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THE UNIVERSITY OF OKLAHOMA

GRADUATE COLLEGE

# ASSESSING MINORITY ENTREPRENEURSHIP: AN ANALYSIS OF BLACK-OWNED BUSINESSES IN 274 METROPOLITAN STATISTICAL AREAS

A DOCTORAL DISSERTATION

SUBMITTED TO

THE GRADUATE FACULTY

In partial fulfillment of the requirements for the

degree of

Doctor of Philosophy

By

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Norman, Oklahoma

2001

UMI Number: 3014517



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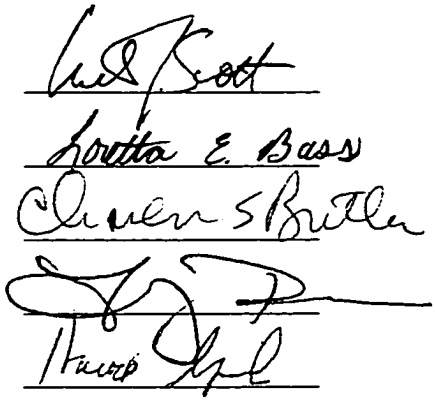
ASSESSING MINORITY ENTREPRENEURSHIP: AN ANALYSIS OF BLACK-OWNED BUSINESSES IN 274 METROPOLITAN STATISTICAL AREAS

A DISSERTATION APPROVED FOR THE DEPARTMENT OF SOCIOLOGY

BY



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## ACKNOWLEDGEMENTS

I would like to thank everyone who has helped me achieve my goals during my time in graduate school. First of all I would like to thank my committee members Dr. Craig St. John, Dr. Charles Butler, Dr. Timothy Dunne, Dr. Loretta Bass, and, especially, Dr. Wil Scott. Without your support and encouragement none of this would have been possible. I would also like to acknowledge the many other faculty members and staff in the Sociology department. I have learned so much from and have become friends with, so many of you during my time at the University of Oklahoma. I truly feel that the Sociology department takes a strong interest in the development and success of its graduate students. Furthermore, I would like to say thank you to my fellow graduate students with whom I have enjoyed working and learning. Finally, I thank my family and friends who have provided support and love to me during this experience.

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## ABSTRACT

The purpose of this dissertation is to analyze the state of Black-owned businesses in the U.S. Specifically, the goal of this project is to describe and explain variation in business success in Black-owned firms located in 274 metropolitan areas. To accomplish this objective, I first compiled a national profile of minority-owned businesses in 274 metropolitan statistical areas from U.S. Census Bureau data. The next step was to describe and then test the major theoretical perspectives accounting for Black-owned businesses. The perspectives used in the analysis assessed the effects of regional differences, ethnic enclaves, social capital, economic conduciveness, and ethnic competition. Analyzing these perspectives allowed a determination of how well each of them accounts for the prevalence and success of Black-owned firms. Furthermore, by analyzing these perspectives suggested avenues for a revising and testing theories of Black entrepreneurship in the U.S.

# CHAPTER ONE

## MINORITY ENTREPRENEURSHIP: INTRODUCTION AND REVIEW

### Introduction

This dissertation has three objectives culminating in an attempt to develop a revised theory about minority –owned businesses. The first purpose of this dissertation is to describe the characteristics of minority-owned businesses in metropolitan areas across the U.S. The second is to compare the profiles of minority-owned businesses with each other and with those of the larger community. I augment these with a case study of businesses in Oklahoma City that illustrates the most salient features of the profile. Third, I will develop a revised theory that accounts for the characteristics and differences found among the different racial group/business ownership profiles.

To accomplish this task, I first review the growing literature on minority-owned businesses and some of the problems they encounter. For example, there are lower rates of business development among Blacks than Asians or Whites in the U.S. Using the 1992 U.S. Census' Survey of Minority-Owned Business Enterprises, I will then develop a profile of minority-owned businesses in the U.S., breaking them up along ethnic line and examining their average size, type, and earning power or success rate. The 1992 Economic Census data also allow for comparisons between White-owned and minority-owned businesses, for the comparison of one minority group's profile to another minority group's profile, and for an analysis of possible explanatory variables. For example, I will be able to compare Black and Hispanic businesses or Black and Asian-owned businesses

and to assess there variations by characteristics of the metropolitan areas in the sample. To augment the Census data, I also use the 1998-1999 edition of the Oklahoma City area Minority Business Yellow Pages, which is a directory of minority-owned businesses in Oklahoma City, to elaborate the profile for Oklahoma City. For example, I could focus on a minority-owned business in Oklahoma City and examine its roots, development, and level of success compared to White-owned companies, and address some of the reasons for the company's success or failure.

In summary, this dissertation attempts to develop a revised theory of minority-owned businesses which accounts for their ownership and success rates and predicts whether any differences are caused by other characteristics of these groups or characteristics of the metropolitan cities in which they reside.

## Review of Literature

### Entrepreneurship and Black Entreprenuership

An "entrepreneur" is a person who organizes and manages a business while assuming the risk for the sake of profit. The sociology of entrepreneurship addresses the context and dynamics of such activity. Applied to minority group members, it assumes that this activity leads to greater assimilation and autonomy in the larger society. The ability to do this is in part dependent upon the economic opportunities allowed by the host society.

Historically, the field of entrepreneurial sociology has examined differences in business activity by religious denominations. The classic study in this field is by the German sociologist Max Weber at the turn of the 20th century, who wanted to understand why

Catholics in general were less likely to be involved in business than Protestants. Weber argued the differences had to do with the "Spirit of Capitalism" found among Protestants, measured by the willingness to take risks and enter the economic world, in part for spiritual reasons (see Weber, 1930).

The sociologist who in recent years figures prominently in developing the field of entrepreneurial sociology is John Sibley Butler (1991). In his classic book, Entrepreneurship and Self-Help Among Black Americans, Butler outlines and describes the history of and theories about Black entreprenuership. He begins by defining the sociology of entrepreneurship as the study of the relationship between group characteristics and the development of business activity. This area of sociology differs from traditional race and ethnicity perspectives. These assert that the extent to which an ethnic group is assimilated into a society the higher the probability for economic success for that group. Instead, the sociology of entrepreneurship concentrates on the process by which ethnic groups develop, maintain, and expand business enterprises within the economic structure. In other words, the higher the probability for economic success, the greater the extent of subsequent assimilation.

The sociology of entrepreneurship for minorities, in Butler's view, equates to a "sociology of self-help." This perspective recognizes that groups may develop economic stability as a result of entrepreneurship. "Self-help" here flows from owning and generating one's own business and recognizes the role this plays in developing economic advantage for minority group members. Because of this economic stability, groups with their own businesses are able to become self sufficient and to launch successive generations into professional occupations within the larger economic sector. Therefore, the field of

entrepreneurial sociology is not only concerned with business activity, but the sociological outcomes that develop as a result of the ownership of enterprise.

The extent to which entrepreneurial activity has been possible in the Black community varies by historical era. Prior to the Civil War, the U.S. had legalized slavery, which severely limited the range of such activity. After the Civil War, Jim Crow statutes and customs again placed obstacles if not outright restrictions on the freedom of Blacks to own and operate their own businesses. More recently, the Civil Rights Act of 1964 removed these structures, at least legally. Butler views self-help as simply owning a small business enterprise, or it could mean owning a successful professional practice. The emphasis is not on the size or prestige of the enterprise, but the fact that the enterprise may lead to self-sufficiency and economic stability. Economic stability is important because the parents of self-help groups are more able to pass their success to their children.

Black Entrepreneurship Prior to The Civil War. Before the Civil War, Black businesses fell into two categories (Butler, 1991: 36-38). The first were free Blacks who accumulated enough capital with which to begin business activity. Many of these enterprises were very small but vital to the local economy. Furthermore, the Black-owned enterprises were associated with a wide array of business interests such as real estate, construction, and transportation.

The second group of Black business entrepreneurs before the Civil War consisted of slaves who because of thrift, knowledge of industrial skills, and the liberal attitudes of some of their masters were able to engage in business enterprise.

For free Blacks, engaging in business activity was a risky business as there was always the possibility of being recaptured or limited by government restrictions. However, despite these problems, wherever there were free Blacks, a business tradition soon developed. One of the best states for early Negro business activity was Pennsylvania, which was also the first state to emancipate slaves in 1780 (Butler, 1991:38-40). Records show that in 1838 there were eight Black bakers, twenty-three blacksmiths, and fifteen cabinetmakers or carpenters among others in Philadelphia. There were also businesses independently run by Black women ranging from dressmakers to paper makers.

In the North, Blacks were very successful in the restaurant business before the Civil War, operating many first class businesses that catered to professional and upper class white clienteles. In the South, a number of free Blacks established their own plantations and owned slaves. For example in 1830, there were 3,777 slave owners in America who were Black, with the state of Louisiana having the largest number (Butler, 1991:43).

However, most of the businesses operated by Blacks before the Civil War were service enterprises. This tends to fall in line with "middleman theory," discussed later in more detail, which states that minorities tend to fill a niche in the middle of the production process. For example, Abraham Harris conducted a study of Negro businesses and found that many provided personal services, such as barbershops and beauty salons, and tended to have little competition (cited in Butler, 1991:40). This was because many Whites tried to avoid work that was perceived as being "servile" in status.

Such businesses also required a small amount of capital to set up which is another reason Blacks succeeded in this area.

But it was mainly in the skilled trades that free southern Blacks established themselves as businessmen in the South. Many Blacks learned their trades from their masters, who did not want to pay White laborers for what they could have their slaves accomplish. Skills such as carpentry, blacksmith, shoemaker, and cooks in the South were almost entirely concentrated in the hands of Blacks, free and slave.

This tradition of entrepreneurship was also found among African slaves held in the United States. For example, there are many cases of ex-slaves gaining their freedom and starting successful small businesses. Some slaves even started business enterprises on the side to allow them the ability to purchase their own freedom (Butler, 1991:35-46). Slaves who were still in captivity were able to become entrepreneurs mainly by hiring out their services to other people. With their master's permission slaves used the profits from their outside work to pay their masters and to buy the freedom of relatives or themselves. Other slaves were involved in a phenomenon called "intrapreneurship." In this arrangement, a slave was given control over the master's business operations. This could involve industry, commerce, or agriculture, and would often result in the formation of a separate slave enterprise.

Black entrepreneurs from the start had trouble borrowing money in order to establish businesses. In order to generate needed capital, many Blacks organized for mutual assistance. They joined together to form mutual aid societies that were a combination of secular fund raising efforts and religious ceremonies. There was also an element of insurance attached to these societies. The first of these societies was founded

by Richard Allen in 1778 and by 1838 there was a total membership of 7,448, and had taken in $18,851 and expended $14,172. The goal of these associations was to provide mutual assistance and support for Black businesses in cities such as Philadelphia and New York. An aspect of this mutual assistance included money lending practices that were funded primarily by successful Black businessmen in these associations (Butler, 1991:40-41).

Kinzer and Sagarin (1950:34-37) argue that despite the limitations placed on Blacks during the antebellum period in the South and widespread discrimination in the North, several factors did contribute to Black business before the Civil War. These include knowledge of craftsmanship that many whites lacked, skills requiring little education, and tolerant attitudes of Whites. Specifically, they suggest a number of factors for and against Blacks in business before the Civil War. They include:

Pros:

1. Widespread knowledge of craftsmanship.
2. Frequent lack of such knowledge among whites.
3. Relatively less significance of literacy and education in the conduct of business.
4. Tolerant attitude of southern whites, arising from general contempt for White laborers.

Cons:

1. Population distribution of slave and free Blacks.
2. Slave status of the majority blacks.

3. The lack of education and business training, and lack of opportunities to obtain such training.
4. Restrictive laws and customs, and opposition and restrictive activities on the part of Negro leadership.
5. Lack of basis for the emergence of a national Black-sponsored banking, insurance, building and loan, or newspaper industries.
6. A depressed economic status of free Blacks, involving lack of capital for investment and poverty of market.

One of the most important points to keep in mind about Black businesses during the pre-Civil War period is that even though Blacks were involved in small shops or service enterprises, they also were involved in almost every major industry during this period. An example of how Blacks were involved in many major industries is how many Blacks are noted as inventors of many new technologies that helped to advance industrialization in America. This tradition spans from Benjamin Banneker, revolutionary hero and surveyor of Washington D.C., to people like Granville T. Woods, inventor of such products as the steam boiler furnace and many electric railway devices.

Black Businesses After the Civil War. One of the most influential debates in the African American community, that also has had the effect of influencing the growth of Black entrepreneurship, took place between Booker T. Washington and W.E.B. DuBois. Booker T. Washington argued that Blacks through industrial education and employment would begin to earn more respect in the business or commercial world, thereby eliminating the race problem in the South. On the contrary, W.E.B. DuBois argued for the advancement of civil rights for Black people and also for their continued intellectual

growth. Butler argues that the problem with Washington's thinking is that it did not relate well to the complete system of segregation that was developing in the South after the Civil War, which controlled the behavior and actions of Blacks.

As noted in the work of Stuart (1969) later in this discussion, other racial groups never faced the level of complete discrimination and segregation that Blacks faced. There was ethnic conflict, but not the full-scale network of laws developed by state and local governments to control every inter-group interaction. These government controls took away the opportunity for Afro-American businesses to operate in a free market. This is one of the fundamental differences between Black businesses and other ethnic American businesses. For example, Japanese businesses in California were able to develop a White clientele, while Blacks were forced to find their clientele from within their own community. At the same time in the North, Black businesses in the service industries were being replaced by other ethnic immigrant businesses as the relationship between Black businessmen and White clients began to change.

These changes were the focus of W.E.B. DuBois' study of class structure and business activity among Blacks in Philadelphia in 1888, The Negro in Business. DuBois (cited in Butler, 1991: 69-71) first divided the city's Black population into four distinct classes. The top 10 percent he called an upper class. These were entrepreneurs and professional people, and the children of this group attended the best schools. Later on, this class assimilated into the developing middle-class American culture. The second class is called the "respectable working class." These were servants, such as waiters, porters, and laborers. This was an ambitious group eager to accumulate property and move upward. The third group DuBois labeled "poor," which was made up of recent

immigrants from the South who could not find steady work. The final class, "criminals" was the lowest and made up about 6 percent of the Black population.

DuBois notes that as racial characteristics in Philadelphia began to change after the Civil War and as immigrant groups began to compete with one another, the old Black business class was doomed to an uncompetitive, segregated market. Because of discrimination, Black businesses were not allowed to offer their services to a wider sector of consumers. Instead their businesses were limited to a single Black market and in many cases not allowed to expand and grow.

Later, E. Franklin Frazier in his 1955 study, New Black Bourgeoisie, differentiated between an emerging new black middle class and an old Black aristocracy. However, despite the old tradition of entrepreneurship before the Civil War, Frazier concludes African-American enterprise was a myth because the capital investment represented by Negro business was insignificant from the standpoint of the American economy and because it provided an exceedingly small amount of employment and income for Negro workers.

