DETERMINANTS OF BUSINESS SUCCESS: AN EXAMINATION OF ASIAN-OWNED BUSINESSES IN THE UNITED STATES (SUMMARY)

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**SUMMARY**

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**Principal Topic**

The success of Asians in business ownership in the United States is well documented and has been used as an example of how disadvantaged groups utilize business ownership as a route for economic advancement. Although research on Asian business ownership is extensive, only a handful of previous studies use business-level data to study the outcomes of Asian-owned firms. The lack of research of Asian firms and their outcomes is primarily due to the limited availability of data with large enough samples of Asian-owned businesses and detailed information on business outcomes. This lack of research is unfortunate given such dramatic differences in outcomes across racial groups. The few studies using business level data to explore why Asian-owned businesses are more likely to survive find that high levels of investment of human and financial capital are important factors.

Estimates from the CBO indicate that Asian business owners differ from white owners for many characteristics, such as education and startup capital. Furthermore, the estimates indicate that many of these variables are important determinants of small business outcomes. Taken together these results suggest that racial differences in education, startup capital, and previous experience contribute to why Asian-owned businesses have better outcomes on average than white-owned businesses.

Using confidential and restricted-access microdata from the U.S. Census Bureau, we find that Asian-owned businesses are 16.9 percent less likely to close, 20.6 percent more likely to have profits of at least $10,000, and 27.2 percent more likely to hire employees than white-owned businesses in the United States. Asian firms also have mean annual sales that are roughly 60 percent higher than the mean sales of white firms. Using regression estimates and a special non-linear decomposition technique, we explore the role that class resources, such as financial capital and human capital, play in contributing to the relative success of Asian businesses. We find that Asian-owned businesses are more successful than white-owned businesses for two main reasons - Asian owners have high levels of human capital and their businesses have substantial startup capital. Startup capital and education alone explain from 65 percent to the entire gap in business outcomes between Asians and whites. Using the detailed information on both the owner and the firm available in the CBO, we estimate the explanatory power of several additional factors.

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