



MENDING THE TAPESTRY

**BUILDING TRUST
AND STRENGTHENING
BLACK BUSINESS
OWNERSHIP IN AMERICA**



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ACKNOWLEDGMENTS

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Authors

Chelsea Maxwell, Research Associate, AEO

Anh Nguyen, Graduate Research Fellow, AEO

Manu Delgado-Medrano, Research Director, AEO

Tapestry Advisory Board

Ted Archer, Executive Director, Head of Business Partner Diversity, JPMorgan Chase & Co

Gary L. Cunningham, President & CEO, Prosperity Now

Joelle-Jude Fontaine, Senior Program Officer, The Kresge Foundation

Brian Haney, Formerly Senior Vice President & Director of Strategy and Project Management for Business Banking, Fifth Third Bank

Bo Menkiti, Founder & CEO, Menkiti Group

Janay Queen Nazaire, Senior Advisor, PSG

Joanna Trotter, Formerly Senior Director of Community Impact, Chicago Community Trust

Jeanne Wardford, Program Officer, W.K. Kellogg Foundation

Janelle Williams, Senior Adviser, Federal Reserve Bank of Atlanta

ABOUT RESEARCH AT AEO

As the leading voice of innovation in microbusiness, the Association for Enterprise Opportunity (AEO) has an extensive history of conducting research that aims to understand, support, and promote the interests of underserved non-employer, small, and microbusinesses (SMBs). For more than 30 years, AEO and its member and partner organizations have helped millions of underserved entrepreneurs in starting, sustaining, and growing their businesses. Together, AEO is working to change the way that capital and services flow to underserved entrepreneurs so that they can create jobs and opportunities for all.



FOR MORE INFORMATION:

Connie E. Evans

President & CEO,
cevans@aeoworks.org

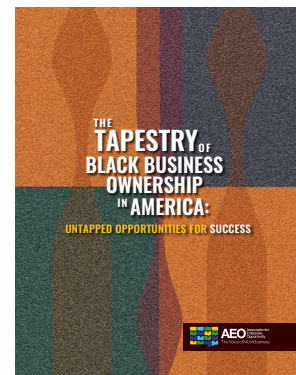
Manu Delgado-Medrano

Research Director,
mdelgado@aeoworks.org



Executive Summary

In 2017, AEO published its groundbreaking report ***The Tapestry of Black Business Ownership in America: Untapped Opportunities for Success***. The report celebrates the success and many contributions of Black-owned businesses to their communities by describing the rich diversity of businesses that weave a tapestry of Black business ownership in the United States, assessing the state of Black-owned businesses, and relating the role of business ownership in closing the racial wealth gap. Through this seminal research, AEO examined how Black business owners are wealthier than their non-business owner Black peers, create new wealth faster than wage employees, and create jobs for neighborhood residents by hiring locally. The report went on to identify three critical, interplaying challenges impeding Black business development: massive wealth and credit gaps, and a trust gap fueled by bias. Among the findings, the least well-understood and documented challenge was the trust gap, defined as a persistent wariness that Black businesses experience toward other institutions in their business ecosystem.



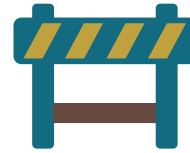
In 2020, AEO launched a new study to better understand the trust gap, its causes, how it prevents Black businesses from realizing their full potential, and to identify strategies to address the trust gap. The research design and analysis were inspired and informed by behavioral science principles and employed an online survey of Black business owners. The survey was fielded from November to December of 2021 to a stratified, randomly selected subset of Black business owners from AEO's proprietary dataset of about 50,000 Black businesses.¹ During this research study, AEO was able to further define the trust gap as a breach in relationship between Black business owners and their business ecosystem. The breach is inherently cognitive and emotional, and it stems from historic and current racial discrimination embedded in the founding and formation of this society's institutions. This breach is therefore characterized by the lack of trust Black business owners have in the integrity, competency, goodwill, character, reciprocity, or intuition of other institutions in their business ecosystem. According to the survey data, the least trusted organizations in the business ecosystem

are institutions that finance businesses and neighbors, and the most trusted category is family and/or friends. Even as the most trusted category, over 30% of responding Black business owners reported low trust levels for family and/or friends.



Trust is imperative to successful business ownership.

The trust gap must be addressed to ensure economic opportunity for all entrepreneurs. Trust is a fundamental component of forming and maintaining effective social relationships.² In the context of business ownership, trust helps business owners make favorable decisions for their businesses, facilitates effective partnerships between entrepreneurs and institutions that help business owners start, sustain, and grow their businesses, and is key in the forming of partnerships with vendors, mentors, and customers. The decision to trust others, whether made consciously or subconsciously, influences all business decisions, including in which communities businesses are built, which vendors are contracted, which employees are hired, and which institutions are sought for obtaining startup and expansion capital. With trust, these relationships cumulatively contribute to both personal and national economic growth.^{3,4} Without trust, these core relationships are absent or break down, and, consequently, businesses have fewer opportunities to fully thrive.



The trust gap can be a barrier to growth for all businesses, but it is a major barrier for Black-owned businesses.

Trust is important for the growth of all businesses. This study builds on previous research that identified the trust gap as one of three key barriers preventing Black-owned businesses from achieving their full potential. Black-owned businesses already contribute significantly to their communities and the national economy.⁵ If the U.S. business ecosystem fails to address the trust gap, then the contributions of Black businesses to job creation, economic activity, and civic vitality will continue to be constrained to the detriment of their communities as well as our shared common life. Although this report focuses on strengthening Black business ownership in the U.S., the findings can inform and enhance engagement with other underserved business owners and entrepreneurs as well.



The trust gap is a learned, rational response, but it constrains the potential of Black business owners and their business' contributions to the economy.

The trust gap is a rational response, both conscious and unconscious, to an environment that is experienced as unwelcoming or unsafe. Personal and communal experiences with racism, harassment, and discrimination inform the trust gap between Black business owners and a variety of institutions operating within their business ecosystem. This gap in trust is subsequently reinforced by the body's natural function of responding to stressful and traumatic situations by reducing one's decision-making capacity to one of four instinctual responses: fight, flight, freeze, or appease. While the body's natural stress and trauma response system is generally a beneficial and important survival function, its impact can be a barrier to building trust, developing relationships, and making favorable decisions. Instead of protecting Black business owners, the trust gap can cultivate overly cautious leadership, consume business resources, and prevent business growth. In short, the trust gap is constraining the potential of Black business owners and their enterprises.



Addressing the trust gap will require intentional action by all institutions operating in the business ecosystem.

Attending to the trust gap is fundamentally a shared responsibility that promises shared prosperity. All institutions operating in the business ecosystem - and the people who comprise these institutions - have a role in mending the trust gap and strengthening the tapestry of Black businesses in the United States. To this end, we propose five core principles to inform this work:

- 1 Commit to building relationships:** Invest in building relationships across the business ecosystem and with Black business owners, beginning by addressing individual conscious and unconscious bias, and also honoring Black business owners as experts on their businesses, showing up as allies to Black business owners, and accepting and applying feedback on how to improve as partners.
- 2 Extend trust:** Preemptively extend trust to Black business owners with sustainable commitments by addressing practices that result in inequitable outcomes, backing the priorities of Black business owners, and supporting the growth of Black-owned businesses.



3 Cultivate inclusivity: Cultivate inclusive spaces for Black business owners by committing to inclusive hiring practices, designing diverse panels and events, and inviting opportunities for Black business leaders to share their expertise.

4 Practice candor: Reflect on historical harms and recent missteps, implementing changes to address individual and systemic bias with accountability measures, and providing regular, transparent updates on the outcomes and progress of implemented changes.

5 Recognize trauma: Recognize the stress and potential trauma that Black business owners may have when interacting with their business system, the variety of ways stress and trauma manifest, and utilize trauma-informed practices while also celebrating the resilience and success of Black business owners.

The onus of repairing the relational breach that is the trust gap is on the business ecosystem

as a collective, but especially on those institutions and individuals who have allowed for an unwelcoming and unsafe environment for Black businesses. Black business owners can also take an active role in addressing the trust gap and supporting the growth of their businesses. Black business owners can attend to the trust gap by developing awareness of how the trust gap manifests in their business decisions, gradually extending trust to select institutions in their business ecosystem by being receptive to developing long-term relationships, recognizing stress and trauma when making business decisions, prioritizing their long-term healing, and inviting peers to help address the trust gap as well.

Ultimately, it is the great and important responsibility of institutions in the business ecosystem to address the trust gap, but we all have a role in repairing the relationship breach. By implementing all of the core principles listed above into the ethos of our interpersonal and institutional daily operations, we can mend the gap and strengthen the tapestry of Black businesses in the United States. Furthermore, by rebuilding trust we can increase economic opportunity for all business owners and cultivate a more inclusive economy.

A photograph of a Black man and woman smiling. The man is holding a chalkboard with the word 'OPEN' written on it. The image is overlaid with a large red triangle on the left and a pink triangle on the right.

Understanding the *Trust* Gap

Key Takeaways

- » The relationship breach between Black business owners and institutions in their business ecosystem is a threat to individual, community, and societal well-being.
- » Friends and family are the most trusted source of support for Black business owners, and the trust gap is most pronounced with institutions that facilitate access to capital, such as equity providers, large banks or financial institutions, and for-profit lenders.
- » The trust gap is a systemic phenomenon, prevalent throughout the business ecosystem and influencing business decisions between Black business owners and institutions in their business ecosystem.

Although the trust gap has historically been a major barrier to Black business growth, it has not previously been well understood. This initial section aims to rectify that by solidifying the understanding of the trust gap specifically as it relates to Black-owned businesses in America. AEO's previous report, *The Tapestry of Black Business Ownership in America: Untapped Opportunities for Success*, described the trust gap's general impact. This previous *Tapestry* report credited the trust gap with exacerbating difficulties for Black-owned businesses in accessing capital by increasing the cognitive and emotional stress of applying for credit and preventing Black-owned businesses from seeking assistance from institutions due to expected discrimination. Additionally, *Tapestry* provided a brief overview of possible causes for the trust gap, describing it as an implicit response of Black business owners to historical experiences with institutional and individual racism, continued disappointment, persisting wealth and credit barriers, failed outreach by banks, and the lack of Black-owned banks and bank branches in underserved communities. AEO's latest research expands the original scope of the trust gap, and this report considers how the trust gap gets in the way of commercial success by influencing all key business relationships, such as those with vendors and customers as well as lenders and investors. Specifically, this section will explain the importance of trust in business, define the trust gap, and explore the current state of trust for Black business owners in the broader business ecosystem.

The Role of Trust

As "a lubricant for social systems,"⁶ trust is foundational for creating and maintaining positive and effective social relationships.⁷ Trust is so fundamental that it influences economic well-being and national economic performance.⁸ At an individual level, trust facilitates key relationships that can reduce costs and connect investors with business owners and entrepreneurs.⁹ At a macro level, trust is important for social cohesion and, in addition to national economic growth, contributes to strengthened democratic institutions^{10,11} and economic policies.¹²


New research asserts that distrust is the default tendency in

The term


"underserved"



is used to describe communities that have historically been excluded from social, political, or economic opportunities. An "underserved business" in the context of this report refers to a business owned by a person or persons who identify as belonging to an underserved community.