Another Afro-American scholar, M.S. Stuart published a major work on Black entrepreneurship in 1969. Titled The Economic Detour, it advanced a concept of the same name. Stuart's work dealt mainly with Black insurance companies but he also took a more comprehensive view of Black business. In his examination of Black entrepreneurship, Stuart argues that Blacks have had to face a unique and detrimental experience in the business world. This path for Black businesses is influenced by discrimination and hostile treatment that other immigrant or minority groups in the United States have not experienced. He calls this the "economic detour" because the

Black entrepreneur is not allowed to take the same road to economic stability and self-help that other groups have enjoyed. The idea of economic detour is that after the Civil War Blacks were restricted by laws and discrimination for operating their businesses in an open market.

Theoretically, the economic detour can be explained in a number of elements. The first element concerns the institution of Southern segregation laws -- known as Jim Crow laws – that constituted a kind of government program. This produced the intrusion of government into the normal operation of the market place. The policies of the government had a detrimental effect on the development and operation of Black businesses. In the North, de facto segregation had the same effect as Jim Crow Laws in the South (Butler, 1991: 71-72).

The second element of the theory is that Blacks were the only group to which this policy of segregation applied. Thus any other ethnic group could feel relatively free to operate in the open market. In other words, other ethnic groups were not restricted to developing a market only among their own people. This is important because as we shall see later, developing a base of clientele outside of one's own ethnic community usually leads to more success for an ethnic enterprise.

Stuart viewed new ethnic businesses, or what the sociology of entrepreneurship calls middleman minorities, as having a distinct advantage in a business world from which Blacks were excluded as a result of law in custom. Because of the economic detour, Blacks were forced into the role of consumer. Black businesses that did develop were limited because they could not develop sales to members outside their own group. Stuart argues that this theory of economic detour can be used to explain Black business

development from after the Civil War to the 1960s. However, Stuart's theory of economic detour may be still applicable today.

In summary, what many observers have overlooked is that Blacks have adjusted to and continued to adjust to America through successful business enterprise. However, because of the realities of discrimination, racism, and the economic detour, they represent a truncated sort of middleman group. However, it is important to note here that African-American businessmen have had the spirit of entrepreneurship found among other ethnic groups. Kinzer and Saragin (1950) add to this argument by noting that blacks have been able to adapt to discrimination and mistreatment in business by creating their own separate firms that cater to the Black market.

Contemporary Theories

One of the scholars to discuss the issue of race and entrepreneurship in America in recent years was Edna Bonacich (1972:583-587), who developed the "Theory of Middle-Man Minorities." Her theory posits that certain ethnic groups in the U.S., for example, Jews, Japanese, and Chinese, have been relatively successful in the U.S. compared to other minority groups because they played the "middleman" position within the economy. Playing the middleman usually means taking on entrepreneurial ventures that many majority group business owners would not, such as operating businesses in minority areas or in providing less desirable services or products. Bonacich argues that the traditional middleman business is small and relies heavily on unpaid labor, such as family members. Workers from outside the family are usually members of the extended family and others that are recommended by family associates. Also of importance for Bonacich is the idea of "sojourning," whereby

immigrants have a goal to engage in business activity, develop a pattern of systematic thrift and savings, and send money back to their homeland. This orientation allows them to generate capital and build significant savings. Because they may not plan on staying in the host country permanently, they resist widespread assimilation and maintain their own strong ethnic enclaves.

Following this reasoning, some ethnic groups, such as many Asian groups, are more successful in business than Blacks, because these groups are more likely to operate in the middleman business position within a community and are better suited to deal with the intense hostility that minority businesses experience.

Compared to these middlemen minority success stories, the black community has no such empowerment. Many scholars have addressed the reasons for the lack of economic development and business ownership in the Black community. Some researchers have argued that this relative lack of economic activity among Blacks is due to cultural factors. Specifically, Ivan Light (1972:22-23) argues that the Black community lacks the ability for networking and solidarity, especially in the form of rotating credit associations. These rotating credit associations in their various forms allow community entrepreneurs to assist each other financially. Japanese, Chinese, and West Indian Blacks brought rotating credit associations with them to America, while these traditions are absent in the Black community.

However, others have noted that there has been a strong history of economic development among Blacks in the U.S. and their predecessors in Africa. For example, many African regions have a long history of economic activity, including the formation of major industries such as the extraction of raw materials. With these industries, often came trade

between different tribes and villages (Kijakazi, 1997:6-8). Also, in addition to extensive internal industries and trade, Africa has a long documented history of international trade and economic development in the preindustrial era oftentimes trading with regions as far off as Italy and India.

Butler (1991:227-228) argues that original middleman theory has not done an adequate job of incorporating the history and experience of the African-American enterprise. Three of the most significant reasons for this omission include: (1) the failure to compare and contrast different theoretical frameworks when studying race and economic enterprise; (2) the treatment of the entire African American experience as though it were completely convergent with the experiences of most European immigrant ethnic groups; and (3) the utilization of the Marxist theoretical framework which, when applied to African Americans, is more ideological than predictive.

Butler argues that there was a subgroup of Black entrepreneurs who developed in a fashion very similar to that of ethnic middleman groups. However, Butler calls them a "truncated middleman group" because their experiences are distinguished by the presence of segregation and because they were forced to use the economic detour. Middleman groups, by definition, occupy the center of an economic structure, serving for example, groups whose status lies between those of the elite and those of the masses. African Americans have played this role, especially free Blacks prior to the Civil War. However, after the Civil War, these individuals were truncated or cut off from occupying positions within the mainstream economic market (Butler, 1991:228). Discrimination, prejudice, and laws of the state or governmental interference combined to force them to develop enterprises that were limited to serving only members of their own group. However,

despite these limitations, this group had the middleman spirit and approach to American life.

Furthermore, Butler also makes a distinction between descendants of the truncated African-American middleman and descendants of African Americans who adjusted to America in the tradition of other ethnic immigrant groups. It is these fundamental differences in the African American community that can be used to explain economic differences between European ethnic groups and Blacks.

Finally, Butler identifies a set of characteristics that could be used to describe the African American truncated middleman group that make them similar to Jewish and Japanese immigrant groups. He notes that Jewish and Japanese Americans adjusted to hostility by turning inward and developing economic and community institutions. This truncated group developed a strong family tradition, and emphasized the importance of higher education for their offspring. What is important about these characteristics is that they are often viewed as necessary for an ethnic group to be successful economically in America. Butler argues that amongst the African American truncated group, these values are strong and are passed down from generation to generation. Evidence of these values can be found in the strong support for community institutions, especially the traditionally Black colleges.

Bart Landry in his book, The New Black Middle Class (1987:45-47), argues that urban centers in America at the turn of the twentieth century have seen increases in Black population and big increases in Black economic development. Black entrepreneurs in many urban areas have had enormous success in providing personal services for other Blacks, such as barbershops and restaurants, because Blacks were not allowed to

patronize many White-owned service firms. However, Landry states that the problem with having a large number of these firms is that they are too small and less profitable than their White counterparts. Even in firms that traditionally earn more in profits, such as banks and insurance, black firms are far below White firms. For example, Landry notes that in 1947 the largest White insurance companies owned double the amount in insurance policies on Black customers than all Black insurance companies combined. Landry emphasizes that he does not want to diminish the performances of these smaller Black enterprises; however, the facts show that they could not compete with larger companies.

Butler (1991:231) criticizes Landry for not considering a broader theoretical background. He argues that it is true that small businesses cannot compete with large companies. However, most of the enterprises established in California by the Japanese and in Miami by the Cubans could also not compete with many of the large industrial companies. Nevertheless, these groups are seen as having a strong business tradition (Butler, 1991:231).

A more recent study by Feagin and Imani (1994:562-563) argues that discrimination is still a significant factor in the hindrance of economic development in the Black community. While examining the situation of Black contractors in several areas of the construction industry, the researchers find that racial discrimination in unions, the contracting and bidding process, construction project conditions, and lending and supplier networks have a significant effect on the success of these black businesses.

Recent studies suggest a break in the economic detour. For example, Mergenhagen's (1996:1-3) demographic study of trends for Black-owned businesses reported that the

number of Black businesses has increased 46 percent between 1987 and 1992. This represents an average that outpaces the overall growth in businesses in the United States (26 percent) during the same period. However, Blacks still are underrepresented among business owners, owning 3 percent of the nation's businesses while making up 12 percent of the population. Black business owners are more likely to operate their businesses on the side, while still holding a full-time job. This often helps to limit the revenues. Also, Black-owned businesses are more likely to have no paid employees (90percent). They are also more likely than others to be sole proprietors, 94 percent in 1992 versus 85 percent of all business owners.

Black owners also struggle because of the nature of businesses they operate. Black-owned businesses are more likely to provide services, which account for 54 percent of all Black owned businesses in 1992, as compared to 45 percent nationally. The problem with this is that service industry businesses tend to earn less revenue than do other industries (Mergenhagen, 1996:3-4).

William O'Hare (1992) presented a more comprehensive examination of business-ownership for all minority groups. His study used Census data from the *Survey of Minority-Owned Businesses* and found that minority business ownership rates increased during the 1980's from 6 percent of all businesses to 9 percent. The highest rates of growth are among Asians, at 89 percent, and Hispanics, 81 percent (O'Hare, 1992:32-33). Asians own 57 businesses for every 1,000 people, higher than any other racial minority. Asian-owned businesses also tend to be larger in size when compared to Hispanic- or Black-owned businesses. By having larger sizes, Asian businesses are more likely to have employees (26

percent of Asian businesses), than are Black-owned (17 percent), and Hispanic-owned (20 percent) businesses (O'Hare, 1992:34).

There are also differences in rates of business ownership by Asian and Hispanic racial subgroups. Among Asians, Koreans tend to have the highest rates of business ownership (102 businesses per 1,000 population), followed by Japanese (66 per 1,000) and Chinese (63 per 1,000). Among Hispanics, Cubans lead the way with 63 businesses for every 1,000 Cuban-Americans. That is followed by Mexicans at 19 per 1,000 and Puerto Ricans at 11 per 1,000 population (O'Hare 1992:34-35).

There are three possible reasons for the high rate of business ownership among Asian-Americans. First, Asians tend to have a high level of educational attainment. Second, Asians have relatively high income, which gives them more capital to start a business. Finally, many Asian immigrants came to the U.S. specifically to go into business, having the idea of making money and sending it back home (O'Hare 1992:33-34).

The high rates of business ownership among Hispanics, especially, Cubans, are largely the result of the selective migration of wealthy business owners and professionals to the U.S. after the Cuban revolution. Cuban success is also due to large concentration of Cubans in the South Florida area and the fact that many are college educated (O'Hare 1992:34).

Timothy Bates (1994:228) has analyzed Korean-immigrant-owned firms and African-American firms. He notes that Korean-Americans and other Asian groups have experienced more success in terms of business ownership than Black-Americans. In an attempt to explain differences in rates of business ownership between African-Americans and Asian-Americans, Bates points out that some scholars such as Light argue that Asian

immigrants are more likely to participate in supportive group networks, such as rotating-credit associations, which make up for the financial restraints put on them by many lending organizations. Using U.S. Census Bureau data Bates makes a direct comparison of Korean-immigrant-owned firms and African-American firms. He concludes that African-Americans face the same financial discrimination, but as a community have not developed this alternate way of providing entrepreneurial capital. This argument, originally made by Light, is the basis for the social resources view of why Asian Americans tend to be more successful in business ownership than African-Americans.

However, Bates (1994:228) argues that this version of social resources does not offer the best explanation for these differences. Instead he points to the importance of class differences or resources to explain the high levels of business ownership among Asians. This "class" view points to factors such as income, wealth, and education levels as the main explanations of Asian business success. Bates (1994:229) shows that many Asian American business owners tend to be very highly educated, and also wealthy, before they start their businesses. He argues that the traits of education and wealth are strongly associated with self-employment, and that this is the case, regardless of race or ethnicity. Therefore, it is not social differences, such as the formation of rotating credit associations that explain the relative success of Asian entrepreneurs, but instead class factors, such as the fact that Asian entrepreneurs tend to be more highly educated and have more wealth at start up than do Black entrepreneurs.

In a more recent article, Bates (1997:487-489) illustrates the financial constraints Blacks face when starting up a new business. In an analysis of financial lending to White and Black small business start-ups, Bates finds that black business owners receive smaller

loans and are more likely to face discrimination in the lending process. For example, the average bank loan received by a new Black firm was $29,068, while the average loan given to a new White firm was $52,289. Loan applications by Black firms were more likely to be denied, and this finding was significant even when borrower credit risk was controlled for statistically (Bates, 1997).

Recent research by Scott Cummings (1999:50) supports the previously discussed finding of Bonacich and Modell (1980) concerning Black entrepreneurship. Cummings notes too that Black-owned businesses that conduct business outside their protected ghetto market tend to outperform Black businesses that conduct most of their business within the local protected market. This argument is contrary to classical protected market theory and the views of scholars such as Light and Rosenstein (1995). Light and Rosenstein argue that as a reaction to discrimination and segregation, minority businesses tend to be more successful when operating or conducting most of their business in certain minority-concentrated areas or when catering to minority clientele. This position became so popular that it often became social policy in many areas.

Cummings (1999:54-55) on the other hand argues that this policy worked well for African-Americans before mass desegregation in the 1960's, but tends to hinder Black entrepreneurship today. With desegregation many minority residents have moved out of ghetto enclaves and are dispersed throughout cities and suburbs. African-American entrepreneurs still limiting themselves to local enclaves face a number of problems: smaller markets, consumers with lower incomes, higher insurance rates, inability to access credit, higher rates of theft, and limited access to capital (Cummings, 1999:53). Therefore in

Cummings' opinion, Black entrepreneurs should try to broaden their consumer base outside the ghetto enclave and reach a wider variety of customers.

Green and Pryde (1997:1-3), who also have put together a theory of Black economic development, take a slightly different tack. Their analysis is intended to foster a strong entrepreneurial basis in the Black community. Specifically, they argue that increasing entrepreneurship in the Black community would help to alleviate problems of unemployment, low educational achievement, and poverty. Green and Pryde (1997:3-4) suggest that economically successful and impoverished Blacks have entrusted too much of their economic welfare on the public sector. Middle-class educated Blacks are more likely to take the "safe" economic route of employment in government or private sector jobs open to them after the Civil Right's movement of the 1950s, 1960s and 1970s. Poor Blacks on the contrary have fallen victim to decades of discrimination and oppression and have relied on government assistance to supplement them economically, which has made them dependant.

