair and he said, "Well, B., if you want to do this thing, you need about $20,000." You know, to get a little store front, get a piece of equipment, this and that, you know. And he looked at me and he said, "How much do you have?" I said, "A., I might be able to scrape up $1,000," and he laughed, and he said, "Well, I'll incorporate you, you know it's nothing about that," and I said, "There's nothing wrong with testing the market." So that's literally how I started, I had $1,000.

The other Black manufacturers who were interviewed recanted similar experiences related to the establishment of their companies. Each went into business with limited capital and little access to resources from mainstream institutions.

All of the Black manufacturers who were interviewed reported that they had considered borrowing money from mainstream banks to expand their businesses. However, some were unable to borrow because they needed substantial collateral to secure such loans. For instance, one Black manufacturer stated, "If you're ethnic and you need money, and you don't have collateral, you have nothing coming." The Black manufacturers who could secure loans from mainstream banks often had access to less capital than they desired. Because they initially had limited access to start-up capital, the scale of Black-owned businesses was small. This made it more difficult to borrow for business expansion later on. In addition to reducing the access that Black manufacturers had to commercial loans, the limited growth potential of their businesses also made it difficult for them to qualify for government loans and grants. For instance, one Black manufacturer pointed out that his business was too small to attract economic development assistance from the city of Chicago. He explained that, "If we're gonna hire 300 or 400 people, I'm sure the city would step in and help out." But, since his company only employed 45 people, he did not pursue economic development assistance through the city.

The other Black manufacturers who were interviewed held similar opinions about their ability to qualify for public-sector loans and grants. Smaller Black manufacturers did not participate in government programs because they perceived such programs as being orientated toward larger companies. In fact, only one of the Black manufacturers reported that he secured a loan from the Small Business Administration (SBA), and this was only after his company had grown substantially. He made the following comments about this period of expansion:

> Well, at that time, that we got to this location, we had basically gone through the wars out there. I had started in the basement of my home, and went to a store front from the basement of my home, and kept beating the pavement, and kept trying to expand the business. And then when we got here, when we landed here, we put a package together. We had built [this company] to over 1 million at that point, and went to our IRA account and we put an SBA package together. We got the financing to get the facilities and get some equipment, and get started.

This Black manufacturer was able to attract a loan from the SBA in the late 1980s, after his company had gone through an extended period of growth. Remarkably, he believed that, despite the performance of his company, it would have been difficult to access capital if a loan from the SBA had not been available. This was based on his perception that mainstream banks would be less willing to loan money to a Black-owned company. Unfortunately, by the time this Black manufacturer secured a loan for his business, competition in the ethnic beauty aids industry had intensified. This resulted from a number of changes that occurred in the late 1980s and early 1990s.

In part, growing competition resulted from changes in fashion trends. For example, in the early 1980s, the Jheri Curl hairstyle became popular, and many Black manufacturers attempted to expand their businesses by selling Jheri Curl products. However, by the late 1980s, the popularity of the Jheri Curl hairstyle began to wane, and manufacturers in the ethnic beauty aids industry had to adapt. One Black manufacturer discussed this shift in fashion:

> We were riding on a fad, the curly hair thing. Then, the comedians started jumping on it, and teasing Black folks about the grease, and the this, and the that. So that thing started to go down. At that point, that was all I had. So, here I am, in this building, with a $7,000-a-month note, and my business started to slip. Instead of doing $1.3 million, I ended up doing $700,000. So, it put me in a very precarious situation.

Other Black manufacturers experienced similar problems. One commented that his company used to manufacture a number of Jheri Curl products, but this was no longer the case. He pointed out that, "During the 80s, early 80s and mid-80s, the Curl was a very popular item, and, when we came into the 90s, the Curl died down." When sales of Jheri Curl products declined, many Black-owned companies experienced financial difficulties. This problem was compounded because no new product like the Jheri Curl dominated the market for ethnic beauty aids. As a result, manufacturers had to offer a wider array of products, and this reduced their ability to develop an economy of scale based on a single product. However, another factor was also at work in the market. All of the Black manufacturers reported that economic recession caused spending among Black consumers to stagnate in the late 1980s and early 1990s. This decline in consumer spending was first felt at the retail level and later reached distributors and manufacturers in the ethnic beauty aids industry.

