

Minority Entrepreneurs: A Review of Current Literature



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MINORITY ENTREPRENEURS – A REVIEW OF CURRENT LITERATURE

This paper provides a brief and cursory review¹ of relevant academic journals and books on “minority entrepreneurs” and “minority entrepreneurship” published since 1996 – approximately the past five-six years. The books and articles reviewed were focused on minority, ethnic, or immigrant entrepreneurship. The disciplines included in this review are business, economics, and sociology. The focus is on the United States and does not work that is primarily global or international. In addition, some of the latest statistical information available on minority entrepreneurs is included.

The paper is arranged in the following manner. First, I provide a brief introduction to the topic. Second, I provide definitional clarity for the various terms used to represent minority entrepreneurs. Third, I provide statistics on the current rates and trends of minority entrepreneurs in the U.S. Fourth, I identify and discuss the major clusters that emerged from the literature

ENTREPRENEURS AND ENTREPRENEURSHIP

Both Weber (1958, 1978) and Sombart (1951) linked entrepreneurs to religion and disadvantage in the capitalist system. While Weber credited the Protestant work ethic, Sombart credited Jewish rationalization. Over time the emphasis on cultural influences gave way to an emphasis on labor markets, particularly labor market disadvantage.

Schumpeter (1934) extracted the entrepreneur from the economic by defining the functional steps taken in the daily work of an entrepreneur. Today many scholars propose that a combination of capitals² – human, social, cultural, and financial - is necessary to produce entrepreneurs and entrepreneurship.

To whom the term *entrepreneur* should be applied does not have unanimous support from scholars. It is beyond the scope of this paper to delineate the theoretical arguments that differentiate self-employment, small business owner, and entrepreneur. However, it should be noted that the empirical research reviewed does not make the theoretical distinction that exists in much of the literature, and identifies entrepreneurs as those who are self-employed and not working for wages. This would include individuals who are sole proprietors with no employees and small business owners with less than 500 employees.

According to Johnson (1996), “At a very basic level, the Sociology of Entrepreneurship concerns two key questions: 1) What are the trends and differences in self-employment by various categories or groups of people? and 2) How can we explain the differences?” Most of the scholarly work defines these categories or groups of people by gender and/or race and ethnicity.³ In other words, studies of specific races and ethnicities such as African-American, Asian, Hispanic, Native-American dominate the research. Studies of women, both majority and of Color, are becoming more available, and are often included within the framework of “minority entrepreneurs.”

DEFINING A MINORITY ENTREPRENEUR

The value of defining who is a minority entrepreneur may seem quite meaningless to the practitioner or general public. However, to understand the literature and how it relates to various groups of entrepreneurs, it is important to define the terms used. Often the terminology sets the basic parameters of the research being reported. While there is not wholesale agreement among all scholars as to these definitions, I

have chosen to use the definitions that appear to be closely aligned with most of the scholarly work reviewed. The following table is from Chaganti and Greene, 2002.

TABLE 1
Conceptual Clarity of Definitions

Concept	Definition
Immigrant Entrepreneur	An individual who as a recent arrival in the country, starts a business as a means of economic survival. This group may involve a migration network linking migrants, former migrants, and non-migrants with a common origin and destination (Butler & Greene, 1997a).
Ethnic Entrepreneur	“...a set of connections and regular patterns of interaction among people sharing common national background or migration experiences” (Waldinger, Aldrich, and Ward, 1990, p.3).
Minority Entrepreneur	Business ownership by any individual who is not of the majority population. U.S. Federal categories include Black, person of Hispanic or Latin American ancestry, and person of Asian, Pacific Islander, American Indian, or Alaska Native descent. This group occasionally includes women.

Source: Table derived from Butler & Greene, 1997a; Waldinger, Aldrich & Ward, 1990; U.S. Department of Commerce, 1997, *The State of Small Business: A Report of the President*.

Unfortunately, studies that compare immigrants and minority entrepreneurs blur the distinctions that are attempted with the above definitions. As a result, conclusions from study to study can and do contradict one another as well as confuse readers. This problem was highlighted rather dramatically in the *National Journal of Sociology*, Winter 1996 10(2) issue wherein an article written by Timothy Bates was disputed by four well-known and respected scholars.

The need for uniformity across the disciplines with regard to conceptual definitions seems clear. Greene (1996) argues further that scholars should agree upon a more rigorous approach to methodology when undertaking studies of entrepreneurs stating, “A rigorous research design requires that the population under study match the

research question(s) as well as the theoretical perspective if any meaningful conclusions are to be generated.”

RATES AND TRENDS OF MINORITY ENTREPRENEURS

The following information is taken from the Minorities in Business, 2001 report published by the Office of Advocacy, U.S. Small Business Administration⁴. The full report is available at www.sba.gov/advo. The data used are from the U.S. Department of Commerce, Bureau of the Census, SMOBE, 1997. A note in the Minorities in Business, 2001 report states, “Milken Institute points out that ‘minority communities represent the most potent potential market in the American economy. Minority groups are experiencing higher rates of population growth than whites. By 2050, minorities are projected to comprise almost 50 percent of the U.S. population. Minority businesses are growing even faster than the population in terms of both numbers of new firms and revenues’ “(p.12).

