

Why American Minorities Go to the Entrepreneurship?

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Abstract

In this paper, I have studied the situation of small businesses that owned by ethnic minorities in the United States. I choose the African-American women as a sample to examine the position of their small businesses. Literature review and interactive interviews were used to find the best results. I went through the obstacles faced their businesses and how minorities were affected by the recession. Also, the reasons for increasing the number of entrepreneurs in the recent period, especially African-American women. The paper will end with statistical comparison and the reasons women choose entrepreneurship.

Index terms— entrepreneurship, recession, minority, unemployment, african american women.

1 I. Introduction

et's rewind a few years back, back where everything you worked hard for had to be forcefully shutdown due to the recent financial crisis. Imagine living in a city where not only you but those around you were too shut down and left in a town where unemployment rate was of 8.8% being the fifth highest unemployment rate in the town. That town I speak of is Atlanta. The closing of these businesses put roughly 1,800 people of their jobs. Within the 1,800 people many people lost their home, which was all due to the 2007-2009 recession that the United States experienced.

The recent financial crisis is known as the "Great Recession" of 2007. Many homeowners were stuck with large loans, increasingly high interest rates, and a decreased price of their home. Many homeowners went into foreclosure or were evicted. This eventually led large financial institutions and banks to become bankrupt, which lead to an overall fall in the U.S economy. What was needed were those small business; when small businesses grow, jobs are created, unemployment rates drop, and the overall economy improves. There is a clear connection between the struggles of small businesses and unemployment rates in the United States due to the "Great Recession" in 2007.

2 II. Method

Methods used were doing not only literature review but also interactive interviews with small business entrepreneurs in Atlanta. Three entrepreneurs that were interviewed included: Bianca and Bridgette Tatum with the online clothing boutique tilted Liz and Bee Online Boutique, followed was Ashley Wilson with an online shoe boutique tilted Shoe Korruption Online Boutique and Finally William Bruce Hunn II with phone service titled Phone Pharaoh, LLC. Phone Pharaoh, LLC is known offers services such as: Smartphone/tablet repairs and accessories. When asked all three, what challenges they face as a black business owner it was unanimously answered that bringing the initial idea of the business to life. As a minority, it is often rare to be able to walk into a business and find black ownership. This was always an unfortunate familiar trend found to be somewhat discouraging during the initial stage of their journey in entrepreneurship. It was a challenge taking an idea and making it a reality. Starting my business was a very tedious and time consuming venture. Additionally, the biggest challenge with starting their own brand fell on their lack of knowledge of graphical design. Moving forward the fear of failure was a challenge also.

3 III. What is a Recession?

In order to answer how the recession has affected small businesses and unemployment rates, other questions need to be addressed as well. The first thing that needs to be established is: what exactly is a recession? According to John E. Gnuschke, a recession is "a period of falling economic activity spread across the economy, lasting more than a few months, normally visible in real GDP [gross domestic product], real income, employment, industrial production, the housing market and wholesale-retail sales" (Gnuschke). Another author from the AAI Journal similarly agrees that it is defined as "negative gross domestic product (GDP) growth over the period of two quarters [six months] (Tips)." GDP can be defined as "the value of total production of goods and services in a country over a specified period" (TD Waterhouse). It is a key indicator of a country's standard of living and its overall health. When there is a negative gross domestic product for six or more months and there is an overall decline in the economy, then the country is considered to be in a recession.

IV. Obstacles of a Small Businesses and how Minorities were Effectuated by the Recession

Small businesses are obvious factors to a healthy recovery for a recession. But what happens when small companies are not being created? This could be a huge reason as to why the economy has taken such a long time to recover from this recession. For most people, a vital component in opening a small business during a recession is receiving a loan from a bank or another external sources. Since the recession has occurred, banks are limiting the amount of loans they are giving out. It is clear that banks, markets, and investors have become more risk adverse resulting in potential firms to face difficulties in tapping into sources to fund their investments. Small businesses depend on bank loans, which has tailed off 17% since 2008. Banks are supporting short-term, low risk innovations while long-term, high risk innovations [such as small business start-ups] are being denied first. Another obstacle to small business expansion is that a majority of the time businesses want to invest in an "intangible item, such as a patent or idea which can be difficult for banks to value, making it hard to borrow" (Policy 215). From the financial institutions' perspective, they are having difficulty trusting and finding good quality borrowers that will pay back their loans. The banks do not want to finance an investment that is not going to be successful. In order to be considered a small business, a company must be a privately owned [business] with less than five hundred employees and less than ten million dollars in sales each year. The recent recession has impacted current small businesses greatly; they have been faced with many struggles. Typically, small businesses help the economy recover, but this financial crisis has put several small firms in a deficit. Several articles support the idea that small businesses have been faced with the most hardships during this economic downturn. A small business titles, Cornerstone Six Sigma Consulting Inc., a moving company in Atlanta that has been in his family for years. He states that his "biggest problem is getting paid". The owner reports that clients are falling behind on their payments; "clients who used to pay their bills in thirty days are now taking sixty days, while those who used to pay in sixty days are delaying payments for ninety days". When this occurs, it is difficult for the owner to pay his bill if he is not getting paid. If there is no cash circulating into his accounts receivable, he is suffering financially. According to Fortune.com the number of businesses owned by African American women grew 322% since 1997, making black females the fastest growing group of entrepreneurs in the U.S. The number of women-owned businesses grew by 74% between 1997 and 2015, according to the recently published "2015 State of Women-Owned Businesses Report" commissioned by American Express Open. Accounting for some 9.4 million firm's women now own 30% of all businesses in the U.S. Reports found African American women control 14% of these companies, or an estimated 1.3 million businesses. Moreover, reports also found that figure is larger than the total number of firms owned by all minority women in 1997. Overall, these businesses have added an estimated 340,000 jobs to the economy since 2007, while employment at companies owned by men has declined.

