

2014

## Individual Factors Affecting Entrepreneurship in Hispanics

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### Recommended Citation

Canedo, Julio C.; Stone, Dianna L.; Black, Stephanie L.; and Lukaszewski, Kimberly M., "Individual Factors Affecting Entrepreneurship in Hispanics" (2014). *Journal Articles*. 101.

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# Individual factors affecting entrepreneurship in Hispanics

Factors affecting entrepreneurship in Hispanics

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Received 1 November 2012

Revised 17 May 2013

21 August 2013

30 September 2013

Accepted 8 October 2013

## Abstract

**Purpose** – Although there has been considerable research on entrepreneurship (Rauch and Frese, 2000), there has been limited research on Hispanic entrepreneurs (e.g. Peterson, 1995; Shinnar and Young, 2008; Zarrugh, 2007), and much of the literature has been atheoretical or fragmented. Therefore, this paper uses an existing model of entrepreneurship (Baron and Henry, 2011) to understand and explain the factors related to the behaviors of Hispanic entrepreneurs. The purpose of this paper is to consider the literature on Hispanic entrepreneurs relevant to each stage in the model, and presents testable hypotheses to guide future research on the issue.

**Design/methodology/approach** – In order to uncover the research on Hispanic entrepreneurs several databases were searched including ABI Inform, PsyArticles, and ProQuest. In addition, a review of key entrepreneurship and Hispanic journals (e.g. *Hispanic Journal of Behavioral Science*) was conducted. Relevant papers from 1980 to date were included.

**Findings** – Significant research on ethnic entrepreneurship has been conducted, especially on the personal characteristics of entrepreneurs. The extant literature, however, has been primarily atheoretical and lacks empirical evidence to support a consensus regarding the findings. The authors provide a model to guide research on Hispanic entrepreneurs.

**Practical implications** – Research revealed that Hispanics may be more likely to start new businesses, but also more likely to fail than Anglos (Sullivan, 2007). As a result, this paper highlights the potential obstacles affecting the behavior of Hispanic entrepreneurs, and considers a number of practical implications for enhancing their success rates.

**Social implications** – Hispanics are the fastest growing minority group in the USA, and entrepreneurship often provides a springboard for their economic advancement and social integration (Wang and Li, 2007). As a result, the present paper has important implications for increasing the success rates and integration of Hispanics in US society. It may also have key implications for policy makers who are trying to identify strategies for increasing the number of Hispanic new business ventures in our society.

**Originality/value** – The authors believe that this paper adds value to the literature because it uses a theoretical model to explain the factors thought to affect the behavior of Hispanic entrepreneurs. Also, it identifies a number of avenues for future research on the topic. Even though there has been some research on Hispanic entrepreneurs, the authors believe that the current framework will identify the key gaps in the literature and foster additional research.



The authors would like to thank Drs Donna Blancero and Miguel Olivas-Lujan and two anonymous reviewers for their helpful comments on earlier versions of the manuscript.

**Keywords** Cultural values, Entrepreneur, Entrepreneurial process, Business success, Hispanic, Individual factors

**Paper type** Conceptual paper

Hispanic-Americans (Hispanics[1]) are the fastest growing ethnic group in the USA, and currently make up more than 16 percent of the population (US Bureau of Census, 2012). Estimates indicate that they will comprise 25 percent of the population by 2030 (Pew Hispanic Center, 2010). Furthermore, the number of Hispanic owned businesses has increased at a very rapid rate, and there are more than two million Hispanic-owned businesses in our nation. One reason for the increase is that entrepreneurship often provides a springboard for economic advancement and social integration of minorities (Wang and Li, 2007). Despite this growth, relatively little theory and research has focussed on the factors affecting the behavior of Hispanic entrepreneurs (e.g. Dana, 2007; Smith-Hunter, 2006). However, results of recent research revealed that minorities are more likely to start small businesses, but less likely to be successful than Anglo-Americans (Anglos) (Sullivan, 2007).

Although several factors may affect the behavior of Hispanic entrepreneurs (hereinafter referred to as HEs), research indicated that small businesses are more successful when owners have strong support systems, high educational levels, adequate access to capital, and good managerial skills (Chaganti and Greene, 2002; Rogoff *et al.*, 2007; Shim *et al.*, 2000). In addition, studies of minority entrepreneurs showed that their biggest challenges were lack of business training, difficulties obtaining credit, and inadequate managerial experience (Hisrich and Brush, 1986; Williams *et al.*, 2012). Research also revealed that some factors affecting the behaviors of HEs may be different than those of Anglos (Smith-Hunter, 2006), but little research has considered these differences. Thus, a better understanding of the individual factors that affect HEs' behavior is needed. Their success rates are important to our society because entrepreneurship is a catalyst for job creation, and economic growth (Robles and Cordero-Guzman, 2007).

