



## A Profile of Minority Business Owners

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Business ownership has long been regarded as a source of job creation and economic growth. It has also been symbolized as an important and viable alternative for those who are unable to find a suitable position in the traditional job market. Business ownership allows individuals to acquire monetary returns relative to initiative, skills, and risk-taking, thus facilitating economic and upward mobility. This is especially true for minority and immigrant groups who are marginalized by the traditional labor force—business ownership represents an important independent means by which to simultaneously earn a livelihood and to achieve economic parity. Self-employed immigrants are found to do substantially better in the labor market than salaried immigrants, and businesses owned by immigrant groups are also very successful, with higher incomes and employment than native-owned businesses.

Immigrants constitute 12.2 percent of the total work force in the United States and own a large share of businesses in the lowest- and highest-skill sectors and in several industries, an indication that their contributions differ across sectors of the economy. Immigrants also make up a sizeable portion of the businesses owned and business income generated in the US; nearly 1.5 million business owners represent 12.5 percent of all business owners, generating \$67 billion, 11.6 percent of all business income. Business ownership is geographically concentrated in a few states. Nearly 30 percent of all the business owners in California, one-fourth of those in New York, and more than one-fifth of those in New Jersey, Florida, and Hawai'i are immigrants.

The main source countries of immigrant business owners in the United States are Mexico, Korea, India, China, Vietnam, Canada, and Cuba. The largest contributing country is Mexico, with 255,300 business owners

representing 2.22 percent of all business owners in the United States. Korean immigrant business owners make up the next largest share, with 90,280, 0.78 percent. Although many Mexican immigrants own businesses, the proportion of business ownership within their group is substantially below the national average (6.5 percent compared with 9.5 percent). The large contribution to the total number of immigrant business owners is thus being driven by the large share of Mexican immigrants in the United States and not by higher business ownership rates. In contrast, 22.6 percent of Korean immigrants own a business, one reason they represent the second largest number of immigrant business owners in the United States. However, Mexican immigrants are the only group representing more than 10 percent of the total immigrant share of business owners.

### Ethnicity and entrepreneurship

Previous studies examined immigrant business ownership, but the profile of minority business owners was not widely developed. Much of entrepreneurship literature has used mainstream, Euro-American samples and theories that depict entrepreneurship as a series of individual and business decisions; ethnic businesses, however, involve group dynamics because of their dependence on group resources. Business operation and success require alignment with the social environment, and when that environment includes group values such as collectivism, duty, and loyalty from customers and suppliers, the alignment influences the entrepreneurial process and its outcome more than it does in the mainstream culture.

Literature on minority business entrepreneurship tends to generalize minority businesses with little consideration to immigration status, acquisition of English language skills, business experience and opportunities

prior to entry or historically within the country, social networks and organizing capacity, and how residential segregation of the group influence businesses' operating and financial patterns. Little attention has been paid to how families affect the entrepreneurial process. Because family is a conduit of culture and core cultural values, family structure and relationships are even more integral to understanding the management processes of ethnic family businesses than mainstream businesses. For instance, some ethnic groups have hierarchical family structures in which members have a clear sense of loyalty and obligation, while others have more diffusely organized families.

### **Korean-American culture**

Koreans place great weight on respecting authority and maintaining a stable social order. As part of that effort, Koreans are taught to embrace a "we" identity rather than an "I" identity. The concept of "we" in Korean culture is based on jeong, a unique Korean cultural concept. Jeong has an important role in shaping boundaries of a "we" group. Within the "we" context, people create interdependent, intimate, and emotional relationships. Meanwhile, the group tends to develop rigid boundaries to exclude others. Although Korean-American family boundaries remain rigid in terms of the larger society, within the immigrant community, boundaries are generally porous and permeable because of the absence of an extended kinship network.