The **trust gap** is a cognitive or emotional breach in relationship between business owners and their business ecosystem. It is characterized by the lack of trust business owners have in the integrity, competency, goodwill, character, reciprocity, or intuition of other institutions in their business ecosystem.



our society.¹³ The erosion of trust has society-wide implications, including within the business ecosystem and in the context of business ownership. Trust is imperative for developing the relationships necessary for starting, sustaining, and growing businesses; there is even a strong correlation between trust and the probability of becoming an entrepreneur.¹⁴ Furthermore, the conscious or subconscious decision to trust others influences all business decisions, including the communities in which businesses are built, the vendors that are contracted, the employees that are hired, and the institutions that are seeking to provide startup and expansion capital. Without trust, business owners also have less support and ultimately have limited opportunities to contribute to the economic flourishing of their communities. The relationship breach between Black business owners and the business ecosystem is, therefore, a barrier to the economic vibrancy that is imperative to our shared common life and has repercussions on individuals, communities, and society overall. A gap in trust is a threat to us all.



Trust and the Trust Gap

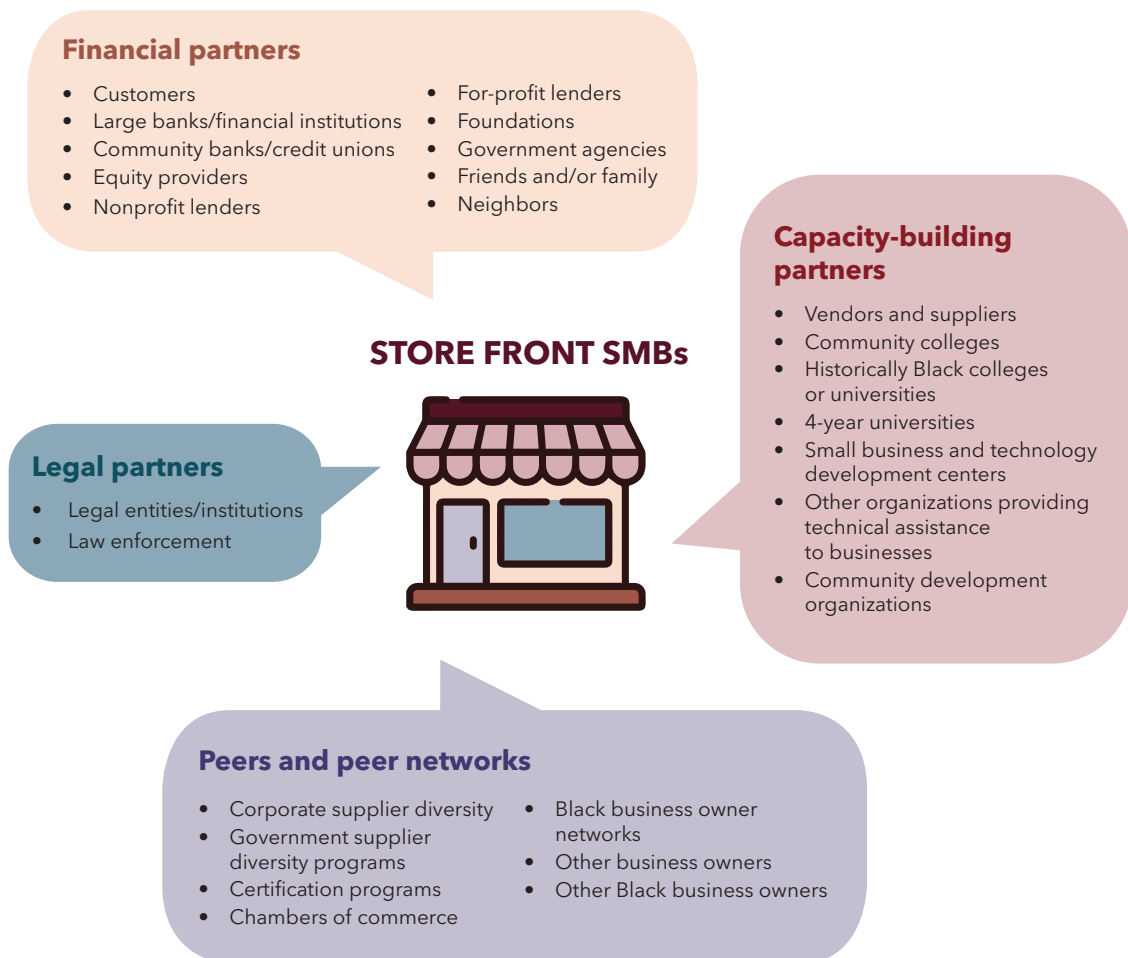
Trust, simply defined, is the belief or perception that another party will follow through with an agreement. Due to its fundamental role in relationships, the concept of trust has attracted interest from many fields of study. To consolidate a cross-disciplinary definition of trust, one team of academics defined trust as “a psychological state comprising the intention to accept vulnerability based upon the positive expectations of the intentions or behavior of another.”¹⁵ In general, trusting individuals tend to have confidence and faith in other people. Distrusting individuals, on the other hand, tend to interpret other people’s intentions and actions as dishonest, unsupportive, and selfish.¹⁶

The concept of trust can be broken down more specifically. Trust is both cognitive – a choice based on reasoning – and emotional – a choice based on feeling.¹⁷ The five elements of trust¹⁸ are **(1)** integrity, which refers to the trust in a promise or contract being fulfilled; **(2)** competency, which is confidence in a partner’s ability to complete tasks; **(3)** goodwill, which refers to the trust in a partner’s willingness to accommodate and act equitably in the

event of new circumstances involving the relationship; **(4)** character, which is the trust in a partner to act within the norms of trustworthiness and reciprocity; and **(5)** intuition, which refers to trust grounded in one’s subjective judgments of a partner’s character.

In the previous *Tapestry* report, the trust gap was described as a persistent wariness of institutions. As a result of AEO’s latest research, the trust gap can be further defined: The trust gap is a cognitive or emotional breach in relationship between business owners and their business ecosystem. It is characterized by the lack of trust business owners have in the integrity, competency, goodwill, character, reciprocity, or intuition of other institutions in their business ecosystem. The causes for the relationship breach and its influence on business owners’ decision-making will be explored in more detail in later sections.

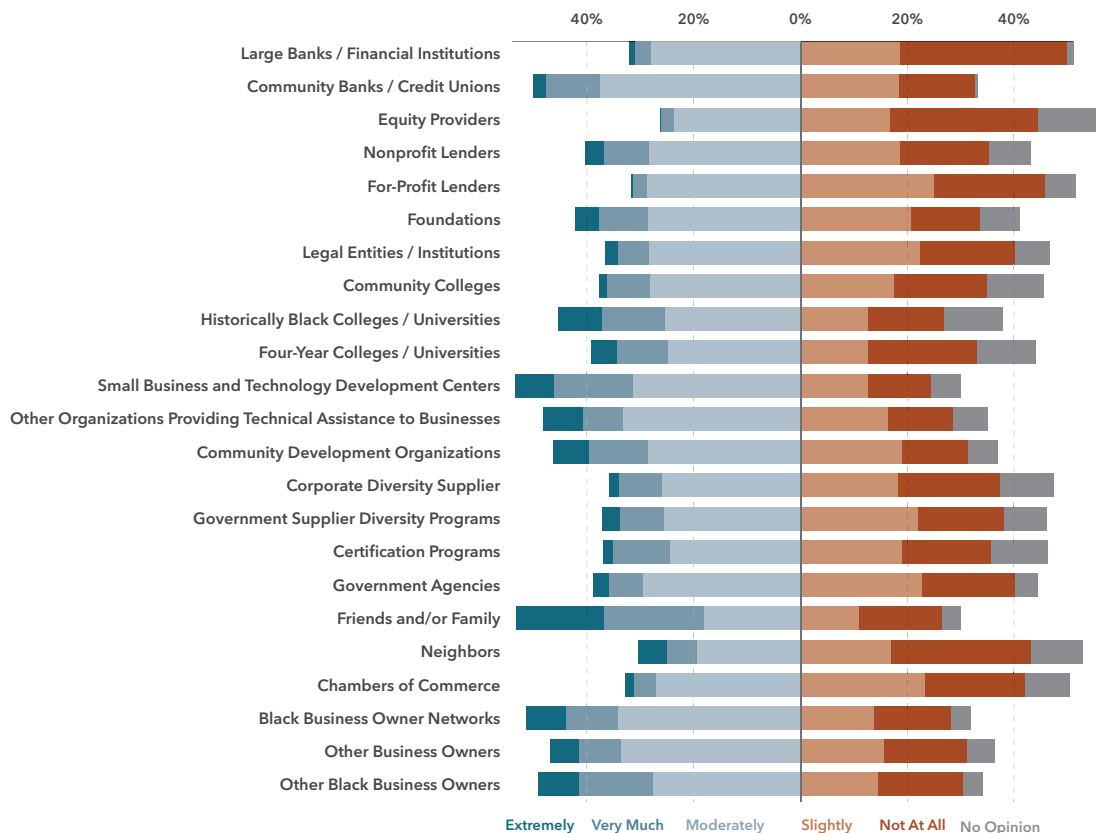
For the scope of this research, AEO focused on the trust gap between Black business owners and the business ecosystem in which they operate. The business ecosystem refers to the network of organizations – including financial partners, legal partners, capacity-building partners, and peers and peer networks¹⁹ – involved in the delivery of a product or service through competition and cooperation. Specifically, this study focuses on the trust of Black business owners related to the following institutions in the business ecosystem:



The State of the Trust Gap

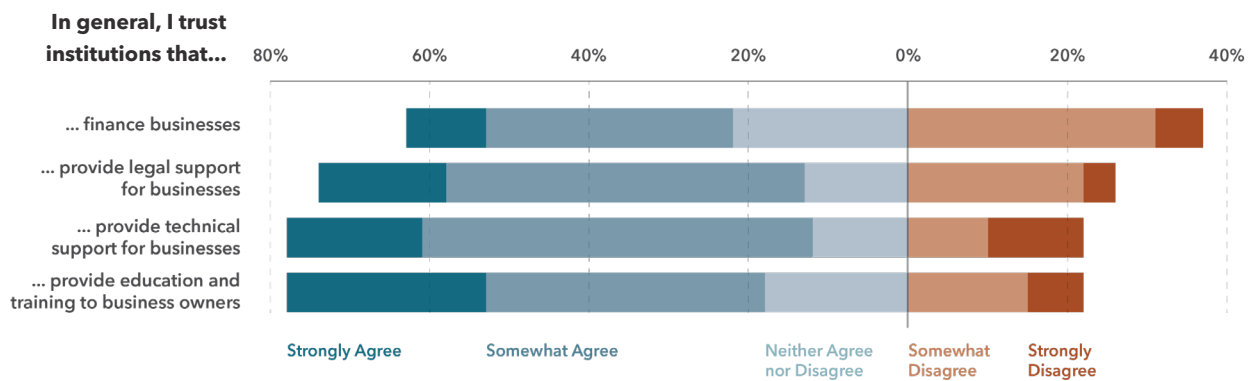
As part of AEO’s recent research study, 609 Black business owners participated in an online survey²⁰ to confirm the existence and influence of the trust gap between Black business owners and the institutions in their business ecosystem. Respondents were asked to rate the extent to which they currently trust specific business ecosystem institutions based on the descriptors “not at all,” “slightly,” “moderately,” “very much,” “extremely” and “no opinion” (Figure 1). The results of the survey showed that at least 30% of respondents reported having low levels of trust (“not at all” or “slightly”) towards all categories of institutions probed. This finding was particularly surprising because it was even true for categories like friends and/or family and neighbors. According to the data, the least trusted business ecosystem institutions are equity providers, large banks / financial institutions, for-profit lenders, and neighbors, while the most trusted institutions are friends and/or family. Black business owners also generally trust small business and technology development centers, historically Black colleges or universities, and other Black business owners. Given these results, it is evident that there is a meaningful gap in trust between Black business owners and essentially all institutions operating within their business ecosystem.