Table 2 shows that minorities own about fifteen percent of the total firms in the U.S. with Hispanics, Asians, Blacks, and American Natives owning six percent or less of the firms, ranked respectively.

TABLE 2
Firms by Race and Ethnic Origin, 1997

	<i>Number of Firms</i>	<i>Percent of Firms</i>
Total U.S. Firms	20,821,934	100.00%
Nonminority-Owned Firms	17,782,901	85.40%
All Minority-Owned Firms	3,039,033	14.60%
Black-Owned Firms	823,499	3.96%
Hispanic-Owned Firms	1,199,896	5.76%
American Native-Owned Firms	197,300	0.94%
Asian-Owned Firms	912,959	4.38%

Note: The percentages may not sum to 100 because Hispanics may be of any race and may therefore be double counted.

Source: U.S. Department of Commerce, Bureau of the Census, SMOBE, 1997.

Table 3 displays the size of minority-owned firms by number of employees. The vast majority of all businesses are firms with no paid employees. For minority-owned firms, “about 47 percent were owned by Asian or Pacific Islanders, about 35 percent by Hispanics, about 15 percent by Blacks and about 6 percent by American Indians and Alaska natives” (p.15).

TABLE 3
Employment Sizes of Minority-Owned Businesses, 1997

<i>Group of Business Firms</i>	<i>All Firms</i>	<i>Firms with No Paid Employees</i>	<i>No Emps</i>	<i>1-9</i>	<i>10-19</i>	<i>20-99</i>	<i>100 or more</i>
All U.S. Firms	20,821,934	15,526,783	619,990	3,536,055	570,401	473,051	95,654
Nonminority-Owned	17,782,901	13,102,972	529,819	3,109,125	515,700	434,062	91,222
All Minority-Owned	3,039,033	2,423,811	90,171	426,930	54,701	38,989	4,432
Black-Owned	823,499	730,264	15,217	63,996	7,171	5,961	889
Hispanic-Owned	1,199,896	988,012	29,118	149,454	19,860	12,330	1,121
Am Native-Owned	197,300	164,023	3,705	23,928	2,932	2,357	355
Asian-Owned	912,959	622,961	43,658	199,117	25,820	19,319	2,084

“No employees” refers to firms reporting annual payroll that did not report employees on their payroll during the specified period in 1997.

Source: The Office of Advocacy based on US Census Bureau 1997 Economic Census, Survey of Minority-Owned Business Enterprises.

When viewed by revenues, Black-owned and Hispanic-owned firms have the largest share of the very small firms (<\$5,000). Furthermore, Blacks have a disproportionately low share of the very large firms (\$500,000 and more) while Hispanics have about the same share of the very large as they have of the very small. Asian-owned businesses have the greatest share of the very large businesses (Table 4).

TABLE 4
Receipts Sizes of Minority-Owned Businesses, 1997

<i>Group of Business Firms</i>	<i>Total Receipts (\$1,000)</i>	<i>Firms with <\$5,000</i>	<i>\$5,000-9,999</i>	<i>\$10,000-24,999</i>	<i>\$25,000-99,999</i>	<i>\$100,000-499,000</i>	<i>\$500,000 or more</i>
Nonminority-Owned	18,036,263,127	3,932,476	2,273,136	2,991,559	3,854,217	3,022,738	1,708,875
All Minority-Owned	516,979,920	692,861	487,107	627,591	648,895	413,019	169,460
Black-Owned	71,214,662	247,536	156,255	188,811	152,147	61,567	17,182
Hispanic-Owned	186,274,582	263,071	212,214	273,321	252,430	143,975	54,256
Am Native-Owned	34,343,907	50,433	30,387	41,515	42,024	23,794	9,147
Asian-Owned	306,932,982	151,751	107,890	147,311	221,949	192,198	91,860

Share of Total Minority-Owned Firms (Percent)

Black-Owned	13.78	35.73	32.08	30.09	23.45	14.91	10.14
Hispanic-Owned	36.03	37.97	43.57	43.55	38.90	34.86	32.02
Am Native-Owned	6.64	7.28	6.24	6.61	6.48	5.76	5.40
Asian-Owned	59.37	21.90	22.15	23.47	34.20	46.53	54.21

Note: Because Hispanics can be of any race, the sum of various minority groups' receipts will not equal total minority receipts.

Source: The Office of Advocacy based on US Census Bureau 1997 Economic Census, Survey of Minority-Owned Business Enterprises.

In Table 5, we see the percent of minority-owned businesses by major industry.

Black-owned firms were concentrated in services, unclassified, retail, and transportation. Hispanic-owned firms were very similar to "all firms" except in transportation and unclassified industries. More than two-thirds of the Asian-owned firms were in the services and retail industries; and, Native American-owned businesses were represented strongly in the unclassified⁵, services and construction industries.