### **Purposes of the present paper**

Given the rising number of HEs in the USA, and the importance of new ventures to our society, research is needed to understand the factors that affect their behavior. Considerable research examined the effectiveness of entrepreneurs, but relatively little research has assessed the factors that influence HEs' behaviors (e.g. Peterson and Roquebert, 1993; Verdaguer, 2009). Furthermore, much of the research on the topic has been atheoretical and fragmented. Therefore, the purposes of the present paper are to: modify an existing model of entrepreneurship to explain the individual factors that influence HEs' behavior; review the extant literature; identify needed research; and offer directions for future research and practice. It merits emphasis that we used the model to structure our discussion, and limited our review to individual factors. We did not consider other issues (e.g. economic, environmental, socio-economic status (SES), gender) because of space limitations, but believe that additional research is needed to examine these important aspects.

### *Definition of entrepreneurship*

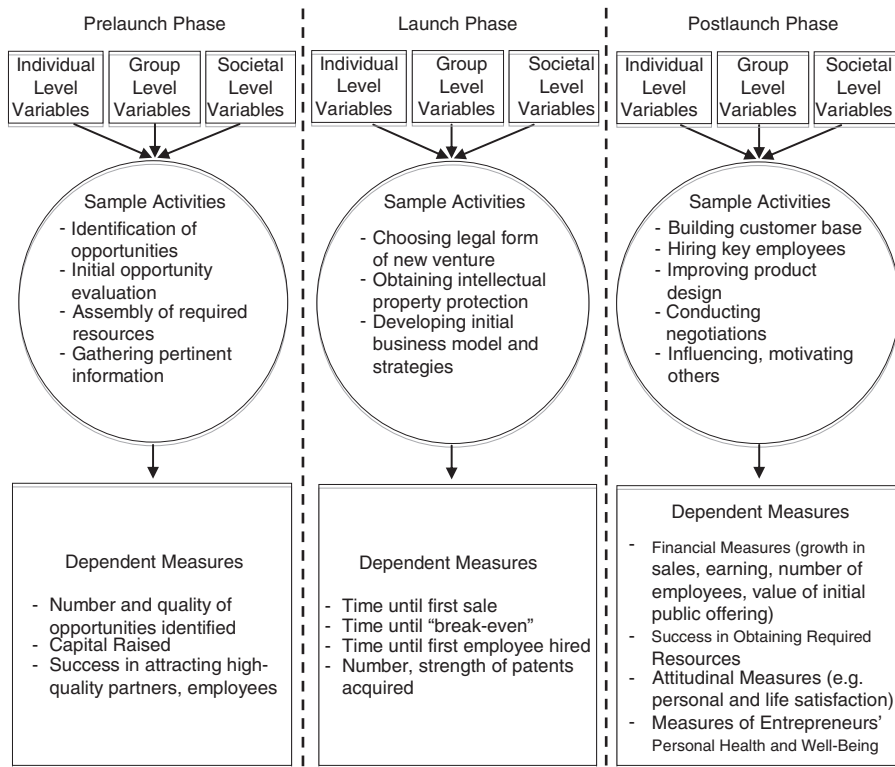
According to Baron and Henry (2011), entrepreneurship is "a field that seeks to understand how opportunities to create something new (e.g. products or services)

arise, and are created by individuals who then use various means (e.g. launch new businesses) to exploit or develop them [...]” (p. 243).

*Model of entrepreneurship*

We used the model of entrepreneurship developed by Baron and Henry (2011) to explain the individual factors thought to affect HES’ behavior. Some of the individual factors in the model apply to all entrepreneurs, but we also added some variables that are unique to Hispanics. The model consists of a three stage process that includes prelaunch, launch, and post launch phases. The prelaunch phase includes factors that motivate an individual to become an entrepreneur and recognize new opportunities, and the launch phase involves securing the resources needed to capitalize on the opportunity. The post launch phase is comprised of a number of behaviors including the development of a customer base and delivery of products and services. Figure 1 presents this model.

The model suggests that three key processes affect HES’ behavior including individuals’ motivation to become an entrepreneur, recognition of new opportunities, and acquisition of resources. Managing the new venture is implicit in the model, but space limitations preclude a detailed explanation of this process. Interested readers should see Schuler *et al.* (1996) for a review of Hispanic management practices.



Source: Baron and Henry (2011)

Figure 1. A process model of entrepreneurship

Given the limited research on HEs, we discuss the underlying processes in the model in the sections below.

