
Black Business

Since the Watts riots 10 years ago, black-owned businesses
in California have been growing steadily

by Kirk Hallahan and Martin Cooper

Ten years ago this month, in August, 1965, southcentral Los Angeles was rocked by one of the worst racial disturbances of the mid-1960s.

The reasons for the Watts riots were many, but when the National Advisory Commission on Civil Disorders announced the results of its study in 1968, high on the list of causes was the fact that blacks had little stake in America's economic system.

Expanded black ownership of companies in the ghetto was among the commission's recommendations. Today, that recommendation is becoming a reality.

Within California are a growing number of black-owned businesses started since the Watts riots. Accompanying the trend has been an increased consciousness

of the need for blacks in the state and across the country to become economically self-sufficient.

Black businesses in California generate approximately a half-billion dollars in sales annually, of which the largest 15 firms account for \$111 million. The number of businesses is growing daily, though failures are high, and the problems are many.

Sales and service firms are the largest type of black enterprise, of which auto dealerships and beer and liquor distributors are among the most numerous.

Manufacturing has grown substantially, too. Besides records produced by Motown Industries, the largest black-owned firm in California by far, an array of more prosaic items are produced by firms such

as Watts Manufacturing (metal and fabric products), Magnificent Products, Inc. (cosmetics), California Golden Oak Products, Inc. (furniture) and Shindana Toys (dolls and games).

Supporting efforts to establish black firms have been various governmental and private agencies, including the International Council for Business Opportunities, the National Economic Growth and Reconstruction Organization, the South Central Improvement Action Council, the United States Department of Commerce's Office of Minority Business Enterprise, and the Small Business Administration. However, the primary reason these firms have been successful is the determination of blacks themselves.

"The Watts riots created an economic vacuum in the ghetto that only blacks themselves could ever hope to fill," argues Lou Smith, president and cofounder of Operation Bootstrap, Inc., a nonprofit self-help organization founded soon after the riots in 1965 to help blacks lift themselves by their own bootstraps.

Smith, a former CORE official and Freedom Rider from Philadelphia who came to Los Angeles a short time before Watts, believed that only by establishing a strong economic base could blacks in the ghetto ever hope to achieve true equality with whites.

Before the riots, Watts was filled with hundreds of white-operated factories, few of which employed many blacks.

Smith recalls sitting and watching traffic then on Central Avenue in Watts. Promptly at five pm the street would become a sea of white, as rush-hour commuters poured out of factories and headed for the nearby Harbor Freeway and the long ride to the suburbs.

"Nowhere was the overt, institutionalized racism that had existed in the ghetto more evident," says Smith.

Following the riots there were plenty of jobs for blacks, as white employers desperately tried to appease black activists and fill vacancies created by white employees who were no longer willing to work in the ghetto.

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According to Smith, the great exodus of business from Watts then began—and was probably the worst insult of all.

"Not only were white firms unwilling to cope with the new pride that had developed in the ghetto and to reinvest in an area that desperately needed the money, but they took with them the only opportunity that blacks had of learning new skills. That's why we felt it was especially important for blacks to operate their own businesses," Smith says.

Shindana Toys, one of several enterprises begun by Smith and Operation Bootstrap, is among the most successful black firms created in the ashes of Watts. Fittingly, Shindana is a Swahili word that means "competitor."

Shindana was founded with the assistance of Mattel, Inc., the largest toymaker in the world. The Hawthorne-based firm had searched for ways it could help Los Angeles' disadvantaged and joined Operation Bootstrap in the venture, despite the fact Bootstrap officials knew nothing about the toy industry.

Mattel donated some \$475,000 to provide initial capital, acquire a building, and outfit the plant. It also provided staff and personnel to train production workers and management.

Once the operation got underway, Mattel turned full ownership over to Shindana, under whose direction it would either succeed or fail. To the gratification of both, the experiment worked—primarily through hard work and the willingness of Shindana's staff to learn. That willingness was in keeping with Operation Bootstrap's motto, "Learn Baby Learn."

"We learned an awful lot about toys and business in general—we had to," says Smith, who will never underrate the support Mattel officials Elliot Handler, Art Spear and Cliff Jacobs provided. However, he's justifiably proud of what Shindana has managed to accomplish itself.

In 1968, Shindana began with a single black doll—Baby Nancy—which, among other things, was the first ethnically correct black doll made in America, featuring truly Negroid features, not just Caucasian

features painted black. An initial run of 12,000 units was quickly bought up, grossing total first-year sales of \$35,000.

