

# HOUSTON BUSINESS JOURNAL

## Houston minority businesses generated \$14B in economic impact, new report finds

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Certified minority-owned businesses in the Houston region generated \$14 billion in economic activity in 2020, according to a new analysis by the Greater Houston Partnership and Houston Minority Supplier Development Council.

That figure represents the businesses' total industry production of sales and revenues, labor income, taxes on production, and company profits.

The region's 771 HMSDC-certified minority business enterprises supported over 70,000 jobs, which accounted for \$5.4 billion in wages. In addition, the MBEs contributed \$8.5 billion to Houston's 2020 GDP, which was 1.8% of the total local GDP in that year, according to the joint report. The MBEs' GDP figure includes \$836.1 million in local taxes generated by the companies, which also generated \$534.9 million in state taxes and \$488.8 million in federal taxes.

"That's almost 2% of the regional GDP — that's nothing to scoff at. That is significant. But is there an opportunity to increase that? Most certainly," said LaTanya Flix, senior vice president of diversity, equity and inclusion at the GHP. "The Partnership is not dictating what companies should do, but we are encouraging them to think about what increasing their spend would mean for the MBEs in their pipeline."

The "2022 Houston Minority Business Enterprise Economic Impact Analysis," released June 7, states that when MBEs are equally considered in local company procurement, there is a multiplier effect: more opportunities, more jobs, more wages, more economic production, more taxes, more GDP.

"This report is vital to understanding the impact of MBEs in our region," said Ingrid Robinson, president of HMSDC. "The data reveals the power of our minority business community, and they also illuminate the unrealized potential of the region's minority businesses and what is possible with focused and increased attention on procurement."



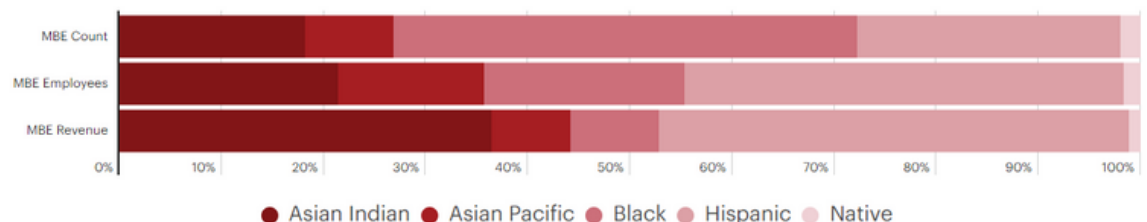
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Ingrid Robinson is the president of the Houston Minority Supplier Development Council

### BREAKDOWN OF MBE COUNT, EMPLOYEES, AND REVENUE BY RACE

In 2020, while Black MBEs represented 45% of the 771 Houston-area MBEs, they accounted for only 20% of the total employees and 9% of total revenue.

Asian Indian MBEs represented 18% of the MBEs, and accounted for 21% of the total employees and 36% of total revenue.

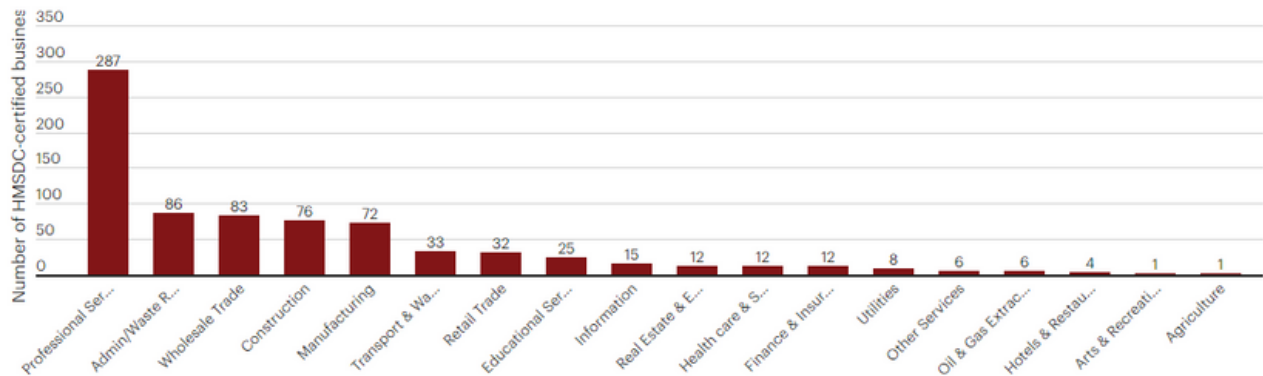


Source: 2022 Houston Minority Business Enterprise Economic Impact Analysis (HMSDC, GHP)

The top five industries among MBEs in the new report were professional services (37.2%), administration/waste management (11.1%), wholesale trade (10.7%), construction (9.8%), and manufacturing (9.3%). When it comes to revenue, though, wholesale trade leads with 40% of total revenue, or over \$3.2 billion, followed by professional services at 22%, or over \$1.7 billion.

The 771 certified MBEs collectively produced \$8.2 billion in revenue, and revenue is positively correlated with employee counts. Hispanic MBEs generated the most revenue (46% of total MBE revenue) and have the most employees (43% of total MBE employees). They also have the highest annual economic output, totaling more than \$6.7 billion in 2020.

## 771 MBE COUNT ACROSS INDUSTRY SECTORS



"The data confirms the capacity of Houston minority-owned businesses and the impact they have on our local economy. I hope the report will be used to expand access for Houston-area MBEs that are ready and able to meet the needs of our region's purchasers," said **Wayne McConnell**, managing partner of Houston-based McConnell & Jones CPA firm.

Last year, the **GHP released the findings from its Equity & Inclusion Assessment**, which showed that organizations struggle to purchase from MBEs, and the city overall lacks maturity in responsible sourcing. Less than 30% of the 120 organizations surveyed in the assessment reported their MBE spending. Of the 34 organizations that did, the average MBE spend amounts to only 2%.

"Based on the results of our Equity & Inclusion Assessment last year, we know that purchasing from MBEs is a challenge for our region," GHP President and CEO **Bob Harvey** said June 7. "That's why we have made accelerating the growth of underrepresented businesses one of the two focus areas of our One Houston Together initiative, the other being advancing underrepresented talent from initial hiring to the board room. The results of this report tell us that our regions MBEs are capable of growth if given the opportunity."

The GHP and HMSDC have identified three things the Houston business community can act on immediately to improve outcomes in Houston:

Track spending with Houston-region MBEs and participate in aggregate regional data reporting.

Leverage relationships to drive increased spending with Houston-region MBEs.

Set aggressive goals to increase spend with Houston-region MBEs, recognizing that minority businesses are present throughout the local economy.

"Houston-area corporations have an opportunity to join in advancing minority led businesses in this region, but it will require breaking from business as usual, a willingness to learn what best practice looks like, and real commitment to affect meaningful change," said **Gretchen Watkins**, president of Shell USA Inc., and co-chair of the GHP's Racial Equity Committee.

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