TABLE 5
Percentages of Minority-Owned Firms By Industry, 1997

<i>Major Industry</i>	<i>Total Percent</i>	<i>Black Percent</i>	<i>Hispanic Percent</i>	<i>Am Native Percent</i>	<i>Asian Percent</i>
All		3.95	5.76	0.95	4.38
Agriculture	2.38	1.51	3.34	4.53	1.42
Mining	0.61	0.03	0.16	0.48	0.07
Construction	11.21	6.86	12.72	13.91	3.04
Manufacturing	3.31	1.27	2.13	3.40	2.55
Transportation	4.42	8.69	7.05	3.19	4.11
Wholesale	3.83	0.99	2.62	2.21	5.52
Retail	13.87	10.63	12.92	7.49	21.43
Finance	10.75	4.61	4.72	2.34	7.53
Services	42.70	53.14	41.71	17.31	44.47
Unclassified	7.11	12.28	12.66	45.23	9.91

As interesting as the current data on minority-owned businesses are, the trends are perhaps even more interesting. The SMOBE data, collected every five years, allows us to view trends beginning in 1982 up to 1997⁶. Again, these data are taken from the Minorities in Business, 2001 report and merely reflect that published information.

Table 6 displays the number of firms as well as the growth rates for 1982, 1987, 1992 and 1997. As these data show, minority-owned firms outpaced nonminority-owned firms substantially in each period. In 1982-1987, minority-owned firms grew at a rate of 55 percent compared to nonminority-owned firms' rate of 11 percent; in 1987-1992, minority-owned firms showed a 68 percent growth rate compared to nonminority-owned firms at 22 percent; and in the latest measurable period 1992-1997, minority-owned firms continued to grow at a rate of 30 percent compared to nonminority-owned firms' rate of four percent.

Within the minority groups, the Native American-owned firms reveal phenomenal growth from 1987-1997, showing a rate of 310 percent growth from 1987-1992 and 84

percent growth from 1992-1997. According to the authors of the Minorities in Business, 2001, “The astonishing growth in American Indian and Alaska Native-owned firms, especially the 310 percent increase over the 1987-1992 period, appears to reflect strong growth starting from a relatively small base of firms. The growth may be attributable, at least in part, to specific government policies supporting business growth” (p.20).

TABLE 6
Growth in Numbers of Minority-Owned Firms, 1982-1997¹

	<i>Number of Firms</i>				<i>Growth Rates (%)</i>		
	<i>1982</i>	<i>1987</i>	<i>1992</i>	<i>1997</i>	<i>1982-1987</i>	<i>1987-1992</i>	<i>1992-1997</i>
All U.S. Firms	12,059,950	13,695,480	17,253,143	18,431,456	14	26	7
Nonminority Firms	11,234,999	12,419,170	15,103,959	15,645,358	11	22	4
All Minority Firms	824,951	1,343,910	2,149,184	2,786,098	55	68	30
Black-Owned	308,260	424,165	620,912	780,770	38	46	26
Hispanic-Owned	284,011	489,973	862,605	1,121,433 ¹	73	76	30
Am Native Owned	17,100	24,931	102,271	187,921	46	310	84
Asian-Owned	240,806	414,340	603,426	785,480	72	46	30

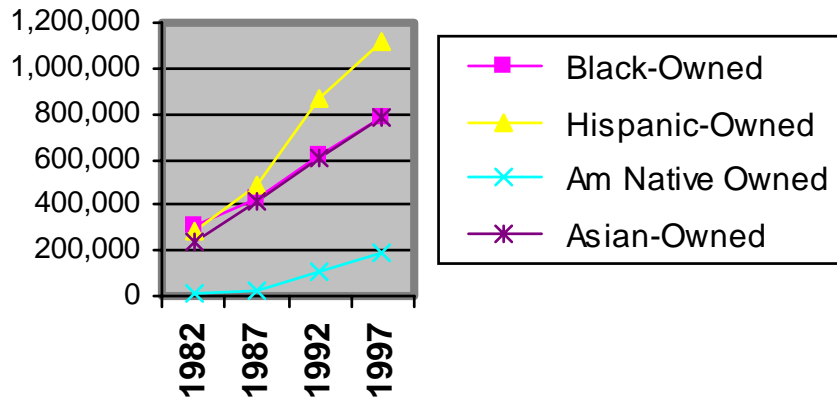
¹ Estimated undercounts have been included to illustrate trends believed reliable at the all firm level. Estimates are based on a large ample mailout designed to measure the undercoverage of Hispanic and Asian firms or firms not identified by race code or surname.

² Undercounts for Asians and Pacific Islanders, American Indians and Alaskan Natives are estimated based on total undercounts for the combined categories.

Source: U.S. Small Business Administration, Office of Advocacy, based on data from the U.S. Department of commerce, Bureau of the Census, Survey of Minority-Owned Business Enterprises, Company Statistics Series 1982, 1987, 1992, and 1997.

Figure 1 depicts growth in the number of firms by each minority group for the four years measured.

