Minority Entrepreneurship: How Access to Capital and Strategic Decisions Affect Success

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Minority Entrepreneurship: How Access to Capital and Strategic Decisions Affect Success

by

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An Honors Thesis in partial fulfillment of the requirements for the degree Bachelor of Science in Business Administration in Accounting.

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Abstract

Many researchers have discovered that entrepreneurship is a source of financial freedom that if done successfully will ensure wealth for generations. Accordingly, minorities have seized that opportunity in record numbers with hopes that they will become prosperous. However, in addition to the increased success rate of minority-owned businesses, there is a rise in the failure rate of minority-owned businesses specifically in the African-American community. In this thesis, I conducted a case study of three entrepreneurs at different stages that supports the theory that access to capital and strategic decisions affect the success of minority entrepreneurs even if they are not the only factors. This case study provides an in-depth and holistic understanding of issues that plague minority entrepreneurs.

Introduction/Objective

In 2012, over 8 million minority owned businesses contributed $1.38 trillion dollars in revenue and over 7.2 million jobs (Minority Business Administration, 2010). Despite these impressive numbers, minority owned firms, particularly African-American, continue to fail at an alarming rate. Starting a business is already a tough pursuit that many start and many more fail to achieve the level of success they envisioned if they even complete the start-up process. As such, it is considerably harder for minorities to complete such a daunting task as they face more barriers to entry and even more challenges once they start. According to Fairlie, Robb and Hinson (2008), the number of minority entrepreneurs rose rapidly in the last twenty years; however, their share in totality is still small and the rate at which they grow lags behind that of white-owned businesses. This is an inefficiency that yields many implications for these specific communities and society as a whole. In this thesis, I will analyze financial barriers minority entrepreneurs face attempting to start a business and the consequences this presents once in the industry in addition to how strategic decision making has an effect on the outcome of these pursuits. By the end of this study, I hope to have a better understanding of the effect of financial barriers on minorities’ entrepreneurial endeavors, their strategic endeavors and how it compares to those of their counterparts.

Literature Review

Financial Discrimination

Start Up Capital

Access to capital is one of the biggest factors affecting the ability of minority nascent entrepreneurs – those who wish to start a business, but have not done so. This was the case when research first ensued in 1969 and continues to be an issue today. In the study on the State of the Field done specifically regarding race by the Kaufmann Foundation (2017), many minority owners lacked wealth in comparison to their counterparts. While wealth is not seemingly a big factor, it becomes one when it affects your credit score which in turn affects your ability to attain equity to be used as collateral or to create funding. Furthermore, the lack of wealth means that minority entrepreneurs are forced to look outside of themselves for funding instead of being able to invest in themselves or have their family invest in their pursuits. This can be attributed not
only to their lack of wealth but the liquidity of the wealth they do have. As a result, minority owners tend to enter industries with low equity costs, relative to their majority counterparts whose wealth, on average is 11 to 16 times higher allowing them to attain more external debt when needed (Fairlie, Robb, Hinson, 2010). Low equity costs, on the other hand, contribute to high failure rates for minority business owners.

Wealth and equity, however, are not the biggest disparities associated with attaining capital. Inequalities become more apparent when minority owners attempt to apply for loans. According to Robb, Fairlie and Hinson (2010), first and foremost minority owned firms are simply less likely to apply for funding. This may be because of the stigma surrounding loans. It is hard to put the work in to applying for a loan when the assumption is that loans aren’t accessible or attainable. Their hesitations are not baseless. The following excerpt from Robb, Fairlie and Hinson’s study illustrates that, even when controlled for outside factors, lending discrimination is present.

“These alarming differences in treatment in the lending market, however, may be due to differences in the size, creditworthiness and other characteristics of the owners. This does not appear to be the case, however, as previous studies control for numerous owner and firm characteristics including the creditworthiness of the firm. We conducted a similar analysis including an even more extensive set of controls and continue to find that minority firms are more likely to experience loan denials, not apply for loans because of fear of rejection, and pay higher interest rates on loans. Any remaining negative racial or gender differences in lending outcomes are consistent with the existence of lending discrimination.”