FIGURE 1: Overall, how much do you currently trust the following people, organizations, and institutions?



The trust gap was further confirmed by respondents when considering trust with institutions fulfilling general business ecosystem functions, including financial, legal, and capacity-building (Figure 2). Respondents reported the least amount of trust for institutions that finance businesses. More than half of the respondents reported that they “strongly disagree” or “somewhat disagree” that they trust institutions that finance businesses. Furthermore, only 10% of respondents “strongly agree” that they generally trust them. On the other hand, over half of respondents generally trust institutions providing technical support (66%), legal support (61%), and education and training (60%).

FIGURE 2: Black business owners’ trust of general business ecosystem institutions



Now that we have confirmed the existence and threat of the trust gap and defined it, the next section will explore the causes and factors that give rise to and exacerbate the trust gap between Black business owners and institutions in the business ecosystem.



Causes for the *Trust Gap*

Key Takeaways

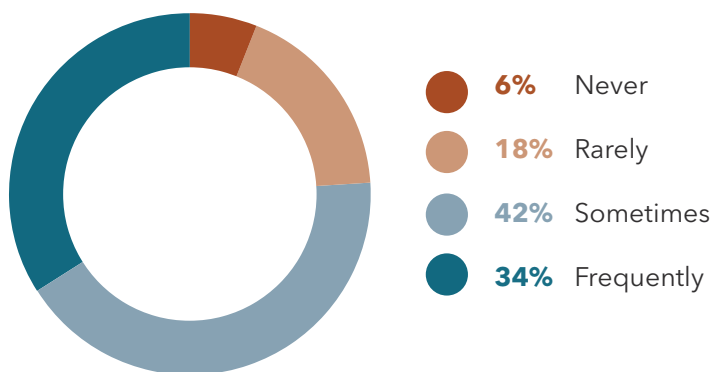
- The trust gap between Black business owners and the institutions in their business ecosystem is a rational, learned response to a racist society. It is ultimately informed by a combination of personal and shared experiences with racism, harassment, and discrimination.
- Personal and shared experiences with discrimination inform the trust gap, whether or not the events were directly tied to the business ecosystem, and have a physical impact that maintains the gap.
- The compilation of experiences with discrimination initiates the trust gap, and the cyclical reaffirming of beliefs to expect discrimination and unfair treatment maintains and widens the gap.

From the previous section, we know that the trust gap is a breach in the relationship between Black business owners and the institutions in their business ecosystem caused by a lack of trust. This section explores the combination of factors that contribute to creating, widening, and maintaining the trust gap. In particular, the trust gap is the result of direct, personal experiences with racism, harassment, and discrimination, as well as indirect experiences that are shared within the context of community through historical memory, institutionalization, and media. These experiences with racial discrimination have physical consequences that further reinforce the relationship breach between Black business owners and business ecosystem institutions.

Personal Experiences

The trust gap is informed to a great extent by direct, personal experiences with discrimination. In AEO's survey of 609 Black business owners, respondents shared reflections of how facing racial discrimination has shaped their worldviews and influenced their business decisions. A majority of respondents (76%) reported either "frequently" or "sometimes" experiencing racism, harassment, or discrimination (Figure 3). Several respondents expanded on their experiences. Many respondents reflected on experiences from their youth, including one Black business owner who shared, "I was followed by police officers while shopping as a pre-teen and teenager on numerous occasions. I have been handcuffed while my car was searched after a store clerk accused my sister and myself of shoplifting (we, of course, did not steal anything)." Many respondents also reflected on how navigating discrimination is a normal and expected experience in their daily lives. To this end, one respondent wrote, "As a Black man living in a poor community the police often stop my vehicle for no apparent reason just because I'm driving while Black."

FIGURE 3: How often have you experienced racism, harassment, and/or discrimination in your life (e.g., being unfairly stopped by the police, denied housing, people acting suspicious or fearful of you, etc.)?



In addition to considering discrimination in their lives broadly, respondents were asked to consider their experiences as Black business owners. Within the business ecosystem, respondents shared

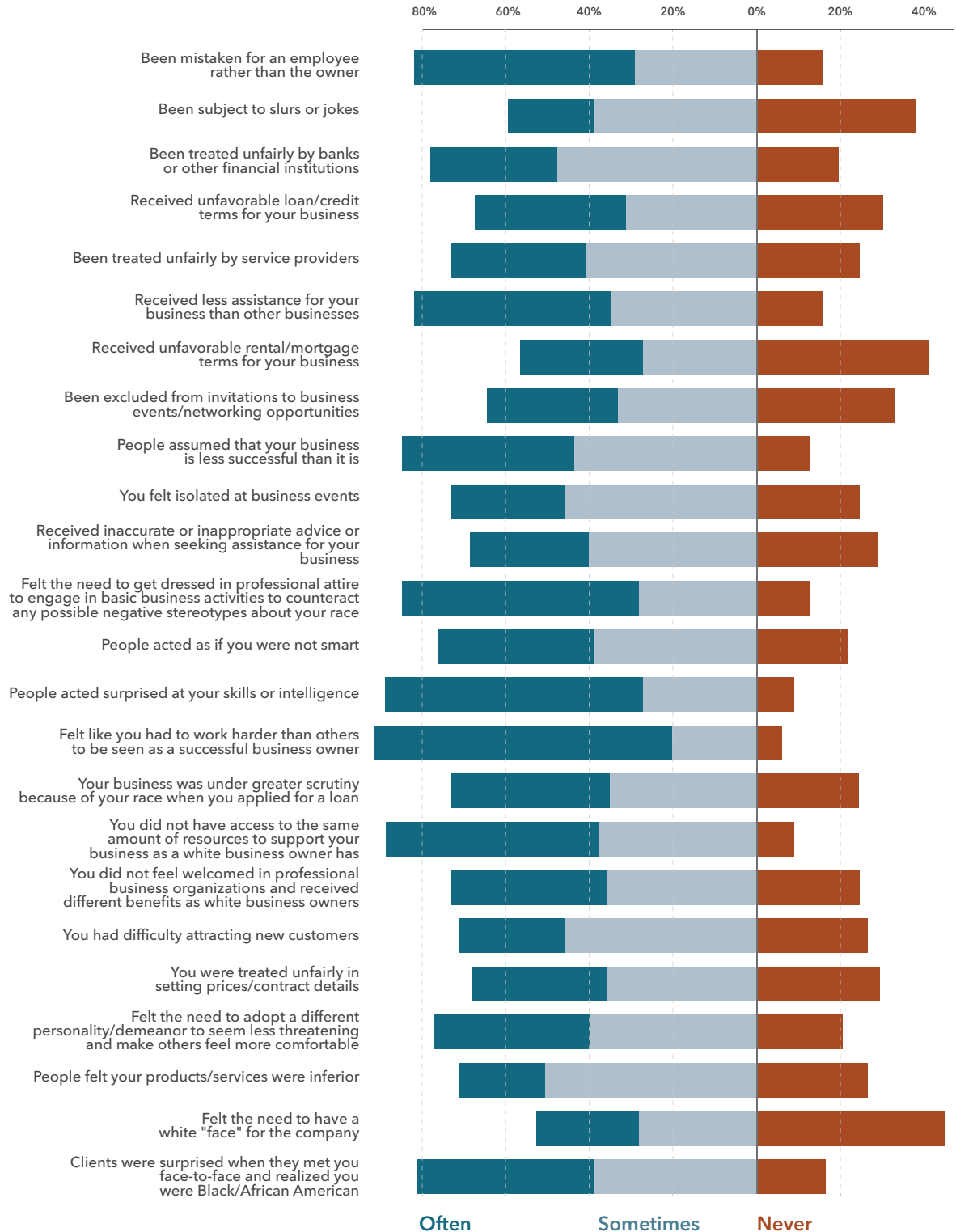
that they frequently are denied or overlooked for opportunities, harassed by vendors and potential partners, and dismissed by potential lenders, investors, and customers. One respondent shared that they have experienced discrimination at both banks and with vendors: “I’ve gotten lower credit limits than other white business owners with the same revenues and credit scores. I’ve also had vendors not wanting to work with me because I’m Black. I’ve lost contracts to white competitors.”

In their capacity as business owners, respondents reported a variety of negative experiences because of their race. Qualitatively, respondents shared being viewed and treated as uneducated, having low credit, or assumed to have criminal backgrounds in the business environment. One Black business owner shared that a lender once told her, “I’m surprised you are educated. You sound like a Black woman.” Another respondent wrote, “I have had people assume I am a company employee, not the owner. This has made me shy away from putting myself out there.” These anecdotes are further confirmed by the survey’s quantitative findings (**Figure 4**): Seventy-three percent of respondents reported struggling to attract new customers because of their race, 84% reported they have been mistaken for an employee rather than the owner, and 91% reported that people have acted surprised by their skills or intelligence. Furthermore, a vast majority of respondents (91%) reported being denied access to or struggling to obtain the same resources for their business as white business owners because of their race. One respondent reflected:

// The attitudes and racism that I deal with while at banks and funding institutions are incredible. . . I will learn about financial opportunities from my white counterparts, but, when I visit those banks or start conversations with lenders, I am told that those opportunities don’t exist. As a result [of this racial discrimination and adversity], it is easier to ignore the financial part of my business — but that has had a detrimental effect. If I had a business loan or grant as my foundation, then I would have more money coming in regularly and I wouldn’t be dependent on credit cards and the limited resources from my friends and family.”



FIGURE 4: In your capacity as a business owner, please rate the extent to which you have experienced the following because of your race.



In the survey, Black business owners shared many stories of how their personal experiences with racism and discrimination built their worldview. However, respondents shared that stories and warnings from friends, family, and peers, historical knowledge, and media also inform and shape them and the decisions they make for their businesses.

Shared Experiences

In AEO's survey, Black business owners reflected on the indirect, shared experiences with racism and discrimination that also contribute to the trust gap. Specifically, we found two primary categories of shared experiences that give rise to the trust gap: **(1)** knowledge of racial discrimination shared through historical memory and media, and **(2)** experiences with racial discrimination that are shared within one's circle, such as hearing about experiences from friends, family, or peers.

Respondents shared how learning about the history and systemic nature of racism has shaped their worldviews. In particular, some Black business owners identified **(1)** reading the news, and **(2)** learning about U.S. laws, and legal precedents that were shaped by racism as particularly impactful. One respondent succinctly stated that "every day in the news" shapes how they see the world, and ultimately informs how they decide who is and is not to be trusted. Another respondent shared that they were particularly influenced by learning that "the U.S. government made laws and treaties to disenfranchise based on skin color." Additionally, another respondent provided a list of specific federal court cases that have shaped U.S. federal and state policy, and, in turn, influenced the perspective of the respondent.

Multiple respondents also shared how the stories and histories of their families continue to shape them. As one respondent wrote, "I still feel the weight of coming from a lineage traced back to American slavery and coming from an American family that was not allowed to build generational wealth during Reconstruction through Jim Crow laws and our exclusion from unions, the G.I. Bill benefits, and other social welfare programs."