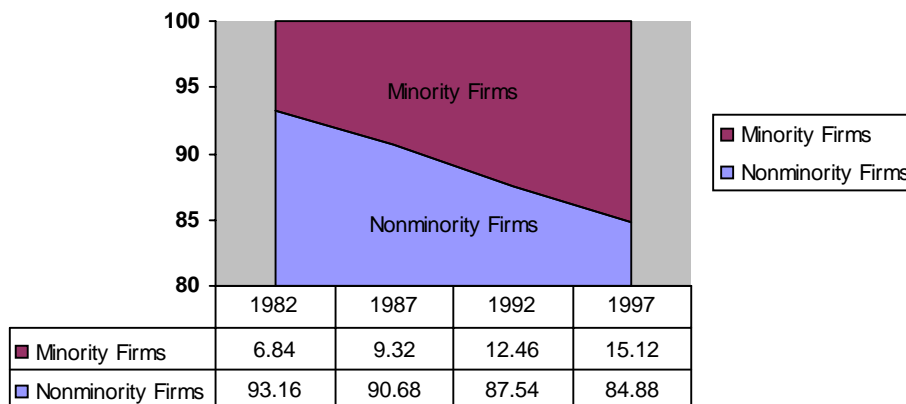
Figure 1
Number of Minority-Owned Firms
1982, 1987, 1992, 1997



The growth rates coincide with the population growth in the U.S. and this factor probably accounts for at least a portion of the growth found in minority-owned firms, especially Hispanic and Asian. Black-owned business growth was greater than Black population growth for the three periods and may “reflect increased opportunity, greater equality, better education, and direct governmental policies targeting social and economic disadvantage and discrimination” (p.20).

Figure 2 shows the change in composition of firms comparing minority- and nonminority-owned firms.

Figure 2
Change in the Minority Composition
of U.S. Firms, 1982-1997



MAJOR THEMES FROM THE LITERATURE

Today's scholars have built upon the rich foundation of the classics of Weber, Sombart, Marx, and Schumpeter to develop theoretical perspectives on immigrant, ethnic and minority entrepreneurs. Major theories proposed during the past few decades have embraced cultural, disadvantage, reactive ethnicity, and resources explanations. Much of the current research begins with Bonacich's now classic work on middleman minorities (Bonacich, 1973). As Barrett et al state,

“Any final verdict on the literature in this field would begin by reporting a state of robust health: a burgeoning output grounded in painstaking, copious and original research and fieldwork; a rich bank of basic information on the origins, motivations, practices and achievements of ethnic communities in business; an active global network of practitioners spawning a growing emphasis on international comparative studies; lively dialogue and stimulating theoretical debate” (p.802).

While this paper does not attempt to provide an overview of the classic or current theories, the work reviewed, almost without exception, is grounded in one of these orientations. Therefore, at least a general knowledge of the various theoretical perspectives is useful.

The work reviewed fell into four broad clusters,

- Factors leading to entrepreneurship
- Descriptive characteristics of entrepreneurs and their firms
- Comparisons between and within race/ethnic groups
- Future direction and needs

These themes are not exclusive and the literature tends to flow from one to another. For example, much of the literature on immigrants discusses the various theoretical and concrete factors leading to entrepreneurship as well as describes the

entrepreneurs and their businesses. Often the same book or article will include a comparison of two or more ethnic groups as well.

Factors Leading to Entrepreneurship

Many of the articles and books attempt to discover what factors lead a person to become an entrepreneur. In fact, this question is at the heart of both the demand- and supply-side theories of entrepreneurship.

Much of the literature pertaining specifically to immigrants proposes that because they lack capitals (human, social, cultural, financial), the “best choice” for them is self-employment since they cannot compete in the marketplace with others who possess greater capitals. Raijman and Tienda (1999) in their study of Hispanic, Korean, non-Hispanic white, and Middle-Eastern/South-Asian entrepreneurs found that “one reason for becoming a business owner is the desire of all respondents – regardless of ethnicity – to improve their economic situation” (p.701). They also found that the informal sector was the way many of the respondents, especially Hispanic immigrants, gained the human and social capital needed to form a business of their own. The availability of this route was a determining factor in their choice.

Carter et al (2002) debunk much of previous thinking about the reasons individuals choose to start a business. Their study shows

that on two of the top three categories of career reasons that individuals rank most highly (*Independence* and *Financial Success*) there were no significant differences among all of the groups: nascent entrepreneurs (Whites and minorities) were similar to others (Whites and minorities)...Differences between career reasons given by nascent entrepreneurs and those pursuing other careers, were found on the categories related to *Self-Realization, Innovation, Recognition* and *Roles*, essentially, categories with lower ratings (p.33).

According to Woodard (1997), the primary factor for African-Americans in his study to start a business was hitting the proverbial glass ceiling, “being uncomfortable with the nine-to-five routine,” or emerging as an extension of their professional interests. Money was not always their primary interest. They frequently mentioned such factors as “personal happiness,” “freedom from harassment,” “technical aspects,” “desire to provide leadership,” and “desire to contribute to their community” (p.220).

The nonpecuniary benefits of self-employment such as “being your own boss” are the major factors leading to entrepreneurship according to Hamilton (2000). This study sought to understand the financial returns to a decision for self-employment compared to taking a wage position. Hamilton found that

A comparison of median earnings profiles shows that jobs in paid employment offer both higher initial earnings and greater earnings growth. After 10 years in business, median entrepreneurial earnings are 35 percent less than the predicted alternative wage on a paid job of the same duration, regardless of the self-employment earnings measure used (p.606).

