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AID TO MINORITY BUSINESS ENTERPRISE:

A CHALLENGE TO THE PROFESSION

Presented by Robert Boyer

To: Council of the American Institute
of Certified Public Accountants
Detroit Hilton Hotel, Detroit
Michigan on October 9, 1971

In his article dealing with "Poverty, Prejudice and the Urban Crisis", Sanford Solendar identified the pressing needs of society that compel our attention today when he wrote, "I see a deepening urban crisis which now threatens to assume monumental proportions. I see a set of conditions which reflect utter contradiction and inconsistency in American life. A nation with great natural resources and wealth, with great know-how, with remarkable institutions to minister to people's social needs, has been incapable of coping with the steady decline of the city, with the horrible conditions and unresolved social and economic problems that confront city dwellers."

The urban crisis threatens the stability of American life. It has deepened the gap between socio-economic classes and widened the breach between people of different colored skins.

An AICPA recruiting booklet recently made the following statement: "As Charles Dickens once wrote, describing another period of revolutionary change, 'it is the best of times and it is the worst of times.'"

"It is the best of times because more people are economically secure than ever before. Affluence is widespread. Mankind's primal curse of physical labor has eased substantially. A lot of the more humdrum mental work is becoming obsolete too -- computers can do it. Creative change is the norm for many scientists, artists, industrialists,

and professionals.

"It is the worst of times because ancient evils persist --- war, poverty, racism. Also, relatively new evils have appeared --- pollution and over-population."

A key solution in the struggle to solve the social problems of the nation is the development of an economic base in the disadvantaged business community. A major approach to developing this base is to help minority entrepreneurs set up and run their own businesses so that they can enjoy a tangible share in the free enterprise system.

The disadvantaged segments of our population are fully aware of the increased standard of living enjoyed by a major portion of our country. The minority population of the United States is approximately 31 million or about 15% of the population. A recent study by the Small Business Administration disclosed that 2.9% of the total business units in the country are minority owned. In all of America's 163 black communities, non-white entrepreneurs are a rarity. The great lack of minority-owned businesses in the United States has contributed substantially to the alienation of the disadvantaged community and increased tensions between the "haves" and the "have nots".

It is eminently clear that the minority entrepreneur must be restored to the capitalistic mainstream of our country and the dignity of economic self-sufficiency, if we are to maintain stable social and economic environments so vital to our institutions.

The public and private sectors of our society have committed themselves to this endeavor and are actively engaged in projects to stimulate minority enterprises by seeking out business opportunities

and providing the necessary capital and financing. For the accounting profession, aid to minority businessmen is a natural challenge because our expertise makes us uniquely qualified to supply the accounting and management assistance so necessary to establish a viable business enterprise.

Almost three years ago to the day, AICPA President Ralph Kent, in his inaugural address at the institute's annual meeting in Washington, D.C., emphasized the need for the profession to assume an increasing role in meeting its responsibilities to America's disadvantaged citizens. President Kent stressed the same theme a month later when he urged participants at the annual State Society Planning Conference to develop programs of assistance to the disadvantaged, particularly blacks, who are establishing themselves in the country's economic mainstream, within less than a year, he appointed the Institute's Committee on Economic Opportunity.

By means of slide presentation, I will now outline for you the function and activity of the committee to date and summarize the extent of assistance programs currently in force.

SLIDE #1 - AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
COMMITTEE ON ECONOMIC OPPORTUNITY

Following issuance of executive order #11458 by President Nixon in March of 1969, Secretary of Commerce Maurice Stans established the office of Minority Business Enterprise, a purpose of which is to encourage and assist the efforts of the private sector and state and local government in aiding development of minority entrepreneurs. One of the first private organizations approached by the secretary was the American Institute which, in responding to his request, appointed the Committee on Economic Opportunity.

Slide #2 - GETTING STARTED

Shortly after its appointment, the committee, composed of CPA's who had been active in their states in providing assistance to the disadvantaged, met in Washington with officials from the Office of Minority Business Enterprise to discuss the nuts and bolts of a specific program for the profession. Out of this meeting evolved the committee's stated objectives and its initial program.