A shift in fashion, accompanied by economic recession and stagnating spending among Black consumers, created a great deal of stress for Black manufacturers. Beginning in the late 1980s, Black manufacturers had to develop and establish a market for new products although they faced a softer economy and lower consumer spending. These problems were compounded because some Black manufacturers had expanded their operations in the 1980s and acquired debt. Because of these factors, many Black manufacturers experienced financial difficulties, and some faced insolvency. At the same time, better capitalized White manufacturers were beginning to discover the market for ethnic beauty aids (Freeman, 1986; Furman, 1997; Wang & Malone, 1986). By the late 1980s, the ethnic beauty aids industry had become increasingly competitive, and disparities between Black and White manufacturers in the ability to mobilize capital began to grow. The effect that these disparities had on the competitive position of Black-owned businesses is clearly illustrated by examining the nature of competition between Black and White manufacturers in the ethnic beauty aids industry during this period.

CHERRY PICKING AND ADVERTISING

In the late 1980s, competition intensified between Black and White manufacturers in the ethnic beauty aids industry. What had traditionally been an industry controlled by small- and medium-sized, Black-owned companies, was becoming an industry dominated by larger, White-owned conglomerates. During this period, many Black manufacturers found it difficult to compete with billion-dollar corporations, and they were acquired, merged, or went bankrupt (*Dudley's*, 1993, p. 34). Others survived, but on a much smaller scale. The acquisition of Black-owned companies by White-owned companies affected the racial composition of the ethnic beauty aids industry. For instance, Black manufacturers lost sizable shares of the ethnic beauty aids market during the late 1980s; "once controlling 80% of the total market, their share was estimated by industry analysts to be as low as 48% by the late 1980's" (*Dudley's*, 1993, p. 35).

One of the Black manufacturers who was interviewed had been employed by a Black-owned company that was taken over by a White-owned conglomerate, and he discussed how the transition took place. He pointed out that there were several negative implications for the former employees of the Black-owned company when the acquisition occurred. Many Blacks lost jobs when the new parent company took over the Black-owned company. In addition, the parent company's marketing and production strategies affected how the Black-owned company did business after its acquisition. The Black manufacturer described this in detail:

> What they were doing is, they were buying just for, it's what we call cherry picking the line. And, major conglomerates sometimes, when they buy smaller companies, they cherry pick the line. You can call up any different, most companies have 50, 75, 100, 150 different items. The major conglomerate, they bought that company based on those two or three different items that were number one sellers. They don't care about all the rest, because, as far as they're concerned, it really didn't make no numbers.

Cherry picking allowed a large, White-owned conglomerate to use the brand name of the Black-owned company it took over. In addition, sales and marketing strategies were focused on highly profitable items from the Black-owned company's product line. These products were mass marketed to Black consumers. However, the parent company would remove less profitable items from the acquired company's product line and allocate fewer resources to the development of new products for Black consumers. As a result, monies that were once channeled into research and market development in the Black community were accumulated as profits by White-owned companies that acquired Black-owned companies.

The growing role of White manufacturers in the ethnic beauty aids industry had additional implications. The expanded role of

White manufacturers raised the cost of advertising because larger, White-owned companies were able to flood the market with advertisements for their products. Before this, advertising was not as capital intensive in the industry, and Black manufacturers found various advertising outlets to introduce new product lines to Black customers. However, after White-owned companies expanded their role in the ethnic beauty aids industry, the cost of advertising increased. As a result, a company needed to invest more capital in advertising campaigns. If a manufacturer did not have sufficient capital to invest in advertising, then the only option was to adopt a direct marketing approach.

The disparity in the ability to advertise made it more difficult for Black consumers to identify products manufactured by Black companies. This was not only due to the capital advantages of White-owned companies; it was also because of the themes that White-owned companies focused on in their advertising campaigns. White-owned companies integrated Afrocentric themes into their marketing strategies because they assumed Black consumers wanted to buy ethnic beauty aids from Black-owned companies. One Black manufacturer discussed how such marketing practices affected his company:

> You take a company like Dark and Lovely. They put a Black face on a container, they got billboards up and around, and this and that. They can paint a great image. Like they're some great company that really specializes in the Black hair, so forth and so on. I could be a small, Black company, have a better product, but I can't give the consumer that image that they do.

The use of racial images to attract Black consumers was effective because it implied that a given product was made by a Black manufacturer. White manufacturers aggressively pursued this type of advertising, and Black manufacturers could not mobilize enough capital to counter it.