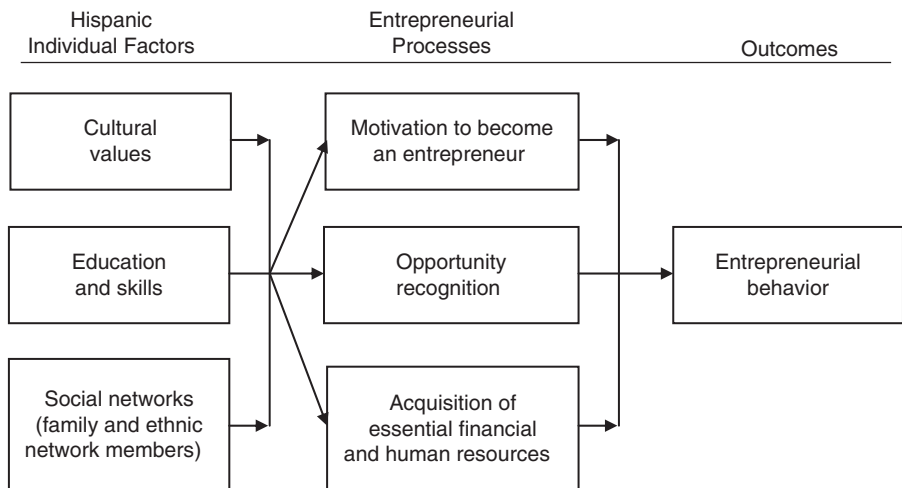
Several individual factors that are unique to Hispanics may affect the processes in the model. For instance, Hispanics' cultural values, education and skills, and social networks are likely to influence their motivation, opportunity recognition, and resource acquisition. A social network can be defined as "the pattern of friendship, advice, communication, or support which exists among the members of a social system" (Valente, 1996, p. 70). A figure showing our model, and the relations between variables is provided in Figure 2. Please note that this paper is not meant to provide an exhaustive review of the literature on HEs. We only review the research relevant to each relation in our model.

*Motivation*

The first variable in the model is the individual's motivation to become an entrepreneur or launch a new venture. This step includes the factors that influence a person's effort toward attaining entrepreneurial goals and initiating a new business (Baron and Henry, 2011). Considerable research on entrepreneurship focussed on the reasons that individuals are motivated to become entrepreneurs (Rauch and Frese, 2000), and some authors noted that an expectancy theory framework is relevant to this process (Gartner *et al.*, 1992).

Gartner *et al.* (1991) maintained that the valence of outcomes associated with becoming an entrepreneur is related to individuals' motivational levels. For example, Rauch and Frese (2000) found that people are motivated to become entrepreneurs because they have a desire for economic wealth and high needs for achievement or autonomy (McClelland, 1987). Research also showed that an individual's self-efficacy (effort to performance expectancy) is positively related to the motivation to pursue entrepreneurship (Boyd and Vozikis, 1994). Other studies revealed that educational level, previous experience, and SES were related to a person's motivation (Rauch and Frese, 2000).

Researchers also noted that there are different types of entrepreneurs and entrepreneurial ventures (Smith, 1967). For example, Smith's typology specified that



**Figure 2.** Individual factors affecting entrepreneurship in Hispanics

there are “crafts entrepreneurs” who are from blue-collar backgrounds, have low educational levels, and little managerial experience, but become entrepreneurs because they have the skills needed to create a particular product. Similarly, there are “opportunistic entrepreneurs” who come from middle class backgrounds, have managerial experience, broad levels of education, and are likely to develop innovative businesses. Finally, there are “inventor entrepreneurs” who have crafts’ orientations, but place high priorities on developing new products and patents (Miner *et al.*, 1992). It follows from this typology that individuals’ background, education, and skill levels may motivate them to pursue different types of new ventures.

Although many factors may affect Hispanics’ motivation, we believe that some unique issues should influence their motivation to become entrepreneurs. Therefore, a “one size fits all” model of entrepreneurship may not completely explain Hispanics’ motivational levels, and we modified the existing model to include these issues.

*Hispanics’ motivation.* Figure 2 reveals several individual factors that are expected to affect Hispanics’ motivation to pursue entrepreneurship. For instance, Shinnar and Young (2008) argued that Hispanics are motivated by both “push” and “pull” factors. Pull factors emphasize the positive aspects of self-employment, which are often associated with economic independence and job satisfaction. Some research found that self-employed workers were more satisfied than wage and salary workers (Bradley and Roberts, 2004). Push factors focus on entry into self-employment as a last resort. For example, researchers argued that HEs often start a new business because they are excluded from the job market by unfair discrimination (Hisrich and Brush, 1986; Phizacklea and Ram, 1995). Similarly, Peterson (1995) maintained that Cuban-Americans often become entrepreneurs because they perceive they have no alternative career options. Although there is some research on the topic (e.g. Hisrich and Brush, 1986), we make the following predictions to foster additional research:

- H1.* Hispanics will be more motivated to become entrepreneurs when they perceive that they have not experienced unfair discrimination in organizations than when they have not.

*Cultural values.* Another factor that may be related to Hispanics’ motivation is their cultural values (e.g. Busenitz and Lau, 1996; Hout and Rosen, 2000). Considerable research on Anglos indicated that they are motivated by needs for achievement, autonomy, or desires for wealth (McClelland, 1967; Rauch and Frese, 2000). However, researchers cautioned that these needs reflect Western individualistic values, and may not generalize to those who are collectivistic (Rauch and Frese, 2000).