Slide #3 - COMMITTEE OBJECTIVES

The committee works primarily in an advisory capacity to state societies and suggests programs to facilitate their involvement in aid to minority business enterprise. The main effort focuses on encouraging state societies to adopt programs of technical assistance provided by volunteer CPA's to emerging minority businessmen. Most minority entrepreneurs need information about basic accounting and management tools and techniques of running a business successfully. Our purpose is to give them this information and to help them learn how to use it so that they can achieve their desired goals. Such programs include advice on accounting systems, aid in the preparation of loan applications, and professional advice on other business, financial, and tax problems. Initially, the committee also set as an objective the encouragement, through state societies, for employment in CPA firms of minority group students. Upon further consideration, however, we felt that such function more properly fell within the purview of the Committee on Recruitment from Disadvantaged Groups, and, in fact, activities of that committee have encompassed this original objective.

SLIDE #4 - ROLE OF AICPA

While encouragement for the program comes from the committee, the actual assistance is rendered on the state society and chapter level. The role of the AICPA is an advisory and coordinative one. The committee serves as a clearinghouse of information on the several states' programs and provides assistance to societies contemplating establishment of similar projects. The committee also publishes articles on specific state society programs in the State Society Newsletter.

SLIDE # 5 - PUBLICIZING PROGRAM TO STATE SOCIETIES

In October, 1969, the formation and objectives of the committee were formally announced to state societies in the State Society Newsletter and at the annual meeting of the then State Society Executives Association. The objectives of the committee were also brought to the attention of state societies by the institute's president, Louis Kessler, at the November State Society Planning Conference.

SLIDE #6 - AND TO MEMBERS

Announcement of the committee's appointment was made to AICPA members through THE CPA.

State Societies publicized the formation of the committee in their newsletters, which resulted in substantial interest in its activities by members throughout the country. A number of state society presidents devoted their columns in these newsletters to the importance of action in this area.

SLIDE #7 - ECONOMIC OPPORTUNITY PROGRAMS - A GUIDE FOR STATE SOCIETIES

In order to help state societies get their programs underway,

the committee prepared a guide on how to organize and implement an economic opportunity program. The suggestions in the guide were based on state society programs that had been proven successful. Since the how, when, what and where of assisting minority businesses varies from one part of the country to the other and from city to city within regions, the guide offers general guidelines that a state society can adapt to its own local needs. The guide includes advice on makeup and function of the committee and machinery to organize a pool of volunteer CPA's from its membership, suggested step-by-step procedures from reception of a request to the final disposition of it, evaluation of the program, legal liability involved, program publicity, and a number of other matters that a state society should consider when developing its program.

Copies of the guide were sent to presidents and executive directors of all state societies. As the committee learns more about the successes and failures of state society programs, the guide will be revised and revisions sent to state leaders.

SLIDE #8 - REGIONAL MEETINGS

In order to arouse more interest in the program and to give state societies an opportunity to exchange views with each other and with the AICPA committee on how to organize and implement their programs, the committee sponsored regional meetings on economic opportunity, using the guide as a basis for discussion. Your committee traveled thousands of miles throughout the United States and held meetings in Chicago, Boston, Tulsa, Richmond, and Atlanta.

SLIDE #9 - CONSULTANTS

As an additional means of assisting the states, the members of the committee serve as consultants to state societies, at their request. This means participating in workshops and board meetings to acquaint members with other societies' programs and to share their personal experiences in this area.

SLIDE #10 - REPORTING PROCEDURE

So that the committee might accumulate data on the types and amount of assistance provided by state societies to minority entrepreneurs as well as on problems encountered and unusual and successful methods employed, we semi-annually poll the societies requesting the following types of information:

1. The number of requests for assistance received.
2. The number of entrepreneurs aided.
3. The number of man-hours given by members, and
4. The types of services most often rendered.

In addition, the societies are asked to comment on their individual programs and to provide any information which might be of use to other states.

These reports are consolidated, tabulated and summarized by AICPA staff and are used to update the information bank available to state societies on assistance programs. From time to time, a summary of state society and committee activity is sent to the office of minority business enterprise to inform the Department of Commerce of the extent of the profession's involvement in this social concern.