To explain their argument, Green and Pryde (1997:4-9) describe a history of the economic circumstances for many Blacks after the Civil War. They start by discussing the corruptive sharecropping arrangements in the South after the Civil War, in which Black farmers were not allowed to experience much success or reward for their work in agriculture. Many farmers could not get out of debt and earn a decent profit. Also, Blacks that started to migrate to the North, especially between 1950 and 1970, were ill equipped to enter into a shrinking job market in manufacturing that required their workers to have more skills (Green and Pryde, 1997:6)

Despite these historical setbacks that have hindered the Black experience economically, Green and Pryde (1997:10-12) believe that the Black community can

overcome these problems to enhance economic development. Chronic problems of unemployment and low capital formation must be addressed by the creation of entrepreneurial policies and strategies within the Black community, which could then lead to investment from outside the community. Black Americans should invest money in black-owned businesses and then spend their money at these establishments. Finally, Black entrepreneurs not only provide income and jobs for the community but they also provide an entity that has a vested interest in the overall welfare of the community.

Finally, Waldinger (1996) discusses another possible explanation for differences in entrepreneurial success by racial or ethnic group. He notes that in many American urban centers ethnic groups have been in economic competition for jobs in the labor market and for economic niches in the small business world. The usual pattern of economic progress for a racial group or ethnic immigrant group is to start at the bottom of the economic spectrum and develop a niche or segment that is identified with that group. After dominating a particular segment of the market, a group then begins to make upward gains in the economic market over a number of generations. Therefore, a group makes progress on the economic ladder by replacing other racial or ethnic groups that have experienced economic growth.

However, for Blacks this customary progression of economic success has not worked. Waldinger argues that because of years of discrimination and direct competition with immigrant groups, blacks have been unable to develop strong niches of development, leading to stunted economic growth. Instead of developing strong business enterprises in urban areas many Blacks have looked to success in the public sector in government jobs.

# CHAPTER TWO

# PLAN OF STUDY

Data from Survey of Minority-Owned Businesses

For this study I have constructed an SPSS data set from the 1992 U.S. Census Bureau's Characteristics of Business Owners database. This database uses Metropolitan Statistical Areas (MSAs) as the unit of analysis and contains data for 300 MSAs. Most of the data I retrieved came from a subset of the database, the Survey of Minority -owned Businesses. My dataset includes only minority-owned businesses with employees.

The proposed study is divided into two different sections. The first uses the data from the Survey of Minority-owned Businesses to compile a profile of minority-owned businesses in MSAs across America. The variables for this part of the analysis include: the total number of firms with employees, the total sales for all firms, the total number of agricultural, construction, manufacturing, trade, wholesale, retail firms and unclassified firms, and the total sales for each of these types of firms. Further, there is a breakdown of these variables into the characteristics for White, Black, Hispanic, and Asian-owned firms. Thus it is possible to construct and compare the characteristics and profiles of each of these kinds of firms.

The second step in the study is to analyze these characteristics of businesses by other characteristics of the MSAs. For example, I also gathered data from the 1990 Census on 274 MSAs, including race, median age, educational achievement, per capita income, percent minority, and percent unemployed. Data were also taken from a segregation study of MSAs developed by Cutler, Glaeser, and Vigdor (1999:455-506). This latter dataset provided some important indices on segregation at the MSA level for 1990. I used two of the segregation indices for this study: an index of dissimilarity and an index of isolation. The index of dissimilarity measures the extent to which Blacks and

non-Blacks inhabit different areas of a city. The index of isolation measures the extent of Black contact with non-Blacks.

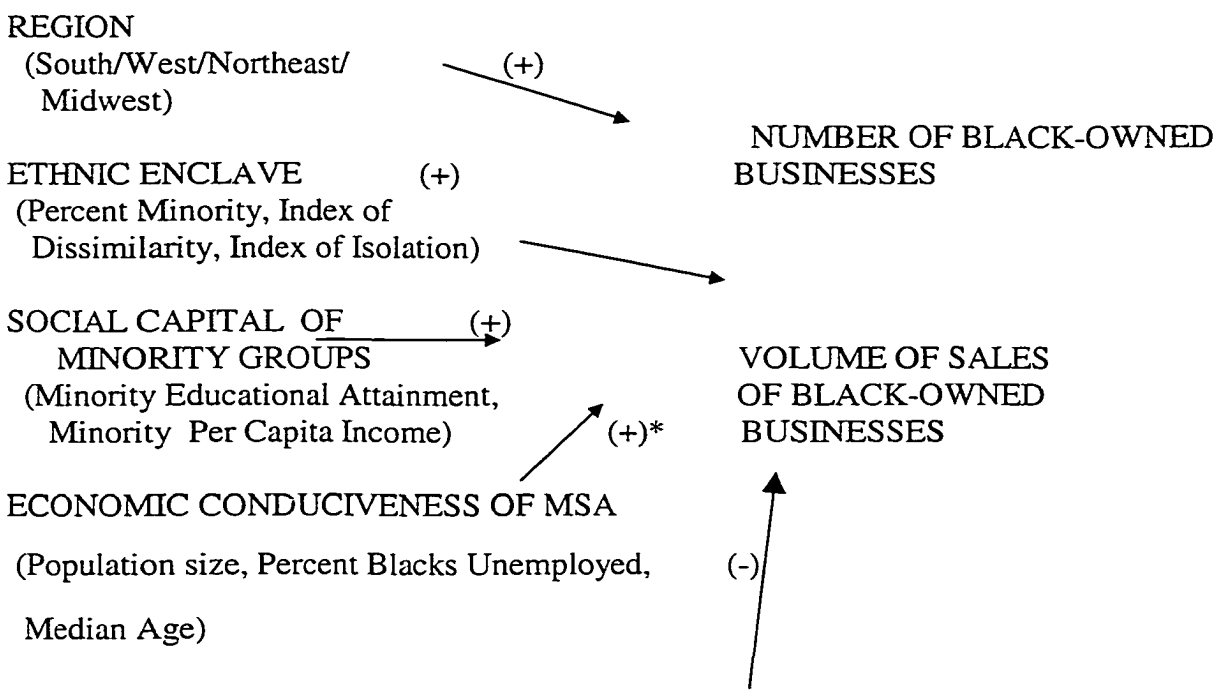
Theoretical Considerations

The central dependent variable in this study concerns the "success" of minority-owned businesses. Success here will be defined in terms of the number and volume of sales of minority -owned firms. These raw numbers of course must be standardized and will be expressed as percentages of the number of all businesses and all sales in a Metropolitan Statistical Areas (MSA).

There are five theoretical themes described earlier in the literature review that may be tested with these data. These are depicted in Figure 1. The first perspective examines the proposed relationship between region of the country and business success. To measure REGION, I coded the different cities in the sample by their geographic location. The major distinction made on this variable will be between South and non-South. Green and Pryde (1997:33) state that Black businesses have been very successful in the "Sunbelt" region of the United States, which would include MSAs in the South and Southwest.

Furthermore, Butler (1991:165-226) uses two southern cities, Durham, North Carolina and Tulsa, Oklahoma, as examples of MSAs that have had histories of successful Black entrepreneurship and economic success. The success of these cities is at least partially due to each city's formation of an economic enclave in reaction to the intense levels of racial discrimination and segregation in the South. Specifically, this theory proposed that minority-owned businesses are more likely to be successful in certain regions of the country such as the South, where a "nucleus" of Black entrepreneurship has developed as a reaction to segregation in the South.

Figure 1: FIVE THEORETICAL PERSPECTIVES




* (Percent of Black Unemployed is proposed to have an inverse relationship.)

The second line of explanation concerns the development of ethnic enclaves within a MSA that may have a positive effect on business success for minority groups. For this study, ethnic enclave is measured in two ways. The first is simply derived by calculating the percent of Blacks, Asians, and Hispanics in a city. The second way in which ethnic

enclave will be operationalized is by using two different segregation indices: index of dissimilarity and the index of isolation. Both of these methods for measuring ethnic enclave provide a more complete measure of ethnic enclave. Butler (1991:192) argues that an ethnic enclave is a distinctive economic formation that is symbolized by the geographic concentration of an ethnic group that organizes economic enterprises to support their community and the general population. The ethnic group concentration may be the result of forced segregation or residential preference, but the reaction to the concentration is the development of entrepreneurial ventures by members of the community to serve the group. This proposed relationship contends that the larger the percentage or concentration (for Blacks) of a particular minority group in a MSA, the greater the likelihood of business success for that minority group

The third theoretical construct is that the varying levels of social capital can explain the business success of various racial groups. In this case social capital is measured in terms of educational attainment and per capita income of minority groups. Educational attainment is divided into two sections, both by race: percent with a high school degree and percent with a college degree at the MSA level. Bates (1994:672) notes that a possible explanation for Asian-American business success may be due to substantial amounts of financial capital available for investment and because of the impressive educational credentials of many Asian business owners. Both of these factors, financial capital and educational achievement arise from the higher income and educational levels for Asian families on average, as indicated by U.S. census data. Specifically, this hypothesis argues that minority businesses will be more successful in cities where minorities tend to have higher levels of educational achievement and higher per capita incomes.

The fourth proposed relationship examines whether minority business success is affected by various characteristics of the MSA that reflect the economic conduciveness of the MSA. I also consider the unemployment level of the MSA by race and gender and

the average age by race and total population. Porter (1997:11-12) argues that one of the mechanisms for improving the economic conditions of urban areas in many MSAs is to provide high-quality job training that targets the problem of chronic-unemployment and dependence on government assistance. Therefore, in this case unemployment levels may be perceived as a way to measure how conducive a community is to economic development, which includes, business development and success. Furthermore, Green and Pryde (1991:28) point out that the age group, 35 to 44 years of age produces the most business owners for all groups and the age group 25 to 34 years, is the second highest age group in relation to business ownership. This study proposes that MSAs with a higher unemployment rate, a lower average age and smaller total population are less likely to have successful minority businesses, as opposed to MSAs without these characteristics.

The final proposed relationship is between ethnic competition and minority business success. Waldinger (1996) argues that economic competition between racial and ethnic groups is an important part of urban labor and entrepreneurial markets. New immigrant groups first compete to establish a niche in the economic market and once that niche is developed, the immigrant group dominates that particular area. After a period of time the immigrant group advances up the economic ladder as the group before them advances also. Waldinger argues that this economic model works well for most new immigrant and ethnic groups to an urban area, but has hindered the economic growth of Blacks.

The competition that Blacks face tends to be harsher, and coincides and is related to the higher levels of discrimination placed against Blacks. Discrimination in housing and education against Blacks has a very negative effect on Blacks developing economic niches in many urban areas. A consequence of the competition and discrimination is that many Blacks look to the public sector or government jobs, instead of owning their own businesses.

For this analysis ethnic competition is measured by percent Asian and percent Hispanic per city, and the number and percent number of Asian and Hispanic firms per city. Ethnic competition is also measured by sales and percent volume of sales of Asian and Hispanic firms per city. These variables are chosen because they represent the competition Black businesses will receive from ethnic firms in a particular city.

Table 1 provides a first look at the data set derived from the Survey of Minority-owned Businesses. The sample consists of 274 Metropolitan Statistical Areas (MSAs). Table 1 shows the characteristics of all firms in these MSAs and of minority-owned firms by racial category. We see, for example, that there are an average of 8,628 firms per MSA with 253 of those in agriculture and fishing, 1,298 in construction, and so forth.

Examining specific industries in this table, 37.8 percent of all firms are service industries, 21.2 percent are retail, 15 percent are construction, and 8.4 percent are finance industries. Examples of service industry firms include barbershops and beauty salons; examples of retail would include department and convenience stores. The types of firms that are smallest in percentages are transportation firms (3.3 percent), agricultural and fishing firms (2.9 percent) and firms not classified (1.1 percent). Firms not classified are firms that cannot be classified in the other eight categories of firms.

Among Black firms, there is an average of 228 of these firms per MSA. Almost half (48.6 percent) are service industries, with the next biggest categories retail (18.7 percent), construction (12.9 percent), and transportation industries (5.9 percent). The number of Hispanic firms per MSA is more numerous than that of Black firms (486 firms per MSA for Hispanics). However, Hispanic MSA businesses follow a pattern similar to Black firms and the national average, with 36.4 percent of Hispanic firms in the service

industries, 22.8 percent in retail, 17.9 percent in construction, and 4.7 percent in manufacturing. Asian MSA business activity

Table 1: Percent Breakdown for All firms and for each Racial Category

| | **Total #** | **% of Total** | **% of Black Firms** | **% of Hisp Firms** | **% of Asian Firms** |
|---|---|---|---|---|---|
| **Ave # firms Per MSA** | 8627.96 | | 228.13 | 485.96 | 544.03 |
| **Type of firm** | | | | | |
| AG,FISH,ETC | | 2.9 | 2.2 | 3.4 | 1.3 |
| CONSTRUC | | 15.0 | 12.9 | 17.9 | 4.6 |
| MANUFAC | | 5.1 | 2.2 | 4.7 | 4.7 |
| TRANSPOR | | 3.3 | 5.9 | 4.4 | 1.7 |
| WHOLESALE | | 5.8 | 2.5 | 4.9 | 4.7 |
| RETAIL | | 21.2 | 18.7 | 22.8 | 37.4 |
| FINANCE | | 8.4 | 5.3 | 4.5 | 4.7 |
| SERVICE | | 37.8 | 48.6 | 36.4 | 39.0 |
| NOT CLASS | | 1.1 | 1.8 | 1.4 | 1.5 |

is much larger than Blacks or Hispanics (544 per MSA for Asians). Asian American firms are overly represented in two categories; service firms (39 percent), and retail (37.4 percent). Asian manufacturing, finance, and wholesale industries only make up 4.7 percent each of all Asian- owned firms.

Table 2 examines the percentage of all firms or types of firms that are minority-owned. One of the first findings table one reports is for the total percent of minority-owned firms for all and specific firm types. Roughly fifteen percent of all MSA firms are minority owned, with the biggest percentages coming from the retail sector (19.5 percent of all retail firms are minority-owned), transportation firms (15.6 percent) and service firms (15.3 percent). Interestingly, the firm type with the biggest percentage of minority-owned firms is firms not classified with 20.7 percent of these firms minority-owned. Recall that only 1.1 percent of all firms are not classified, so there are very few of them. In this category minority-owned firms are over-
represented, possibly due to the fact that some minority owned firms might be hard to classify because of their type or clientele.

Black firms represent 2.6 percent of all firms with 4.8 percent of all transportation industries and 4.5percent of all industries not classified. 5.6 percent of all firms are Hispanic-owned, with the biggest categories being 7.6 percent of all transportation industries 7.5 percent of all industries not classified, 6.7percent of all construction firms, and 6.6 percent of agricultural and fishing firms owned by Hispanics. Asian-owned firms account for 6.3 percent of all firms, the most of any minority or ethnic group. 11.1 percent of all retail industries, 8.7 percent of all industries not classified, and 6.5 percent of all service firms are Asian-owned. These numbers illustrate how Blacks are at the lower end of the spectrum of business ownership while Asian Americans are at the higher end, especially in regards to retail and service industries. Hispanic Americans are located in the middle, enjoying some success in service and retail but also construction and agriculture sectors.