We believe that Hispanics’ cultural values regarding collectivism and familism may influence their motivation to become entrepreneurs. For instance, research revealed that, on average, Hispanics are higher in terms of collectivism and familism than Anglos (Dabul *et al.*, 1995). Collectivists typically use the group as the unit of analysis, and group goals take precedence over those of the individual (Hofstede, 1980). In contrast, individualists favor individual achievement, self-reliance, competitiveness, and autonomy (Markus and Kitayama, 1991).

Also, research showed that Hispanics are, on average, more familistic than Anglos (Marin and Marin, 1991). Familism is defined as a cultural value in which the family assumes a position of ascendance over individual interests, and people are deeply committed to their families (McGoldrick *et al.*, 1996). In contrast, Anglos (on average) stress that work should be the priority in a person’s life, and people should be willing to

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sacrifice their family life in the interests of work (Kossek and Lobel, 1996; Stone-Romero *et al.*, 2003). Our discussion of values below assumes that there are within group differences in cultural values, and researchers should assess cultural values directly rather than make inferences based on ethnicity (Betancourt and Lopez, 1993).

Given the value differences just noted, we predict that Hispanics' collectivism and familism values should be related to their motivation to become entrepreneurs. Indirect support for this argument is provided by research (Dana, 2007; Peterson, 1995) that found that family was one of the most important considerations in starting a new business. Therefore, Hispanics may be more motivated to become entrepreneurs in order to care for their families than to meet their individual needs for achievement. Given this argument, we present the following hypothesis:

- H2.* Compared to those who value individualism, Hispanics who emphasize (a) collectivism or (b) familism will be more motivated to become entrepreneurs in order to care for their families than to meet their individual needs.

*Education and skills.* Two other factors that may influence Hispanics' motivation to pursue entrepreneurship are their educational and skill levels. Research revealed that Hispanics' educational attainment, experience, and skills affect their motivation (Robles and Cordero-Guzman, 2007). In particular, Hispanics' with lower educational levels are less likely to be motivated to become entrepreneurs, and are often less successful than those with higher education levels (Lofstrom and Wang, 2007).

Likewise, research found that Hispanics' skill levels influenced their motivation to start new ventures (Dana and Morris, 2007). As a result, Hispanics' skills may be a more direct predictor of their motivation than formal educational levels. For instance, HEs may be more likely to pursue "crafts ventures" because they have the skills needed to be successful in these types of businesses. In support of this argument, research indicated that Mexican-Americans were more likely to start new ventures in crafts because they were skilled in these areas (Lofstrom and Wang, 2007). In addition, research found that managerial ability was positively related to self-employment among Mexican-Americans (Lofstrom and Wang, 2007).

Therefore, the perceived fit between Hispanics' skills and the nature of the new venture is likely to affect their motivation to pursue particular types of ventures. We know of no research on this issue so we offer the hypotheses below:

- H3.* Hispanics' perceived skill levels will be positively related to their motivation to become entrepreneurs.
- H4.* Hispanics' perceptions of fit between their skills and the requirements of the new venture will be positively related to the start of a new venture.

*Social networks.* The Baron and Henry (2011) model argued that social networks also play an important role in an individual's motivation to pursue entrepreneurship. For example, research showed that social networks, especially families and Hispanic enclaves, affect Hispanics' motivation to become entrepreneurs (Dana and Morris, 2007).

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*Family members.* Research found that family members serve as key role models for Hispanics, and have an important impact on their career choices (Hout and Rosen, 2000). In particular, research indicated that children of self-employed HEs are more likely to become self-employed than those whose parents are not self-employed (Hout and Rosen, 2000). One reason for this is that self-employed parents often convey entrepreneurial roles to their children and increase their self-efficacy levels.

Some research supported the argument just noted (Dyer and Handler, 1994), and revealed that family members have more influence on Mexicans' and Cuban-Americans' motivation to become entrepreneurs than others (Peterson, 1995; Van Auken *et al.*, 2006). Similarly, research found that an entrepreneur's father's education and experience were positively related to their success (Hout and Rosen, 2000). Even though there is some research on this issue (e.g. Peterson, 1995; Van Auken *et al.*, 2006), additional research is needed on the topic. Therefore, we propose the following hypotheses:

- H5. When Hispanics have family members who are entrepreneurs they will have higher levels of entrepreneurial self-efficacy than when they do not have family members who are entrepreneurs.
- H6. When Hispanics have high entrepreneurial self-efficacy levels they will be more motivated to become entrepreneurs than when they are low in these characteristics.

*Ethnic enclaves.* Research on entrepreneurs also revealed that ethnic enclaves and networks shape their motivational levels (Fairchild, 2009). An ethnic enclave is a geographical area within which culturally distinct minority communities maintain ways of life largely separate from those of the majority communities that surround them (*Ethnic Enclave*, 2014).