To summarize the qualitative and quantitative findings, both personal and indirect experiences with racial discrimination shape the worldview of Black business owners (**Figure 5**). Based on their personal and shared experiences, Black business owners have learned to expect discrimination, including when they engage in business, and this expectation informs - consciously and subconsciously - their business decisions. The compilation of these experiences initiates the trust gap, and the cyclical reaffirming of beliefs to expect and prepare for discrimination continues to maintain and widen the gap. Given this reality, the prevalence of the trust gap as described in the previous section is unsurprising. However, there is an additional lens that can provide further context to these experiences and greater clarity on why the trust gap is such a persistent, systemic phenomenon: stress and trauma.

Implications: The Influence of Stress and Trauma in the Trust Gap

Over the last two decades, scholars have begun to assert that the experience of racial discrimination may be better understood as a type of psychological trauma^{21,22} or race-based traumatic stressor^{23,24} instead of as a mere negative experience. Furthermore, studies have found that Black adults are more likely to have higher levels of chronic stress than white adults,²⁵ and Black men, in particular, are more likely to have post-traumatic stress disorder.²⁶ Given the research and literature reframing racial discrimination and connecting it with mental health, and particularly stress-related diagnoses, these insights can be utilized to add context and understanding to how we conceptualize the trust gap and its possible solutions. Utilizing this research, we can view the experiences with racial discrimination that respondents shared in the survey as potentially traumatic or inciting the physical experience of stress or traumatic stress. This connection is important because by understanding these experiences through the lens of the body's stress response system, we have greater insight into the experience of Black business owners and can better contextualize their responses to their business ecosystem institutions. Additionally, with this insight, we can generate better solutions to help mend the trust gap by building trust and strengthening relationships between Black business owners and institutions in the business ecosystems.

FIGURE 5: Summary of Causes of the Trust Gap

WHAT GIVES RISE TO THE TRUST GAP?

Personal experiences with discrimination, including being

- Distrusted by institutional representatives, such as police officers, lenders, and potential partners
- Denied or overlooked for opportunities
- Harassed by vendors
- Dismissed by potential investors
- Rejected by customers
- Under-supported or subjected to unfavorable loan, credit, rental, or mortgage terms
- Treated as inferior in some way and needing to prove intellect, competence, or success

Indirect experiences with discrimination, such as

- Learning of discriminatory experiences impacting friends, family members, or peers
 - Learning of discriminatory practices through the news or peer circles
 - Learning about legal precedents and public policies originally crafted to harm people of color, such as voting restrictions in the Jim Crow era, and those crafted to intentionally exclude people of color, such as the social welfare programs designed in the New Deal era
-

As a result, Black business owners expect discrimination and make business decisions informed by that belief.

When the brain perceives a threat to its survival or wellbeing, the body reacts.²⁷ As soon as the fear center is triggered, the stress response system begins: Stress hormones flood the body, nerves are activated, and blood is moved to the muscles in preparation for quick action. Physically, this response increases blood pressure, heart rate, and oxygen intake. This physical response also reduces the capacity for decision-making, and the brain unconsciously pushes the body to act according to one of four instinctual responses: fight, flight, freeze, or appease. Once the stress response system is activated, the body needs to respond in some way, exerting that flood of energy, to return to a state of physical and emotional safety.^{28,29} For Black business owners, this might mean that, if their stress response system is activated while interacting with an institution in their business ecosystem, then they will experience an influx of stress hormones, emotions triggered by their nervous system, and may even experience personality changes like an increase in irritability, impulsiveness, and a lack of creativity.³⁰ While the stress response system is generally a beneficial and important survival function, its impact when connected to traumatic stress can be a barrier to building trust, developing relationships, and making favorable decisions. Taken even further, the stress response cycle can become even more reactive and more difficult to cope with, evolving into traumatic stress and elevating these barriers even further.

The more frequently the stress cycle is activated—which is more likely when one has experienced trauma—the quicker the reaction becomes and the longer it takes for the body to naturally return to its baseline, making stressors more difficult with which to cope.^{31,32} For some business owners, this might mean that an important business task as ordinary as visiting a local credit union to seek a loan may register with the brain as dangerous, and cause the brain to initiate the stress response system to activate. At that moment, with stress hormones flooding the body and the nervous system on high alert, there is no rationalizing or reversing the process.³³ The business owner may begin to feel impatient, anxious, or agitated while speaking with a bank representative and negotiating loan terms, for instance. Or, the business owner may intuitively decide to sign the loan, even if the terms seem unfair, to end the interaction more quickly (e.g., appease). If the business owner has a history of trauma or a more active stress response cycle, the physical impact sets in even faster and is more difficult to counter, influencing the business owner to make the intuitive decision to leave before even meeting with a bank representative (e.g., flight).

While the stress response cycle is activated, the abilities to think clearly, plan, and learn change radically.³⁴

Stress and trauma can then, unfortunately, also manifest as symptoms, behaviors, and decisions that further widen the trust gap. These behaviors



and/or decisions that are informed by the stress response system may lead institutions to dismiss business owners as inflexible, unorganized, or impulsive.^{35,36}

These impacts are even starker with traumatic stress and can result in long-term changes to brain functioning.³⁷ By conceptualizing the experiences of racial discrimination that Black business owners shared in the survey as potentially traumatic, we can paint a fuller picture of the relationships between Black-owned businesses and institutions operating in their business ecosystem. With this lens, we can identify moments when interventions aimed at addressing the trust gap may make the difference between reinforcing a relational chasm or building trust.

In this section, we sought to understand the factors that give rise to the trust gap. We learned that personal and shared experiences with racism and discrimination have shaped how Black business owners engage others. Furthermore, we explored the possible implications of these findings in light of a trauma-informed lens that accounts for the physical influences shaping relationships. The next section will build off of these findings to explore the impact the trust gap has on Black business owners, exploring how the trust gap gets in the way of Black-owned businesses achieving their full potential and constrains the flourishing of Black business ownership.



Impact of the *Trust Gap*

Key Takeaways

- Black-owned businesses are no stranger to success, but the trust gap makes these successes more difficult and can even suppress their full potential.
- The relationship breach between Black business owners and the business ecosystem hinders the leadership of Black business owners, adversely influences the allocation of business resources, and prevents business growth.
- The trust gap gets in the way of Black business owners seeking the products and services that would help them address consequences and challenges related to racism, harassment, and discrimination.
- If the business ecosystem fails to address the trust gap, Black business ownership will fail to spur job creation, economic activity, and civic vitality, especially in underserved communities.

Based on previous sections in this report, we know that the trust gap is prevalent throughout the business ecosystem. The strong entrepreneurial spirit that has birthed many successful Black-owned businesses and contributed to thriving communities remains a point of celebration and pride for the Black community. Black-owned businesses already contribute to job creation, economic opportunity, and civic vitality in their communities.³⁸ This section explores how the trust gap operates as a barrier in pursuit of business success and how it impacts the ability of Black-owned businesses to realize their full potential. The reality of the trust gap is that it is built into the worldview of Black business owners and consequently, it shapes business decisions and relationships. The trust gap is based on the expectation of discrimination and is reinforced by negative experiences with individuals and institutions within the business ecosystem. Accordingly, spaces and institutions that may appear non-threatening to their counterparts may be viewed as something to be avoided by Black business owners. As a result, the trust gap endures to influence the decisions of business owners related to leadership, resource allocation, and business growth in ways that ultimately thwart the full potential of the business.



The Relationship Between Emotions and Business Decisions

In the previous section, this report explored how conceptualizing the racial discrimination Black business owners reported experiencing as potentially traumatic might help us better understand and address the trust gap. Specifically, the report detailed how the brain communicates to the nervous system to launch the stress response system, and how the physical impact of the stress cycle may get in the way of building and growing trust between Black business owners and the institutions in their business ecosystem.

This process is important in discussing the trust gap because emotions are hardwired through the nervous system. This means that, because trust can be both cognitive and emotional, the stress response system and trauma can influence whom we trust and shape our decisions.

Throughout the data findings focused on the impact of the trust gap, Black business owners frequently highlighted their emotions. In particular, they highlighted how certain experiences or prospective experiences made them feel, and how feelings - or the desire to avoid certain feelings - influenced business decisions. Respondents frequently reflected on experiencing pressure, anxiety, emotional distress, and fear. These are the natural dominant emotions when the stress response system is activated, and they are designed to ensure survival. In bodies that experience traumatic stress, these emotions are more easily activated and strongly felt. It is the emotions elicited during the stress response system that then dictate which survival response we default to withdrawal from or avoid the situation (flight), immobility or indecision (freeze), defensiveness (fight), or passively submit (appease).





Leadership

The trust gap impacts how Black business owners show up as leaders. Specifically, this study brought to light three ways the trust gap influences the leadership decisions of Black business owners: **(1)** Black business owners may face pressure to change, hide, or “tone down” themselves or their business’ image; **(2)** Black business owners may adopt a protective or defensive mindset when it comes to their business; and **(3)** Black business owners may experience such high levels of emotional distress that they consider giving up.

Because of the trust gap, Black business owners may face pressure to change, hide, or “tone down” themselves or their business’ image.

The gap in trust between Black business owners and the institutions in their business ecosystem may pressure Black leaders to change, hide, or “tone down” themselves or their business’ image to be included in the ecosystem. A majority of respondents (79%) reported previous experiences when, because of their race, they felt the need to adopt a different personality or demeanor to seem less threatening and make others feel more comfortable. One respondent reflected: “The appearance is always that I’m going to be an angry Black woman even if I’ve never been upset in front of a person. I work with an attorney that always feels the need to tell me how I should talk and not have an attitude. . . He’s always directing me. I’ve never not been professional. When he does hear me speak, he always feels the need to tell me how well-spoken I am or how he liked the way I spoke with an individual. . . I don’t need coaching. . . It’s like he’s trying to make sure I don’t become an ‘angry Black woman’ by already labeling me as one.”

In other qualitative responses, business owners shared that they deliberately try to hide their race with new contacts and when trying to bring in new customers. One respondent shared,

// As a Black woman, my experiences of racism, harassment, and discrimination influence the decisions that I make as a business owner.”

Other respondents shared:

- “I have to take into account certain things when being the face of the organization while marketing.”

- “I am constantly revamping and rebranding my brand voice because I have been told in the past I come off ‘too Black.’”

Because of the trust gap, Black business owners may adopt a protective or defensive mindset regarding their business.

The trust gap between Black business owners and the business ecosystem may result in a protective or defensive mindset when making business decisions. When asked how their experience of racism, harassment, and discrimination affected them personally, respondents shared that they have felt “like I had to exceed the expectations” (47%), “the need to be perfect” (42%), “anxious” (42%), and “targeted” (38%). One business owner shared, “I can’t be myself in fear that someone may try to ruin my business because of it.” Another respondent reflected, “I have to work twice as hard, and still navigate a business world that views me as lesser. It makes me exhausted—and I struggle to innovate, because I fear it will not be received as well as if I were someone else.” Another business owner wrote, “As a matter of self-defense and mental preparation, my default is to anticipate the possibility of misperception and racism so that I am always prepared for the psychological toll and can keep pushing forward.”

Because of the trust gap, Black business owners experience such high levels of emotional distress that they consider giving up.

The trust gap may contribute to Black business owners experiencing such high levels of distrust and emotional distress that they consider giving up on their businesses. “I try really hard not to focus on the challenges and do my best regardless of what is against me,” shared one respondent. “But some days I feel like giving up. I see that it is easier for people of other races who are in business to be trusted and paid more, who haven’t been in business for as long as I have. It’s disheartening.” When survey respondents were asked to choose the factors that most informed whether they trusted different business ecosystem institutions, the most frequently chosen factors were “The degree of trust [the business ecosystem institutions] have for Black business owners” (33%) and “The extent to which [the business ecosystem institutions] value Black business owners” (34%). In addition to feeling “anxious” when reflecting on how their experiences with discrimination affect them, nearly a quarter of respondents also said they have felt “mild or extreme emotional distress” (23%). Qualitatively, respondents shared how the emotional weight of these experiences has made them question themselves and consider giving up. As one respondent wrote:

// I have considered giving up on my dreams because of what I have faced.”