Of the 14.5 percent of all firms that are minority-owned, 2.6 percent are Black-owned, 5.6 percent are owned by Hispanics, and 6.3 percent are Asian-owned. Turning to Blacks representation among types of firms, the largest representation by Black owners is

among transportation and firms not classified. Hence blacks owned just under five percent of these types of firms (4.8 percent and 4.5 percent respectively).

Table 2: Percent of All Firms or Types of Firms That are Minority-Owned

| | **Total #** | **Total % of Minority -Owned Firms** | **Black#** | **% Black of all Firms** | **Hisp #** | **% Hisp of all Firms** | **Asian#** | **% Asian of all Firms** |
|---|---|---|---|---|---|---|---|---|
| Type of firm | | | | | | | | |
| All | 8627.96 | 14.5 | 228.13 | 2.6 | 485.96 | 5.6 | 544.03 | 6.3 |
| AG,FISH,ETC | | 11.4 | | 2.0 | | 6.6 | | 2.8 |
| CONSTRUC | | 10.9 | | 2.3 | | 6.7 | | 1.9 |
| MANUFAC | | 12.1 | | 1.1 | | 5.2 | | 5.8 |
| TRANSPOR | | 15.6 | | 4.8 | | 7.6 | | 3.2 |
| WHOLESALE | | 11.1 | | 1.1 | | 4.8 | | 5.2 |
| RETAIL | | 19.5 | | 2.3 | | 6.1 | | 11.1 |
| FINANCE | | 8.3 | | 1.7 | | 3.1 | | 3.5 |
| SERVICE | | 15.3 | | 3.4 | | 5.4 | | 6.5 |
| NOT CLASS | | 20.7 | | 4.5 | | 7.5 | | 8.7 |

Hispanics own 5.6 percent of all firms, and Hispanic ownership tends to be evenly distributed among the different firm types. The only firm type in which Hispanics own at least five percent of the share is in finance firms (3.1 percent) The largest representation

for Hispanics are in manufacturing firms (7.6 percent), firms not classified (7.5 percent), construction firms (6.7%) and agricultural fishing firms (6.6%).

Asian American business ownership tends to be disproportionably represented in the retail and firms not classified sectors. In these two categories respectively, Asians own 11.1 percent and 8.7 percent of the share for these types of firms. Asian business ownership is also highly represented in service firms (6.5 percent), manufacturing firms (5.8 percent), and wholesale firms (5.2 percent).

Table 3 is percent of sales for minority-owned firms of total sales for MSA's. Table 3 first shows for all racial groups the percentage of sales for each industry sector of the total amount of sales in that sector. An average MSA produces $1,042,663 in sales for all firm types. The biggest portions of this total come from wholesale trade firms (22 percent), retail firms (21.5 percent) and service firms (19.9 percent). The smallest percentages come from the firms not classified (.02 percent) and agriculture and fishing sectors (1.5 percent).

Black firms average $385,586 of the total sales, per MSA. This equals roughly 38 percent of the total average sales for all firms. Looking at the Black percentage of the total sales for specific industries, Black firms earned 2.8 percent of all the sales of not classified firms and 2 percent each of agricultural fishing firms and transportation firms. In the industry sectors that earn the most in sales like wholesale trade, retail and service firms, Black-owned firms have little success (0.6 percent, 1.3 percent, and 1.5 percent respectively).

Hispanic-owned firms earned an average total of $528,690 in sales and specifically earned 6 percent of the sales from not classified firms, 4.7 percent of the sales from agriculture and fishing firms and 4.5 percent of the sales for construction

Table 3: Percent of Sales for Minority-Owned Firms of Total Sales for MSA

| | % of Total | Black$ | Black% of Total | Hisp. $ | Hisp. % of Total | Asian $ | Asian % of Total |
|---|---|---|---|---|---|---|---|
| Ave # of Firms Per MSA | | 228.13 | | 485.96 | | 544.03 | |
| Ave. Total Sales per MSA | $8,996,051,000 | $87,963,800 | | $256,922,000 | | $337,969,000 | |
| Ave. Total Sales by Firms | $1,042,663 | $385,586 | | $528,690 | | $621,232 | |
| AG, FISH | 1.5 | 2,579,260 | 2.0* | 6,252,630 | 4.7 | 2,988,860 | 2.3 |
| CONSTR | 9.0 | 8,493,600 | 1.1 | 36,376,240 | 4.5 | 28,151,960 | 3.5 |
| MANUFAC | 15.0 | 4,230,390 | 0.3 | 40,533,260 | 3.0 | 48,444,340 | 3.6 |
| TRANS | 3.7 | 67,074,00 | 2.0 | 10,166,360 | 3.1 | 6,234,470 | 1.9 |
| WHOLE | 22.0 | 12,352,770 | 0.6 | 86,909,960 | 4.4 | 126,107,100 | 6.4 |
| RETAIL | 21.5 | 25,672,340 | 1.3 | 77,750,390 | 4.0 | 116,383,900 | 6.0 |
| FINANCE | 8.2 | 6,973,490 | 0.9 | 19,030,470 | 2.6 | 34,407,480 | 4.6 |
| SERVICE | 19.9 | 27,751,990 | 1.5 | 62,485,720 | 3.5 | 91,187,520 | 5.1 |
| NOT CLA | .02 | 532,210 | 2.8 | 1,139,460 | 6.0 | 1,769,090 | 9.4 |

* Percent total sales per MSA which are by Black-owned firms in fishing and agriculture (i.e., $2,579,260 divided by 1.5 percent of $8,996,051,000).

firms. Asian Americans are not only more successful in business ownership but also in business success as measured through sales. Asian-owned firms earned an average of $621,232 in sales per MSA. About 9 percent of the sales of firms not classified were from Asian-owned firms and 6.4 percent of the sales of wholesale firms were from Asian-owned firms. Asian-owned firms also earned 6 percent of the sales from all retail firms.

The picture that tables 1-3 begin to present is that of an interesting profile of minority-owned businesses in metropolitan statistical areas. First, when comparing the three racial groups in terms of business ownership success, Asians have experienced more success than Hispanics or Blacks. However, the gap between Asians and Blacks in terms of business ownership is the widest. Also, the sector in which Asians tend to succeed is retail, where Asians own 11 percent of these types of firms.

Asian firms are also more successful in terms of sales. Asian firms earned more in total sales per MSA than any other minority group and average more per MSA than any other group. Asian-owned firms earned a respectable 6.4 percent of all the sales from wholesale firms and 6 percent of the sales of retail firms. Black-owned firms have not experienced the same level of business success, with the highest percentage share of sales for Black firms being 2.8 percent of all the sales for firms not classified. Finally, it is important to note that all types of minority-owned firms earn substantially less than the average firm per city.

Measurement and Analysis

To measure the first of the theoretical perspectives, region, dummy variables were created for each of the four regions identified: South, West, Northeast, and Midwest. Each of the metropolitan statistical areas in the dataset was assigned a code for each particular region. For example, San Francisco is coded 1 for West, but a 0 for the Southwest, Northeast, and Midwest regions.

The ethnic enclave perspective in this analysis is measured using three different variables: percent minority, index of dissimilarity, and index of isolation. The variable percent minority is divided into three such categories, percent Black, percent Hispanic and percent Asian, all dealing with the minority groups in this study. To calculate a group's percentage, a group's population in a MSA is divided by the total population of a MSA.

The measures of index of dissimilarity and the index of isolation are taken directly from data collected by Cutler, Glaeser, and Vigdor (1999). The index of dissimilarity measures the extent to which Blacks and non-Blacks inhabit different areas of a city. Zero indicates perfect integration and 1.00 equals perfect segregation. The index of isolation measures Black contact with non-Blacks. This index varies between 1.00 and zero, with higher values indicating greater Black exposure to only other Blacks.

The third perspective of the analysis concerns social capital. Social capital is measured in terms of minority educational attainment and minority per capita income. Minority educational attainment is separated into two categories: percent of a group's MSA population with a high school degree and percent of a group with a college degree. For example, in San Francisco, percent black with a college degree can be compared to percent Hispanic or Asian with a college degree. Minority per capita income is measured simply by examining U.S. Census data for the annual per capita income for all and different minority groups per MSA.

The economic conduciveness argument is measured by three different variables: population size, percent unemployed and median age. The data for all three of these variables are gathered from 1990 Census data for population size and median age by race for all the MSAs in this study. Percent unemployed measures the percent unemployed for Black males and females in MSAs.

The final theoretical perspective in this analysis is that of ethnic competition. Ethnic competition is viewed as competition with Blacks for entrepreneurial success. Therefore, the measures of this variable are percent Hispanic and Asian and the number and sales of Hispanic and Asian-owned firms.

The dependent variables are: number of Black-owned businesses per 1,000 Black population for each MSA and total sales of Black-owned businesses per 1,000 Blacks in

Table 4: Number and Sales of Minority-Owned Firms, Per 1,000 Minority Population

| | Black | | Asian | | Hispanic | |
|---|---|---|---|---|---|---|
| | mean | std | mean | std | mean | std |
| # of minority-owned firms per 1,000 population | 6.40 | 14.66 | 110.1 | 156.00 | 32.65 | 77.99 |
| Total sales minority-owned firms per 1,000 population | $1926 | $4886 | $49633 | $71822 | $16087 | $44261 |

the population. For example, both the number of Black businesses and volume of sales for Black firms are be divided by the MSA's Black population size and multiplied by 1,000 to get rid of the very small fraction which would otherwise result. This procedure reveals that there are an average of 6.40 Black-owned firms per 1,000 Black population per MSA and $1,926 in total sales among Black-owned firms per 1,000 Black population per MSA. This compares with an average of 110.09 Asian –owned firms per 1,000 Asian population per MSA and $49,633 in total sales among Asian firms per 1,000 Asian population per MSA. For Hispanics, there is an average of 32.6 firms per 1,000 Hispanic population per MSA and $16,087 in total sales among Hispanic firms per 1,000 Hispanic population per MSA.

The statistical analysis for this project will include both bivariate correlations and regression analyses. Bivariate correlations will include variables from the different theoretical perspectives and dependent variables. The bivariate correlations are presented in segments according to their respective perspectives.

The regression analyses examine the effect of the theoretical perspectives on the dependent variables, number of Black-owned firms per Black capita and total sales for Black-owned firms per Black capita. Regression analyses are also performed by region,

whereby only cities in a particular region are selected for inclusion in each analysis. This is done to determine if some of the effects on the dependent variables vary across region, i.e., to assess the presence of interaction effects.

## CHAPTER THREE

Findings

Bivariate Correlations

The bivariate correlations between variables in the model are presented in Table 5a-5f. The first section of the table – Table 5a-- shows the inter-correlations with region. Looking first at region and the economic conduciveness variables, the percentage of unemployed Black males is lower in the South (-.20**) and West (-.22**) than in other regions. The percentage of unemployed Black females is lower in the West (-.20**) than other regions. The median age of all Blacks is higher in the South (.16**), Northeast (.19**) and lower in the West (-.16**) than other regions.

The bivariate correlations between region and human capital show that the percentage of Blacks with a high school degree is significantly higher in the West (.51**) and lower in the South (-.40**) than other regions. Likewise, the percentage of Blacks with college degrees is higher in cities in the West (.26**), while lower in the South (-.20**). Per capita income for Blacks is higher for cities in the West (.32**) and Northeast (.24**) and lower for the South (-.36**) than other regions.

Among the ethnic enclave variables, percent Black is higher in the South (.27**) and lower in the West (-.45**) that other regions. The index of dissimilarity is lower in the West (-.42**) and South (-.15*) and higher in the Northeast (.22*) than other regions. The index of isolation is significantly lower in the West (-.51**) than other regions.

The bivariate correlations between region and Asian ethnic competition show that percent Asian is higher in the West (.38**) and lower in the South (-.19**). The number

TABLE 5a:

BIVARIATE CORRELATIONS: Region vs. Other Variables

| VARIABLE LIST | SOUTH | WEST | NORTHEAST | MIDWEST |
|---|---|---|---|---|
| (1) SOUTH | 1.00 | -- | -- | -- |
| (2) WEST | -.39** | 1.00 | -- | -- |
| (3) NEAST | -.33** | -.23** | 1.00 | -- |
| (4) MWEST | -.07 | -.05 | -.04 | 1.00 |
| (5) POPULATION | -.11 | .04 | .14 | .01 |
| (6) %UNEMPL, BM | ***-.20**** | ***-.22**** | ***.15**** | .03 |
| (7) % UNEMPL, BF | -.00 | ***-.20**** | .00 | .02 |
| (8) MED. AGE, BL | ***.16**** | ***-.16**** | ***.19**** | -.03 |
| (9) % H.S., BL | ***-.40**** | ***.51**** | -.06 | .01 |
| (10) % COLLEGE, BL | ***-.20**** | ***.26**** | .02 | -.01 |
| (11) P. CAPITA INC., BL | ***-.36**** | ***.32**** | ***.24**** | .01 |
| (12) % BLACK | ***.27**** | ***-.45**** | .12 | -.04 |
| (13) INDEX DISSIMILARITY | ***-.15**** | ***-.42**** | ***.22**** | .05 |
| (14) INDEX ISOLATION | .12 | ***-.51**** | .13 | .06 |
| (15) % ASIAN | ***-.19**** | ***.38**** | -.02 | -.01 |
| (16) # ASIAN FIRMS | -.13 | ***.20**** | .04 | -.02 |
| (17) % ASIAN FIRMS | -.12 | ***.36**** | -.04 | -.03 |
| (18) % VOL. SALES- ASIAN | -.11 | ***.35**** | -.05 | -.04 |
| (19) % HISPANIC | -.01 | ***.29**** | .00 | -.04 |
| (20) # OF HISPANIC FIRMS | .04 | .12 | -.05 | -.03 |
| (21) % HISPANIC. FIRMS | ***.17**** | ***.18**** | -.16* | -.04 |
| (22) % VOL. SALES- HISP | ***.18**** | -.11 | -.14 | -.02 |
| (23) # BLACK FIRMS | .00 | -.02 | .10 | -.03 |
| (24) CAPITA BLACK FIRMS | .09 | .08 | -.09 | -.05 |
| (25) SALES- BLACK FIRMS | -.09 | .07 | .08 | -.02 |
| (26) CAPITA SALES- BLACK | -.02 | .11 | -.06 | -.03 |

of Asian firms (.20**), percent Asian firms (.36**), and percent volume of sales for Asian firms (.35**) are all higher in the West than other regions. Looking at the Hispanic ethnic competition variables, percent Hispanic (.29**) is higher in the West than other regions. Percent Hispanic firms is higher in the West (.18*) and South (.17*) and lower in the Northeast (-.16*). Percent volume of sales for Hispanic firms is significantly higher in the South (.18**) than any other region.