SLIDE #11 - CONTINUING ACTIVITIES

Although the job opportunities program has been deleted as a project of this committee for reasons already explained to you, we

are currently involved in several other activities.

The committee has reviewed a Businessman's Instruction Guide developed by the Committee on Business Opportunities of the Illinois Society of CPA's. Designed for one contemplating establishment of his own business, the guide outlines such basic considerations as use of an attorney, bookkeeping and accounting, insurance and taxes. Our committee hopes to publish an adapted version of this within the next year.

We are discussing the possibility of publishing a column in Black Enterprise, the new and highly successful magazine designed to foster economic development in the black community.

The committee continues to cooperate with Ombe and the Department of Commerce and has participated in government sponsored workshops to explain the institute's program to national trade and professional organizations.

Of course, our greatest effort continues to be cooperation with the state societies by offering advice and assistance as they develop and implement economic opportunity programs.

I've told you much about the formation and function of the committee. No doubt you're wondering now how many programs have actually been implemented.

Compared to the handful of state societies that pioneered this effort in 1968, as of June 30, 1971, twenty states had instituted programs of technical assistance to minority business enterprise; four were in the process of implementing such programs and three societies had under consideration the possible development of similar projects.

According to figures supplied us by state societies for the 2 1/2 year period ended June 30, 1970, 262 minority businessmen received more than 2,400 man hours of technical assistance from CPA's through state society economic opportunity programs. For the year ended June 30, 1971, 464 entrepreneurs received in excess of 5,500 man hours of assistance. It is evident that action is increasing at a dramatic rate. The number of hours given by CPA's for the year ended June 30, 1971, is more than double that for the preceding 2 1/2 years.

Computing the billing value of the 8,000 plus hours contributed at an assumed average rate of \$20 to \$30 an hour, one arrives at a contribution by the profession to these programs of at least \$160,000 of billable time.

Types of services most often rendered were: establishment of accounting and related financial data; financial projections; planning and statement analysis and counseling and consultation.

I should point out that several societies maintaining aid programs did not keep records of these items and the figures do not, therefore, represent the total state society effort. Nor do they represent the significant contributions made to minority business enterprise by practitioners offering assistance through means other than a formal state society program, such as accounting aid projects, some of which include store front operations in ghetto communities.

What these figures do represent is the fact that the accounting profession has committed itself to offering its members' professional expertise to American citizens who, for too long, have been excluded

from the economic system which makes this country the richest and most powerful in the history of civilization.

The Department of Commerce has given our program their enthusiastic support and has described its approach to providing technical assistance to minority businessmen as the "most complete and workable involvement for professional groups which has emerged so far".

Many people have asked me how many of the entrepreneurs we have assisted have actually established a viable business enterprise. My answer is this: while the number of successes over failures is less than the normal for other new ventures, every entrepreneur who has succeeded has helped society move one step nearer towards the solution to the problem of the disadvantaged businessman. Just like the tiny pebble that is dropped in the small pond spreads ripples to the opposite shore, the ground swell of hope that results from each success spreads gratification through the minority community, defuses its tensions, and identifies each member with a sense of pride and dignity in his group's ability to succeed in the economic mainstream of society.

Participation in this work is neither easy nor glamorous. It requires patience and social sensitivity to overcome the distrust and ambivalence of the neophyte minority businessman. It takes dedication to overcome his lack of technical know-how and practical experience.

However, while the rewards to the participant are the most gratifying, more important are the rewards to society in terms of human resources salvaged, minority tensions reduced, and equal opportunity provided to all.

Nearly two years ago, Ralph W. Estes, in an article in the Journal of Accountancy stated, and I quote: "The accounting profession has been well rewarded by our society and our economic system. That we have devoted many years to preparation and have tried to earn these rewards is not denied. But we must also recognize our debt to the society and economy which afforded us the opportunities to develop and prosper, and both as accountants and as citizens we have an obligation to try to repay this debt, by working to insure that everyone has the same opportunities we have had."

To be sure, we can do better; but we have begun.