Furthermore, Hamilton found that “median self-employment earnings never overtake the alternative entry wage available on a paid job with zero job tenure” (p.628). Hamilton admits, however, that these results may be different for highly paid “entrepreneurial superstars” or highly paid professionals.

The existence of an extensive support system within certain ethnic groups has been credited with creating large numbers of business owners. In addition to enclave and collective theories, social network theory has been a valuable perspective for understanding these unique systems which appear to benefit some ethnic groups to a much greater extent than others.

Greene and Butler (1996) compare the formal for-profit business incubator to an ethnic business community, what they term a traditional incubator, and find similarities and differences between the two. Both provide management, technical and financing support as well as some capitalization. Two major differences appear to be in the reason for creating and growing a business and the location of businesses.

The traditional incubator is interested in the overall welfare of the community that will be enhanced by the creation of value and jobs. While those businesses involved with a formal incubator reside in a common place,

businesses initiated by the traditional business incubator are not based in a common facility, and in fact are not necessarily located in a geographic area defined by ethnicity, but instead, location of the businesses are based on market considerations (p.13).

Portes and Zhou (1996) note that “successful entrepreneurs are not isolated individuals” (p.228). Regarding ethnic enclaves they quote Bailey and Waldinger, 1991, “Once in place, the immigrant sector has grown as a self-feeding process. Newcomers take up work in immigrant firms, and workers who have gained skills and experience working for co-ethnic owners set up a new business of their own” (p.228).

Descriptive Characteristics of Entrepreneurs and Their Firms

Researchers continue to deepen their understanding of minority entrepreneurs by looking at the various characteristics of the business owner as well as the firm. Sometimes the scholar poses a “new” question; at other times, primarily descriptive information is sought.

The relationship that exists between ethnic business owners and ethnic customers is the topic of a study by Dyer and Ross (2000). This qualitative research

develops a framework within which to understand the value of ethnic businesses dependent upon co-ethnic clients. This study is based on previous research of ethnic enclaves and support provided entrepreneurs within ethnic or minority communities as well as market research that follow consumer patterns of spending. Results indicate that “The most striking finding was the ambivalence of the respondents’ remarks about their co-ethnic customers. The positive comments about ethnic networks in general, and their clientele in particular, were balanced by frequent criticisms of co-ethnic clients (p.52).

The framework that the authors develop hinges upon three dimensions: “(1) coincident roles of business owner and fellow-ethnic; (2) flow of communication within an ethnic community; and (3) symbolic aspects of ethnicity within the larger majority group” (p.59). All three of these dimensions can be used to explain both the positive and negative feedback of respondents. Allegiance to one’s ethnic group can be a competitive advantage for a small business owner and entrepreneurs should capitalize on the commitment, shared values, and long-term relationships that they enjoy with their customers.

Hamilton (2000) found that “Many entrepreneurs have not only lower initial earnings than employees with the same observed characteristics but also lower earnings growth” (p.628). Further, that “entrepreneurs were almost twice as likely to be uninsured and more likely to be covered by a policy in the name of another household member” (p.627).

Durr, Lyons and Cornwell (2000) examine the Business Plus Program in Louisville, Kentucky as a representative microenterprise program aimed at building

community-based economies within urban cores. The Business Plus Program follows the Grameen Model of micro-lending combined with training as well as individual counseling. It focuses upon disenfranchised groups of mostly African Americans and women. These types of microenterprise programs, when done correctly, can be very successful in helping reduce the social costs of being a minority. Stating that the problem many of these types of assistance programs have for African Americans is that they

assume that African Americans face the same obstacles as do the majority and operate similarly, and therefore do not assist these entrepreneurs in linking up to the larger community-wide economy by acknowledging that African American businessmen and businesswomen still encounter considerable contests in attempting to access markets outside their community to become distributors, suppliers, or service providers to majority firms (p.61).

Their discussion points out that African Americans often lack

business and technical skills necessary for business development, innovation, formation and maintenance over the long term; a series of personal problems (not uncommon for inner city business persons); a lack of mentors/role models; and feelings of inadequacy, hesitancy, and discomfort surrounding soliciting assistance from established resources (e.g., banks, government agencies, etc.) because their past experiences in which they requested resource assistance oftentimes sent them from one agency to another with no resolution to their capital problem (possibly because of a lack of personal assets and financially secure partners). Many of these deficiencies may be attributed to "prior treatment and custom," where the social costs of race and/or gender places these would-be minority entrepreneurs behind majority, second and third generation immigrant entrepreneurs (p.61).

Christopher (1998) found that formal education, the owner's years of experience, length of business ownership, as well as type of business all positively correlated with the probability of minority business survival. Capitalization was also a factor in that

survival was increased when commercial bank financing was utilized and he concludes that “business survival increased as debt to equity increased to some threshold level (which in this study was 65 percent of total capitalization)” (p.12-13).

Portes and Zhou (1996) examine the earnings of self-employed immigrants, taking on the debate of theory and measurement that exists between the disciplines, primarily between economists and sociologists. The authors state, “Steeped in human capital theory, many economic analysts view earnings as “returns on investment” and concentrate on the rates of return to years of education, work experience, and other factors” (p.220). They continue, “A second problem that affects ... models of earnings concerns the conceptual status of “hours worked” as a predictor” (p.220). The results of their analysis of

samples of adult males from three entrepreneurial immigrant groups, one second-generation entrepreneurial group, and matching samples of native-born Whites and native-born Blacks...show the importance of functional form for the earnings equation, a choice that stems from different theoretical orientations (p.228).