Resource Allocation

Additionally, the trust gap impacts how Black business owners allocate both intangible and tangible

resources. In particular, because of the trust gap, Black business owners may **(1)** expend mental and emotional resources trying to minimize the risk of discrimination to their businesses; or **(2)** invest financial resources to counter or manage racism and discrimination which, without the threat of discrimination, could be used in other ways.

Because of the trust gap, Black business owners may face pressure to overperform, devoting time and mental capacity, to counteract possible discrimination and minimize risk to their business.

Most respondents reported feeling that they have to work harder than others to be seen as successful business owners (94%) and that they need to get dressed in professional attire to engage in basic business activities to counteract any possible negative stereotypes (87%) because of their race.

Qualitatively, respondents also shared:

- “Because I’m always the only Black woman in business settings, I feel like I have to go above and beyond my white counterparts to get the same level of respect.”
- “I strive to continually be better in my work ethic, skill set, and persistence to overcome any race, harassment, or discrimination issues in the way of my goal.”
- “I always consider how what I say and do will come off to others. Also, double and triple-check work; feel like I wouldn’t be able to recover from an error.”
- “I know that I need to be better, more professional, and be more prepared than my white counterparts in business settings.”

Because of the trust gap, Black business owners may invest financial resources to counter or manage racism, which could be spent to otherwise grow their businesses.

Black business owners who experience a gap in trust with other institutions in their business ecosystem may invest financial resources to counteract discrimination or manage racism. Without fear of discrimination, these resources could be invested to grow their business. For example, over half of respondents (54%) reported feeling the need to have a white “face” for their business, which means most Black business owners in the survey have considered hiring a white person to increase marketability and widen their customer base. Qualitatively, respondents reinforced this finding, sharing, “I’m now compelled to have a ‘white face’ for my business” and “[My business] got to the point where I considered hiring a white man to go to my meetings because I knew he wouldn’t be questioned about who the owner was.” These marketing decisions are not only an emotional burden but financial as well. The investment into branding and marketing that erases or white-washes owners’ identities depletes finite resources that could be invested in the business in other ways.

Business Growth

Finally, the trust gap influences how Black business owners access capital and grow their businesses. Specifically, the trust gap might impact the decisions of Black business owners by **(1)** contributing to hesitation when seeking access to capital; and **(2)** lowering the confidence of Black business owners resulting in missed opportunities.

Because of the trust gap, Black business owners may be hesitant to seek access to capital through financial institutions.

The trust gap is a particular barrier for Black business owners in accessing capital for their businesses. Most respondents reported experiences being treated unfairly by banks or other financial institutions in their capacity as business owners because of their race (80%). Although business-focused investors and lenders are active members of the business ecosystem, Black business owners in the survey reported low trust in those institutions and report seeking capital from other avenues. The most common sources of business support services, loans, and capital were friends and family (37%) and government agencies (36%). Additionally, 23% of respondents received capital from other Black business owners, and 22% of respondents reported not receiving business support services, loans, or capital from any of the listed institutions.

Furthermore, the survey respondents were least likely to seek capital from large banks and financial institutions when they needed it. About 70% of respondents reported that there was at least one time when they needed capital for their business that a large bank or financial institution could have provided, but chose not to seek.



Qualitatively, respondents reported their reasons for not applying for a loan, credit line, grant, or other types of capital for their business included: 1) a lack of an adequate credit line or personal credit, 2) fear of denial or rejection, 3) the belief that they didn't qualify, 4) a lack of trust in institutions or process, and 5) the complicated and lengthy process.

Even when their business needed it, 78% of respondents reported deciding *not* to approach lenders or investors for capital.

This subset was then asked why they did not seek capital. Many respondents (69%) reported the belief that they would not be approved as one reason. The second most common reason respondents reported was the expectation that they would receive unfavorable terms (49%). Additionally, respondents said they didn't seek capital because they didn't have existing relationships with lenders or investors (36%), they didn't think they would be treated fairly because of their race (32%), and they didn't trust the financial institution, organization, or lender to have the respondent's best interest at heart (31%). When asked how, if at all, their decision to not apply for capital when needed impacted their business, respondents shared that their decision 1) stunted or slowed their business' growth, 2) resulted in their business revenues and capital available suffering, 3) kept their business out of other opportunities, and 4) resulted in their business and workers having to struggle and work harder.

Because of the trust gap, Black business owners experience lower confidence, thus second-guessing their decisions and avoiding certain situations to circumvent discrimination and missing opportunities.

The trust gap can lead to low self-confidence, doubt, and an aversion to risk that results in missed opportunities for business growth. Some respondents reported feeling "mild or extreme emotional distress" (23%), "imposter syndrome" (15%), and "low self-confidence" (14%) when asked how their experience of racism, harassment, and/or discrimination affected them personally. Qualitatively, respondents discussed their experience of second-guessing their decisions, lacking confidence in making decisions, and fear of failure preventing new opportunities. When reflecting on why they hadn't applied for a loan, credit line, grant, or another type of capital for their business, one respondent shared, "I second guess myself and sometimes do not initiate things because I feel as if I will be rejected anyway." Other respondents shared:

- "I have reached out to mostly Black businesses to partner with, and it didn't dawn on me until this survey that I've done that out of fear of being rejected by potential white partnerships."
- "My experiences with discrimination make me less comfortable in reaching out to institutions or companies for assistance. It also limits my ability to network, due to feelings of inadequacy."
- "My fear of rejection and discrimination keeps me and my business smaller than I should be."
- "I don't want to be discriminated against and avoid certain situations because of it."



This section explored the breadth of impact the trust gap has on Black business owners. The trust gap is deeply engrained, influenced by the physical consequences of the causes of the trust gap, and has a far-reaching impact. Many Black business owners experience great success in their business, but these successes come with high costs that are not necessarily experienced by other business owners. By influencing the decisions of business owners regarding their leadership, allocation of resources, and business growth strategies, the trust gap makes success more difficult and ultimately thwarts the achievement of full potential by Black-owned businesses, weakening the tapestry of Black business ownership in the United States. In the next and final section, the report will identify principles that institutions in the business ecosystem should utilize to reshape their interactions with Black business owners and other underserved entrepreneurs, and also offer business owners insight into the actions they can take to minimize the impact of the trust gap on their businesses.



Addressing the *Trust Gap*

Key Takeaways

- Invest in building relationships across the business ecosystem and with Black business owners, beginning by addressing individual conscious and unconscious bias, and also honoring Black business owners as experts on their businesses, showing up as allies to Black business owners, and accepting and applying feedback on how to improve as a partner.
- Preemptively extend trust to Black business owners with sustainable commitments by addressing practices that result in inequitable outcomes, backing the priorities of Black business owners, and supporting the growth of Black-owned businesses.
- Cultivate inclusive spaces for Black business owners by committing to inclusive hiring practices, designing diverse panels and events, and inviting opportunities for Black business leaders to share their expertise.
- Practice candor by reflecting on historical harms and recent missteps, implementing changes to address individual and systemic bias with accountability measures, and providing regular, transparent updates on the outcomes and progress of implemented changes.
- Recognize the stress and potential trauma that Black business owners may have when interacting with their business system, the variety of ways stress and trauma manifest, and utilize trauma-informed practices while also celebrating the resilience and success of Black business owners.

Attending to the trust gap is a shared responsibility. All individuals and institutions operating in the business ecosystem, including business service providers, financiers, and customers, have an important and tangible role to play in addressing the trust gap. The task of building trust is vast. It cannot be achieved by a transaction. However, the anticipated outcome of a more vibrant and inclusive economy is a worthy goal. In light of this endeavor, this section identifies principles to help individuals and institutions in the business ecosystem align their intentions and actions to mend the trust gap, work toward a more inclusive economy, and support Black business ownership.

Principles for Institutions to Build Trust and Strengthen Black Business Ownership

Mending the trust gap is imperative to strengthening the tapestry of Black business ownership in the U.S. It is also imperative to building a more inclusive economy for all entrepreneurs. Although these principles were conceived based on research with Black business owners, they are designed to be broadly applicable and may help address the trust gap with other underserved entrepreneurs and communities. Building trust cannot be achieved by a transaction. Although outlined individually, these principles should be adopted and embodied collectively to help institutions - and the individuals that comprise them - align their intentions and goals with meaningful action that can help mend trust and strengthen the tapestry of Black business ownership.

1 **Commit to Building Relationships:** The business ecosystem should build and improve relationships with Black business owners and their communities with sustainable commitment.

In *Tapestry*, AEO identified failed outreach by banks, a lack of Black-owned banks, and a lack of bank branches in underserved communities as contributing to the trust gap. Furthermore, the survey findings in this study exposed prevalent themes of Black business owners feeling overlooked, dismissed, and undervalued in general. To help address and alleviate these realities, institutions operating in the business ecosystem should commit to long-term, respectful relationships with Black and other underserved business owners.

To build relationships with Black business owners, individuals and institutions must recognize and address their own conscious and unconscious bias. They should also reach out, meet, and listen to Black business owners in good faith, on an ongoing basis. Institutions should view this investment as a long-term endeavor and look for its return on investment in relational repair. This commitment also means respecting business owners as the experts of their businesses, experiences, and communities. The business ecosystem should ask Black business owners about what they want and need to thrive, and then prioritize those actions. Relationships are dynamic, and as such the business ecosystem should be prepared to maintain relationships and continue to ask for, accept, and apply feedback from Black and other underserved business owners to improve as an ally.

2 Extend Trust: The business ecosystem should preemptively extend trust to Black business owners and their communities through sustained action.

All institutions operating in the business ecosystem can help mend the trust gap by extending trust to Black business owners through sustained action. Many respondents discussed experiences of being subject to unfavorable terms when seeking capital and experiences of being treated as though their businesses are inferior or needing to prove their intellect, competence, or success. The business ecosystem should examine its assumptions of worthiness and scrutinize its processes to help identify how unconscious bias may be present. Additionally, business ecosystem institutions should endeavor to demonstrate their trust in Black business owners through ongoing and meaningful action that is aligned across the institution. Racial equity must be demonstrated throughout the institution as a whole, not just its business lending arm.

Extending trust can manifest in many ways. Extending trust means listening to Black business owners' needs and advocating for those needs within the business ecosystem and in the broader society. It also looks like reducing the barriers and addressing hassles that inhibit access to capital, products, and services. For example, institutions offering capital should redefine how they assess risk and address underwriting tools that result in inequitable outcomes for certain communities. Additionally, they may strive to offer underserved businesses their full capital request at times when they traditionally would only offer part of it. These institutions could also offer grants or reduced lending terms for start-up businesses or businesses located in underserved communities.

3 Cultivate Inclusivity: The business ecosystem should cultivate inclusive spaces for Black business owners.

The business ecosystem can facilitate trust and address the trust gap by cultivating spaces that respect the contributions and inclusion of Black business owners. In the survey, respondents shared experiences of being left out or feeling isolated at events in the business ecosystem. Furthermore, respondents noted experiencing discriminatory practices in their role as business owners. The business ecosystem should examine its practices from the perspective of underserved business owners, then address the policies and practices that disenfranchise underserved communities.