In addition, research completed by Fairlie, Robb and Hinson shows that the denial rate for small minority business owners is three times higher than their white peers. Only 17% of small minority business owners will actually receive loans in comparison to the 23% of their majority counterparts. To continue analyzing the disparity in loan application, we can also observe the amount of loan received once owners have applied for loans. When receiving a loan, small minority businesses on average receive $149,000 which is less than half of what white small business owners receive. Additionally, faced with a higher interest rates, research demonstrates how minority owned businesses suffer from the lack of access to capital. This disparity increases as the size of the firm grows according to (cite the source of this assertion).

*During Operations*

Financial discrimination remains a barrier when minorities wish to expand after they have initially gotten their business operational. The same study (cite the authors and year again here) shows that disparities in access to capital grows after the first year of operations. Additionally, different challenges and different disparities are presented during operations. For example, Black-American owned firms generated sales of approximately $58,000 while a non-minority firm generated over 9 times that amount (McManus, 2010). This sales disparity can be explained by the fact that most of minority-owned businesses are in the lowest 20 sales industries while only 13.1% of minority owned businesses are in the top 20 sales industry (citation needed). In addition, there is disparity across specific industries. Minorities are disproportionately hurt by the cost of and lack of access to capital. The access to capital during start-up and operations doesn’t just make it hard to conduct business, but it negatively impacts the profitability of these
businesses. African-American entrepreneurs are especially vulnerable. According to the Ewing Marion Kauffman Foundation (2017), “While approximately 16 percent of minority-owned businesses report profits being negatively impacted by the cost and lack of access, only about 10 percent of non-minority-owned businesses report the same.”

**Strategic Decisions**

There are many other factors that contribute to the overall inefficient utility of minority-owned businesses. There is the lack of human and social capital. For example, minorities tend to have a lower education level than those of their majority counterparts which will eventually translate into a barrier for entrepreneurship (Fairlie, Robb, and Hinson, 2010) For some, there may be a language barrier or implicit bias from those who minorities seek to conduct business with. Minorities also pursue entrepreneurship at a younger age. Furthermore, minorities have a lack in social capital whether it comes from the lack of familial wealth and support or just the networks they have been socialized into (Roithmayr, 2014). According to Roithmayr, such external factors after being reproduced generation after generation become “locked-in” and hard to dissipilate. Therefore, while financial discrimination is not the only factor that contributes to the failure of minority business enterprises, I will argue that for some factors, they are circular. In addition, the Minority Business Development Agency (2010), has found that strategic decision-making and alliances affect the success of minority owned enterprises in comparison to that of the majority. The study suggests that in order to maintain comparatively with their majority counterparts, minorities business owners must continue to make themselves visible, form alliances and partnerships that benefit both parties and leverage government resources. The outcome of successfully implementing smart strategies are larger more successful businesses, more insightful leaders. Strategic decisions of minorities, which is arguably the second largest factor to consider when discussing the success or lack thereof in minority businesses, are important to analyze and improve upon in the coming years (Minority Business Development Agency, 2010). Another study (Lyon and Zhang, 2017) have found that women and minorities are more likely to benefit from entrepreneurial training than their counterparts. This study helps suggests that if minorities have the background and the education to make better strategic decisions, then they are more likely to be successful in the long run.

**Conclusion**

In conclusion, this literature review has given me a thorough understanding of previous research done on why minority-owned enterprises tend to fail more rapidly than those of their majority counterparts. Racial and gender discrimination can be observed when minorities attempt to gain access to capital whether to start up or to continue and expand current operations. This discrimination when it comes to financial matters lead to other implications that further the opportunity gap that is present between the success of firms owned by minorities and their majority counterparts. While I found that financial means are not the only cause for the failure of minority businesses, it is one of the more prevalent reasons and one of the reasons a policy change can help. Minority business enterprises are critical to the US Economy and the potential that isn’t being utilized is an inefficiency the US can’t afford to ignore. From this review, I have decided to conduct a case study that specifically focuses on the access to capital and strategic
decisions of minorities, specifically African-Americans and further understand how it affects the success of their businesses.

Context

When performing a case study, it is important to consider the climate in which the case study is being performed whether that is political, social or financial. I will briefly describe each of the climates listed to provide context to the study.