Portes and Zhou state that

both sides of this debate are right depending on the question that they choose to address. If the question concerns the *average* rate of return for entrepreneurship, then results favor the positions advocated by Borjas, Bates, and others. If the question concerns the absolute economic gain from self-employment, then results will favor the position advocated by Portes, Zhou, Waldinger, and others. This question is appropriate because the theoretical issue concerns not only average returns, but the possibility that entrepreneurship produces a significant number of high earners (p.228).

Bates (2001) looks at the question of whether minority businesses have access to the larger markets, asking specifically if “entrenched networks really thwart MBEs, or do they simply lack the capacity to compete?” (p.41). His analysis finds that

larger, more established firms, irrespective of owner race, have more access to business and government clients than smaller, younger firms. These findings suggest that MBEs gain greater access to these markets as they become larger. The weakening of preferential procurement programs in response to restrictive judicial rulings in turn potentially slows this growth trajectory, but it does not necessarily halt it (p.54).

Comparisons Between and Within Race/Ethnic Groups

Neither the entrepreneur nor their firm exist in a vacuum. Thus, the historical and social context in which the entrepreneur lives, works, and plays is important to consider. These factors vary for different race/ethnic groups as well as for individuals within specific groups.

Cavalluzzo and Wolken (2002) investigated the rate of small business loan turndowns to determine whether the cause for differing rates by whites, African-Americans, Hispanics, and Asians was related to personal wealth or discrimination.

Their study reveals

The most important factor explaining differences in denial rates between African-American- and white-owned businesses, and the second most important factor for Hispanic- and white-owned firms, is the credit history and credit score of the firm and owner. Differences in credit history explain almost one third (thirteen percent) of the original differential between African-American-, Hispanic- and white-owned small businesses. Differences in credit history explain little of the differential for Asians. Firm characteristics such as firm assets, profit-to-assets and debt-to-assets explain an important portion of the differences in denial rates for all demographic groups relative to whites. In contrast, relationship characteristics explain only a small portion of original differential, except for perhaps Asian-owned firms (p.19).

Furthermore, Cavalluzzo and Wolken's study found that "more than ten percent of the original difference in denial rates for Hispanic- and Asian-owned firms relative to those of whites" (p. 20) was based on personal wealth. "There was also some evidence that African American-denial rates increased with lender market concentration" (p.20). These results do not lead to an unequivocal finding, but are consistent with, racial discrimination. The authors conclude that "information on personal wealth does little to rule out discrimination as a potential explanation for the large differences in denial rates across demographic groups" (p.21).

Vincent (1996) compares the decision-making policies of Mexican-American entrepreneurs to White entrepreneurs. His analysis reveals that "The percentage of Mexican-American small business entrepreneurs who are unable to formulate a decision-making policy is twice as large as it is for Anglo-American entrepreneurs" (p.10). The importance of this finding is relevant to what the literature purports to be a critical area for business success – established decision-making criteria. Vincent also found that most (70 percent) entrepreneurs from both Mexican-American and Anglo-American groups had some decision-making criteria that they used consistently; however, they tended to use only two to three variables.

In their book, *Race, Ethnicity, and Entrepreneurship in America*, Light and Rosenstein (1995) provide an excellent overview of the theoretical bases for entrepreneurship, a discussion of the numerous measurement problems researchers encounter in this area of study, a solid comparison of immigrant entrepreneurs and their effect on "native entrepreneurs," as well as suggestions for future policy and research. The book is accessible and statistical analyses are appropriate for the research

questions they pose throughout the latter part of the book. I do not attempt to write a book review, therefore, I will highlight a few of the findings.

In looking at the question of whether immigrant entrepreneurs reduce the self-employment rates or earnings of native-born people, Light and Rosenstein compare the two groups. Using Korean entrepreneurs as a straw man, they found that “neither immigrant entrepreneurship in general nor specifically Korean entrepreneurship reduces either the self-employment of the native blacks or their money returns from self-employment” (p.197). Further, they state that “This result implies that foreign entrepreneurs in African-American communities filled niches that went unfilled when no foreigners were available to fill them” (p. 202).

Light and Rosenstein also conclude from their study that “Immigrant entrepreneurs increased the aggregate self-employment in the nonfarm economy without reducing either the rate of, or mean money returns to, self-employment among the native-born whites” (p.202). They state,

Our data show some upward flexibility in the number of entrepreneurs that metropolitan areas can support just as if the immigrant entrepreneurs were creating new economic opportunities such that their success did not jeopardize the material welfare of others. Entrepreneurship is the point at which metropolitan areas experience the ability to create new opportunities that simply increase material welfare (p.202-203).

Saxenian’s (2002) study of immigrant high-growth entrepreneurs in Silicon Valley underscores the importance of studying differences and similarities within groups. The entrepreneurs that Saxenian studied are highly skilled immigrants, predominantly Chinese and Indian. Her study reveals how these immigrants are building networks locally as well as internationally to “further enhance entrepreneurial opportunities”

(p.21). These ties are promoting growth not only in America but in the immigrants' home countries because many of the skilled immigrants return to their home country after studying and working in the U.S.

