

Kaiser Permanente's approach Strengthening diverse small businesses

Kaiser Permanente understands that access to economic opportunity is foundational for physical and mental health, housing and food security, and racial equity. We are working to expand economic opportunity by helping diverse entrepreneurs launch and sustain successful small businesses, to build wealth for themselves, their employees, and their communities. We also are [addressing workforce diversity](#), highlighted in a separate brief.

The challenge

The importance of small businesses

Small businesses are critical to the success of our communities and the U.S economy overall. They provide essential goods and services, create jobs, keep money circulating locally, and often function as gathering spaces and cultural markers that both reflect and shape the identity of a community.

47% of the private-sector workforce



Small businesses employ 47% of the private-sector workforce in the United States.¹ The official definition of a small business is a firm with fewer than 500 employees, but most small businesses have fewer employees. Almost all small businesses in the U.S. – 98% – have fewer than 20 employees.² These companies create essential jobs for both business owners and employees. For people experiencing barriers to employment, such as immigrants, refugees,

and formerly incarcerated individuals, starting a small business may be one of the only ways to earn a living. In addition, Black and Latino small business owners are more likely to hire people of color.³

Inequitable access to opportunity

People of color face greater barriers to starting and sustaining small businesses and building wealth – a result of structural racism in economic policies and practices that can be traced back to our nation's inception. This includes more than 200 years of chattel slavery, as well as more recent practices like redlining, a discriminatory, race-based housing loan appraisal system that was used by the federal government for multiple decades during the 20th century. As a result of redlining, banks frequently refused to provide loans to people from predominantly Black, Indigenous, Latino, Asian, and immigrant neighborhoods. This made it more challenging for people of color to buy homes or start and grow businesses, which are both important ways families can accumulate wealth.

The legacy of structural racism is passed down generation-to-generation through unequal monetary inheritances, creating a persistent and extreme racial wealth gap.⁴ The net wealth of a typical Black or Latino household in the U.S. is less than one-tenth that of a typical white household.⁵

This has contributed to current inequalities in access to loans. Black entrepreneurs are twice as likely to be denied loans by a bank than white entrepreneurs,⁶ and Latino and Asian entrepreneurs also face greater difficulties getting loans.⁷ In addition to these financial challenges, entrepreneurs of color also may face limited access to mentors, contracting opportunities, networking opportunities,

technological supports, and linguistically and culturally relevant business assistance resources. Women small business owners, particularly women of color, also face challenges in accessing capital and business supports.⁸

Leveraging our purchasing power and supporting our diverse suppliers

Health systems purchase a wide range of supplies and services, such as uniforms, furniture, housekeeping equipment and supplies, linen services, waste disposal, and translation services. Kaiser Permanente leverages our purchasing power to promote economic opportunity for diverse small businesses and to support healthy, diverse, equitable, and sustainable economies.

Purchasing power

- In 2014, Kaiser Permanente joined the [Billion Dollar Roundtable](#), a network of companies that commit to spend \$1 billion with diverse suppliers. Each year, we increase our spending with small suppliers and businesses owned by people of color, women, and other underrepresented groups. Last year, we reached \$2.9 billion in spending with these groups.
- Kaiser Permanente recently signed an **Impact Purchasing Commitment** with other members of the [Healthcare Anchor Network](#) to promote supplier diversity, environmentally sustainable sourcing, and job creation. The commitment pledges to increase purchasing with minority-owned, women-owned, local, and employee-owned businesses by at least \$1 billion by 2025.
- We also prioritize diverse spending when we **build or renovate our facilities**. For example, while building a new medical office building in West Los Angeles, 40% of contracts - representing \$22 million dollars - were awarded to businesses owned by underrepresented groups.

Supplier supports

- We created an online [Supplier Restoration & Resilience Toolkit](#) for developing business continuity plans, helping small businesses recover from disruptions like the COVID-19 pandemic.
- Kaiser Permanente's **Thriving Leaders Program** helped our diverse suppliers to strengthen their mental well-being and support their emotional resilience through facilitated group workshops and peer support circles.
- We are helping suppliers convert their businesses to **employee ownership**, through partnerships with [Project Equity](#) and the [Obran Cooperative](#). Employee-owned companies increase opportunities for employees to build wealth and are often more resilient than other businesses.⁹

Partnerships and policy

We also promote healthy, diverse, equitable, and sustainable economies through partnerships and policy activities that strengthen local small business support ecosystems in the communities we serve. Over the past 2 years, our grants have helped more than 19,000 entrepreneurs of color access capital and training, which has retained or created more than 14,000 jobs in communities that we serve.

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Impact investments

Kaiser Permanente's [Thriving Communities Fund](#) provides \$400 million of debt and equity impact investments to improve access to affordable housing and increase economic opportunity in

communities we serve. Economic opportunity funds provide capital for small-to-medium-sized businesses owned by **entrepreneurs of color**, and support organizations that are increasing access to **quality jobs**, facilitating business conversions to **employee ownership**, and **revitalizing neighborhood corridors** in communities of color. Over \$15 million of economic opportunity investments have been deployed, creating 1,100 jobs and revitalizing three neighborhood corridors.

Capacity-building

- Kaiser Permanente also is strengthening **Community Development Financial Institutions** or CDFIs, led by and serving communities of color. For example, we are partnering with [Prosperity Now](#) to help the [African American Alliance of CDFI CEOs](#) expand their organizational capacity, to better support their member organizations focused on financing Black-owned businesses.
- We are supporting organizations that provide **capacity-building support and grants** to trusted community-based organizations that reflect the populations they serve, including the [National Association for Latino Community Asset Builders](#) and [National Coalition for Asian Pacific American Community Development](#).
- Through a partnership with [Pacific Community Ventures](#), we are scaling their **business advising program** that matches entrepreneurs of color with mentors in business marketing, sales, operations, accounting, and human resources. Since 2020, they have served 709 entrepreneurs, and 71% were people of color.
- We partner with the [Initiative for a Competitive Inner City](#) to provide free cohort-based **training** for established small businesses that want to scale and find contracting opportunities. In the past 3 years, 1,738 business owners (78% people of color) have participated.

- Kaiser Permanente also is partnering with organizations on **public policy** conversations about small business lending. Pacific Community Ventures and African-American Alliance of CDFI CEOs convened a series of roundtables on policy reforms needed to promote expanded bank lending, services, and investment in low-income communities and communities of color. We have also partnered with [Small Business Majority](#) to engage business support organizations and help them highlight policy ideas that could benefit diverse small businesses and their employees.

These kinds of investments – in our procurement and construction contracts, in our suppliers, and in surrounding neighborhoods – can lead to profound and powerful change. These activities will help stabilize and strengthen businesses in communities of color that have been hit especially hard during the pandemic. Through our commitment to uplifting diverse small businesses, we are expanding access to economic opportunity and helping build equitable, healthy economies and communities.

References

Full citations for this document can be found at: kpihp.org/references-ics.