The political climate of the United States is currently very divided. There is a drastic polarization of the population forcing constituents to choose a side. There are smaller parties, but the majority of the power lies within the two major parties. Even more, there is an increasing amount of violence due to political differences. There is also a decreasing amount of trust in governmental institutions. The graphic below shows the change in trust from the population since 1979.

The social climate of the United States is interesting considering the political climate. I will discuss specifically the social climate as it pertains to African-Americans as they are the focus of this study. Despite increasing violence and decreasing trust in governmental institutions, African-Americans are utilizing their voice arguably more than ever. Their voice is not just being used to speak out against discriminatory actions, but against poverty, the justice system, gender violence and many more important social issues.

The financial climate of the United States is currently a positive economic picture according to FocusEconomics 2018. There is growth in employment and wages which is stimulating the economy and creating a healthy business environment. This environment is being risked by trade measures threatened by the current President, Donald Trump. According to FocusEconomics, the economy is currently consisting of majority service-oriented companies. Despite a changing global environment, the US remains the largest and, arguably, the most
important economy in the world. This financial environment makes the period conducive to taking risk and pursuing entrepreneurship.

**Methodology**

**Design**

Based on the findings reported in my literature review, I completed a case study to gain further understanding factors experienced by minority-owned business that may contribute to their success or failure. I have performed three in depth interviews of African-American entrepreneurs with different backgrounds and that are at different stages in their careers. The following interview questions were used.

- How did you decide to start a business?
- What are the goals for your business?
- How did you fund your start up and attain additional capital? Did you give up equity? Enter with a partner?
- Can you talk a little bit about your business processes – Financing, Advertising, Strategy?
- What are the top 3 challenges?
- Have you faced any bias when pursuing your endeavors?
- What motivates you when/if struggling?
- Do you have an advisor or mentor to go to when unsure?
- What are your measures of success – do they change as company grows?
- Next steps?
- Is there anything you would like to add that you believe I missed?

For this case, success is defined as the enterprise generating a steady stream of revenue and being self-sufficient. Failure being defined as the exact opposite – a scattered stream of revenue and reliance on outside capital to run.

**Limitations**

There are a few limitations to this case study. The first limitation is that the cases selected were limited to entrepreneurs I knew personally. Because of this, the study is subject to researcher bias which I attempted to reduce by controlling the questions. For each interview conducted, I asked the questions in the same order and in the same manner to minimize leading. Secondly, there is also response bias due to the personal relationship with each case. Some cases may be more inclined to share more candidly, while other cases may be hesitant to share their experience especially if they are struggling financially. Lastly, when conducting a case study, there is always interpretation bias. There is a tendency to present the information in such a manner that it supports the initial theory. While there is not a formal control to combat this specific type of bias, I aimed to remain as objective as possible when synthesizing and interpreting results.
Research

For each case, I will provide background information and then a summary of my account.

Case A

Case A is a 49 year-old African American woman. She was born in Lake Village, Arkansas where she attended school. She received her Bachelor of Science in Business Administration from the University of Arkansas in 1990 and later received a CPA following graduation. Her industry is in Public Accounting and she had years of experience before she decided to pursue entrepreneurship and start her own CPA firm in 1996.

According to her, she decided to open her own firm because of time, opportunity and the desire for flexibility. She had recently left public accounting, the big 6 at the time, and went to work for a local firm in the Delta area of Arkansas. The level of services at that particular firm were below what she was accustomed to providing. Their knowledge base was limited, and she believed she had more to offer clients. Furthermore, she was starting a family. Entrepreneurship allowed flexibility while also allowing her to help her community. She focused on non-profits in the area that previously stayed in trouble on the financial end because of reporting.

The goals for her business fluctuated as the amount of time she could dedicate changed as well; however, a few goals remained constant throughout her entrepreneurial career. She desired to maintain a controllable work-home balance especially with three children that were born in different times of her career. She had just left a career where she worked strenuous hours at times and she knew that was no longer what she desired. She also strived to develop more confident accountants/bookkeepers in the area specifically new graduates and moms, as she could relate to the challenges they would face in the work force. The hope to provide a positive work environment to new graduates and moms added a small aspect of social action to her career. This idea of helping the community pushed Case A when she was lacking motivation.