Research showed that Hispanic enclaves can serve a number of important purposes including the creation of a sub-economy that serves as a source of customers, employees, and suppliers (Dana and Morris, 2007; Portes, 1987). Hispanic enclaves may also contribute to high levels of reciprocity, support, and knowledge for new entrepreneurs (Dana and Morris, 2007). Thus, Hispanic enclaves provide critical support for new ventures, and affect Hispanics' motivation (Dana and Morris, 2007). Although some research found that Hispanic enclaves influence Hispanics' motivation to start new ventures (Dana and Morris, 2007), additional research is needed on the topic. Therefore, we make the following prediction:

- H7. Hispanic enclaves will have a greater influence on Hispanics' motivation to become entrepreneurs than other sources.

#### *Opportunity recognition*

The model argues that another key factor in the entrepreneurial process is opportunity recognition, the process of identifying a potential opening for a new venture. Baron and Henry (2011) defined opportunity as a "perceived means of generating economic value (i.e. profit) that have not previously been exploited by others" (p. 251). They maintained that there are three characteristics associated with opportunity recognition: profitability, newness, and perceived desirability or moral acceptability of the opportunity.



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Recognizing a new opportunity generally occurs during the prelaunch phase of a new venture, and there are several factors that affect this process. For instance, research showed that access to information, alertness to opportunities, and social networks all affect opportunity recognition (Shane, 2003). Research indicated that individuals who have considerable access to information about markets or customers are more likely to generate new opportunities than those with little information (Shane, 2003). Similarly, research revealed that people who are highly creative or have high cognitive abilities are more alert to new opportunities than those who are low in these characteristics (Baron and Henry, 2011). Furthermore, studies found that those with large social networks gain access to information that cannot be gained in any other way, and such access is positively related to opportunity recognition (e.g. Ozgen and Baron, 2007; Shane and Venkataraman, 2000).

Even though previous research focussed on entrepreneurs' opportunity recognition (e.g. Shane, 2003), our model argues that the factors that affect HES' opportunity recognition may be somewhat different than those of Anglos. In particular, Hispanics' cultural values, education and skills, and ethnic networks are likely to determine their opportunity recognition.

*Cultural values.* Research showed that Hispanics, on average, are more likely to stress collectivism and a short-term time orientation than Anglos (Marin and Marin, 1991), and we believe that these values are likely to influence their opportunity recognition. For instance, researchers found that individuals who value collectivism are more likely to conform to existing rules and norms than those who value individualism (Erez and Nouri, 2010), and this conformance may inhibit the generation of novel ideas (Erez and Nouri, 2010; Goncalo and Staw, 2006).

Consistent with this argument, research showed that Anglos who valued individualism were more creative than Chinese individuals who stressed collectivism (Zha *et al.*, 2006). Interestingly, the limited creativity on the part of collectivists may provide a partial explanation for why Hispanics are more likely than Anglos to start new ventures in traditional than unique industries. However, research also revealed that persons who value collectivism are more creative when they are in creative organizational climates than non-creative ones (Du and Wang, 2009), or are given explicit instructions to be creative (e.g. Erez and Nouri, 2010). Thus, cultural values and organizational climates may influence Hispanics' generation of innovative ideas.

Hispanics' focus on a short-term time orientation may also be related to their opportunity recognition. Short-term time orientation refers to an emphasis on the present time or moment rather than the past or future (Okun *et al.*, 1999). As a result, Hispanics may stress present day enjoyment, and view the present as more important than the future. In contrast, Anglos often have a long-term time orientation, and place a great deal of emphasis on delaying gratification and planning for the future (Marin and Marin, 1991).

Given these values, Hispanics' short-term time orientation may shape their opportunity recognition. For example, Hispanics often identify practical short-term opportunities that meet the current needs of customers rather than innovative future-oriented opportunities (e.g. technology). In support of this argument, research revealed that Hispanics are more likely to start businesses in traditional areas (e.g. retail, construction) than novel ones (Lofstrom and Wang, 2007). Thus, the emphasis on a short-term time orientation may place limits on their opportunity recognition.

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Although our arguments seem plausible, we know of no research on these issues so we present the following hypotheses:

- H8.* Hispanic entrepreneurs who stress collectivism will be (a) less creative or (b) less likely to identify highly innovative opportunities for new ventures than those who emphasize individualism.
- H9.* Hispanic entrepreneurs who stress a short-term time orientation will be (a) less creative or (b) less likely to identify highly innovative opportunities for new ventures than those who emphasize a long-term time orientation.
- H10.* Hispanic entrepreneurs will be more creative when (a) their cultural norms or (b) organizational climates emphasize creativity than when they do not.

*Education and skills.* Other factors that may affect Hispanics' opportunity recognition are their educational and skill levels. Researchers (Shane, 2003) argued that individuals employed in research and development or marketing often have more access to information about products needed in the marketplace than others (Blanchflower and Oswald, 2004). Thus, the unique life experiences of Hispanics may influence their opportunity recognition.

For example, some Hispanic immigrants have information about international markets that can be used to identify new business opportunities. In particular, immigrants from Cuba often have information about Latin American manufacturing, and use this knowledge to generate opportunities in international trade (Peterson, 1995). Consistent with this argument, Peterson (1995) found that the most successful Cuban entrepreneurs attributed their success to a fortuitous combination of opportunities in the market and unique experiences.