The bivariate correlations between region and the dependent variables of Black entrepreneurial success report no significant correlations. The strongest of these correlations is between South and Black firms per 1,000 Blacks in the population (per capita Blacks (.09) and between Northeast and Black firms per capita Blacks – neither significant at the .05 level (-.09). These findings indicate that there is no significant differences between the regional variables and Black business success.

There are some interesting regional pictures here. For example, in the South there is low Black unemployment, low Black human capital resources, pronounced Black ethnic enclaves, little competition from Asians, little competition from Hispanics, and successful Black firms. In the West, there is low Black unemployment, high levels of human capital, very little ethnic enclaves, strong competition from Asians and Hispanics, and less success for Black firms. Finally, in the Northeast there is some unemployment for Blacks, a pronounced per capita income for Blacks, little ethnic enclave effect, little competition form Asians and Hispanics, and little success for Black firms.

Section b of Table 5 examines the bivariate correlations between economic conduciveness and other variables. The first section looks at correlations between economic conduciveness and human capital. The first important finding is that percent

TABLE 5b:
BIVARIATE CORRELATIONS: Economic Conduciveness vs. Other Variables

| VARIABLE LIST | (5) | (6) | (7) | (8) |
|---|---|---|---|---|
| (1) SOUTH | - | - | - | - |
| (2) WEST | - | - | - | - |
| (3) NEAST | - | - | - | - |
| (4) MWEST | - | - | - | - |
| (5) POPULATION | 1.00 | -- | -- | -- |
| (6) %UNEMPL, BM | .04 | 1.00 | -- | -- |
| (7) % UNEMPL, BF | -.06 | *.37*** | 1.00 | -- |
| (8) MED. AGE, BL | *.22*** | .06 | *-.15** | 1.00 |
| (9) % H.S., BL | .07 | *-.21*** | -.13* | *-.22*** |
| (10) % COLLEGE, BL | .07 | *-.23*** | *-.23*** | *-.24*** |
| (11) P. CAPITA INC., BL | *.26*** | *-.20*** | *-.20*** | .13* |
| (12) % BLACK | .05 | *.22*** | *.16*** | *.26*** |
| (13) INDEX DISSIMILARITY | **.21**** | **.41**** | .12 | *.27*** |
| (14) INDEX ISOLATION | *.24*** | *.30*** | .11 | *.35*** |
| (15) % ASIAN | *.16*** | -.12* | -.12* | -.04 |
| (16) # ASIAN FIRMS | *.69*** | .01 | -.07 | .24 |
| (17) % ASIAN FIRMS | *.23*** | *-.14** | -.13 | .02 |
| (18) % VOL. SALES-ASIAN | *.14** | -.13 | -.12 | .01 |
| (19) % HISPANIC | *.17** | -.09 | *-.16*** | .06 |
| (20) # OF HISPANIC FIRMS | *.56*** | .03 | -.05 | *.17** |
| (21) % HISPANIC FIRMS | .03 | *-.15** | *-.24*** | .04 |
| (22) % VOL. SALES- HISP | -.02 | *-.16** | *-.24*** | .06 |
| (23) # BLACK FIRMS | *.72*** | .04 | -.12 | *.30*** |
| (24) CAPITA BLACK FIRMS | -.07 | -.04 | -.10 | .10 |
| (25) SALES- BLACK FIRMS | *.67*** | .06 | -.10 | *.23*** |
| (26) CAPITA SALES- BLACK | -.02 | .06 | -.10 | .07 |

Black with high school degrees is lower in cities with a large percentage of unemployed Black males (-.21**) and Black females (-.13*) and in cities where the median age for Blacks is higher (-.22**). Percent Blacks with college degrees is lower in cities with a large percentage of unemployed Black males (-.23**) and Black females (-.23**), and in cities with a higher median age for Blacks (-.24**). Per capita income for Blacks is lower in cities with a high percentage of unemployed Black males (-.20**) and Black females (-.20**), and higher in cities with a larger population (.26**).

Among the ethnic enclave variables, percent Black is higher in cities with a higher percentage of unemployed Black males (.22**) and Black females (.16**) and is higher in cities with a bigger median age for Blacks (.26). The index if dissimilarity is higher in cities with a larger population (.21**), with a higher percentage of unemployed Black males (.41**) and where the median age for Blacks is higher (.27**). Similarly, the index of isolation is higher in cities where the population is greater (.24**), with a higher percentage of unemployed Black males (.30**), and where the median age for Blacks is higher (.35**).

The bivariate correlations between economic conduciveness and Asian ethnic competition show that there is a higher percent of Asians (.16**), higher number of Asian firms (.69**) and higher percent of Asian firms (.23**), where city population size is larger for each variable. For the Hispanic competition variables, percent Hispanic is bigger in cities with a larger population (.17*) and smaller in cities with a large number of unemployed Black females (-.16**). The number of Hispanic firms is greater in cities with a bigger population (.56**) and in cities were the median age for Blacks is higher

(.17*). Percent Hispanic firms is lower in cities with a large number of unemployed Black males

(-.15*) and Black females (-.24**). Percent volume of sales for Hispanic firms is also smaller in cities with a larger percentage of unemployed Black males (-.15*) and Black females (-.24**).

The bivariate correlations between economic conduciveness and the dependent variables show that the number of Black firms is higher in cities with a large population (.72**) and higher in cities with a bigger median age for Blacks (.30**). Sales for Black firms are higher in cities with a large population (.67**) and a higher median age for Blacks (.23**). However, there are no significant correlations between any of the economic conduciveness variables and the two per Black capita measures.

This section offers some interesting findings related to economic conduciveness of a city. First, in cities where population size is larger, there is a little human capital advantage and success for Black firms; there are however strong ethnic enclaves, significant competition from Asians, and some competition from Hispanics. In cities with higher levels of Black unemployment, there is significantly less human capital, some ethnic enclaves, little competition from Asians and Hispanics, and little success for Black firms. In cities where the median age for Blacks is higher, there is significantly less human capital, more of an ethnic enclave, little competition from Asians and Hispanics, and some success for Black firms.

Section c of Table 5 presents bivariate correlations between human capital and the other variables. The first part of this section deals with correlations between human capital and ethnic enclave variables. Percent Black is smaller in cities with a higher

percent of Blacks with high school degrees (-.45**), college degrees (-.26**), and in cities with a higher per capita income for Blacks (-.28**). The index of dissimilarity is lower in cities with a high percentage of Blacks with high school degrees (-.34**) and college degrees (-.24**). The index of isolation is lower in cities with a higher percentage of Blacks with high school degrees (-.49**), college degrees (-.30**) and where the per capita income for Blacks is higher (-.24**).

Examining the correlations between human capital and Asian ethnic competition the analysis shows that percent Asian is higher in cities with a higher percentage of Blacks with high school degrees (.34**) and college degrees (.15*) and in cities with a higher per capita income for Blacks (.37**). The number of Asian firms is higher in cities with a larger per capita income for Blacks (.28**). Percent Asian firms is higher in cities with a larger percentage of Blacks with high school degrees (.29**) and in cities with a higher per capita income for Blacks (.35**). Percent volume of sales is also higher in cities with a larger percentage of Blacks with high school degrees (.27**) and in cities with a higher per capita income for Blacks (.32**).

Among the Hispanic ethnic competition variables, percent Hispanic is higher in cities with a higher percentage of Blacks with high school degrees (.19**) and in cities with a higher per capita income for Blacks (.32**). Also, the number of Hispanic firms is higher in cities with a higher per capita income for Blacks (.19**). Examining correlations between the dependent variables and human capital, the number of Black firms is higher in cities with a larger percentage of Blacks with college degrees (.15*) and in cities where the per capita income for Blacks is higher (.18**).

Table 5c:
BIVARIATE CORRELATIONS: Human Capital Vs. Other variables

| VARIABLE LIST | (9) | (10) | (11) |
|---|---|---|---|
| (1) SOUTH | - | - | - |
| (2) WEST | - | - | - |
| (3) NEAST | - | - | - |
| (4) MWEST | - | - | - |
| (5) POPULATION | - | - | - |
| (6) %UNEMPL, BM | - | - | - |
| (7) % UNEMPL, BF | - | - | - |
| (8) MED. AGE, BL | - | - | - |
| (9) % H.S., BL | 1.00 | - | - |
| (10) % COLLEGE, BL | .65** | 1.00 | - |
| (11) P. CAPITA INC., BL | .50** | .37** | 1.00 |
| (12) % BLACK | ***-.45**** | ***-.26**** | ***-.28**** |
| (13) INDEX DISSIMILARITY | ***-.34**** | ***-.24**** | -.12 |
| (14) INDEX ISOLATION | ***-.49**** | ***-.30**** | ***-.24**** |
| (15) % ASIAN | ***.34**** | ***.15**** | ***.37**** |
| (16) # ASIAN FIRMS | .12 | .07 | ***.28**** |
| (17) % ASIAN FIRMS | ***.29**** | .06 | ***.35**** |
| (18) % VOL. SALES- ASIAN | ***.27**** | .05 | ***.32**** |
| (19) % HISPANIC | ***.19**** | .07 | ***.32**** |
| (20) # OF HISPANIC FIRMS | .05 | .06 | ***.19**** |
| (21) % HISPANIC FIRMS | .11 | .08 | .07 |
| (22) % VOL. SALES- HISP | .04 | .07 | -.02 |
| (23) # BLACK FIRMS | .04 | ***.15**** | ***.18**** |
| (24) CAPITA BLACK FIRMS | -.01 | -.02 | .11 |
| (25) SALES- BLACK FIRMS | .08 | .13 | ***.20**** |
| (26) CAPITA SALES- BLACK | .06 | .02 | .09 |

There are some interesting findings in this section. First, in cities where the percentage of Blacks with high school degrees is higher there is significantly less ethnic concentration, strong competition from Asians, a little competition from Hispanics, and significantly less success for Black firms. In cities with a higher percentage of Blacks with college degrees, there are fewer ethnic enclaves, little competition form Asian or Hispanics and very little success for Black firms. In cities where the per capita income for Blacks is higher there is less ethnic enclaves, more competition from Asians and Hispanics, and some success for Blacks in terms of number and sales of Black firms, but less success for Black firms in terms of per Black capita number of Black firms and per Black capita sales for Black firms.

Section d of Table 5 contains bivariate correlations between ethnic enclave and other variables. The first set of correlations is between ethnic enclave and ethnic competition. Among Asians, percent Asian is lower in cities with a higher percentage of Blacks (-.20**), the index of dissimilarity is larger (-.15*), and where the index of isolation is higher (-.21**). Among the Hispanic variables, percent Hispanic is smaller in cities where percent Black is higher (-.28**), the index of dissimilarity is higher (-.19**) and where the index of isolation is higher (-.22**). Percent Hispanic firms is lower in cities with a higher percent Black (-.27**), the index of dissimilarity is higher (-.25**) and where the index of isolation is higher (-.24**). Percent volume of sales for Hispanic firms is lower in cities with a higher percentage of Blacks (-.19**), the index of dissimilarity is higher (-.18*) and where the index of isolation is higher (-.16*).

TABLE 5d:
BIVARIATE CORRELATIONS: Ethnic Enclave Vs Other variables

| VARIABLE LIST | (12) | (13) | (14) |
|---|---|---|---|
| (1) SOUTH | - | - | - |
| (2) WEST | - | - | - |
| (3) NEAST | - | - | - |
| (4) MWEST | - | - | - |
| (5) POPULATION | - | - | - |
| (6) %UNEMPL, BM | - | - | - |
| (7) % UNEMPL, BF | - | - | - |
| (8) MED. AGE, BL | - | - | - |
| (9) % H.S., BL | - | - | - |
| (10) % COLLEGE, BL | - | - | - |
| (11) P. CAPITA INC., BL | - | - | - |
| (12) % BLACK | 1.00 | - | - |
| (13) INDEX DISSIMILARITY | .48** | 1.00 | - |
| (14) INDEX ISOLATION | .75** | .82** | 1.00 |
| (15) % ASIAN | *-.20*** | *-.15** | *-.21*** |
| (16) # ASIAN FIRMS | .05 | .13 | .14* |
| (17) % ASIAN FIRMS | -.08 | -.11 | -.11 |
| (18) % VOL. SALES- ASIAN | *-.14** | -.11 | -.14* |
| (19) % HISPANIC | *-.28*** | *-.19*** | *-.22*** |
| (20) # OF HISPANIC FIRMS | -.02 | .09 | .11 |
| (21) % HISPANIC FIRMS | *-.27*** | *-.25*** | *-.24*** |
| (22) % VOL. SALES- HISP | *-.19*** | *-.18** | *-.16** |
| (23) # BLACK FIRMS | *.36*** | *.28*** | *.42*** |
| (24) CAPITA BLACK FIRMS | -.13 | -.13 | *-.15** |
| (25) SALES- BLACK FIRMS | *.18*** | *.23*** | *.29*** |
| (26) CAPITA SALES- BLACK | *-.17*** | -.07 | *-.16** |

The bivariate correlations between ethnic enclave and the dependent variables show that number of Black firms is higher in cities where percent Black (.36**), the index of dissimilarity (.28**) and the index of isolation (.42**) are higher. Similarly, sales by Black firms are higher where there are more Blacks (.18**), there is more dissimilarity (.23**), and more isolation (.29**). The number of Black firms per 1,000 Blacks is lower where Blacks are more isolated (-.15*) and the sales of Black firms per 1,000 Blacks are lower where there are more Blacks (-.17**) and there is more isolation (-.16*).

This section includes some interesting correlations with ethnic enclave in a city. Cities in which percent Black is high have significantly less competition from Asians and Hispanics and have significantly more Black firms. In cities where the index of dissimilarity and the index of isolation are pronounced there is less competition from Asians or Hispanics and there is more Black firms. These findings however do not hold with the per capita measures of success by Black firms.

Section e of Table 5 examines bivariate correlations between ethnic competition (Asians) and other variables. The first part of this section deals with bivariate correlations between Asian ethnic competition and Hispanic ethnic competition. Percent Hispanic is higher in cities where the number of Asian firms is higher (.18**) and the percentage of Asian firms is higher (.17*). Number of Hispanic firms is higher in cities where the number of Asian firms (.72**), percent Asian firms (.26**), and percent volume of sales for Asian firms (.18*) are all higher.