Once she had made the decision to pursue entrepreneurship, she immediately started taking the appropriate steps. Initially, she started out of her home. This allowed her to keep start-up costs low and keep the price of her services low as she acquired no additional overhead. Furthermore, this allowed her to accrue more usable revenue as she retained more of her hourly rate. She saved most of her money and continued to grow her client base in the early years. Once the client base was sizable and she outgrew her home office, she rented a few places ranging in price. The first place she rented was from a family friend who charged her well below the going rate which allowed her to continue with her relatively low rate. After renting for a while, she decided it was time to open her own office. The fact that her husband was a lawyer and looking for his own space helped as well. They decided to finance their new business by applying for the intermediary relending program. They put together a well thought business plan and was soon accepted. The intermediary relending program was a federal program that gave the government 20% equity until their loans were paid off. Their first location was in Helena,
Arkansas. The revenue from that location allowed them to open another location in Forrest City, Arkansas. Their success eventually allowed them to pay off their loans and completely own their own business.

After discussing how she started and entered the market, we discussed her continuing business processes, specifically strategy. When Case A first entered the market, she strategically focused on the non-profit organizations in the area. The organizations were doing amazing work but were continuously losing funding due to unorganized and misstated financial statements. She targeted those businesses as she knew she could provide what they needed. She moved carefully because the rules in accounting are strict on how you can advertise. During the period when she was expanding her network, advertisement was almost considered taboo. Knowing this she relied heavily on word of mouth from previous clients. To reach outside of that network, she conducted seminars that extended her reach and helped grow her clientele. These seminars introduced businesses and organizations to the financial foundations they were missing to keep their funding. Case A said, “Once you teach people WHAT they need, then they know to come to you to get it done.” Because of this approach, she became more of a consultant than an auditor. This was her strategic plan and it made her successful in the area according to her measures of success.

Her measures of success were very qualitative instead of quantitative. This is not unexpected when considering the nature of her goals when starting her business. She saw her staff grow in their field and go on to work in different companies in different positions. When she saw the growth in them, she considered that success. Of course, she wanted to be successful financially, which she was, but that was never the primary goal of her entrepreneurial endeavors. She found that as her life changed, as her firm grew, the measures of success changed as well, but seeing the growth of her staff as a success never wavered.

Despite her success, she faced some challenges in her field. The one that she faced most often, both in public accounting and in starting her own firm was having tough clients. Tough is used to describe several clients that were challenges in different ways. She had some that didn’t want to comply with what was required. She learned the hard way about strategically selecting clients. She realized as her firm grew that she didn’t have to accept every organization that presented an opportunity. It was up to her to do the proper research and then decide if the client was worth pursuing. Tough clients were also the ones that were hard to work with specifically those that undermined her position because she was a Black woman. Another challenge she faced was making sure she was paid what she was worth. While she worked to keep the price of services relatively low, it was more than what many in the area were accustomed to paying. This made it difficult to attract new clients, but it was easy to retain them after seeing the quality of her services.

As mentioned in her challenges, Case A faced bias as black woman – in public accounting and in her own business. During public accounting, she was often one of the only black women, if not the only black woman in that space. She faced bias from her peers who thought that she shouldn’t have been in her position. When starting her business, she didn’t receive opportunities sometimes because of her color. Once, she was working for a client and overheard an older white woman from management say that they didn’t want a person of color
sitting in her office. She didn’t face clients like that often. She believed that her education and her certification as a CPA transcended color and bias and afforded her many opportunities.

Despite these challenges, the social aspect of her career motivated her when she faced challenges. Whenever she had a particularly bad client, she’d remember the reason for her business wasn’t purely financial. She’d remember the new graduates or the moms depending on her to provide work experience. She’d remember the flexibility that being her own boss provided and would stick with it.

When faced with these challenges, she also had a mentor that she looked to, not necessarily when faced with personal issues, but as a professional. It was another local CPA. She pursued some joint ventures with him that helped get her name out in the area. She started business in the same industry and they often used each other and learned together.