Today, just seven years later, Shindana makes a line of 25 black dolls and six game-puzzles, expected to gross \$1.5 million this year.

Shindana entered the game business last year by acquiring two lines of black-oriented playthings from a Detroit manufacturer. Among its other accomplishments in the past year have been: the opening of a permanent showroom in the Toy Fair Building in New York City; the hub of the United States toy industry; the naming

of an exclusive distributor for East Africa; completion of a nationwide sales force in the United States; and its first intensive promotional effort to stimulate sales.

The problems facing black businessmen today are many, and Smith is quick to point out that Shindana, like other successful black businesses, has not by any means solved all its difficulties.

Developing the necessary expertise to enter and compete in industry is a major one black businessmen face today. With the advent of organizations such as Los Angeles' Black Businessmen's Association, Smith feels that a healthy exchange of

information has developed. But, he also believes that major corporations should follow the lead of Mattel and Aerojet General (which helped start Watts Manufacturing) to provide technical know-how.

Distribution continues as Shindana's major problem—a situation largely out of the control of most black businessmen. While Shindana has little doubt there is a good market for its dolls (among both blacks and whites), wholesalers and jobbers create problems.

Despite the fact there are nearly 100,000 retail outlets where Shindana dolls and games might be sold, Shindana has had a hard time overcoming discrimination and convincing middlemen that black products can be profitable. Nowhere is this more evident than in the Harlem section of New York City where, amid the largest concentration of blacks in the country, Shindana items are now sold in only two stores.

Establishing and prompting a line of proprietary items, such as dolls and game-puzzles, is not easy, and Shindana has been only modestly successful in establishing consumer identification of its line. The major challenge is simply letting potential purchasers know that its products even exist.

Smith is encouraging many black businessmen who have up until now relied on government contracts to concentrate efforts on proprietary products, despite the fact these are more difficult to market. In the long run, he believes they better serve the development of black business.

Finally, the tight-money crisis, which has affected all businessmen, has hit black businessmen particularly hard. With the high interest rates that prevailed in the money markets in 1974 and early 1975, bankers have been generally reticent to lend money to anyone, especially black businesses, which they consider high risks.

According to Smith, finance is definitely black businesses' greatest problem, and unless black businessmen are able to gain the kind of cooperation that banks in the West give other businessmen, it is doubtful that they will progress much further. •

Black businesses have grown substantially since the Watts riots, and the following are the 15 largest black-owned and managed companies headquartered in California. This list is abridged from *Black Enterprise* magazine's list of the Top 100 black companies in the United States in 1974, published in June, 1975. All figures are based on data provided by the companies. Reprinted by permission. Copyright © 1975, Earl E. Graves Publishing Co.

Company	City	Chief Executive	Year Started	Employees	1974 Sales*
Motown Industries Entertainment	Los Angeles	Berry Gordy, Jr.	1958	375	45.0
Drummond Distributing Co. Inc., Liquor Distributor	Compton	Lancelot E. Drummond	1969	43	8.0
Watts Manufacturing Co. Metal and fabric products	Lynwood	Mark E. Rivers, Jr.	1970	230	6.5
Natrans Manufacturing Co. Electronic manufacturing	Canoga Park	Norman H. Casson	1972	200	6.0
Trans-Bay Engineers & Builders, Inc. General Contractors	Oakland	Ray Dones	1967	64	5.6
Bill Nelson Chevrolet, Inc. Auto dealership	Richmond	William W. Nelson	1969	55	5.5
KC Dodge, Inc. Auto dealership	San Francisco	Todd S. Cochran	1968	35	5.0
Sussex Records, Inc. Record production, music publishing	Los Angeles	Clarence Avant	1969	15	5.0
Willie Davis Distributing Co. Beer distributorship	Los Angeles	Willie Davis	1970	43	4.5
California Golden Oak Products, Inc. Furniture manufacturing	Los Angeles	William M. Alexander	1968	117	4.1
Friendly Chrysler-Plymouth, Inc., Auto dealership	Los Angeles	Harbert Stephenson	1970	41	3.9
AVI Manufacturing, Inc. Subassembly manufacturing	Gardena	E. E. Barrington	1971	200	3.3
Magnificent Products, Inc. Cosmetics manufacturing	Los Angeles	Wilbur Jackson	1965	37	3.2
James Pontiac, Inc. Auto dealership	Oakland	Claude I. James	1971	33	3.1
Oasis Ford, Inc. Auto dealership	Newhall	David J. Babb	1972	31	2.6

* Sales figures in million dollars