Chaganti and Greene (2002) propose that the value of understanding ethnic entrepreneurs is to look beyond the ethnic label and focus upon the level of involvement the entrepreneur has in their respective ethnic community. Comparing those ethnic entrepreneurs who were "highly involved in ethnic communities with the profiles of those with very limited involvement," they found

[P]ersonal backgrounds of the more ethnically rooted business owners also were significantly weaker. They were less prepared in general for U.S. business ownership. They had fewer years of industry experience and years of education in U.S., and more years of foreign work experience. Similarly, their businesses compared to those of the least involved owner-managers were significantly younger, and they were more likely to be sole proprietorships, and service type of businesses. They had more ethnically centered business linkages. On goals, the non-financial goal of contribution to ethnic community was significantly more important for them (p.12).

In their book, *Ethnic Economies*, Light and Gold (2000) deliver a theoretical overview that situates ethnic entrepreneurship in previous literature. They discuss forms of capital as well as ethnic resources; how gender and families enter into the discussion of ethnic economies; levels of disadvantage and the theories of disadvantage. They also contrast ethnic economies with ethnic communities, and look at the issue of credit in detail. While not focused specifically on entrepreneurship, this book provides the reader with a solid overview of the myriad impacts on an ethnic economy. Again, I will not provide a book review, but highlight a few of the comments from the book.

Understanding ethnic resources is key to appreciating the variances between ethnic groups. The authors state,

Thanks to both their cultural orientation and their trusting relations with coethnics, members of ethnically defined groups are able to mobilize resources that help them in economic life. Class resources alone cannot explain how undocumented, non-English-speaking Mexican migrants can quickly find jobs in many U.S. locations, why the incomes of Israelis in southern California exceed those of other Middle Eastern groups even though they have fewer years of education, why Chinese-Vietnamese entrepreneurs in the United States can efficiently locate and import large shipments of perishable foodstuffs previously unknown outside of Southeast Asia, how Cuban refugees with meager financial assets could open businesses within a few years of their U.S. arrival, or why African Americans went from being greatly underrepresented in New York City government employment in the 1960s to holding such jobs in excess of their proportion of the city's population by the 1980s, even at professional levels. In each of these cases, ethnic resources allow for the achievement of significant goals (p.128).

With regard to credit, Light and Gold offer,

Contrasting banks on the one hand and, on the other, informal credit and microcredit, we find that each institution's orientation to social capital explains success or failure in the problem markets. Except for institutional credit checks, a commodified social capital, banks ignore borrowers' uncommodified social capital. However, ROSCAs and Grameen-style microcredit lenders orient their entire strategy around social capital. Compared with this reorientation, the social discrimination of the bankers is of modest importance. This institutional difference in orientation explains why banks cannot service the problem markets whereas microcredit and informal credit can. Therefore, the chronic failure of the American financial system to deliver services to the problem markets arises from an excessive reliance upon banks. ... To reach the problem markets, the American financial system needs to diversify institutional forms, expanding the role and scope of informal credit and microcredit without eliminating the vital role banks play in the mainstream (p.226).

The public debate that occurred between Timothy Bates and other scholars (Portes, Greene, Johnson, and Light) in the *National Journal of Sociology* highlights the

continuing theoretical and measurement problems of comparing groups. Basically, the debate centers on how to measure the earnings of different groups (see my previous comments on Portes and Zhou, 1996). The results of Bates' analysis comparing African-Americans to Asian immigrants reproduce the question concerning economic versus sociological theoretical orientation, the question of how to measure "success," as well as the pitfalls that occur when "within group differences" are not clearly delineated. Again, scholars reveal the lack of agreement and clarity regarding many important issues in this area of study.

Future Direction and Needs

Some of the literature reviewed focuses on what the future might look like for minority entrepreneurs under various circumstances, as well as pointing out some of the concrete needs of minority entrepreneurs, and espousing a few successful models to meet the needs of communities.

Light and Rosenstein (1995) state that in addition to financial capital, "Entrepreneurs also need social networks, skills, knowledge, values and attitudes" (p.217). Focusing on the societal value of entrepreneurship, they discuss the entrepreneurial skills of youth who take up a life of crime. They charge that "If education could shift youths' perceptions about entrepreneurship, some young adults who now select value entrepreneurship in crime, a cool occupation, would select instead value entrepreneurship in business, a productive occupation" (p.218).

In 2000, the National Minority Supplier Development Council announced its board's agreement to re-define "minority business" as one that has a minimum of 30 percent minority ownership compared to the previous 51 percent. The challenges and

opportunities of this decision are stated in Sonfield (2001). Among the challenges is the need for research into what has transpired since this decision. Have minority firms grown with the infusion of equity capital that supporters of the re-definition claimed? Are “qualified minority firms” now “fronts” for white-owned and controlled businesses seeking to circumvent the system as critics of the re-definition proposed?