In traditional Korean families and society, relationships are hierarchical, with age and gender playing major roles in determining place within the hierarchy. Hierarchies by age and gender continue to determine thinking and behavior. Elders are to be highly respected, revered, and cared for within families as part of the multigenerational family life cycle. Although in recent years women have gained legal equality, educational opportunities, and social participation, many Korean families still adhere to a conservative, patriarchal family structure.

A hierarchical, patriarchal Korean family structure affects marital and parent-child relationships. The primary relationship is more likely to be the father-son dyad than the husband-wife dyad. Parents traditionally nurture their children with support, discipline, and authority. In turn, they expect respect, absolute obedience, and submission from their children. Meanwhile, many Korean-American immigrant families are in transition because of the inevitable changes due to migration, urbanization, and

modernization. The traditional Korean primacy of the father-son dyad has been replaced by the husband-wife dyad, and children's opinions are now being given more consideration.

Korean-Americans prefer implicit, nonverbal, indirect communication and non-confrontational and emotionally balanced interactions to minimize the possibility of "losing face" for authority figures. Korean-Americans are unlikely to discuss psychological symptoms openly because the direct expression of mental distress is seen as a sign of weakness. Consequently, they express the physical discomfort associated with emotional distress, because this carries less shame.

### **Mexican-American culture**

Mexican-Americans organize themselves around an extended kin network, calling for sacrifice and loyalty from members. Even transnational families maintain strong familial, economic, and religious relationships that span countries. Mexican-Americans tend to be less individualistic, more competitive, and inclined to be risk-takers than their mainstream counterparts. They also are more likely to conform to the opinions of family and community and tend to rely heavily upon interpersonal relationships in making decisions and formulating strategies.

Hispanic entrepreneurs were more likely to be affected by pull factors as opposed to push factors, suggesting that these entrepreneurs must be attracted to creating and operating a business by factors outside their individual and family lives. The parent-child bond is often more important than the marital bond. There is a tendency toward a patriarchal family structure, with males holding strong, instrumental roles and females holding expressive roles, although spouses may share decision-making and elderly are respected. Additionally, indirect, implicit, or covert communication reflects the Mexican-American emphasis on harmony and not making others uncomfortable. They value talking face-to-face, and pressure is felt to turn to the extended family first for aid, and when that does not occur, feelings of family disloyalty are experienced.

### **Purpose of this publication**

In spite of the documented importance of minority businesses in the U.S. and its impact on the national and Hawai'i economies, previous studies have overlooked certain critical areas. The purpose of this analysis is to emphasize the prevalence of minority business owners by highlighting business and household characteristics.

The problems encountered by minority businesses and the interaction of business and family issues are other areas that have not been explored fully in research studies. In this publication, the issues confronting minority business owners are highlighted.

Data were collected in 2005 from 400 business owners through telephone interviews. To qualify for participation, a business owner had to have been in business for at least a year, have worked a minimum of 320 hours per year in the business, have been involved in the day-to-day management, and have resided with another family member. The interviews were conducted, using English, Spanish, or Korean-translated survey instruments, as needed. The results were statistically tested with t-test and chi-square analyses to determine the significant differences between the two minority groups. The factors were categorized under several subheadings: business owner characteristics, business and household characteristics, and several indicators of business problems and business involvement and its impact on family.

## Results

The sample of 400 business owners was equally distributed between two ethnic groups, Korean-American and Mexican-American. The statistics including means, standard deviations, percentage distributions, t-test and chi-square results, and their significance values, are presented in Table 1 (p. 7). For both groups, there were slightly more male business owners (53%) than females. There was significant difference between Korean- and Mexican-Americans in marital status in that the majority of Koreans (86%) were married, compared to 69 percent of Mexicans. Korean-Americans had more education than their counterparts.