In areas of the market where capital is highly influential, such as the retail niche of the ethnic beauty aids industry, aggressive advertising campaigns by large, White-owned conglomerates made it difficult for Black manufacturers to compete. However, in other parts of the industry, such as the professional niche, the role of capital was balanced by group resources. For this reason, Black manufacturers were more successful at protecting their markets in the professional niche of the ethnic beauty aids industry because it was based on direct sales and the mobilization of group resources in the Black community.

DEMAND CREATORS AND DEMAND SUPPLIERS

Two distinct niches existed in the ethnic beauty aids industry: The retail niche and the professional niche. In each of these niches, networks were formed between manufacturers, distributors, and merchants. For instance, in the professional niche, Black manufacturers often sold products to Black distributors, who in turn sold to Black merchants and salons. In the retail niche, White manufacturers often sold products to Jewish and Korean distributors, who in turn sold to chain stores and Korean merchants. Although there are exceptions to these general patterns of business networking, they reflect the dominant modes of business interactions in the ethnic beauty aids industry. The emergence of these networks was tied to the relationship between the ability to access capital and the ability to mobilize group resources.

Although capital constraints made it difficult for Black manufacturers to compete in the retail niche of the ethnic beauty aids industry, the ability to mobilize group resources in the Black community allowed them to control the professional niche. This was because the mobilization of group resources allowed Black manufacturers to establish rapport with other Black entrepreneurs in the industry. Developing rapport was essential because sales in the professional niche of the ethnic beauty aids industry were done on a more informal level than in the retail niche. In fact, Black manufacturers distinguish between the roles of the professional and retail niches in the industry. For instance, one Black manufacturer referred to Black distributors, merchants, and salon owners as "demand-creators" because they played an active role in creating demand for new products, whereas he referred to Jewish and Korean distributors, large, commercial chain stores, and Korean merchants as "demand-suppliers" because they were passive actors in minority markets, responding to existing consumer demand.

The distinction between demand-creators and demand-suppliers highlighted each group's advantages in mobilizing group resources and leveraging capital. This is reflected in the following comment made by the Black manufacturer cited above:

> A distributor who goes to the salons, he takes a product and he says, "Mrs. Jones, why don't you buy this product?" He's the one who will put on the show with you, invite the hairstylists to come in so that you can entice them to buy your product and help you create demand. But the Koreans don't do that, so they are the demand-suppliers, and that has, in the cases where the manufacturers have tried to sell the same product to a demand-creator and a demand-supplier, the demand-supplier always kills the demand-creator, because he lowers the price. The demand is already there, and he sits in his store and he waits for people to come in.

Other Black manufacturers identified these distinctions and pointed out that Black distributors, merchants, and salon owners were essential to the success of their companies because they exposed Black customers to new products. In fact, Black manufacturers developed a market for their products by mobilizing group resources in the Black community and promoting them through word of mouth in Black salons. This strategy allowed them to bypass mass advertising strategies to promote their products. In fact, one Black manufacturer stated that his company did no formal advertising but relied on contacts with Black salons and word of mouth to sell his products. He explained that, "what happens is the consumer goes into the salon to get their hair fixed, and they look to see what they're using." If the customer liked the product, he or she would buy it from the salon. As the product became more popular, Black customers would increasingly "go to the Korean shops or some of the other retail outlets," and ask for it. In turn, the retailers would try to order the professional product. If demand was high enough, a manufacturer could stop selling it in the professional niche and begin selling it in the retail niche. However, there were risks associated with such a move.

One Black manufacturer discussed how one of his competitors lost credibility in the professional niche of the ethnic beauty aids industry because the company had "bastardized" its professional products by moving them into retail stores too rapidly. He described the reaction of Black professionals to this Black manufacturer:

> They made the same products available to the Koreans as to the demand-creators, and the demand-creator says, "Well, I'm not going to carry their product. Why should I create demand for this guy down the street to make the money?" So they stopped pushing [the Black manufacturer's products] in the salons.

Other Black manufacturers discussed this issue. One pointed out that some Black-owned companies keep their professional and retail products distinct by manufacturing them under separate labels. One label would be sold exclusively in salons, whereas the other would be sold in retail outlets. This strategy allowed a Black manufacturer to do volume sales on a short-term basis with a few popular products while maintaining a strong, long-term relationship with Black distributors and salons.