Even though Hispanics' unique experiences may help them identify new opportunities, their low educational levels may also limit their ability to recognize them. For example, research showed that compared to Anglos, Hispanics often have lower levels of education, and are less likely to be employed in managerial and professional positions (Mundra *et al.*, 2003). As a result, they may have less access to information than Anglos about market needs, societal trends, or new technologies. In addition, they are more likely to live in Hispanic enclaves than others, and may not have information about the needs of non-Hispanic customers. Therefore, Hispanics' ability to identify new opportunities may be restricted by their education, employment, and living arrangements.

In support of these assertions, research showed that compared with Anglo businesses, Hispanics' ventures had narrower customer bases, and were more likely to cater to the needs of Hispanic than non-Hispanic customers (Birch, 2000; Grey, 2006; Robles and Cordero-Guzman, 2007). Thus, the earnings of Hispanic businesses may be lower than Anglo ventures (Carvajal, 2004). Given that there has been some research on HEs' experience and skills (e.g. Shane, 2003; Mundra *et al.*, 2003), we will not present new hypotheses here.

*Social networks.* A third factor that may influence Hispanics' opportunity recognition is their social networks. Researchers argued that Hispanics' values and identities are tied to their ethnic backgrounds, and their strong ethnic identities lead them to create new ventures that are relevant to Hispanics (Dana and Morris, 2007). If the norms in Hispanic enclaves are that entrepreneurs should start new ventures in

traditional areas, such norms may also limit their opportunity recognition, and motivate them to start Hispanic-oriented businesses (Dana and Morris, 2007).

Family members are also likely to have a profound influence on the types of opportunities Hispanics identify. For instance, research revealed that they often look to family members rather than professionals for advice about new ventures (Stone *et al.*, 2011). In addition, family members typically serve as role models, and their business experiences affect HEs' self-efficacy levels. Thus, Hispanics may feel more efficacious starting new ventures that are similar to their family members' businesses than new types of businesses. In support of this prediction, research found that Hispanics' fathers' experience and type of business influenced their choice of new ventures (Hout and Rosen, 2000).

Although there has been some research on HEs' opportunity recognition (e.g. Dana and Morris, 2007), additional research is needed on the topic. Thus, we offer the hypothesis below:

- H11.* Hispanic entrepreneurs' (a) family members or (b) ethnic networks will have more influence on their identification of new opportunities than other sources.

#### *Resource acquisition*

The third stage in the model focusses on the entrepreneur's acquisition of essential resources. Research showed that minority entrepreneurs typically have less access to financial capital for new ventures than Anglos (Bates and Bradford, 2007), and studies revealed that Hispanics were more likely to be denied a start-up loan than Anglos (Coleman, 2004). Given this disparity, researchers maintained that the lack of start-up capital contributed to the higher failure rates of Hispanic businesses, and served as an enduring barrier to the size and scope of their businesses (Bates *et al.*, 2006). One notable exception to this is that Cuban-Americans often have greater access to investment capital than other Hispanics (Wilson and Martin, 1982) because banks in South Florida often provide them with loans to facilitate their involvement in international trade (Wilson and Martin, 1982).

Furthermore, studies indicated that most loans for new ventures were concentrated in high technology industries (Bates and Bradford, 2007), but Hispanics were less likely than Anglos to start high technology businesses (Bates *et al.*, 2006). As a result, investors may perceive that the returns on investments may be lower with Hispanic than with Anglo-owned businesses (Bates and Bradford, 2007). Despite this argument, research is inconsistent on whether Hispanic-owned businesses have lower earnings than Anglo ventures (Bates and Bradford, 2007; Carvajal, 2004). Some studies indicated that returns on minority-owned businesses were not lower or riskier than those of Anglos (Bates and Bradford, 2007; Craig *et al.*, 2007). However, other studies revealed that the earnings of Hispanic-owned businesses were lower than those of non-Hispanic businesses (Carvajal, 2004). Consistent with these arguments, it can be argued that Hispanics' cultural values regarding debt and borrowing money, education and experience, and social networks are likely to affect their acquisition of resources.

*Cultural values.* Hispanics' cultural values regarding borrowing money and uncertainty avoidance may influence their acquisition of resources. Research by Korzenny and Korzenny (2005) indicated that Hispanics' conceptions of money and wealth may be quite different than those of Anglos. For instance, Hispanics, on

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average, view “being poor, but proud and moral” as preferable to being wealthy and corrupt (Korzenny and Korzenny, 2005). As a result, money may have less of a positive connotation in the Hispanic than the Anglo culture. However, enjoying life and forming relationships have strong positive connotations, and money may not matter as much as being happy in life (Marin and Marin, 1991). Furthermore, Hispanics, on average, have a very different view of debt and mortgages than Anglos. In particular, Korzenny and Korzenny (2005) argued that Hispanics often view lenders as untrustworthy, and only borrow money when there is no other choice. In contrast, the Anglo culture views borrowing money as instrumental to new opportunities (Trice and Beyer, 1993).