The business characteristics differed significantly in several areas. Korean-Americans had their businesses for an average of 11 years, while the Mexican-Americans had theirs for 13 years. Significantly more Mexican-Americans had home-based businesses (30%) and perceived higher business success, compared to 9 percent of Korean-Americans, who had home-based businesses and a slightly lower mean score for business success. Mexican-Americans had higher average business income of more than \$440,000 and a higher number of employees. There were no significantly different household characteristics between the two groups. The average household size was 3.3 members. The average total household income was higher for Mexican-Americans

(\$151,225) than Korean-Americans (\$113,862).

Several factors categorized as business problems were significantly different for both groups, with Mexican-Americans indicating that each of these factors was not a problem, versus the Korean-Americans who experienced them as more of a problem. The highly significant variables were assessing customer needs, pricing products or services, finding qualified personnel, and complying with government regulations. Korean-Americans indicated the aforementioned variables to be more of a problem than Mexican-Americans. The other significant variables were developing marketing strategies, obtaining financing, and managing family and business conflict. Although Korean-Americans found the business processes to be more of a problem than Mexican-Americans, the spread of the mean scores was not wide.

Eight variables were significant under the category of business involvement and its impact on family. Korean-Americans differed significantly from Mexican-Americans on variables such as missing family activities due to business demands, having less time for family activities and household responsibilities, reduction in contributions to family, unable to follow personal interests, too frazzled to participate in family activities, and not having enough time to spend on enjoyable things, or being too tired to do anything enjoyable.

## Conclusions and implications

The entrepreneurial success of minority businesses has been studied to some extent, but the profile of minority business owners is not well documented, especially the problems they encounter and the impact their businesses have on family life. The results of the study are meaningful in understanding the entrepreneurial experience in a cultural context. Minority business startups are on the upswing, and the environment is conducive for minority business development and expansion. While it is tempting to dive into a business venture because of its potential for economic growth, one should also be aware of the pitfalls and challenges that a business owner faces. It is evident from the study that Korean-Americans faced more business problems, and owning their business had a greater impact on their family life. Supported by findings of previous studies, it is apparent that Korean-Americans, as more recent immigrants lacking English language skills, face a bigger challenge as business owners, especially in obtaining credit, navigating and complying with local and state regulations, and finding qualified personnel.

Contributing to the problem is the fact that many Korean-Americans continue to maintain the hierarchal family structure that they are accustomed to in Korea. The lack of extended kinship also exacerbates the situation for many Korean-American business owners, making the entrepreneurial experience more challenging.

Another important finding of the study is the impact a business has on the owner's family life. Korean-Americans business owners put in long hours and are unable to find time to fulfill their family and household responsibilities, enjoy family activities, or pursue personal interests. Korean-Americans seem to pay a high price for being business owners, forgoing their time and enjoyment with family. The results of this study are meaningful for minority business owners, community advocates, policy makers, and educators, who will gain a better understanding of the entrepreneurial process in minority communities. Business suppliers and associates, lending institutions, and other auxiliary entities will benefit from understanding business operations in an ethnic business environment contributing to better outcomes for minority business owners.

The implications for businesses in Hawai'i are several. Although the data were collected in the mainland U.S. states, the findings may be generalized to ethnic groups in Hawai'i. The focus of this analysis is Mexican- and Korean-Americans, but the problems identified are applicable to other minority businesses in Hawai'i. The enclaves of Korean-Americans and the Hawai'i Korean Chamber of Commerce provide the infrastructure to promote business development and address the needs of Korean-American business owners. Business owners could benefit from tapping into the resources provided by this organization, such as business networking, advocacy, education, and outreach. Businesses could also pool their resources to promote their businesses or to address the challenges they face in navigating local and state regulations. Another possible resource that businesses could tap into is the University of Hawai'i's Korean Studies Center, which supports intercultural and interdisciplinary studies.

Lending institutions and banks could benefit from understanding the needs of minority businesses and respond to their needs by making it simpler to obtain business loans or credit. Additionally, lenders may be more willing to extend credit if they are aware of the viability of a business venture. Public policy makers and community advocates need to be cognizant of the challenges that

business owners face during their startup period and support them by providing additional resources and tools. For example, translation of local and state regulations to different languages and workshops for business owners to familiarize them of policies and procedures would ease the implementation of business processes.