Despite selling some products in the retail niche of the ethnic beauty aids industry, the professional niche remained the mainstay of all the Black manufacturers who were interviewed. Black manufacturers who neglected it and focused exclusively on the retail niche often saw their profits deteriorate over time. This was because they faced direct competition from larger, White-owned companies in the retail niche of the ethnic beauty aids industry. In fact, by the early 1990s, Black manufacturers found it increasingly difficult to gain access to the retail niche. This was due to economic stagnation in minority markets, increasing advertising costs, and growing competition from larger, White manufacturers. These trends led to a number of changes in the ethnic beauty aids industry.

TIGHT MARKETS AND SHRINKING OPPORTUNITIES IN THE 1990s

BUSINESS SURVIVAL AND THE NEED FOR FURTHER SPECIALIZATION

The most important factor influencing change in the ethnic beauty aids industry was the stagnation of markets in Black America that began during the late 1980s and early 1990s. This created a number of repercussions for the Black-owned businesses that depended on these markets for their survival. Rising competition in the ethnic beauty aids industry was an outgrowth of tightening markets in the Black community, and it intensified capital constraints for Black manufacturers. In fact, some of the Black manufacturers who were interviewed reported that they no longer had enough capital to manufacture and market their products simultaneously. Because of this acute undercapitalization, they specialized in either production or marketing.

For instance, two of the Black manufacturers who were interviewed reported that they contract out the manufacturing of their products to other Black-owned companies. One Black manufacturer stated, "I have people do the packaging and everything, the products, so I contract manufacture." The other Black manufacturer explained why his company adopted this strategy:

> The reason why it's contracted out is that manufacturing itself is another business, and the secret to the industry is not making the products. By selling the products, or marketing the products, my costs would not be that much lower for the trouble that I would have to go through to manufacture. So that's why we don't manufacture.

Some Black-owned companies lacked the necessary capital to manufacture their own products, in part because sales in the professional niche of the ethnic beauty aids industry were limited. As a result, some Black manufacturers paid other companies to bottle their products, while the Black manufacturers focused their resources on marketing activities.

On the other side of this arrangement, there were Black manufacturers who focused on making products for other companies while selling few products of their own. Many of these Black manufacturers began contract manufacturing in the early 1990s, when sales began to stagnate in the Black community. At this point, they were confronted with a dilemma. The market appeared to be saturated, and their manufacturing facilities were not operating at full capacity. In order to keep their companies profitable, they began packaging products for other companies. Over time, their product lines waned, and contract manufacturing became the focus of their business activities. For example, one Black manufacturer who began contract manufacturing in 1992 explained how adopting this strategy changed his business:

> What we've done now is we've gotten out of marketing ourselves. In other words, [this company] started off pushing its own plan, getting out there beating its own drum, whatever the means we had available to the consumer, to get our brand over. I found that I was not a very good marketing person. So, as a result, with the times of large companies scaling back, we decided to go into private packaging. We turned ourselves into a private packaging manufacturer, which was very lucrative and a good move for us, because we found that a lot of companies . . . For example, they may have a project which is 2 or 3 million dollars, they don't want to erect, or rent, another facility and get equipment in just to do that. They'll look for companies like myself, who have the equipment, who have the quality control already in place, and they'll come to us and give us those small jobs.

In part, this strategy became feasible because some Black manufacturers did not have the capital to build their own manufacturing facilities. However, contract manufacturing also came about because Blacks who owned manufacturing facilities could not take advantage of economies of scale by producing their own products. This was the case because the professional niche of the ethnic beauty aids industry was smaller, and they lacked sufficient capital to market their products in the retail niche.

When minority markets stagnated in the early 1990s, Blacks began contract manufacturing. This strategy was an outgrowth of a saturated domestic market for ethnic beauty aids. Although it entailed short-term profits for some Black manufacturers, it did not create new growth in the industry. In fact, contracting out was a strategy used to save a struggling business and not a strategy for expansion. During the early 1990s, it was difficult for Black manufacturers to expand their businesses. Many faced capital constraints, and they perceived racial barriers to business development. For example, one Black manufacturer described how these issues affect his business:

> You're like a marked person. Man, I mean, you're looked at as inferior. If you're a Black company, and you produce a product, it doesn't measure up to the White counterpart. You don't have the marketing expertise, nor dollars, so your image is not the same as theirs.