As far as next steps, Case A believes that that is a good question. Everything has shifted for her recently. She moved to a new city and her 3rd child, whom she had later in life, made her scale back. Once this child is older, she will decide between taking a retirement job or continue to pick up small contracts. She stated that it would be hard to go back to not working for herself, even if it is a lot more work [than working for a company].

One of the things she added at the end of her interview was the toughness of transitioning from working for someone to working for yourself. She had to realize that it was up to her to pay herself a salary, or to bring in enough revenue to pay herself a decent salary.

Case B

Case B is a 22 year-old African-American male from Helena, Arkansas and he attended Barton High School. In 2017, he graduated from the University of Arkansas at Fayetteville where he studied Apparel Merchandising and Product Development. He pursued entrepreneurship directly following graduation. He laid the ground work during his college career and focused on it solely after graduation and has recently made it through his first year of operations. His company is in the retail sector, specifically the shoe industry and was started just recently in 2017.

Case B decided to open his own business because he saw the lack of black-owned businesses in the world. Furthermore, he knew so many people that lived their whole life never owning anything and he wanted to break that cycle. He chose his industry based off his personal interest. He had always been interested in fashion especially one particular look. That’s what drove him to major in apparel merchandising and that is what drove him to enter the retail industry.

The goals for his business are undetermined at the moment. While he knew he wanted to start a business, he initially didn’t have plans to be where he is right now. With that in mind, he just wants to expand his brand and receive more recognition on social media. He hopes to continually expand his social media reach because retail is only a small percentage of what he
Case B funded the ground work for his entrepreneurial endeavor through familial support from his mom and loans. While she was alive, she helped him financially and after her death she left him some money to continue pursuing his dream. Even with this familial support, he needed more capital to successfully start up his business. Before pursuing a loan, he looked up other possible sources of capital such as crowdfunding sites and mentors. He received a small amount more from these sources, but soon realized he still needed more capital. He had enough to start business, but not to continue operations. After this, he applied for a loan. He was deemed too risky because of his short and relatively inconsistent sales history. He is currently looking for other sources of funding, but it is hard because he doesn’t want to give up equity or bring in a partner. He is now preparing documentation to apply for funding from the federal government through the Small Business Administration (SBA).

His business processes are relatively simple currently. He is focusing on Product Development and Marketing/Advertising. He is continually developing new styles and striving to expand his social media reach. In the future, he plans to garner support from big social media pages such as “The Shade Room” and popular celebrities. As his success grows, he hopes to make it to even bigger pages such as GQ or Forbes. He says that social media plays a big role in the success that he’s had thus far and will continue to play a large role currently. He believes the social media platform is even bigger than other advertising methods such as pop-up shops and radio. The more consistent he is on social media, the easier it will be to “go viral” and to gain more exposure.

Case B has faced many challenges in his short tenure. He believes the top three are sacrificing previous lifestyle, garnering support from his own people and finding different sources for capital. Case B realized once he decided to pursue entrepreneurship solely, he would have to sacrifice some of the things he was accustomed to, but he did not realize to what extent. He’s had to live off his credit card before due to pouring so much of his own money into his business. Furthermore, he’s had a hard time garnering support from other Black-Americans. He believes this is because Black-Americans “have been brainwashed by big brands” especially with so many celebrities wearing their brands. He noticed a domino effect between these factors. Celebrities support big brands, so the average consumer supports big brands making it hard for him to find a place in the market. According to him, statistics say that the black dollar stays in the community for only 6 seconds which is very low compared to majority counterparts. Lastly, he has faced challenges when it comes to finding capital and other resources. He believes there is a disparity between the familial wealth and in the familial connections which makes it hard to start up a business and be competitive in a market where your peers are already many steps ahead of you.

In addition to his challenges, Case B believes he has faced some bias when it comes to receiving funds from banks in the form of a loan. While he knows he isn’t currently the most attractive candidate, he believes his story may be different if he were a different color. This belief has definitely made him hesitant to continue to apply for loans.
Despite these struggles, Case B has many sources of motivation. He remembers where he came from and where he is now and that is motivation in itself. He came from “the struggle” and because of that he HAS to win. The support from his family and the loss of his family push him too especially his mom. When she died, she was in full support of his dream and he believes he owes it to her to be successful. Not just to her, but he has too many people rooting for him for him to fail now. So, whenever he is struggling, he just thinks of all the people who want to see him make it and that gives him the strength to endure another day even more so on the days when he feels he is alone.