Eagan (2001) traces the historical and legal path of governmental minority-business programming and proposes that federal, state and local governments can take one of three steps – ignore the outcome of unfavorable litigation and continue the programs in place; give up the programs or the parts of the programs that have come under legal fire; or, modify the programs in such a way that the desired results can still be obtained yet the programs are race-neutral.

Measurement issues are key areas for future research endeavors. Eagan’s (2001) discussion of the many legal problems that the MBE programs have suffered reveals that tracking and measurement are real issues that must be addressed.

Drawing upon Butler’s 1990 “Heuristic Model of the Theory of Economic Detour” to explain the continuing decline of rural and urban Black communities and Alvin Toffler’s *The Third Wave*, Todd (2001) proposes a “fourth wave” of economic development and wealth creation that focuses on African-Americans. His proposal includes the demand-driven philosophy of the Third Wave and appropriate strategies from the First and Second Waves, recognizing that the vital partners in the Fourth Wave include government, small business, academia, and the community. Todd argues that these entities must work together within regions rather than remain focused on their

political boundaries, and create or develop the regional attributes that will sustain business growth.

4th Wave concepts focus on regional development, recognizing that economic regions develop independently of political boundaries....supports the fact that industrial “clusters” are an important element in industrial growth and competitiveness...and the need for a well-prepared workforce...the entire community is able to access the life-long education necessary to sustain competitiveness, individually, and regionally (p.23).

Todd (2001) recommends that education needs to

evolve to include mediated life-long learning tied to business and community needs in addition to programs aimed at the traditional student linearly pursuing a degree. Intern programs should evolve from what are now academic efforts providing some experience for students and “cheap” labor for government or business to full-fledged partnerships with all partners having equal participation in design and operation (p.24).

Cox-Edmondson and Munchus (2001) present a case study analysis of “The Atlanta Way,” the style and manner in which Mayor Maynard Jackson led the city to establishing set asides for minority-owned firms. The Atlanta Way has become a national model for other cities wishing to extend contracts to minority-owned firms as well as encourage private companies to do the same. A model the authors contend is still viable and should be used throughout the country to continue to extend these contract opportunities to smaller, minority-owned firms.

Amedee (2001) presents a case study analysis of the Carver Project in New Orleans, a collaboration between non-profits, the city, and private industry, to restore a cultural landmark. Carver became the spotlight in an urban re-development project creating entrepreneurial opportunities for local business owners. The University of New Orleans developed the first phase which included an economic feasibility and impact

study. The second phase, also to be conducted by UNO, “will examine the market demand for the types of businesses being proposed for the entire square development and will determine the businesses that make sense” (p.47). This collaborative model uses existing resources within a city to promote economic and entrepreneurial development.

Herbert (2001) provides an historical overview of African-American entrepreneurship and suggests that the “path into the twenty-first century” for African-Americans includes a continued emphasis on education,

They must interact more directly with both the public and the private sectors. New initiatives must involve new training and skill development in entrepreneurship and changing attitudes toward African-American entrepreneurship, small business, and family enterprises (p.52).

Teaching business entrepreneurship to African-American children should be top priority. They should acquire entrepreneurial skills early in life to foster creative thinking and to impart a positive sense of accomplishment through their actions (p.53).

Herbert also notes the importance of turning corporate “problems” such as those experienced by Texaco in the recent past into opportunities for black entrepreneurs . He states, “These corporations are creating opportunities for black vendors and entrepreneurs to do business with the company” (p. 53).

This report has been prepared by BRIDG, the research unit of the University of Missouri Outreach & Extension, which conducts primary and secondary small business and entrepreneurship research and links academic research to the practitioner.

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ENDNOTES

¹ Given the short timeframe in which this paper needed to be prepared, an in-depth review of the literature was not possible. Therefore, the contents of the paper should not be interpreted as complete or definitive, but rather as providing a beginning to a conversation about minority entrepreneurs at the present time. In addition, it should be noted that many findings about "minority entrepreneurs" are reported in articles and books that are not specifically focused on this particular population but on the whole of entrepreneurship. This literature review does not include articles or books pertaining to this broader topic.

² Relying primarily on the works of Marx, Becker and Bourdieu, the following are offered as basic definitions of the various capitals:

financial:	money and wealth
human:	investment in personal productivity – education, work experience
cultural:	competence in society's high-status culture
social:	networks and relationships of strong and weak social ties inherited or acquired

³ Two recent outstanding exceptions are studies of religious groups: Kraybill & Nolt, *Amish Enterprise: From Plows to Profits*, 1995; and, Redekop, Ainlay & Siemens, *Mennonite Entrepreneurs*, 1995.

⁴ The *Minorities in Business, 2001* report is primarily a report on the characteristics of minority firms using a number of different variables. This report merely reproduces some of the data provided in the *Minorities in Business, 2001* report and does not attempt to analyze or verify that data.

⁵ A note in the *Minorities in Business, 2001* report indicates that a large number of the unclassified businesses within the Native American group may be gambling businesses (p.17).

⁶ As with most longitudinal datasets, there are data comparison issues and problems. These are not detailed in this report, however, the authors of *Minorities in Business, 2001* adequately and sufficiently discuss the limitations of these comparisons. For purposes of this report, the data reflected in the tables are useful.