Danielle Smith launched Detroit Maid in 2013 after she couldn't find a cleaning service that was willing to take work assignments in Detroit. "Firms that were just two or three miles away in the suburbs wouldn't come into the city. "It made me angry, I was sure I wasn't the only Detroiters who wanted some kind of basic service," she said. So the self-described neat freak opened a cleaning service. Smith said it was scary going out on her own after working in corporate America as a brand and marketing executive, but she derived strength from the Build Institute and her parents, who owned a pizza shop when she was growing up.

For its part, the Build Institute taught Smith the "technical stuff" and gave her advice on how to market and brand her services, including creating a special 40point checklist she calls the "maid-ifesto" to help customers understand what goes into a basic cleaning. Making that simple and understandable has helped with clients, she said.

Smith's first customer was Paramount Pictures, which was in Detroit filming Transformers: Age of Extinction. The company found her through a Google search and asked Smith to put together a proposal. She did and got the contract. Since then, she has hired four part-time employees and has worked on nearly 300 accounts, both commercial and residential, and is looking at revenue of approximately \$80,000 in 2015, more than double last year. Smith is unusual among entrepreneurs of any race or gender in that she employs more than just herself.

Just 10% of women-owned businesses, and approximately 20% of men-owned firms, have employees. Firms owned by women employ just 6% of the country's workforce, according to the American Express report. Firms owned by African American women tend to be smaller than average and have lower employment growth. That's of serious concern to Carla Walker Miller, whose Detroit-based Walker Miller Energy Services employs 43 people and expects revenues of \$7 million this year. She wants to see more women focusing on growth businesses, and on supporting themselves and their communities. "We face an incredibly steep incline trying to do two things:

one is just to be successful, and the other is to create wealth,” said Carla Walker Miller. ”There is a glut of womanowned businesses who are kind of mid-range. They

4 V. How to Stay Afloat

Small businesses have been forced to adjust the way they operate due to the recent recession. They are doing everything they can to survive the negative consequences of the economy. Managers have had to make extremely difficult decisions such as whether to downsize, move to a smaller facility, or shutdown. Managers of small businesses have had to get creative in promoting their company so they can stand out in their industry. Small minority owned businesses even brought up the idea if a situation were to occur like it did between the 2007-2009 recession, they would all combine in a way to not shut down. Additionally, after interviewing the two young ladies with the online boutique, although their main or ultimate goal is to open up a shop however there are in no hurry simply because there are a lot of liabilities they may fall into place. Remaining as an online boutique makes things a lot less stressful. With recession, another major issue was unemployment rate. In any recession, there is bound to be an increase in unemployment rates. But this recession has broken records. The national unemployment rate number has not been this high in the past thirty years. Blue-collar jobs are considered to be: construction and extraction occupations; installations/maintenance and repair crafts; production workers; and transportation operatives.

These types of jobs typically fall under the categories of small businesses. Having a significant decrease in these particular areas will affect how certain small businesses are struggling which contributes to unemployment rates. Small businesses are directly related to unemployment rates during a recession. The cycle begins when there is a decline in the economy; GDP becomes negative because consumer spending has decreased. This leads to a recession. This then leads to banks limiting their loans and cutting lines or credit. If small businesses typically lead recession to a healthy recovery, then they need to emerge. If small businesses are not emerging because of bank issues, then this will not create any job opportunities. If current small businesses are struggling to survive, they will most likely cut the number of employees that they have. If that happens, then no one will have jobs and consumer spending will continue to be extremely low. This results in the economy continuously being in a recession. If small businesses cannot come forward or expand, then unemployment rates will continue to remain high.

5 VI. African American Women Owned Businesses

The deluge of women into the workforce over the past half-century is one of the significant improvements in contemporary U.S. society. An expanding number of women who work their businesses parallel this development. With the late increment in female business ownership, there is a requirement for expanded exploration that focuses exclusively on women business proprietors. There is additionally a need to seek after studies on minority women because past investigations of minority entrepreneurs have tended to focus on minority men (Green, 2008).