Whether acting as an institution or an individual, there are many ways to cultivate inclusive spaces and supply chains and contribute to a more inclusive economy. Institutions can adopt inclusive hiring practices that diversify the internal workforce, thereby cultivating the capacity and empathy necessary to partner with Black business owners and other underserved businesses. Institutions can also engage Black business owners throughout the supply chain, engaging underserved businesses as participants in the production and distribution of their products and services. Furthermore, institutions can provide platforms and opportunities for Black business owners to offer their expertise: Black business owners should be asked to participate on panels, boards, and planning committees. They should be invited to set agendas, participate in planning meetings, and be asked to serve as

advisors and vendors. Individuals can cultivate inclusivity by buying from Black-owned businesses, sharing their products and services, and advocating for more panels, boards, leaders, and speakers to improve the representation of Black business owners across the business ecosystem and amplify their work.

4 Practice Candor: The business ecosystem should practice candor about its inequitable history and be transparent about its progress in pursuing equity.

The trust gap is a rational response: A society in which Black business owners have been distrusted since their youth, and where their families were historically, intentionally denied opportunities to build wealth is not worthy of their trust. As such, an important part of attending to the trust gap is recognizing the ways race has been used to dehumanize, demean, and dismiss people of color, how today's institutions continue to be shaped by that precedent, and how individuals continue to hold conscious and unconscious bias. The work of practicing candor requires an honest and explicit exploration of past errors and missteps, the development of changes to be more inclusive of underserved communities, and a culture of transparency that demands accountability.

The business ecosystem can practice candor by committing resources to understanding bias and identifying opportunities to mitigate conscious and unconscious bias internally. Additionally, institutions can dedicate time to research the ways race has shaped its existence and norms, acknowledging the findings, and pursuing changes to improve. For example, institutions can dedicate a committee to trace the institution's history and identify current policies that continue to alienate Black business owners. Findings should be made public, along with related commitments and accountability mechanisms. However, publicized findings should not be reframed or softened: Institutions should speak honestly and plainly about racism and its impact on the institution's existence. This candor is important as it validates the experiences of communities of color and demonstrates a willingness and commitment to the long, hard work of relational healing. In addition to making the findings, commitments, and methods of accountability transparent, institutions can monitor progress and share regular updates. Even when progress is small, limited, or disappointing, the practice of being transparent with underserved communities can help build trust with Black business owners.

5 Recognize Trauma: The business ecosystem should recognize the ways stress and trauma may manifest in Black business owners and implement trauma-informed practices.

Efforts to engage Black business owners and mend the trust gap should be trauma-informed. To be trauma-informed is to operate as though the individual you are interacting with has a history of trauma, to anticipate emotional responses, avoid re-traumatization, and promote a culture of trust,

safety, transparency, collaboration, and empowerment.^{39,40} The business ecosystem should equip staff to be trauma-aware and prepared to identify signs of traumatic stress. When these signs—such as defensiveness, indecision, or withdrawal occur—staff should be prepared to respond with sustained commitment and persistence. Accordingly, they should be supported in offering Black business owners the grace and support they may need and in celebrating the resilience and potential of Black business owners. For inspiration and design recommendations, institutions operating in the business ecosystem can look to health and human service systems leading trauma-informed practices and models.⁴¹

The business ecosystem can employ trauma-informed practices in many ways when interacting with Black business owners. For example, institutions and individuals can promote safety by creating physical spaces that are welcoming and private, and allow visitors to decompress if needed. Institutions and individuals can empower Black business owners by providing emotional validation of their experiences and affirming their strengths. The Black experience includes deep struggle, but it is also shaped by great resilience, ingenuity, and joy. Some additional trauma-informed practices to help address the trust gap may include establishing consistent boundaries, providing clear rights and responsibilities in contracts, and investing in training to minimize the possible use of microaggressions and discriminatory language.



Considerations for Black Business Owners Seeking to Mend the Trust Gap

The primary responsibility for repairing the trust gap belongs to the institutions operating in the business ecosystem that perpetuated and enabled an unwelcoming and unsafe environment for Black businesses. But there are actions that Black business owners can take to facilitate the mending of the trust gap. Below are a few considerations for Black business owners interested in helping to mend the trust gap.

- 1. Identify how the trust gap might be manifesting in your business decisions.** Consider which findings in this report landed with you as relatable, and reflect on why.
- 2. Be receptive to developing long-term relationships** with select institutions in the business ecosystem *according to your comfort level*. Make sure you define the boundaries of these relationships, articulating any responsibilities or expectations.
- 3. Develop awareness of how and when your body experiences stress**, and learn which coping skills work best for you once your stress response system is activated. In particular, learn to listen to your body and how to settle your body amid decision-making.

- a. Refrain from making important decisions when your heart rate, blood pressure, or breathing increases. Stress may also manifest in an upset stomach, chest pains, headaches, unexplained pains, difficulty breathing, panic attacks, and insomnia.
- b. Resources to get you started:
 - i. "Stress effects on the body" by the American Psychological Association
<https://www.apa.org/topics/stress/body>
 - ii. *Burnout: The Secret to Unlocking the Stress Cycle* by Emily Nagoski, Ph.D. and Amelia Nagoski, DMA
 - iii. *The Body Keeps the Score: Brain, Mind, and Body in the Healing of Trauma* by Bessel van der Kolk, MD
- 4. **Prioritize your healing.** Learning how to understand the signals your body sends you about stress and identifying coping skills are good first steps, but they do not replace the work of healing and mental emancipation. Get a mental health check-up and learn more about improving your mental health.
 - e. Resources to get you started:
 - i. *My Grandmother's Hands: Racialized Trauma and the Pathway to Mending our Hearts and Bodies* by Resmaa Menakem, MSW, LICSW
 - ii. Tools from Mental Health America, including help finding the right therapist
<https://mhanational.org/racial-trauma>
<https://screening.mhanational.org/content/how-find-anti-racist-therapist>
 - iii. "Emancipation from Mental Slavery" by Cheryl Tawede Grills, Ph.D.
<https://www.youtube.com/watch?v=kkXseTHxusw>
- 5. **Share this report** with your peers, and encourage them to also consider the role of the trust gap in their business decisions.

Ultimately, it is the great and important responsibility of institutions in the business ecosystem to address the trust gap, but we all have a role in repairing the relationship breach. By implementing the core principles listed above into the ethos of our interpersonal and institutional daily operations, we can mend the gap and strengthen the tapestry of Black businesses in the United States. Furthermore, we can build trust and increase economic opportunity for all business owners, and cultivate an inclusive economy.



Conclusion

With this report, AEO sought to further the work of its seminal research report *The Tapestry of Black Business Ownership in America: Untapped Opportunities for Success* by cultivating a better understanding of one of the critical challenges impeding Black business growth and ownership: the trust gap. The trust gap is the product of more than the actions of the business ecosystem, but institutions in the business ecosystem have the opportunity to lead in repairing institutional and relational trust. In the first section of this report, AEO explored the importance of trust and further defined the trust gap as a relationship breach between Black business owners and their business ecosystem that is characterized by the lack of trust Black business owners have in the integrity, competency, goodwill, character, reciprocity, or intuition of other institutions in the business ecosystem. The first section also explored the survey data that offers evidence of a meaningful gap in trust between Black business owners and essentially all institutions operating within their business ecosystem. The second section of the report explored the personal and shared, indirect experiences with racial discrimination that cause and widen the trust gap, and considered how stress and trauma contribute to the trust gap. Then, in the third section, the report identified how the trust gap prevents the thriving of Black business owners and their businesses by influencing decision-making in leadership, resource allocation, and pursuing opportunities to grow their enterprises. Finally, in addition to encouraging Black business owners to help mend the trust gap, the report outlined five principles to inform how institutions operating in the business ecosystem might help mend the trust gap. As we look towards the future, the learnings and principles of this report provide a foundation for the business ecosystem to help strengthen the tapestry of Black businesses in the United States and, ultimately, cultivate an inclusive economy.

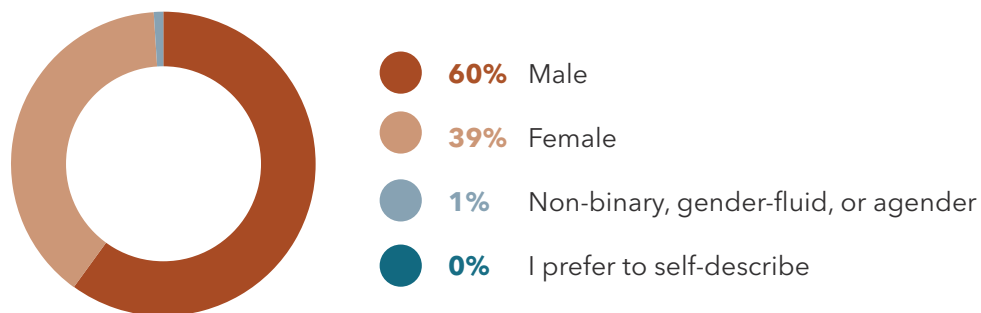
Appendix

Demographics

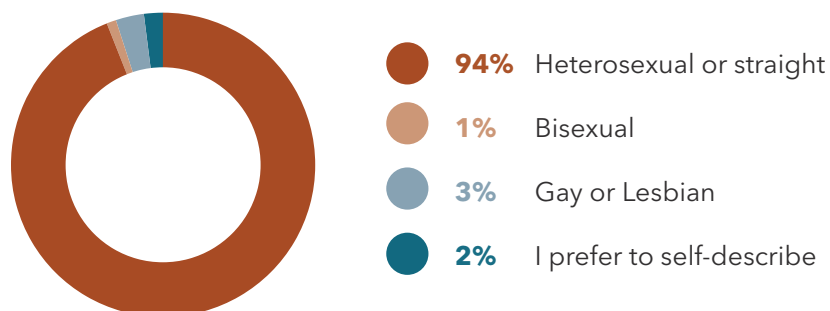
To understand the perspectives of our sample, respondents⁴² were asked to provide basic demographic information about themselves, including information on their gender identity, sexual identity, and age (Figure 6). A majority of the sample (60%) identified as male. Only 39% identified as female, and the remaining one percent identified as non-binary, gender fluid, or agender. Most respondents (94%) identified as heterosexual or straight. One percent of respondents identified as bisexual, 3% identified as gay or lesbian, and the remaining 2% preferred to self-identify or declined to respond. The largest age category of respondents was 35 to 44 years of age (44%), followed by 45 to 54 (28%), and 25 to 34 (11%).

FIGURE 6: Respondent – Gender, Sexual Identity, Age

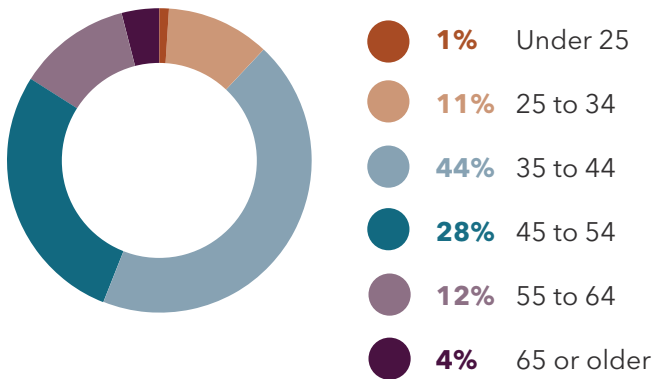
HOW DO YOU IDENTIFY YOUR GENDER?



HOW DO YOU DESCRIBE YOUR SEXUAL IDENTITY?