TABLE 5e:
BIVARIATE CORRELATIONS: Ethnic Competition (Asians) Vs. Other variables

| VARIABLE LIST | (15) | (16) | (17) | (18) |
|---|---|---|---|---|
| (1) SOUTH | - | - | - | - |
| (2) WEST | - | - | - | - |
| (3) NEAST | - | - | - | - |
| (4) MWEST | - | - | - | - |
| (5) POPULATION | - | - | - | - |
| (6) %UNEMPL, BM | - | - | - | - |
| (7) % UNEMPL, BF | - | - | - | - |
| (8) MED. AGE, BL | - | - | - | - |
| (9) % H.S., BL | - | - | - | - |
| (10) % COLLEGE, BL | - | - | - | - |
| (11) P. CAPITA INC., BL | - | - | - | - |
| (12) % BLACK | - | - | - | - |
| (13) INDEX DISSIMILARITY | - | - | - | - |
| (14) INDEX ISOLATION | - | - | - | - |
| (15) % ASIAN | 1.00 | - | - | - |
| (16) # ASIAN FIRMS | .36** | 1.00 | - | - |
| (17) % ASIAN FIRMS | .91** | .52** | 1.00 | - |
| (18) % VOL. SALES- ASIAN | .86** | .40** | .94** | 1.00 |
| (19) % HISPANIC | .10 | ***.18*** | ***.17**** | .14* |
| (20) # OF HISPANIC FIRMS | .12 | ***.72*** | ***.26*** | ***.18**** |
| (21) % HISPANIC FIRMS | .02 | .06 | .11 | .11 |
| (22) % VOL. SALES- HISP | -.02 | .01 | .07 | .10 |
| (23) # BLACK FIRMS | .06 | ***.70*** | ***.18**** | .08 |
| (24) CAPITA BLACK FIRMS | .00 | -.03 | -.00 | ***.17**** |
| (25) SALES- BLACK FIRMS | .09 | ***.86*** | ***.23*** | .13 |
| (26) CAPITA SALES- BLACK | .03 | .04 | .01 | ***.17**** |

TABLE 5f:
BIVARIATE CORRELATIONS: Ethnic Competition (Hispanics) Vs. Other variables

| VARIABLE LIST | (19) | (20) | (21) | (22) |
|---|---|---|---|---|
| (1) SOUTH | - | - | - | - |
| (2) WEST | - | - | - | - |
| (3) NEAST | - | - | - | - |
| (4) MWEST | - | - | - | - |
| (5) POPULATION | - | - | - | - |
| (6) %UNEMPL, BM | - | - | - | - |
| (7) % UNEMPL, BF | - | - | - | - |
| (8) MED. AGE, BL | - | - | - | - |
| (9) % H.S., BL | - | - | - | - |
| (10) % COLLEGE, BL | - | - | - | - |
| (11) P. CAPITA INC., BL | - | - | - | - |
| (12) % BLACK | - | - | - | - |
| (13) INDEX DISSIMILARITY | - | - | - | - |
| (14) INDEX ISOLATION | - | - | - | - |
| (15) % ASIAN | - | - | - | - |
| (16) # ASIAN FIRMS | - | - | - | - |
| (17) % ASIAN FIRMS | - | - | - | - |
| (18) % VOL. SALES- ASIAN | - | - | - | - |
| (19) % HISPANIC | 1.00 | - | - | - |
| (20) # OF HISPANIC FIRMS | ***.47*** ** | 1.00 | - | - |
| (21) % HISPANIC FIRMS | ***.90*** ** | ***.43*** ** | 1.00 | - |
| (22) % VOL. SALES- HISP | ***.81*** ** | ***.40*** ** | ***.93*** ** | 1.00 |
| (23) # BLACK FIRMS | ***.16**** | ***.59*** ** | .05 | .05 |
| (24) CAPITA BLACK FIRMS | .01 | -.00 | .09 | ***.22*** ** |
| (25) SALES- BLACK FIRMS | ***.23*** ** | ***.72**** | .11 | .09 |
| (26) CAPITA SALES- BLACK | .03 | .06 | .07 | ***.20**** |

The bivariate correlations between Asian ethnic competition and Black entrepreneurial success show that the number of Black firms is higher in cities where the number of Asian firms is higher (.70**) and where percent Asian firms is higher (.18**). The number of Black firms (.70**) and sales of Black firms (.86**) are higher in cities where there are more Asian firms (.70**), a higher percentage of all firms are Asian (.18**, .23**) However, when these two variables for number of Black firms and sales of Black firms are standardized (per 1,000 Blacks) the number of firms and sales of Black firms are correlated only with percent of all sales that are associated with Asian firms (.17*, .17*).

The final section of Table 5 deals with correlations between Hispanic ethnic competition and the dependant variables. Number of Black firms is higher in cities where percent Hispanic is higher (.16*) and number of Hispanic firms is higher (.59**). Sales for Black firms are higher in cities where percent Hispanics is higher (.23**) and where number of Hispanic firms is higher (.72**). The number of Black firms per 1,000 Blacks and sales for Black firms per 1,000 Blacks are higher in cities where percent volume of sales for Hispanic firms is higher (.22**, .20*).

Factor Analysis

As a result of high inter-correlations between some of the independent variables, such as the .91 correlation between percent Asian and percent Asian Firms, factor analyses were done on some of the variables that reported high inter-correlations. These factor analyses are reported in the next four tables. The first factor analysis was conducted for the Ethnic Enclave variables: percent Black, index of dissimilarity, and index of isolation. In the case of the analysis of the Ethnic Enclave variables, there's only one eigenvalue is above 1.00 (2.376). Kaiser's rule, i.e., the number of factors is equal to the number of eigenvalues over 1.00, would suggest that the variables measuring Ethnic Enclave are very closely related and are all indicating the same factor. To avoid problems of multicollinarity, only the variable index of isolation will be used to represent Ethnic Enclave in the regression analyses. Index of isolation is selected because it is considered a better measure of segregation than the index of dissimilarity and because it has a higher factor loading (.969) than the other two variables.

The second factor analysis is conducted for the three Human Capital variables: percent high school degree- Blacks, percent college degree- Blacks, and per capita income- Blacks. The eigenvalues of 2.021, .648, and .322 suggest that all of the Human Capital variables are essentially measuring the same factor. For the regression analyses, z-score transformations were performed for all three variables and added together to build a new single variable, HUMCAP - - human capital.

The third factor analysis is of the four Asian Ethnic Competition variables: percent Asian, number of Asian Firms, percent Asian Firms, and percent volume of sales for Asian firms per city. The large inter-correlations between some of these variables are

indicated in that only one of the eigenvalues was over 1.00 at 3.074. This one single factor among the Asian competition variables accounts for 76.8% of the variance. These four variables were transformed through z-scores into a new variable, ASIANCOMP, for the regression analyses.

The final factor analysis is conducted for the Hispanic Ethnic Competition Variables. The eigenvalues of 3.031, .730, .191, and .004 indicate that these variables are measuring only one single factor. Because of the presence of this one factor, the Hispanic Ethnic Competition variables were also converted into a new variable, HISPCOMP, for the regression analyses.

Table 6: Factor Analyses

Ethnic Enclave Variables

| Factor | Eigenvalue | Item | Loadings |
|---|---|---|---|
| 1 | 2.376 | Percent Black | .829 |
| 2 | .526 | Index of Diss. | .865 |
| 3 | .009 | Index of Isolation | .969 |

Human Capital Variables

| Factor | Eigenvalue |
|---|---|
| 1 | 2.021 |
| 2 | .648 |
| 3 | .332 |

| Item | Loadings |
|---|---|
| Percent High School /Blacks | .888 |
| Percent College /Blacks | .829 |
| Per Capita Income /Blacks | .738 |

Asian Ethnic Competition Variables

| Factor | Eigenvalue |
|---|---|
| 1 | 3.074 |
| 2 | .751 |
| 3 | .135 |
| 4 | .004 |

| Item | Loadings |
|---|---|
| Percent Asian | .930 |
| Number of Asian-Firms | .591 |
| Percent Asian- Firms | .983 |
| Percent Volume of Sales/Asian Firms | .945 |

Hispanic Ethnic Competition Variables

| Factor | Eigenvalue |
|---|---|
| 1 | 3.031 |
| 2 | .730 |
| 3 | .191 |
| 4 | .004 |

| Item | Loadings |
|---|---|
| Percent Hispanic | .935 |
| Number of Hispanic-Firms | .601 |
| Percent Hispanic-Firms | .965 |
| Percent Volume of Sales/Hispanic Firms | .945 .930 |

Regression Analyses

Table 7 considers the regression of the number of Black-owned firms per 1,000 Black population on eight variables. There are two effects significant at the .01 level: index of isolation, with an unstandardized *b* of –27.748 and standardized B of -.309, and median age for Blacks, with a b of 2.184 and a B of .244. HUMCAP, the human capital variable, also shows a negative effect at the .10 level with a b of –1.214 and a B of -.160. What this illustrates is that Black business success, as measured by the number of Black-owned firms per 1,000 Blacks in the population, is greater in cities where the median age for the Black population is higher, where Blacks are less isolated, and where blacks have less human capital, i.e., less education and income. The human capital finding is interesting because it may point to the fact that Blacks with higher education and incomes may not be as active in entrepreneurial activities and finding jobs in the business and government sector. It is also important to note that the economic conduciveness and ethnic competition variables show no significant effects.

Table 8 contains the regression of sales of Black-owned firms per 1,000 Blacks in the population. This regression offers a number of significant findings. First, percent unemployed Black males has a significant positive effect on the dependant variable (b= .471 and B = .235, p= .01). Second, similar to the previous regression, median age for Blacks has a positive effect on the dependent variable, with a b of .702 and B of .238 and is significant at the .01 level. Also similar to the previous regression, index of isolation has a negative effect on sales of Black-owned firms per 1,000 Blacks in the population (b= -11.404 and B = -.378, p< .01). Hence sales for Black firms per 1,000 Blacks in the

Table 7: Regression of Number of Black-Owned firms per 1,000 Black Population

(n=166)

| | **Unstandardized** | | **Standardized** | |
|---|---|---|---|---|
| **Independent Variables** | b | std err | ***B*** | prob |
| Economic Conduciveness | | | | |
| Total Persons per city | .000 | .000 | -.080 | .37 |
| Percent Unempl Black Males | .388 | .515 | .068 | .45 |
| Percent Unempl Black Females | -.581 | .709 | -.077 | .41 |
| Median Age- Blacks | 2.184 | .842 | .244 | .01*** |
| HUMCAP (Human Capital) | -1.214 | .723 | -.160 | .09* |
| Index of Isolation (Ethnic Enclave) | -27.748*** | 9.055 | -.309 | <.01*** |
| ASIANCMP (Ethnic Competition) | .116 | .372 | .027 | .75 |
| HISPCMP (Ethnic Competition) | .007 | .501 | .013 | .88 |

R- square= .095

* $p < .10$

** $p < .05$

*** $p < .01$

Table 8: Regression of Sales of Black-owned Firms per 1,000 Blacks in Population

(n=157)

| | **Unstandardized** | | **Standardized** | |
|---|---|---|---|---|
| **Independent Variables** | b | std err | *B* | prob |
| Economic Conduciveness | | | | |
| Total Persons per city | -.000 | .000 | -.047 | .60 |
| Percent Unempl Black Males | .471 | .181 | .235 | .01*** |
| Percent Unempl Black Females | -.304 | .239 | -.121 | .20 |
| Median Age- Blacks | .702 | .283 | .238 | .01*** |
| HUMCAP (Human Capital) | -.339 | .240 | -.135 | .16 |
| Index of Isolation (Ethnic Enclave) | -11.404 | 3.096 | -.378 | <.01*** |
| ASIANCMP (Ethnic Competition) | .005 | .123 | .040 | .65 |
| HISPCMP (Ethnic Competition) | -.000 | .166 | .004 | .96 |

R-square= .131

* $p < .10$

** $p < .05$

*** $p < .01$

population are higher in cities where unemployment is higher among Black males, and higher and in cities where the median age for Blacks is higher. Per capita sales for Black firms are lower however, in cities where Blacks are more likely to be isolated. These findings suggest that there is no "ethnic enclave" contribution to the number of firms or sales – rather isolation seems to undermine these for Blacks.

To provide a better analysis of the dependant variables, the regression analysis is also separated by region. This is necessary because these effects may not be consitent across regions. The regions used for classification in this analysis are South, West, Northeast, and Midwest. These regions are used because prvious research has found some differences in Blacks business success across regions (Green and Pryde:1997, Butler, 1991).

Table 9 presents the regressions of number of Black-owned firms per 1,000 Blacks in the population on the independent variables by region. Since we will be comparing effects across catergories, in this case, regions, only unstandardized coefficients are reported in the table. In the South, total persons per city (b=-.00003 and $p<.05$) and index of isolation (b= -42.327, $p <.10$) both have significant negative effects on the dependent variable, while median age for Blacks (b= 8.064, $p<.01$) and the ethnic competition variable, ASIANCMP (b=7.852, $p<.05$) have significant positive effects. Together in the South, these findings indicate that the number of Black-owned firms per 1,000 Blacks in the population is greater in cities where the population is smaller, the median age for Blacks is greater, there is less isolation of Blacks, and more competition from Asian firms.

Table 9: Regression of Number of Black-owned Firms per 1,000 Black Population on Independent Variables by Region

(Entries are unstandardized coefficients, standard errors in parentheses)

| | South n=63 | West n=36 | N'East n=32 | M'West n=31 |
|---|---|---|---|---|
| **Independent Variables** | | | | |
| Economic Conduciveness | | | | |
| Total persons per city | -.00003** (.000) | -.00000 (.000) | -.00000 (.000) | -.00002* (.000) |
| Percent unempl Black males | 2.050 (1.610) | .357 (.386) | -.452** (.203) | .534** (.220) |
| Percent unempl Black females | -1.597 (1.752) | -.102 (.524) | .852*** (.313) | -.831*** (.248) |
| Median age- Blacks | 8.064*** (2.489) | -.457 (.597) | .236 (.397) | -.201 (.193) |
| HUMCAP (Human Capital) | -.011 (2.438) | .644 (.572) | .205 (.457) | .705*** (.272) |
| Index Isolation (Ethnic Enclave) | -42.327* (24.537) | 4.509 (11.498) | -6.245 (4.304) | .671 (2.804) |
| ASIANCMP (Ethnic Comp) | 7.852** (3.633) | -.014 (.155) | .420 (.538) | 1.031 (.683) |
| HISPCMP (Ethnic Comp) | .018 (1.020) | .022 (.364) | -.284 (.539) | .003 (1.049) |
| R-square | .301 | .129 | .432 | .639 |

* $p < .10$

** $p < .05$

*** $p < .01$

There were no significant effects of the independent variables on the number of Black firms per capita in the West. However, in the Northeast percent unemployed Black males had a significant negative effect (b= -.452, p <.05) and percent unemployed Black females has a significant positive effect on the dependent variable (b= .852, p< .01). These two findings in the Northeast present some interesting issues in relation to what was hypothesized. The economic conduciveness argument led to the hypothesis that a higher unemployment rate would lead to less entreprenuerial activity. On the contrary, the findings that the higher the percentage of unemployed Black females the higher the number of Black firms per capita is not consistent with the economic conduciveness argument, and is an unexpected finding.