Capital constraints and the perception of racial barriers in the economy created a number of dilemmas for Black manufacturers interested in expanding their businesses. Black manufacturers found few opportunities to expand their businesses. In the ethnic beauty aids industry, access to the retail niche was limited due to increasing competition from White-owned conglomerates. Additionally, business expansion in the mainstream economy was considered risky because Whites were thought to be averse to buying products made by Blacks. As a result, many Black manufacturers focused on mobilizing group resources to overcome these barriers.

MOBILIZING GROUP RESOURCES ABROAD

The effects of racial discrimination on the scope of business opportunities available to Black manufacturers became clearer when their strategies for business expansion were examined. When discussing business expansion, the Black manufacturers identified strategies that focused on the mobilization of group resources. For instance, many of the Black manufacturers expressed an interest in exporting products to other countries. However, their interest in exporting was limited to countries with predominantly Black populations. The focus on the racial and ethnic characteristics of foreign markets was clearly expressed in the following comments by a Black manufacturer:

> The majority of the companies today, since there's no growth here, what they're doing is going overseas. If you open markets like Iran, Iraq, Uganda, Ghana, Nigeria, all that, it's over 400 million people of color, compared to 25 million here. So that's where the growth, that's where the potential is. Everybody's going to South Africa and all these different places where all the masses of people are.

When Black manufacturers thought about business expansion, entering the mainstream market was not considered a viable option. Perceived racial barriers to participation in the mainstream economy made an economic detour strategy more appealing. This was the case despite the added risks that exporting entailed.

Exporting was riddled with risks that expansion into the general market did not entail. However, because of racial barriers, Black manufacturers perceived few alternatives for business expansion. Like domestic markets, foreign markets were unstable because they were influenced by changes in fashion and general trends. However, they were also unstable because of fluctuations in foreign exchange rates, and because of the political uncertainty that some foreign markets entailed.

In addition, exporting was a cash business that could involve large volumes of merchandise. One Black manufacturer commented that "A lot of companies have gotten burned for hundreds of thousands of dollars, you know, trying to get that big business." Another Black manufacturer stressed this point in the following comment:

> Gots to get your money up front. No letters of credit, ut uh. A lot of my potential deals, I have people ring my phone, they're interested in so many, I mean big orders, to go to Africa, and different stuff. Fine. When the White boy over there at my bank tells me the money is there, I'll ship the merchandise.

This was the biggest barrier to foreign trade. Black manufacturers operated with limited capital, and the risk of losing money while conducting overseas businesses was high. Exporting was made more precarious because profit margins in exporting were lower than in the domestic economy. Despite lower profit margins, exporting remained attractive to Black manufacturers because they could make volume sales without the encumbrance of marketing and advertising costs. However, as one Black manufacturer put it, this attraction fades away when "your stuff is on this slow boat going over to Africa some damn where, and hell, you can't find anybody to get your money."

Despite the risks associated with exporting, there were few alternatives available to Black manufacturers interested in expanding their businesses. This situation resulted from a number of factors. Initially, capital constraints and racial barriers hindered the growth of Black-owned businesses. Then, in the early 1990s, the spending power of Black consumers stagnated. At the same time, competition from large, White-owned conglomerates squeezed Black manufacturers out of the retail niche in the ethnic beauty aids industry. In response to these obstacles, Black entrepreneurs mobilized group resources in the Black community and developed their businesses in the context of an economic detour. For most Black manufacturers, this meant they would focus on doing business in the professional niche of the ethnic beauty aids industry. For some, this also meant they would attempt to export products to countries with large Black populations.

CONCLUSION: INSTITUTIONAL COMPLETENESS IN THE BLACK COMMUNITY?

The adoption of a business strategy based on mobilizing group resources was possible for Black entrepreneurs because a dense network of formal and informal institutions existed in the Black community. The role of such networks is discussed in the theoretical arguments concerning institutional completeness (Breton, 1964). These arguments say that dense networks of racial and ethnic institutions create alternative resources for racial and ethnic group members to draw from in society. Such resources were available to Black entrepreneurs in the ethnic beauty aids industry because an agglomeration of Black institutions was found in the Black community. These institutions worked together to transmit messages to Blacks, which promoted group solidarity and counteracted racism in mainstream society.