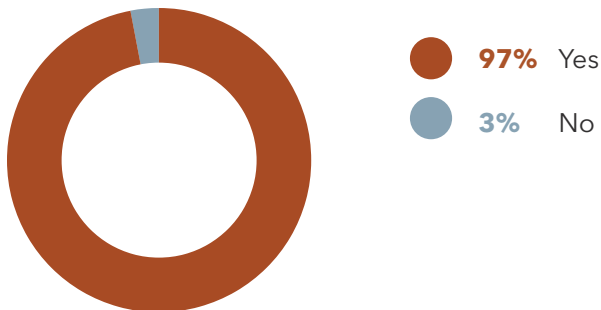
WHAT IS YOUR AGE?



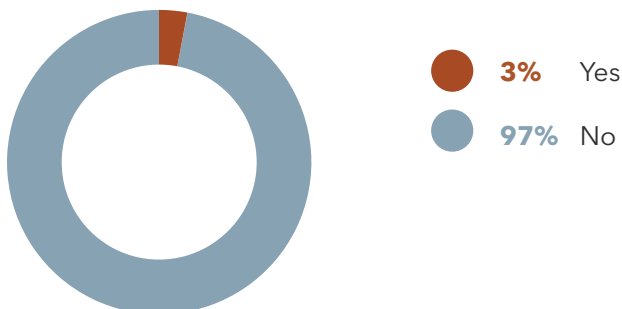
Additionally, we asked respondents about whether they had been born in the United States, whether they had a disability that affected their work, and their status as a veteran (Figure 7). A vast majority of respondents were born in the United States (97%). Only a small portion of respondents reported having a disability (3%). And, one in five respondents (20%) reported that they had served on active duty in the U.S. Armed Forces, Reserves, or National Guard.

FIGURE 7: Respondents – Natural Citizen, Disability, Veteran

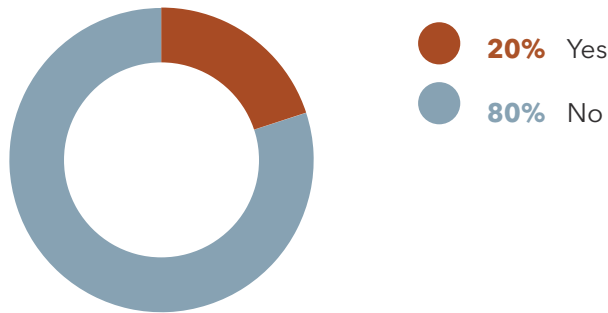
WERE YOU BORN IN THE UNITED STATES?



DO YOU HAVE A DISABILITY THAT MAY AFFECT YOUR EXPERIENCES RELATED TO YOUR BUSINESS?

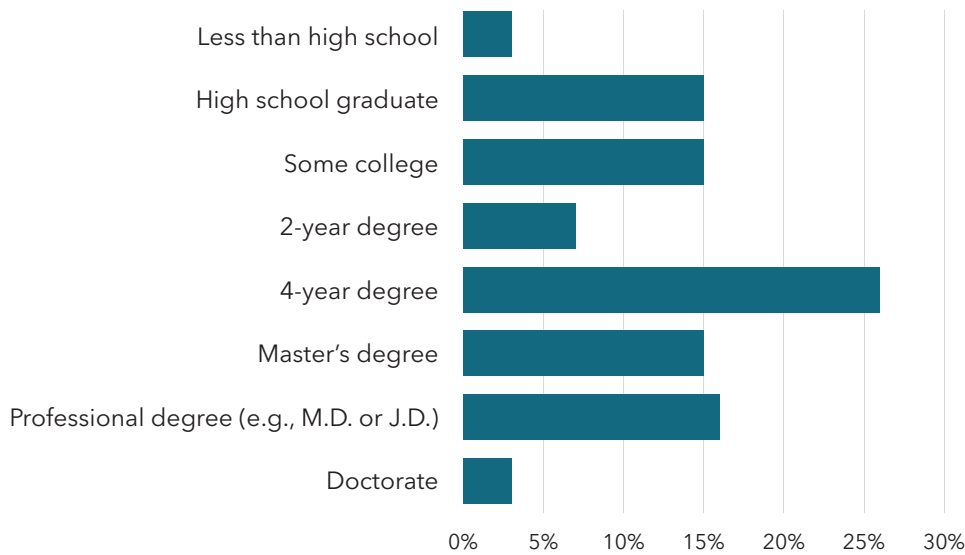


HAVE YOU EVER SERVED ON ACTIVE DUTY IN THE U.S. ARMED FORCES, RESERVES, OR NATIONAL GUARD?



We also asked respondents about their highest achieved level of education (Figure 8). The most common level of education among respondents was a 4-year degree (26%), followed by a professional degree (16%). Only 3% of respondents reported that they had not completed high school.

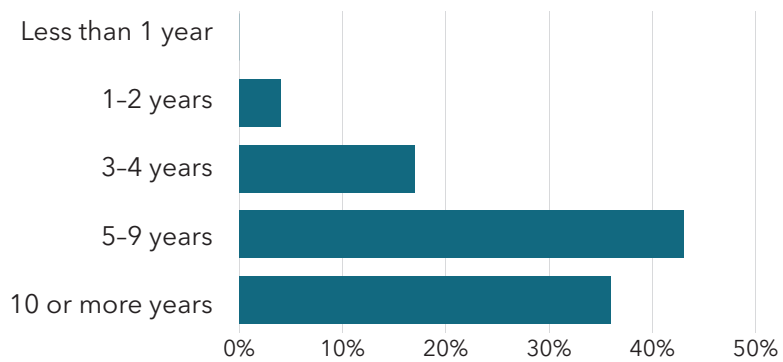
FIGURE 8: What is the highest level of education you have achieved?



All respondents were business owners, but 13% of respondents report co-owning their business with someone else. Respondents' businesses had a range of years of experience (Figure 9). A majority of respondents had been in business for five to nine years at the time of taking the survey (43%), with over one-third of respondents being in business for 10 or more years (36%).



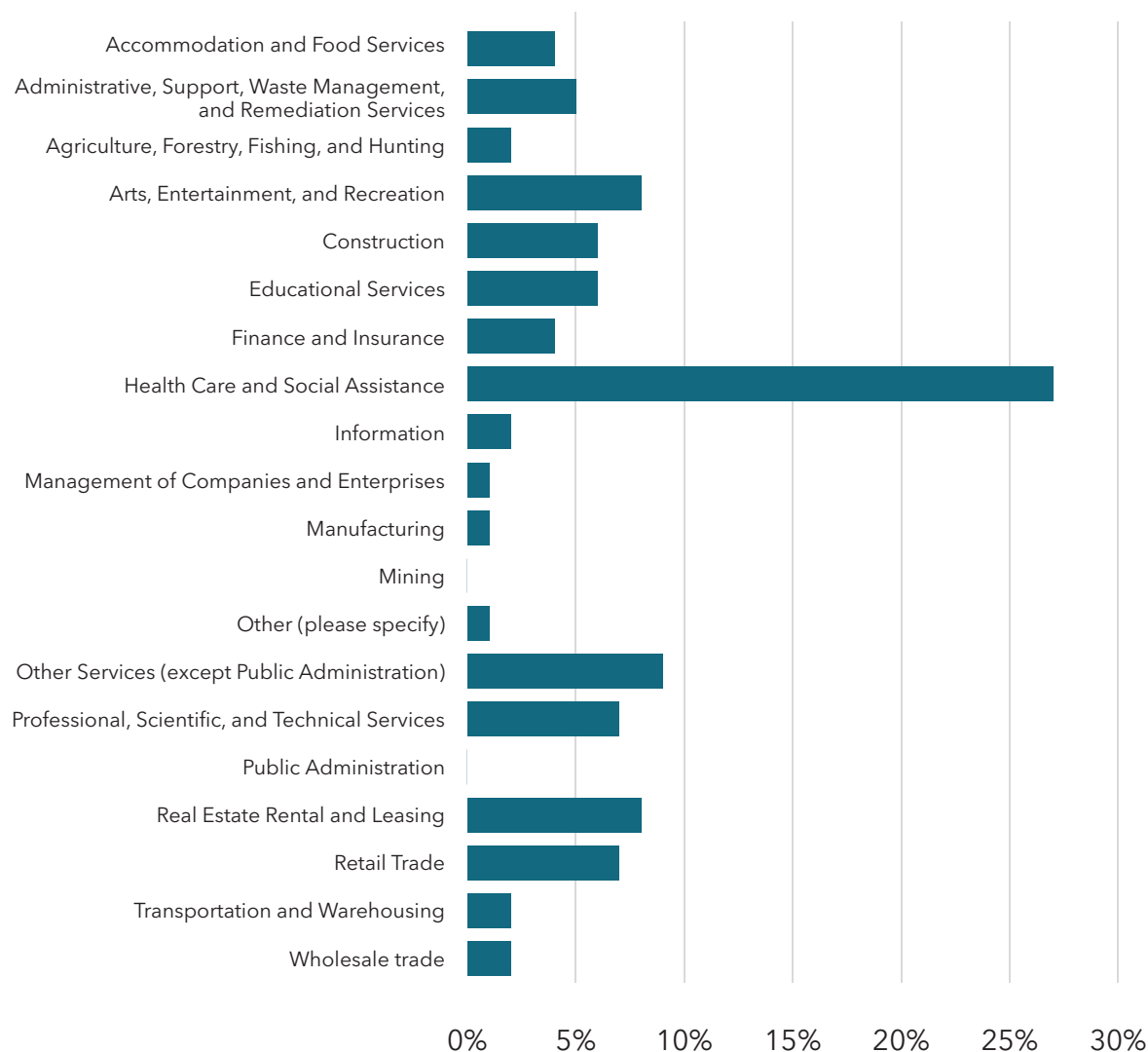
FIGURE 9: How many years have you been in business?



Firmographics

In addition to collecting demographic information on the respondents, we asked for their businesses' firmographics. Respondents were asked to select the industry in which their business primarily operated at the time of the survey (Figure 10). The largest industry category represented in the data was "Health Care and Social Assistance" (27%).

FIGURE 10: What industry does your business primarily operate in?



We also collected information on the business' location (Figure 11) and the type of area in which the business operates (Figure 12)⁴³. The survey requested business location zip codes, which allowed us to categorize respondents by Census region. A majority of respondents owned businesses located in the South (51%). Additionally, 19% of respondents' businesses were located in the Midwest, 17% in the Northeast, and 13% in the West. Additionally, a majority of businesses in the survey reported operating in urban areas (61%). Seventeen percent operated online or remotely, and 16% of businesses reported operating in distressed, underserved, or low- or moderate-income (LMI) areas.

FIGURE 11: In what Census region is your business located?

