MINORITY ENTREPRENEURS AND PERFORMANCE: SHOULD PERCEPTIONS MATTER? (SUMMARY)

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SUMMARY

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Principal Topic
Research on minority entrepreneurs suggests that perceptions are shaped by past outcomes. Minority entrepreneurs fear credit denial because of past rejection of financing. Financing gaps in turn contribute to unfavorable financial ratios for these enterprises primarily owned by minorities. They then fear failure because of poor business performance. Such performance in turn impairs their financing relationships. With these linkages, such perceptions may exacerbate the outcomes.

To reconcile negative perceptions of minority entrepreneurs with their growth in numbers, this study proposes that important differences exist among minority entrepreneurs themselves. Prior research compares the experiences of minority entrepreneurs to those of nonminority entrepreneurs. This study compares cohorts of successful entrepreneurs and unsuccessful entrepreneurs between these groups to resolve whether the negative perceptions are warranted and to determine their relationship to financing and performance outcomes. This method also addresses whether universal factors affect the outcomes for comparable minority and nonminority entrepreneurs.

Method
The empirical study employs a cross-section of U.S. small enterprises from the Kauffman Enterprise Survey. The survey provides a wide range of measures of entrepreneurial owner perceptions and performance. Robust univariate tests indicate differences between minority and nonminority entrepreneurs with respect to perceptions, financing, and performance. Multivariate regression analysis is applied to measure the effect of race and other factors on the enterprise's performance, from balance sheet measurements.

Results and Implications
Perceptions impact outcomes but are not necessarily self-fulfilling, according to initial findings. Cross-sectional evidence indicates that minority entrepreneurs have different perceptions about financing relationships and face different outcomes than nonminority entrepreneurs. Despite negative perceptions, successful minority borrowers have more favorable financing experiences than nonminority counterparts. Such successful minority entrepreneurs exhibit somewhat better business performance than similar nonminority entrepreneurs. Multivariate regression further finds that entrepreneur, enterprise, and employee characteristics are significant in their impact on the enterprise's performance.

This study integrates the relationship between entrepreneurial perceptions and outcomes. Negative perceptions may worsen the outcomes for unsuccessful minority entrepreneurs and dampen the outcomes for successful ones. The results indicate that researchers should treat minority entrepreneurs as a heterogeneous group in comparative studies of entrepreneurs. Given growth in minority self-employment, policymakers must account for the perception impact and differences among minority entrepreneurs to assess their experiences and the role of discrimination.

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