Sometimes when he needs a more motivation or simply someone to talk to, he has a mentor that he can reach out to. This mentor has been there for him personally and financially by “being an ear” and offering him capital for nothing in return.

Case B measures his success in many ways. He says when starting a business, it is important to count the small wins as well. Some measures of success he holds currently are staying in operation for a year and expanding his line from 2 types of product to 10. Qualitative measures of success for this case include his social reach and impact. He was featured in Essence and he’s had people from around the nation reach out and say they are rooting for him. He counts being able to continually do what he’s passionate about as success as well. As he has found himself gaining experience he’s been able give other people advice and give back to the community that has supported him thus far.

His next steps, as of now, are simple and are still ambiguous. His plan is to “go viral” as much as possible and simply stay afloat. He sets such ambiguous plans because there are many external factors that can affect the course of his business. Furthermore, he will continue to reach out to big platforms – Forbes, Shade Room – and promote positivity. He supports the idea that you can achieve anything no matter where you come from.

One thing Case B wanted to add at the end of his interview was this statement. “Entrepreneurship has to be something you’re willing to go broke for.”

Case C

Case C is a 27 year-old African-American male from Atlanta, Georgia. He studied Chemistry at Fort Valley State University and Chemical Engineering at the University of Arkansas. He currently works in engineering while also pursuing his entrepreneurial endeavors. His company is a non-profit organization that provides outreach to minority students in hopes to reshape the culture around STEM related fields. It was launched in 2016.

His company is dedicated to reshaping the culture and it came from an organic place. He has a genuine interest in the STEM fields; however, the opportunities he found were by accident. He wants the future generations interested in STEM to pursue opportunities purposefully and with full knowledge of what it could do for them. His background in STEM has allowed him to be in control of his own destiny. Specifically, engineering has given him the opportunity to pursue whatever it is that he wanted to do. While talking to other people, he found that more people would have went into STEM related fields if they only knew what it could do for them.
With this idea in mind, it pushed him to help the future generation seeing that it was too late to help his peers. He hopes that his company will give K-12 students the incentive to work a little harder in Math and Science when they see someone who looks like them being successful in those fields.

The goals for his business include inspiring curriculum change and pursuing corporate and university partnerships. He hopes his company will become a pipeline for STEM like what exist for athletes. Athletes know at a young age what steps they need to take to end up where they want to be. They know to play AAU and connect with this coach. After that, they need to attend this school that has connections with this college. Then, they need to attend this college because this program has connections with these NFL teams. His company wants to connect the dots to successful STEM professionals in that same manner. It will help students understand why STEM is important and create a vivid picture of the end goal.

To fund his start up, Case C made enough money to fund his own opportunity. He strategically positioned himself to allow for this opportunity. He built a network to grow his company and it has just recently become self-sustaining.

His business processes are complex due to the nature of his business. He doesn’t mind because the basis of his company is a grassroots movement that he truly believes in. He strongly believes in the goal of this movement and helping his community. The business is sustainable because of this. It is a cause that anyone can get behind. He said, “At some point, a business has to stop relying on the support of the owner’s friends, but to become a business that people actually support.” He believes that’s why his business has seen the traction that it has. No matter the background, people can get behind his start-up because they believe in reshaping the culture. Furthermore, because of his professional background in sales, he can effectively give a pitch that universities and corporations can see the value in. His strategy is that if he starts with K-12 in reshaping the ideology around STEM, it will translate to university and then to industry. If students gain exposure to the opportunities presented by STEM, then they are more likely to be engaged. He uses this method to provide proof of effectiveness and show that it’s valuable to them to garner their support and eventually their partnerships. He believes that the marketing and branding portion is an important piece of the bigger picture. His vision statement is “reshaping the culture with intelligence and creativity.” He spends a large amount of time volunteering at schools and after school programs to gain a fundamental understanding of what’s the specific problem. He says his communication is key to reaching the kids and reshaping the culture. He meets them where they are and speaks to them in a language that they can gravitate toward – music. With that method, he then goes from a parent or an authority figure to a role model, friend, ally. Music is a language that can reach everyone and captures the students’ attention. His form of communication is the competitive advantage.