In part, formal institutions in the ethnic beauty aids industry articulate such messages to Black Americans. For instance, in the mid 1980s, Black manufacturers formed the American Health and Beauty Aids Institute (AHBAI) to raise public awareness about growing competition in the ethnic beauty aids industry from White-owned companies. This organization provides technical assistance to Black businesses and acts as a clearinghouse for information related to the ethnic beauty aids industry. One of the more visible effects of AHBAI on the industry is its "Proud Lady Symbol," which appears on products of the organization's members. The symbol was designed to alert Black consumers to the fact that a particular product is made by a Black-owned company. AHBAI provides information and assistance to Black businesses, and it also helps to disseminate a unifying message to the Black community. This theme is grounded in group resources and is reflected in this statement of AHBAI's goals:

> Our goal is to pull resources and recycle dollars back into the African-American community, where it counts! Purchasing AHBAI member products featuring the Proud Lady Symbol assures consumers that the product was manufactured by a Black-owned company that reinvests its profits in the community to build a stronger Black America. DON'T BE DECEIVED! Purchase Black haircare and beauty products that feature the Proud Lady Symbol and recycle your Black dollars in the Black community. It's good for Black America! (*Dudley's*, 1993, p. 34)

This was a clear articulation of the doctrine of the double-duty dollar, which was aimed at slowing the encroachment of mainstream institutions on the Black community: In this case, the expansion of large, White-owned conglomerates into the ethnic beauty aids industry.

At a more intermediate level, Black manufacturers mobilized group resources by using their businesses to help other Black Americans. For instance, all of the Black manufacturers saw their businesses as catalysts for job creation in the Black community. Although scholars such as Wilson (1996, pp. 111-146) have argued that both Black and White employers on the south side of Chicago are reluctant to hire inner-city residents, such conclusions regarding Black employers in the ethnic beauty aids industry are inaccurate. In fact, all of the Black business owners who were interviewed for this article expressed an interest in hiring inner-city residents. The principal barrier to making such hires was capital. There was no evidence that inner-city residents were systematically removed from the hiring queue by Black employers during the course of this research. In fact, the contrary was true. Black employers proactively sought such applicants when they were able to hire new employees.

At an even more informal level, Black manufacturers mobilize group resources through acts of charity and community service. One Black manufacturer described how his company got involved in going to schools, talking to children, and acting as a role model in the Black community. Another Black manufacturer discussed how his company cultivated similar ties in the Black community:

> What we've done is adopted schools, where we honor the student of the month kind of thing. Tell these guys they did well, they got good grades for that month. They'll have an assembly and we'll come down as a company, we'll have gift bags and different things for them, and we'll award them at the ceremony there. A lot of the less fortunate kids in some of these schools who last year couldn't come up with $50 or $60 per person graduation fee, to get the cap and gown and stuff, we would go to our clients and plead their case. And a lot of these guys would send donations in to us and stuff so that all of the kids could go across the stage and get their diploma with their cap and gown. And last Christmas we did a fund drive for all of the kids in the schools for fund raising, and there again we counted on our clients, they sent in combs, gloves, caps, all this stuff, and we were able to give these kids stuff like that.

Black manufacturers are important role models in the Black community. Filling this role is personally rewarding to them, and it generates a positive image of Black-owned companies in the Black community.

One Black manufacturer described how his company's activities in the Black community attracted Black customers. Maintaining a presence in the community helped advertise his products: "It's a way for them to know you are there, I like doing it." The desire to generate community ties entailed a combination of pragmatic and idealistic goals. In one sense, it could be argued that Black manufacturers used community outreach to protect their market share in the industry. However, the primary motivation for Black manufacturers to get involved in the Black community grew out of group solidarity with other Blacks. One Black manufacturer expressed this with clarity:

> I think it should be our responsibility, the Black-owned companies ourselves, because these are our kids, it's our future. And we need to stand up and be counted, be recognized, and we need to change the image of ourselves in those kids' eyesights, let them know that we care about our own.

This type of agency was linked to group identity. Black entrepreneurs approached the Black community as fellow African Americans. Because of this, they acted as custodians for the Black community and felt an obligation to shield it from outside exploitation.

Black entrepreneurs mobilize group resources in minority markets to generate a sense of autonomy in the Black community. This is illustrated through an examination of the ethnic beauty aids industry. It is somewhat surprising that the relationship between group resources and Black entrepreneurship is not identified more frequently. However, this discussion has helped to highlight the importance of this relationship to Black entrepreneurship in minority markets. In fact, it has been shown that group resources have a substantial influence on Black business in the ethnic beauty aids industry despite the acute capital constraints and discrimination that confront Black entrepreneurs in American society.

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