In Midwestern cities there are a number of significant findings. First, total persons per city has a negative impact on the dependent variable with a unstandardized b of -.0002 and $p < .10$. Percent unemployed Black males and the human capital variable HUMCAP both have significant effects on the number of Black firms per capita, b= .534, and $p < .05$ and b =.705, and $p < .01$ respectively. Here, percent unemployed Black females has a significant negative impact on the number of Black firms per 1,000 Blacks in the population (b= -.831, p< .01). Therefore, in the Midwest, the number of Black-owned firms per 1,00 Blacks in the population is greater in cities where the population is lower, the percentage of unemployed Black males is higher, but unemployed Black females is lower, and where human capital factors are higher for Blacks.

The next step is to examining the effects of the independent variables on the dependent variable across regions to determine whether there is any variation, i.e., interaction. Among the economic conduciveness variables, total persons per city is

negatively related to the number of Black-owned firms per 1,000 Blacks in the population in all the regions, but is significant in the South and in the Midwest. Percent unemployed Black males is not significantly related to the dependent variable in the South and West, yet negatively related to the dependent variable in the Northeast and positively related to the number of Black-owned firms per 1,000 Blacks in the population. Percent unemployed Blacks females also shows signs of interaction but in reverse of what was found with unemployed Black males. The higher the percentage of unemployed Black females the higher the number of Black firms per Black capita and the higher the percentage of unemployed Black females the lower the number of Black-owned firms per 1,000 Blacks in the population. Furthermore, median age for Blacks is significantly related to the dependent variable in the South but not in the other three regions.

There are also interaction effects among some of the other independent variables in the analysis. The human capital variable, HUMCAP, has a significant effect on the dependant variable in the Midwest but not in the other regions. Index of isolation has a negative effect and the Asian competition variable, ASIANCMP, has a positive effect on the number of Black-owned firms per 1,000 Blacks in the population, but only in the South for each. The ethnic competition variable , HISPCMP, does not have a significant effect on the dependent variable in any region.

Table 10 presents the regression of sales of Black-owned firms per 1,000 Blacks in the population on the independent variables by region. In the South, total persons per city ($b = -.009$, $p < .05$), percent unemployed Black males ($b= 793.545$, $p<.10$), median age for Blacks ($b = 1968.228$, $p<.01$), and ASIANCMP ($b= 2076.489$, $p < .05$) all have

Table 10: Regression of Sales of Black-owned Firms per 1,000 Black Population on Independent Variables by Region

(Entries are unstandardized coefficients, standard errors in parentheses)

| | South | West | N'East | M'West |
|---|---|---|---|---|
| **Independent Variables** | | | | |
| *Economic Conduciveness* | | | | |
| Total persons per city | -.009** | .0005 | -.00000 | -.002* |
| | (.004) | (.002) | (.000) | (.002) |
| Percent unempl Black males | 793.545* | 290.392 | -179.270 | 448.645* |
| | (449.904) | (375.191) | (107.633) | (238.814) |
| Percent unempl Black females | -663.517 | -614.400 | 485.223*** | -767.927*** |
| | (481.791) | (423.029) | (173.211) | (261.219) |
| Median age- Blacks | 1968.228*** | -355.805 | -45.200 | -236.434 |
| | (684.402) | (530.265) | (208.622) | (209.628) |
| HUMCAP (Human Capital) | 204.187 | -181.395 | 180.869 | 637.127** |
| | (671.075) | (489.961) | (241.462) | (294.844) |
| Index Isolation (Ethnic Enclave) | -9323.827 | 7686.722 | -1726.242 | 2531.611 |
| | (6748.748) | (10477.202) | (2291.759) | (3120.506) |
| ASIANCMP (Ethnic Comp) | 2076.489** | -51.005 | 245.919 | 1472.992** |
| | (1006.921) | (125.820) | (283.171) | (737.127) |
| HISPCMP (Ethnic Comp) | 161.848 | -159.892 | -230.176 | -252.480 |
| | (280.459) | (298.006) | (285.776) | (1107.396) |
| R-square | .309 | .161 | .400 | .593 |

* $p < .10$

** $p < .05$

*** $p < .01$

significant effects on the number of per Black capita Black firms. Therefore in the South, Black entrepreneurial success (sales) is greater in cities where population size is smaller, the percentage of unemployed Black males is higher, the median age for Blacks is higher, and there is more competition from Asian firms.

There are no significant effects on the dependent variable in the West. In the Northeast there is only one significant finding that percent unemployed Black females is positively related to the amount of sales for Black-owned firms per 1,000 Blacks in the population ($b = 485.223$, $p < .01$). There are a number of significant effects in the Midwest on the dependent variable. Total persons per city ($b = -.002$, $p<.10$) and percent unemployed Black females ($b= -767.927$, $p <.01$) both have significant negative effects on the dependent variable. This means that the more persons in a city and the larger the percentage of unemployed Black females, the lower the amount of sales for Black – owned firms per 1,000 Blacks in the population. Also in the Midwest, percent unemployed Black males ($b= 448.645$, $p< .10$), the human capital variable, HUMCAP ($b= 637.127$, $p< .05$) and the ethnic competition variable ASIANCMP ($b= 1472.92$, $p < .05$) have significant positive effects on sales for Black-owned firms per 1,000 Blacks in the population. In the Midwest, sales for Black firms per Black capita are higher where the percentage of unemployed Black males is higher, human capital is higher for Blacks, and there is more competition from Asian firms in the city.

Examining the regression of sales for Black-owned firms per 1,000 Blacks in the population on the dependent variables across region for interaction effects there are some interesting findings. First with the economic conduciveness variables, total persons per city is negatively related to sales for Black-owned firms per 1,000 Blacks in the

population in the South and in the Midwest, but is not significantly related to the dependant variable in the West or Northeast. Percent unemployed Black males also significantly effects the dependent variable in the South and Midwest but not in the other regions. Percent unemployed females is negatively related to the dependent variable in the Northeast and Midwest but not in the South and West. The final economic conduciveness variable, median age, is related to sales for Black-owned firms in the South but not in the other regions.

The human capital variable, HUMCAP, is only significantly related to the dependant variable in the Midwest. ASIANCMP is significantly related to sales for Black-owned firms per 1,000 Blacks in the population in the South and Midwest and index of isolation and HISPCMP are not significantly related to the dependant variable in any one region. These findings show that the effects of the independent variables on the amount of sales for Black firms per 1,000 Blacks in the population depend heavily upon what region of the country that is being examined.

Oklahoma City Minority Business Yellow Pages Supplement

As a supplement to the U.S. Census data on minority business, a comparable profile of minority-owned businesses in Oklahoma City was developed by using the 1998-1999 edition of the Minority Business Yellow pages. The Oklahoma City Minority Yellow pages is compiled on an annual basis, and is an voluntary listing of businesses that cater in some form to the minority community of Oklahoma City. This publication is used as a way to advertise each business' services to the general public.

In the Minority Business Yellow Pages there is a combination of minority-owned firms and non-minority-owned firms, however, the publication does provide an identification marker next to all businesses that are women-owned. For the purposes of this study only businesses from the Minority Business Yellow Pages marked "minority-owned" were used in the profile. Using this, as criteria for inclusion, there were 161 businesses that were designated as minority-owned and that were included in the study.

Many of the advertisements included pictures of the principle owners and operators of the various firms and the overwhelmingly majority of these owners pictured were African American. Furthermore, the publisher of the Minority Business Yellow Pages is Minority Business Advertising Inc, and an African American staff heads this firm, including an African American female company president. Because of large African American presence in this publication, it is inferred that the majority of the firms designated "minority-owned" are Black-owned firms.

The 161 minority businesses identified in this publication represents only a small sample of all the minority-owned firms, and specifically, Black-owned firms in Oklahoma City. 1992 economic census data shows that there are 5,047 minority firms,

with 2,108 of those firms being Black-owned in Oklahoma City. However, the Minority Business Yellow Pages and its 161 businesses are still important because it acts as a presentation of some of the most viable and interactive businesses in the community. By advertising in this publication not only are firms attempting to attract more business, but they are illustrating a strong will to link with the Black community. It may also be an indication that a firm has reached a certain level of success or stability in the community.

To create the supplemental profile all minority, businesses were classified into categories similar to those used by the U.S. Census Bureau. These categories are: agriculture, construction, manufacturing, transportation, wholesale, retail, finance/insurance, service, and industries not classified. The findings are summarized in Table 11. The largest category form the Minority Yellow Pages was the finance/insurance category. Fifty-one of the 161 firms or 31.7% of the minority-owned firms could be classified as insurance/finance firms. This finding is very different from Census Bureau data at the national level and in Oklahoma City, where finance/insurance firms are not the most numerous category for Black-owned firms. For example, insurance/finance firms make up only 5.3% of all Black firms at the national level and 6.5% of all Black-owned firms in Oklahoma City. Census data shows that it is in the service industry that most Black businesses are located on a national scale and in Oklahoma City specifically. In the Oklahoma City Minority Yellow Pages, services firms rank second in number, having 40 or 24.8% of all the minority firms advertising in the publication.

Industries not classified make up 19.2% of firms in the Minority Yellow Pages, while construction firms account for 6.8% of the minority firms. Only 1.1% of minority

Table 11: Statistics of Minority-Owned Firms From 1998-1999 Oklahoma City Minority Business Yellow Pages. Compared to 1992 U.S. Census data for Oklahoma City

| | **Minority Yellow Pages** | **U.S. Census Data/ OKC** |
|---|---|---|
| | % of Minority firms | % of Black Firms |
| Agriculture | 0% | 2.3% |
| Constr | 6.8% | 6.4% |
| Manufac | 5.0% | 1.1% |
| Transpor | 1.9% | 3.8% |
| Wholesale | 5.0% | 1.0% |
| Retail | 5.6% | 13.9% |
| Finan/Insuran | **31.7%** | 6.5% |
| Service | **24.8%** | **59.3%** |
| Not Class | 19.2% | 5.7% |
| Total | 100% (n=161) | 100% (n=2108) |

* Percentages in the left column were derived from the Oklahoma City Minority Business Yellow pages 1998-1999. Percentages in the right column were derived from U.S. Census Data for Oklahoma City Black-owned businesses for 1992.

firms in the Yellow pages were in the transportation field, as compared to 5.9% of all the Black owned firms in the U.S. Furthermore, there were no minority-owned firms in the publication that could be classified being agricultural.

Despite the disproportional amount of insurance firms and firms not classified found in the publication, the supplemental profile of Black-owned businesses in Oklahoma City is comparable to the U.S. Census data for Black firms in all cities and to

Black firms in Oklahoma City. The only major difference is that Black retail firms are very underrepresented in the Minority Business Yellow Pages. A possible reason for some of the differences found between official census data and the profile is that many Black-owned service and retail firms are more dependant on other sources of advertisement, such as radio or word of mouth, while insurance agents and people who own non traditional type firms may rely more heavily on this type of advertisements.

# CHAPTER FOUR

## Summary and Conclusion

Summary

The purpose of this dissertation is to analyze the state of Black-owned businesses in the U.S. Specifically, the goal of this project is to describe patterns of success among Black-owned and other minority-owned firms and then to test alternative explanations for variation in success of Black-owned businesses. To accomplish this objective, I first compiled a national profile of minority-owned business in the U.S. This profile of minority-owned businesses in 274 metropolitan statistical areas included data on the number of minority-owned firms by race and ethnicity in each MSA and the volume of sales for minority-owned firms by race. Furthermore, distinctions were also made among different types of firms that are minority-owned.

The next step was to describe and then test some of the major theoretical perspectives about Black-owned businesses. The perspectives used in the analysis considered the effects of region, ethnic enclaves, human capital, economic conduciveness, and ethnic competition. To test these perspectives, data from the U.S. Census and various segregation indices were used to operationalize the theoretical concepts. The purpose of analyzing these perspectives was to determine how well each of them predicts the prevalence and success of Black-owned firms. Furthermore, analyzing the relative utility of these perspectives allows for the development of a revised theory to further explain Black entrepreneurship in the U.S.

Major Findings

The first major finding is from the initial national profile of minority-owned firms using 1992 Census data. The profile shows that Asians are more likely to own firms with employees than are Hispanics and Blacks. Blacks are the least likely to own their own businesses of these three minority groups. Furthermore, because Blacks were less likely to own their own firms than Asians and Hispanics, Blacks were not able to gain the same levels of business success in sales that Hispanics and especially Asians have enjoyed. This finding is consistent with other researchers who have noted that Blacks lag behind Asians and Hispanics in entrepreneurship (O'Hare, 1992; Bates, 1994).

The second set of findings may be drawn from the bivariate correlations, though a full interpretation of these must be withheld until compared with results of the multivariate analyses. The bivariate correlations show that the two dependent variables--the number of Black-owned firms per 1,000 Blacks in the population and the volume of sales for Black-owned firms per 1,000 Blacks in the population – are positively correlated with levels of Asian and Hispanic competition. A cogent argument in the literature suggests that Black entrepreneurship should be negatively correlated with such ethnic competition variables. Likewise at the bivariate level, the dependent variables are inversely correlated with percent of population who are Black and with the index of isolation. This would indicate that there is less Black entrepreneurial success in cities where Blacks are more prevalent and are more segregated. These findings run contrary to the expectations advanced by the ethnic enclave perspective. However, most of the correlations between the dependent variables and variables advanced as measures of the

remaining perspectives – regional differences, human capital, and economic conduciveness perspectives – are present and in the expected directions.

The regression of the dependent variables on the full set of independent variables point to a third set of findings. Here, the median age for Blacks in a city's population (an economic conduciveness variable) has a positive effect on the number of Black-owned firms while the human capital variable and the index of isolation (an ethnic enclave variable) have negative effects. With the second independent variable – sales for Black-owned firms per 1,000 Blacks in the population – significant effects were found for the economic conduciveness variables, median age for Blacks, and percent of Black males who are unemployed, and a negative effect is found for the index of isolation.

Taken together, the following picture emerges: Black entrepreneurial success is greater where there is more economic conduciveness (higher median age and unemployment for Blacks), less isolation, and less human capital (Blacks have lower educational attainment and income levels). Ethnic competition is not a factor. Some possibilities here are that the presence of large enclaves are associated with more across-the-board discrimination; that high age levels might act exactly as the perspective suggests, as a factor more conducive to economic activity than a younger population; and that unemployment and lack of education and income act as a stimulus toward entering self-employment (more education, for instance, might lead to employment, especially in the public sector).

Finally, Butler and others have pointed repeatedly to regional differences in the pattern of Black entrepreneurship. A reanalysis of the above data by region in fact reveals stark contrasts. In the South, for example, the number of Black-owned firms per

1,000 Blacks is greater in smaller cities than bigger ones, greater where the median age for Blacks is higher, Blacks are less isolated, and where there is more competition from Asians. None of these, or the other independent variables, significantly explains this variable in the West. In the Northeast, the number of Black-owned firms is greater where unemployment is lower among Black males, but higher among Black females. In the Midwest, the pattern is the opposite: there are more Black-owned firms where there are more unemployed Black males and fewer unemployed Black females.