When asked about his top three challenges, Case C stated that at least 2 of them were dealing with the structure of school system. It is a necessary evil in achieving the goals of his business. How is he going to reach the students if he can’t even get into the schools? The politics behind it turn a lot of people off, people who are willing to give their time, effort and resources to the kids. It is even harder getting through the door of schools unsolicited. It is a
much longer process when you don’t have a point of contact established in the premises. Establishing those contacts is what he considers to be his third largest challenge.

Case C believes that he has definitely faced bias. Many school systems are not accustomed to people who look like him interested in coming into the schools without an already established organization. Also, the title of his company gives off the perception that his services are exclusively for black students. This is not the case, but it is perceived that way and keeps his organization from spaces that aren’t majority black. He’s only had one example of him entering a school that wasn’t majority black. It is the best example of inclusivity and he only got in because he knew someone which cycles back to one of the challenges he faces already.

Despite the challenges he faces, Case C remains motivated in his mission. He remembers his personal experience when growing up. He remembers what it was like to have people tell you to be doctor, engineer, etcetera without giving you a reason why. He remembers pursuing a field based solely on a whim. He doesn’t want future generations to go through that, but to know exactly why they should be paying attention and putting in the effort in math and science. He doesn’t want some students first time hearing the word “engineer” two or three years into their undergraduate career. He also remembers his parents’ urges. Growing up, the boss of the company where his mom worked was an engineer. The boss was a “nice person well-off” and inspired his mom to come home and tell him that he needs to become engineer. He becomes nostalgic on his time as a child and that’s the motivation he needs to keep pushing.

Case C has many mentors to look to when unsure. His very first mentor was his first cousin. His cousin received a degree in engineering and helped him navigate the necessary spaces. He helped him apply to school and interview for internships. If he was facing any issues, he knew he could look to his cousin. When his grades dropped causing him to lose his internship, his cousin was there. He gave him back his confidence and helped him “get back on his feet.” Because of his cousin, he understands the usefulness of a mentor. He now has advisors or mentors he can reach out to for just about everything:

- Talking to advisors
- Talking to educators
- Navigating non-profit space
- Spiritually
- Financially

He has also met peers operating in the same space and can utilize them as well. He will bounce ideas off them. Even more, as he is operating in the school system and in a younger crowd, he will talk to his mentees about his endeavors as well.

Case C believes that success is difficult for him to measure at this point. Quantitatively, he would measure the number of schools he’s gotten into and the number of students reached. He works with 7 schools in the Midwestern Region and 2 in his home state of Georgia. Despite the numbers, he believes the qualitative measures, the intangible successes are what really matter. When he sees the excitement of students now interested in STEM or when a student reaches out to him and tells him about the A they made on their math test or the schools they were accepted into, the feeling is indescribable. It’s the feeling that it gives him knowing he is
truly making a difference that matters no matter what the numbers may be.

The next steps for him are to secure more partnerships officially in a widespread range of regions with different organizations. He plans to restructure into a more strategic organization to better reach the goals of his business. Case C added at the end of his interview that he is just excited to see the growth that his company will make and that it is the support from Arkansas that amazes him each month.

Results

Analysis

From these in-depth interviews, I have analyzed the responses to synthesize some results. To control for researcher bias, I defined success before conducting the interviews. Despite each case being successful in its own way, according to these definitions, Case A and C are successful while Case B is not. Reasons are found in the responses from the interview and conclusions are drawn from similarities and differences found in each case.

The responses in the interviews support the idea that access to capital correlates directly with the success of minority owned businesses. When initially speaking about access to capital, I was specifically referring to loans; however, through this case study I find that access to personal capital makes a big difference as well. While Case B believes he faced discrimination in applying for loans, we cannot conclude if that is the standard or how certain that assessment is without a comparison to a more attractive candidate. Because of this finding, one may assume that personal wealth may play a larger role than initially found in Robb, Fairlie and Hinson’s (2010) study. Case A and Case C both used their own capital to fund their start-ups, but Case B did not. He relied heavily on outside sources – be it familial or otherwise to raise capital for his businesses. Because Case A and C did not have to worry about where their funding was stemming from, they could focus more on building clientele and perfecting the operations of their companies. Discrimination was faced more so while operating in the industry through securing clientele or gaining entry to certain spaces. All three cases stated they faced these type of issues during their tenures as entrepreneurs.