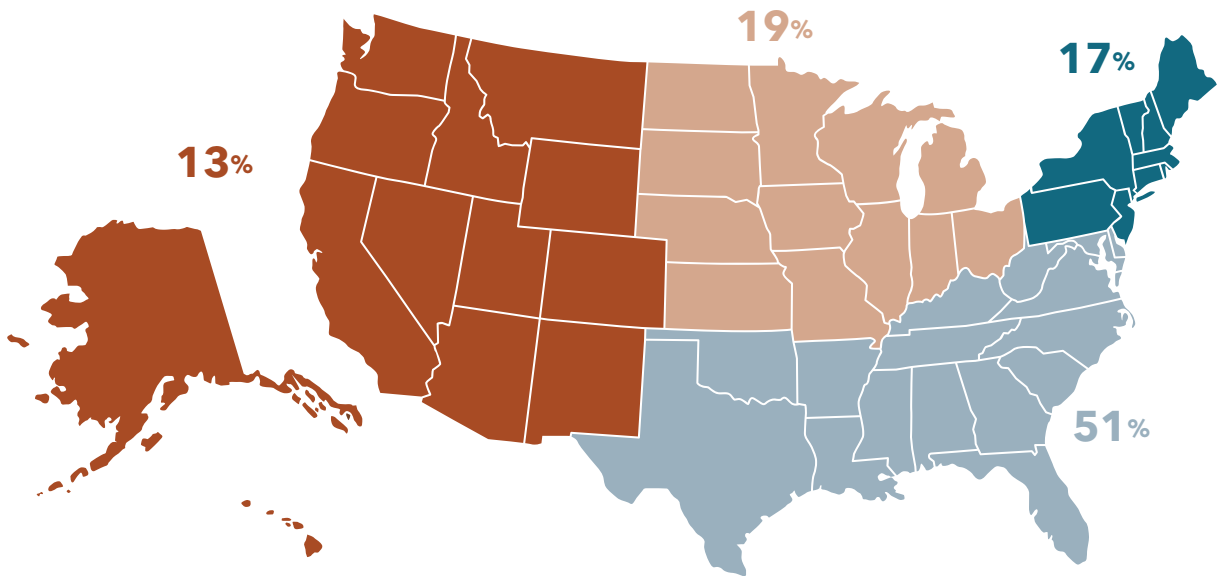
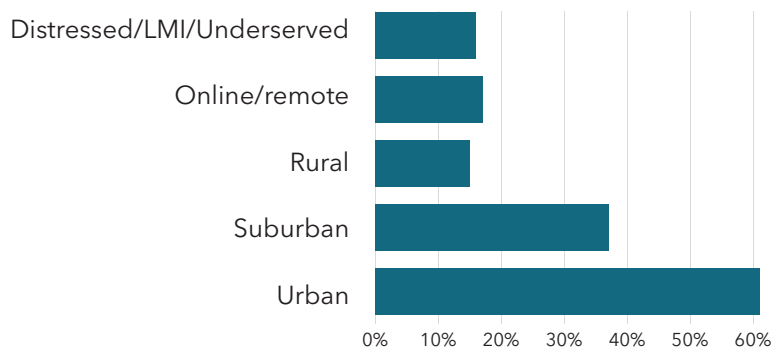


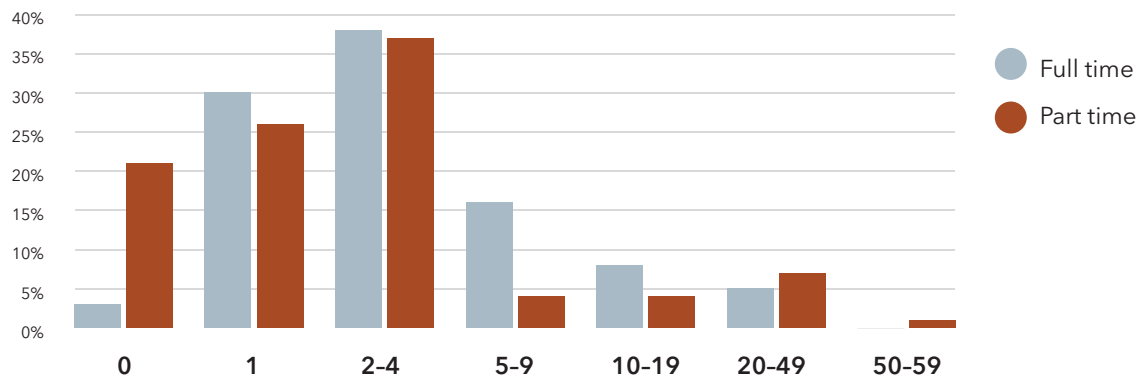
FIGURE 12: What type of area does your business operate in?⁴⁴



Furthermore, we sought to learn about the size of the businesses represented in our sample, including the number of people employed (Figure 13) and their business revenues and profitability (Figure 14). A majority reported employing two to four full-time employees including themselves (38%). One-third of respondents reported having only one full-time employee including themselves (33%). Three percent of businesses had no (zero) full-time employees. Including themselves, one in five respondents had no (zero) part-time employees (21%), 26% of respondents had one part-time employee, and 37% of respondents had two to four part-time employees.

FIGURE 13: Size of the workforce, including the owner

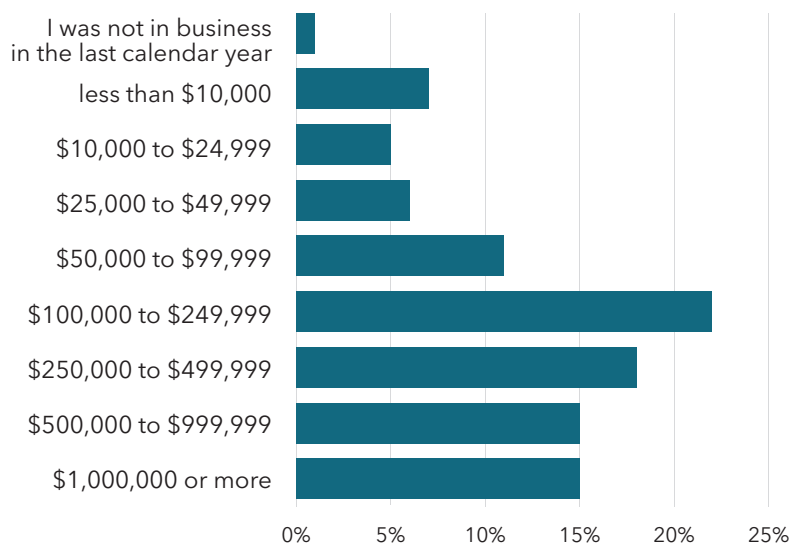
INCLUDING YOURSELF, HOW MANY FULL-TIME AND PART-TIME EMPLOYEES WORK FOR YOUR BUSINESS?



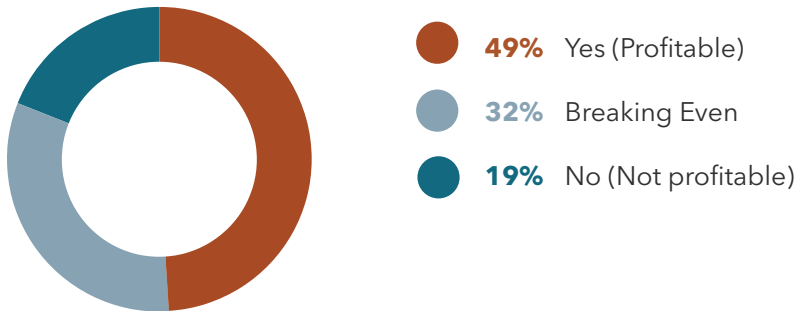
Regarding business revenues (Figure 14), respondents were asked to select the revenue category that best reflected their business revenues from the 2020 calendar year. The most frequently selected category was \$100,000 to \$249,999 (22%). Moreover, when asked whether their businesses were currently profitable, 49% reported that they were profitable, 32% reported that they were breaking even, and 19% reported that they were not profitable.

FIGURE 14: Business Revenues and Profitability

WHAT WERE YOUR BUSINESS REVENUES AT THE END OF THE LAST CALENDAR YEAR (2020)?



IS YOUR BUSINESS CURRENTLY MAKING A PROFIT?



Methodology

This research study was an innovative melding of exploratory behavioral science and traditional social science quantitative and qualitative analysis. Building on AEO's 30 years of experience as the leading voice for microbusinesses, the AEO research team developed and tested behavioral hypotheses to further our understanding relative to three research questions: What is the trust gap? What causes the trust gap? What is the impact of the trust gap? First, the team explored the business owner's journey in interacting with the business ecosystem. Then, the team brainstormed an extensive set of hypotheses for each research question. The hypotheses were then tested by the data collected by the online survey. Based on the themes, patterns, and insights that emerged from the data and research process, the team then cultivated a set of design principles and solutions to help the business ecosystem mend the trust gap with Black business owners.

Data Collection

AEO's research study utilized an online, opt-in questionnaire administered through Qualtrics from November to December 2021 and a convenience random sampling strategy. A convenience sample was drawn from AEO's database of about 50,000 micro, small, and medium-sized Black-owned businesses from AEO's grant programs. Using the 2018 Annual Business Survey (ABS), AEO's database of Black-owned businesses was stratified by employment size (nonemployer: 0 employees, micro and small business: 1-9 employees, and medium businesses: 10 or more employees); gender of the owner(s) (female-owned and male-owned firms⁴⁵); and by U.S. Census geographical region (Midwest, Northeast, South, and West).

Each subgroup was then sampled using random sampling. The sample was contacted by email and invited to complete the online survey. Eligible respondents were those who, at the time of the survey, were or had been the owner of a business or self-employed in the United States and identified as Black or African American. AEO sent 39,507 invitations to participate in the survey in two waves and received 1,040 responses. However, to increase the data quality of the sample, responses were

removed if the survey was incomplete, there were duplicate response IDs, and if respondents said “No” to identifying as Black or African American. The resulting sample included 609 responses.

Weighting the Sample for Representativeness

To control for potential bias in the convenience sample, the sample data are weighted to more closely match the distribution of Black-owned businesses in the United States by revenue, industry, U.S. Census geographical division, gender of the owner(s), and education level of the owner(s) based on the 2018 ABS. A statistical technique known as “raking” was used to compare and adjust the portion of businesses in each subgroup category to match the portion of Black-owned businesses in the nation in the comparable category. The process was repeated several times to derive a sample weight for each respondent.⁴⁶ As a result, Black-owned businesses that were underrepresented in the sample compared to the U.S. population are upweighted and overrepresented businesses are down-weighted.

Missing Data

A small percentage of respondents did not provide complete information on the categories used to weigh the sample. To avoid removing these respondent surveys, missing data was imputed. When U.S. Census geographical division was missing, the region was imputed if respondents provided the business’s ZIP code. The industry was imputed when respondents selected “Others” and wrote in their industry.

When imputation was not possible for a firmographic characteristic with the information available, the percentage of missing observations in the sample was calculated. A population count was created for missing observations in the post-stratified data. After raking, the weighted distribution of the sample retains the missing data rate. For example, in the sample, about 2% of respondents did not specify the gender of the owner(s) to be either “female” or “male.” We created a “Missing” subgroup in the 2018 ABS count of the gender of the owner(s) which is 2%. As a result, the weighted distribution of the sample retains a 2% rate of missing data for the gender of the owner(s).

Limitations

As implied above, convenience sampling methods have biases. While some of the biases were addressed using a weighting methodology, the data is still biased toward Black business owners who were easily accessible and who were willing and interested in the survey topic. As a result, the survey’s results should be analyzed for their broad themes and possible implications rather than exact data points. This research succeeds in capturing the perceptions of trustworthiness and behaviors of Black business owners in the United States regarding the business ecosystem. The findings, solutions, and design principles presented in this report are based on the themes and patterns that emerged from the data.

Endnotes

- 1 The survey had over 1,000 responses, but the data quality standards reduced the sample size used for this study to 609 responses. For details about the research design, data collection, and analysis, see Methodology in the Appendix.
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- 43 Percentages may add up to more than 100 because respondents could select multiple responses.
- 44 Percentages may add up to more than 100 because respondents could select multiple responses.
- 45 The 2018 ABS data do not include an agender or non-binary subgroup for the gender of firm owner(s).
- 46 See the detailed categories and arithmetic here.