Turning to the regression of sales of Black-owned firms per 1,000 Blacks, sales in the South are greater in smaller cities and where there are more unemployed Black males and more Asian competition. None of these variables works well in the West. In the Northeast, sales are greater where the unemployment is greater among Black females but lower among Black males – with the reverse being true in the Midwest. Further, in the Midwest, more education and income among Blacks (more human capital) and Asian competition mean greater sales among Black-owned firms.

Theoretical Implications

The starkest finding from the present research is that patterns of Black entrepreneurship and their correlates vary tremendously by region. None of the independent variables works in more than two of the regions and among the variables that work in two regions, they did so in different ways. To address this concern a new theory of Black entrepreneurship that specifically focuses on region needs to be developed. This could be achieved by studying the history, culture and composition of each region.

For example, the South historically is a region where Blacks have been most numerous and where Blacks have experienced intense levels of discrimination and

hostility. Many of the characteristics for Blacks in the South have been shaped by the legacy of slavery. However, despite the fact that conditions in the South have been very oppressive for Blacks, it has also been a region where Blacks have been able to enjoy some levels of success as entrepreneurs. Scholars have noted the history of Black entrepreneurship developing in the South despite the institution of slavery and later high levels of discrimination against Blacks (Butler 1991; Kinzer and Sagarin 1950). Some forms of Black entrepreneurship began to arise during slavery and after the Civil War and Black entrepreneurship began to solidify in the South as a way to provide services and goods to Blacks affected by segregation.

By contrast the Northeast, Midwest, and West gained most of their large populations of Blacks, mostly in large cities after World War I through migration. Because of this relatively late arrival in these regions and the lower extent of extreme discrimination in these regions, a culture of Black entrepreneurship did not form as a necessity, such as the case in the South. Furthermore, in regions like the West and Midwest, Black populations migrating out of the South after World War I, relied much more heavily on economic opportunities in the private and public job sector that may not have been available to them in the South. This reliance on the public and private sector may have lessened the need for Black entrepreneurship to serve as an avenue for economic growth for Blacks in these regions.

Examining the findings for these regions show that, first, none of the perspectives has variables that are significant in the West. In the Northeast and Midwest, the effects of unemployed Black males and females vary greatly. Percent unemployed Black males has a negative effect in the Northeast but positive in the Midwest, while percent unemployed

Black females is positive Northeast but negative in the Midwest. To understand this finding it will take a very careful and comprehensive study by region.

This aside, success in the South is higher where cities are smaller and there is less segregation. The important question to answer then is: what is it about these types of cities in the South that produces Black economic growth? In the Midwest and Northeast the important paradox to understand is why unemployment for Black males is positively correlated with success in one region but negatively correlated in another region. And the same paradox holds true for percent unemployed Black females. One possibility for these findings is that the history and composition of those regions may affect Black male and female unemployment differently. Employers may be more selective of Black females in the Northeast, but less selective of them in the Midwest and vice versa for Black males. However, this may not explain the different effects in relation to the dependent variables.

Recommendations for Future Research

Future research on Black entrepreneurship should involve more in-depth examinations of the characteristics of Black entrepreneurship. The first step in doing this is to focus more on the importance of region. The region component was the most important finding in the present research, and it would be important to study region more closely to determine what are the most important aspects of this concept in relation to Black entrepreneurship. An example would be to focus only on the South and analysize aspects of the history and culture of the region and the circumstances of Black "incorporation" into the region that may hinder or foster Black economic growth. For instance, Blacks entered the South under slave capitalism -- a condition not present in

other regions. A careful consideration is needed of how this fact has affected entrepreneurship among Blacks in this region.

Second, but also related to region, careful analysis should be devoted to understanding the relationship between Black unemployment, gender, and entrepreneurship. Analysis should focus on understanding the regional differences in Black unemployment by gender and how specifically do these differences impact Black entrepreneurship. A third important focus for future research is to understand more thoroughly the effect of ethnic enclave. Historically, ethnic enclave has been a theory used to explain the success of some ethnic groups in businesses, but the present research finds that ethnic enclave has a negative effect on Black entrepreneurship. So future research should attempt to explore this finding more closely to explain why ethnic enclave does not work for Blacks.

A final consideration for study is to analysis the characteristics of business owners more carefully. This could be achieved by utilizing the U.S. Census Bureau's Characteristics of Business Owners Data Base or possibly by conducting in depth case studies or interviews with individual business owners. From this work, factors such as start-up capital, discrimination in lending, and customer/consumer characteristics could be studied to determine their impact on Black entrepreneurship

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## Appendix A

MINORITY BUSINESS PROFILE CODE BOOK

U.S. ECONOMIC CENSUS: MINORITY AND WOMEN-OWNED BUSINESSES

| | |
|---|---|
| VAR001 | CITY NAME |
| VAR002 | STATE |
| VAR003 | NUMBER OF FIRMS WITH EMPLOYEES |
| VAR004 | TOTAL SALES ($1,000) ALL FIRMS |
| VAR005 | NUMBER OF AGRICULTURE, FISHING, & MINING |
| VAR006 | SALES FOR AGRICULTURE ETC... |
| VAR007 | NUMBER OF CONSTRUCTION INDUSTRIES |
| VAR008 | SALES FOR CONSTRUCTION INDUSTRIES |
| VAR009 | NUMBER OF MANUFACTURING INDUSTRIES |
| VAR010 | SALES FOR MANUFACTURING INDUSTRIES |
| VAR011 | NUMBER OF TRANSPORTATION, COMMUNICATION, & UTILITY |
| VAR012 | SALES FOR TRANSPORTATION, COMMUNICATION ETC... |
| VAR013 | NUMBER OF WHOLESALE TRADE |
| VAR014 | SALES FOR WHOLESALE TRADE |

| | |
|---|---|
| VAR015 | NUMBER OF RETAIL TRADE |
| VAR016 | SALES FOR RETAIL TRADE |
| VAR017 | NUMBER OF FINANCE, INSURANCE, & REAL ESTATE |
| VAR018 | SALES FOR FINANCE, INSURANCE, ETC... |
| VAR019 | NUMBER OF SERVICE INDUSTRIES |
| VAR020 | SALES FOR SERVICE INDUSTRIES |
| VAR021 | NUMBER OF INDUSTRIES NOT CLASSIFIED |
| VAR022 | SALES FOR INDUSTRIES NOT CLASSIFIED |
| VAR023 | TOTAL MINORITY BUISNESSES |
| VAR024 | SALES FOR TOTAL MINORITY BUSINESSES |
| VAR025 | NUMBER OF BLACK OWNED FIRMS WITH EMPLOYEES |
| VAR026 | SALES FOR BLACK OWNED FIRMS WITH EMPLOYEES |
| VAR027 | NUMBER OF BLACK AGRICULTURE, FISHING, & MINING |
| VAR028 | SALES FOR BLACK AGRICULTURE ETC... |
| VAR029 | NUMBER OF BLACK CONSTRUCTION INDUSTRIES |
| VAR030 | SALES FOR BLACK CONSTRUCTION INDUSTRIES |
| VAR031 | NUMBER OF BLACK MANUFACTURING INDUSTRIES |
| VAR032 | SALES FOR BLACK MANUFACTURING INDUSTRIES |
| VAR033 | NUMBER OF BLACK TRANSPORTATION, COMMUNICATION, & UTILITY |
| VAR034 | SALES FOR BLACK TRANSPORTATION, COMMUNICATION ETC... |
| VAR035 | NUMBER OF BLACK WHOLESALE TRADE |

| | |
|---|---|
| VAR036 | SALES FOR BLACK WHOLESALE TRADE |
| VAR037 | NUMBER OF BLACK RETAIL TRADE |
| VAR038 | SALES FOR BLACK RETAIL TRADE |
| VAR039 | NUMBER OF BLACK FINANCE, INSURANCE, & REAL ESTATE |
| VAR040 | SALES FOR BLACK FINANCE, INSURANCE, ETC... |
| VAR041 | NUMBER OF BLACK SERVICE INDUSTRIES |
| VAR042 | SALES FOR BLACK SERVICE INDUSTRIES |
| VAR043 | NUMBER OF BLACK INDUSTRIES NOT CLASSIFIED |
| VAR044 | SALES FOR BLACK INDUSTRIES NOT CLASSIFIED |
| VAR045 | NUMBER HISPANIC OWNED BUSINESSES WITH EMPLOYEES |
| VAR046 | SALES FOR HISPANIC OWNED BUSINESSES |
| VAR047 | NUMBER OF HISPANIC AGRICULTURE, FISHING, & MINING |
| VAR048 | SALES FOR HISPANIC AGRICULTURE ETC... |
| VAR049 | NUMBER OF HISPANIC CONSTRUCTION INDUSTRIES |
| VAR050 | SALES FOR HISPANIC CONSTRUCTION INDUSTRIES |
| VAR051 | NUMBER OF HISPANIC MANUFACTURING INDUSTRIES |
| VAR052 | SALES FOR HISPANIC MANUFACTURING INDUSTRIES |
| VAR053 | NUMBER OF HISPANIC TRANSPORTATION, COMMUNICATION, & UTILITY |

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| VAR054 | SALES FOR HISPANIC TRANSPORTATION, COMMUNICATION ETC... |
| VAR055 | NUMBER OF HISPANIC WHOLESALE TRADE |
| VAR056 | SALES FOR HISPANIC WHOLESALE TRADE |
| VAR057 | NUMBER OF HISPANIC RETAIL TRADE |
| VAR058 | SALES FOR HISPANIC RETAIL TRADE |
| VAR059 | NUMBER OF HISPANIC FINANCE, INSURANCE, & REAL ESTATE |
| VAR060 | SALES FOR HISPANIC FINANCE, INSURANCE, ETC... |
| VAR061 | NUMBER OF HISPANIC SERVICE INDUSTRIES |
| VAR062 | SALES FOR HISPANIC SERVICE INDUSTRIES |
| VAR063 | NUMBER OF HISPANIC INDUSTRIES NOT CLASSIFIED |
| VAR064 | SALES FOR HISPANIC INDUSTRIES NOT CLASSIFIED |
| VAR065 | NUMBER OF ASIAN, PACIFIC ISLAND, AND AMERICAN INDIAN OWNED BUSINESSES |
| VAR066 | SALES FOR ASIAN ETC; OWNED BUSINESSES |
| VAR067 | NUMBER OF ASIAN AGRICULTURE, FISHING, & MINING |
| VAR068 | SALES FOR ASIAN AGRICULTURE ETC... |
| VAR069 | NUMBER OF ASIAN CONSTRUCTION INDUSTRIES |
| VAR070 | SALES FOR ASIAN CONSTRUCTION INDUSTRIES |
| VAR071 | NUMBER OF ASIAN MANUFACTURING INDUSTRIES |
| VAR072 | SALES FOR ASIAN MANUFACTURING INDUSTRIES |

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| VAR073 | NUMBER OF ASIAN TRANSPORTATION, COMMUNICATION, & UTILITY |
| VAR074 | SALES FOR ASIAN TRANSPORTATION, COMMUNICATION ETC... |
| VAR075 | NUMBER OF ASIAN WHOLESALE TRADE |
| VAR076 | SALES FOR ASIAN WHOLESALE TRADE |
| VAR077 | NUMBER OF ASIAN RETAIL TRADE |
| VAR078 | SALES FOR ASIAN RETAIL TRADE |
| VAR079 | NUMBER OF ASIAN FINANCE, INSURANCE, & REAL ESTATE |
| VAR080 | SALES FOR ASIAN FINANCE, INSURANCE, ETC... |
| VAR081 | NUMBER OF ASIAN SERVICE INDUSTRIES |
| VAR082 | SALES FOR ASIAN SERVICE INDUSTRIES |
| VAR083 | NUMBER OF ASIAN INDUSTRIES NOT CLASSIFIED |
| VAR084 | SALES FOR ASIAN INDUSTRIES NOT CLASSIFIED |
| VAR085 | TOTAL PERSONS PER CITY |
| VAR086 | TOTAL WHITE PERSONS |
| VAR087 | TOTAL BLACK PERSONS |
| VAR088 | TOTAL AMERICAN INDIAN PERSONS |
| VAR089 | TOTAL ASIAN PERSONS |
| VAR090 | TOTAL OTHER RACE PERSONS |
| VAR091 | TOTAL HISPANIC PERSONS |
| VAR092 | % UNEMPLOYED- WHITE MALES |

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| VAR093 | % UNEMPLOYED- WHITE FEMALES |
| VAR094 | % UNEMPLOYED- BLACK MALES |
| VAR095 | % UNEMPLOYED- BLACK FEMALES |
| VAR096 | % UNEMPLOYED- ASIAN MALES |
| VAR097 | % UNEMPLOYED- ASIAN FEMALES |
| VAR098 | % UNEMPLOYED- OTHER RACE MALES |
| VAR099 | % UNEMPLOYED- OTHER RACE FEMALES |
| VAR100 | % UNEMPLOYED- HISPANIC MALES |
| VAR101 | % UNEMPLOYED- HISPANIC FEMALES |
| VAR102 | PER CAPITA INCOME- WHITES |
| VAR103 | PER CAPITA INCOME- BLACKS |
| VAR104 | PER CAPITA INCOME- AMERICAN INDIANS |
| VAR105 | PER CAPITA INCOME- ASIANS |
| VAR106 | PER CAPITA INCOME- OTHER RACES |
| VAR107 | PER CAPITA INCOME- HISPANICS |
| VAR108 | % HIGH SCHOOL DEGREE- BLACKS |
| VAR109 | % BACHELOR'S DEGREE- BLACKS |
| VAR110 | % HIGH SCHOOL DEGREE- ASIAN |
| VAR111 | % BACHELOR'S DEGREE- ASIAN |
| VAR112 | % HIGH SCHOOL DEGREE- HISPANIC |
| VAR113 | % BACHELOR'S DEGREE- HISPANIC |
| VAR114 | % HIGH SCHOOL DEGREE- WHITES |
| VAR115 | % BACHELOR'S DEGREE- WHITES |

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| VAR116 | MEDIAN AGE- ALL PERSONS |
| VAR117 | MEDIAN AGE- WHITES |
| VAR118 | MEDIAN AGE- BLACKS |
| VAR119 | MEDIAN AGE- AMERICAN INDIANS |
| VAR120 | MEDIAN AGE- ASIANS |
| VAR121 | MEDIAN AGE- HISPANICS |
| VAR122 | INDEX OF DISSIMILARITY FOR EACH CITY |
| VAR123 | INDEX OF ISOLATION FOR EACH CITY |