Secondly, after analyzing the responses, I have found that strategic decisions, possibly even more so than access to capital affect the success of minority enterprises. Both Case A and C strategically entered their markets and clearly defined plans of actions. This differed from Case B. While he has a plan of action, he does not have specific, measurable steps to take to reach his relatively ambiguous goal. From my interpretation of Case A and Case C’s responses, I would attribute more of their success to knowing what they wanted to achieve versus having the capital to do so.

Alternatives

While the case study seemingly supports the ideologies found in my literature review, there are some alternatives to be considered. Access to capital and strategic decision-making definitely played a role in the success of Company A and C, it could also be the years of
experience already had. Their work experience allowed them to save and pour funding into their endeavor if need be. Case B pursued entrepreneurship directly following graduation and relies solely on its revenue streams to stay afloat which may play a role in his failure.

Another alternative to be considered is the industry in which they entered. Case A and C entered into service-oriented industries which make up the majority of the United States economy. In contrast, Case B entered into the retail industry that has been declining recently per popular sources. Service-oriented companies are also more popular in the United States as the average consumer is more likely to spend on an experience than a physical item. According to McManus in 2010, minorities disproportionately enter into markets that are in the lower 20 when ranking industries which negatively affects their profitability when compared to that of their majority counterparts.

**Recommendation**

The results of this research can inspire change and future research. Based on the results of this research, I believe that if there was parity in access to capital spurred by a policy change and more effective entrepreneurial training, minority enterprises would flourish thus leading to positive effects in their local communities and the overall US Economy.

**Possible Solutions**

A possible solution includes a change to legislation or policy that would directly target the banking industry. Instead of incentivizing lenders to give more to minority owners, the best course of action would be to deter discrimination. This would halt any claims that would arise claiming reverse discrimination. Banks which are federally supported in any manner should be subject to random audits. While other factors may be used to explain the lending habits, auditors will be able to control for those factors to locate any discrimination in the banks’ lending practices. Furthermore, I found that access to personal capital plays a large role than access to outside capital in whether minority entrepreneurs are successful. A feasible solution for this finding is hard to create because the lack of wealth in minority communities can be traced back to years of systemic discrimination (Roithmayr, 2014).

Another possible solution is to require entrepreneurs to participate in some form of entrepreneurial training before receiving any assistance from the federal government. This would allow nascent entrepreneurs to be introduced to strategies that will help them make better decisions for their company. As Zhang and Lyons (year of source) found, minorities benefit more from entrepreneurial programs than their counterparts.

**Future Research**

I hope that this study will inspire new research. The results provide new insights that are worth studying. Examples of future studies may look further into how industry choice and experience in that industry affects the success of minority businesses. Another suggested future study may examine more quantitatively how personal wealth and familial wealth affect the success of minority entrepreneurs in comparison to their majority counterparts. This case study
provides evidence that the success or failure of minority enterprises cannot all be explained by access to capital and strategic decisions of the entrepreneurs, but by other factors as well.

**Conclusion**

Successful minority owned businesses stimulate activity within the local economy. They create jobs and employ those who may not necessarily be hirable at larger firms. They encourage innovation and more nascent entrepreneurs to pursue their dreams. Furthermore, higher profitability in entrepreneurial endeavors create more revenue for the city through taxes which can be used for governmental departments, public facilities and even education. Successful entrepreneurs are also more willing to give back to their communities. This will have profound returns for that local community both short-term and long-term. The results found for the local economy remain true for the larger US Economy. Currently, approximately 50% of US GDP can be attributed to small businesses and a large percentage of that to minority businesses.

In conclusion, parity in access to capital and better strategic decisions is needed to positively affect existing minority enterprises while also increasing the number of businesses started. This will create a positive utility for minority business owners and also positively affect the local communities in which they operate and the overall US Economy. More jobs will be created, more innovation will be pursued and there will be an overall happier people due to the qualitative effects.
References