The focus on the family dimension makes this study more meaningful for minority families and communities. Before venturing into the world of business, it is important for immediate and extended families to fully understand and discuss the challenges they will have to face as a family unit. The demands that a business will place on the owner will deprive the family of a valuable member and place a lot of stress on family relationships and family structure. Although the business is run by one or two family members, in reality the impact is experienced by the entire family. Business owners have to prepare their families to reconcile with the shift in family dynamics.

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**Table 1. Profile of minority business owners.**

Variables (n= 200 each)		Korean-American			Mexican-American			t-test or chi-sq. values
		Mean (S.D.)	N	%	Mean (S.D.)	N	%	
<b>Business owner characteristics</b>								
Age		50.62 (11.8)			46.6 (10.39)			12.68, p=0.00004
Gender	Male		107	53.5		102	52.5	0.25, p=0.62
	Female		93	46.5		98	47.5	
Marital status	Married		171	85.5		138	69	15.49, p<0.0001
	Not Married		29	14.5		62	31	
Education (in years)		14.66 (2.38)			13.45 (2.6)			-2.37, p=0.02
<b>Business characteristics</b>								
Age of business		10.8 (10.7)			13.1 (11.8)			2.01, p=0.05
Home-based	Yes		17	8.5		60	30	29.7, p<0.0001
	No		183	91.5		140	70	
Perceived business success (1 = very unsuccessful, 5 = very successful)		3.47 (1.02)			4.00 (0.97)			4.93, p<0.0001
Gross business income in 2004		\$312,504 (874,104)			\$440,831 (985,752)			1.08, p=0.28
Number of Employees (excluding owner)		4.08 (9.4)			5.6 (10.5)			1.53, p=0.13
<b>Household characteristics</b>								
Household size		3.3 (1.3)			3.2 (1.6)			-0.44, p=0.66
Total household income		\$113,862 (180,266)			\$151,225 (470,710)			0.79, p=0.43
<b>Business problems</b> (1 = not a problem, 5 = major problem)								
Assessing customer needs		3.9 (1.4)			2.0 (1.3)			13.63, p=0.0001
Pricing products or services		3.8 (1.3)			2.0 (1.3)			13.66, p=0.0001
Obtaining financing		2.9 (1.5)			2.6 (1.7)			2.27, p=0.02
Developing marketing strategies		3.6 (1.5)			3.0 (1.6)			3.35, p=0.001
Finding qualified personnel		3.3 (1.4)			2.3 (1.4)			6.84, p=0.0001
Complying with government regulations		2.8 (1.6)			2.1 (1.5)			4.62, p=0.0001
Managing family/business conflict		2.5 (1.4)			2.1 (1.3)			2.43, p=0.02
<b>Business involvement and impact on family</b> (1 = strongly disagree, 5 = strongly agree)								
Business reduces time for household responsibilities and activities		3.0 (1.4)			2.6 (1.5)			2.86, p=0.005
Business reduces contributions to family		2.7 (1.4)			2.3 (1.4)			2.80, p=0.006
Business stress reduces time spent on enjoyable things		2.9 (1.4)			2.9 (1.4)			2.24, p=0.03
Business reduces time for family activities		3.0 (1.4)			2.5 (1.4)			2.95, p=0.003
Come home too tired to do enjoyable things		3.0 (1.5)			2.7 (1.5)			2.03, p=0.04
Business demands lead to missing family activities		2.9 (1.4)			2.6 (1.6)			3.44, p=0.0007
Work load takes away from personal interests		3.0 (1.5)			2.6 (1.5)			2.66, p=0.008
Come home too frazzled to participate in family activities		2.9 (1.4)			2.8 (1.6)			2.72, p=0.007