In addition, the term mortgage in Spanish is “hipoteca” and the Hispanic culture emphasizes that placing hipoteca on one’s home endangers the future of the family (Korzenny and Korzenny, 2005). Therefore, many Hispanics do not trust banks and only rely on mortgages as a last resort. However, research showed that HEs who assimilate to American society may be more likely to borrow money, and are often more successful than those who are not assimilated (Olson *et al.*, 2000). Despite these findings, research showed that Hispanics are less likely to acculturate to the dominant society than members of other groups (Stone *et al.*, 2007).

Given Hispanics’ values about money and debt, HEs may be less willing to borrow money to finance new ventures than Anglos, and may not have access to the capital needed to ensure business success. Some research (Stone *et al.*, 2011) provided support for this prediction, but little research has examined these issues with entrepreneurs. Thus, we propose the following hypothesis:

- H12.* Hispanic entrepreneurs who emphasize (a) values regarding enjoying life over money, or (b) the avoidance of debt will be less likely to apply for loans for new ventures than their counterparts.

Furthermore, Hispanics are, on average, higher in uncertainty avoidance than Anglos (Hofstede, 1980). Uncertainty avoidance is defined as the degree to which uncertainty is not tolerated, and those high in this value focus on security, trust, following rules, and avoiding risk (Hofstede, 1980). In contrast, those who are low in uncertainty avoidance believe that risk equals opportunities (Schuler *et al.*, 1996). Therefore, it can be argued that HEs who are high in uncertainty avoidance may be less likely to borrow money than those who are low in this value. Indirect support for this is provided by Shah (2012) who found that individuals high in uncertainty avoidance were less likely to invest in stocks than those who are low in uncertainty avoidance. Despite this finding, we know of no research on the relation between HE’s uncertainty avoidance and application for loans, and make the following prediction:

- H13.* Hispanic entrepreneurs who are high in uncertainty avoidance will be less likely to borrow money to fund new ventures than those who are low in uncertainty avoidance.

*Education and skills.* Other factors that may affect Hispanics’ acquisition of resources are their educational and skills levels. For instance, research found that Hispanics’ educational level determines their borrowing level, ability to obtain a loan, and overall business survival (Bates, 1995; Grey, 2006). Research also indicated that Hispanics’ educational level is positively related to their application for loans, ability to use credit

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wisely, and business success rates (Coleman, 2004). It merits noting that this is not the case for other minorities (e.g. African-Americans) (Coleman, 2004). Furthermore, research revealed that HEs' training and experience were positively related to their business success (Williams *et al.*, 2012). For example, some Hispanics have been part of family businesses, and these experiences enhance their business-related skills (Hout and Rosen, 2000; Robles and Cordero-Guzman, 2007). Given that research has examined the relation between Hispanics' education and success (Coleman, 2004), we do not present additional hypotheses here.

*Social networks.* Hispanics' social networks also influence their acquisition of resources. Researchers argued that ethnic enclaves and family members are critical to the success of HEs, and serve as valuable sources of money, suppliers, employees, and customers (Dana and Morris, 2007). Furthermore, Hispanics are more likely to borrow money from family or network members than from banks (Zarrugh, 2007; Dana and Morris, 2007). Also, Hispanics are more likely to employ their family members than Anglos, and rely on them to operate their businesses or provide financial advice (Robles and Zarnikau, 2004; Stone *et al.*, 2011).

The involvement of family members in Hispanic businesses may pose a number of potential benefits and challenges. For instance, studies suggested that the involvement of family and network members contributed to high levels of trust and reciprocity, and positively affected business success (Horak and Lee, 2011; Matzek *et al.*, 2010; Besser and Miller, 2011). However, dependency on family or network members may limit long-term growth, and decrease the amount of learning the entrepreneur experiences over time. The needs of the family may also constrain the amount of re-investment in the business, and limit the skill development of family members (Dana and Morris, 2007). Despite these arguments, little research has assessed the degree to which Hispanics' utilize their family members or ethnic networks to acquire resources. Thus, we present the following hypotheses:

*H14.* Hispanic entrepreneurs will be more likely to borrow money from (a) family members or (b) members of Hispanic networks than from other sources.

*H15.* Hispanic entrepreneurs will be more likely to rely on family members as (a) employees or (b) financial advisors than other sources.

### **Discussion**

In order to foster additional research on HEs we modified an existing model of entrepreneurship (Baron and Henry, 2011) to explain the unique factors that affect HEs' motivation to become entrepreneurs, opportunity recognition, and acquisition of resources. We argued that a one size fits all model of entrepreneurship may not consider the distinct individual factors associated with HEs including their cultural values, skill levels, and social networks. Our modified model was used to generate hypotheses to guide future research on these issues. It is our hope that the current paper will foster additional research on HEs, and identify the factors that can be used to enhance their effectiveness. The current paper also has important implications for theory, future research, practice, and society as a whole.

#### *Implications for theory*

Even though there has been some research on HEs, most of it has been atheoretical and fragmented (e.g. Peterson, 1995; Shinnar and Young, 2008). Our review of the literature

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noted that prior research focussed on HEs' demographic characteristics, family, and ethnic enclaves, but did not explain the underlying processes that influence their motivation and behaviors. Therefore, we offered a theoretical framework to explain these processes, and maintained that an increase in our understanding of these underlying processes can be used to foster research and enhance the effectiveness of Hispanics when they initiate an entrepreneurial activity. Also, this framework can be applied to Hispanics' attempts to increase their number of new ventures.

#### *Implications for future research*

Most of the existing research on HEs made inferences based on the individuals' ethnicity, not their cultural values (e.g. Dana and Morris, 2007; Hisrich and Brush, 1986). These inferences may be erroneous because they do not consider differences in Hispanic subgroups (e.g. Mexican-Americans, Puerto Ricans), differences in SES, or within group differences in cultural values. Thus, we believe, as do others (Betancourt and Lopez, 1993) that research on HEs should measure cultural values and SES directly rather than use ethnicity to make predictions. For example, even though Hispanics are, on average, more collective than Anglos, this finding does not mean that all Hispanics are collective (Marin and Marin, 1991). In fact, research revealed that regardless of ethnicity, women are more collective than men, and high SES groups are more individualistic than those with low SES (Triandis, 1994). Therefore, the use of ethnicity without considering individuals' cultural values and SES may lead to invalid inferences.

Given these arguments, we believe that the present paper makes a unique contribution to HE research because it offers a framework for understanding the factors that are likely to affect their motivation and behavior. Although we presented a model, we believe that it is just a starting point, and additional research is needed to expand it to include environmental, economic, SES, and gender differences. In addition, future research on the topic would benefit from a: meta-analysis that includes results of previous research; discussion about the acquisition of human resources; and consideration of succession planning as part of the post-launch phase of the entrepreneurial process.

#### *Implications for practice*

Our paper also has key implications for practice and improving the effectiveness of HEs. In the introduction we noted that Hispanics are more likely to start small businesses, but also more likely to fail than majority groups (Sullivan, 2007). Thus, we feel that our model makes a contribution to practice because it explains some of the underlying factors that affect HEs' behaviors. For instance, it suggests that HEs may not perceive that they have the skills needed to start new ventures, acquire financial resources, or ensure business success. Therefore, communities, colleges, and professional organizations should offer training that can increase their skills and abilities. Interestingly, some research by Williams *et al.* (2012) discussed the importance of training HEs, and noted that there were differences among Latino, Latina, and non-Latino entrepreneurs in terms of the types of training they attend. Research by Gavino and Ortiz-Walters (2011) suggested that Latino business owners' SES was related to their willingness to invest in training, and networking. Thus, we need to find ways of motivating HEs to become more involved in training and networking.

Our model also noted that family and ethnic social networks often have a great deal of influence on HEs. As a result, we recommend that successful family and ethnic

group members should be recruited as role models and mentors for HEs. These individuals are more likely to have an influence on HEs than others because they are similar in terms of cultural values and backgrounds. Another critical obstacle to the success of HEs is the lack of financial resources. Governmental agencies, communities, and private-sector organizations should be encouraged to offer start-up funds for them. Of course they should understand Hispanics' cultural values regarding borrowing money and uncertainty avoidance, and gain assistance from Hispanic role models before offering funding opportunities.

#### *Implications for society*

Given the growing number of Hispanics in our society, we believe that the present paper has important implications for society as a whole. For instance, entrepreneurship is an important means of increasing the inclusion of Hispanics in our society, and enhancing their economic well-being. A greater understanding of the factors that affect their behavior should increase their overall success, and serve as a catalyst for job creation for the entire economy. Given the relatively high unemployment rate in the USA, coupled with recurring job loss, small businesses contribute by providing opportunities for large numbers of workers, encouraging independence, and sparking innovation which increases economic vitality.

#### **Conclusion**

This paper presented a model of individual factors affecting the behavior of Hispanic entrepreneurs, and offered hypotheses to guide research and practice. It is our hope that the model will promote additional research on HEs, and enhance their overall success rates.

#### **Note**

1. The term Hispanic refers to those individuals who are indigenous to the Americas but trace their ancestry to Spain or the IberoAmerican peninsula (Marin and Marin, 1991). We use Hispanic rather than the terms Latino or Latina because it is a commonly used label. Latino and Latina are also relevant labels, and are used interchangeably.

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**This article has been cited by:**

1. Donna Blancero, Professor Miguel R. Olivas-Luján and Dr Dianna L. Stone Dr, Aguinis Herman, Joo Harry. 2014. Research on Hispanics benefits the field of management. *Journal of Managerial Psychology* 29:6, 604-615. [[Abstract](#)] [[Full Text](#)] [[PDF](#)]