The previous decade saw a remarkable resurgence in the quantity of examination studies in the region of entrepreneurship and the related fields of business ownership and independent work. One of the contributing elements that encouraged this expanded hobby is the assorted demographic segments that now make up the field of entrepreneurship. Early entrepreneurs were principally White men, who were the principal proprietors of financial assets. From that point forward, the field of entrepreneurship and the dependent territories of exploration have been attacked 364 Journal of Hispanic Higher Education/October 2004 by studies on women, minorities (counting minority women), foreigners, and most as of late worker women. The accentuation on entrepreneurship and the adjustment in nature and individuals from this field depends on the predictable acknowledgment of the significance of entrepreneurs by government authorities, loaning organizations, and even by the specialists in the work market. The business proprietor is independently employed an individual, or the business visionary stays fundamental to an economy and the individuals from a general public. Despite the fact that the purposes of turning into a company person and entering business ownership vary for different demographic gatherings (White men, White women, minority men, minority women, foreigner men, outsider women), late factual information demonstrates that all gatherings are spoken to in all commercial ventures and all states. For White men, the essential purpose behind entering entrepreneurship is the open door introducing itself and having the assets to embrace such a try. For women and minority gathers, the primary reason is the efficient rejection from lucrative, standard work market opportunities and the not exactly equal pay they get for the same standard work business sector capacities when contrasted with their male partners. For settler gatherings, it is the resistance they get from others when endeavoring to enter and stay prosperous in the standard work market, alongside the dialect or social boundaries they encounter when attempting to acclimatize in normal job opportunities. The writing shows that men, and specifically White men, have dependably and keep on getting a charge out of a great position in the work market. This great position has additionally been exchanged to the region of entrepreneurship (Hall & Pfeiffer, 2000).

In spite of the fact that African American women are incredibly included in the work market, they keep on getting not exactly proportionate money related remunerations when contrasted with their male partners. These unequal returns stay steady crosswise over different racial and tribal gatherings. Notwithstanding when the women entered new regions, for example, mining and development, their money related remunerations stayed

underneath that of their male partners. All things considered, African American women procure .72 pennies to the dollar when contrasted with the men for similar work performed. Women likewise keep on being barred from top administration positions, bringing about an unreasonable impediment impact. This not exactly equitable remuneration that women workers get in the standard work advertise additionally stretches out to women in entrepreneurial parts. Women are gathered in commercial enterprises that offer less lucrative returns, businesses, for example, retail or individual administrations. They are frequently avoided from more profitable businesses, for example, development and mining or commercial ventures requiring expanded specialized mastery. What's more, when women enter nontraditional commercial enterprises to seek after entrepreneurship they encounter more challenges entering and proceeding in such entrepreneurial endeavors. Measurements show that African American women are entering entrepreneurship at a more-thanproportionate rate when contrasted with their male partners. This expanded passage likewise highlights two critical issues. To begin with, women keep on being gathered in the less lucrative commercial enterprises. African American women additionally keep on acquiring not exactly their male partners in all commercial enterprises, particularly where there is a higher centralization of women. This expanded passageway into entrepreneurship by women fundamentally can be clarified by their rejection from top-level positions in the standard work market and by the independence they feel by having control of their predeterminations (Glenn, 2002).

The factual investigations got from the gathering of information on women entrepreneurs can give highly required knowledge into the vital issues identified with White and minority women entrepreneurs overall commercial enterprises. Measurable investigations are constrained, then again, in their points of view as standalone elements to clarify ramifications of their discoveries totally. It is basic to step past the horde of figures and tables that are regularly offered in different studies to take a gander at the fundamental implications and elucidations that are being anticipated from this information. This area steps past the shifting factual information to display the basic issues that are vital to women business proprietors crosswise over racial lines. One issue of foremost significance to the women entrepreneurs today is access to money related capital. Conceivable wellsprings of money related capital incorporate, however, are not restricted to, the accompanying: fluid resources (checking and sparing records), credit lines, advances, capital leases (home loans and engine vehicle advances). Not forgetting the monetary administrations (exchange and money administration), proprietor advances, charge cards, and exchange credits. This entrance or scarcity in that department by women entrepreneur's starts when first beginning the business. Late studies demonstrate that wellsprings of start-up capital for African American women entrepreneurs are regularly restricted to investment funds and bank advances. Getting budgetary capital while the business was in operation was likewise a wellspring of trouble. White and minority women entrepreneurs have conceded that acquiring financial capital in the wake of being in business for a couple of years was some of the time as troublesome as getting start-up capital. They likewise demonstrated that the restrictions confronted were not constrained to monetary foundations but rather reached out to incorporate government projects pointed particularly at financing little business ownership among women. These discoveries show that there is a requirement for saving money establishments to utilize the same criteria to assess advances for White and minority women business proprietors. There is additionally a requirement for an expanded number of government projects focused toward women business proprietors, particularly minorities, including Hispanic women entrepreneurs. These projects ought to be particularly identified with particular commercial ventures, rather than the present arrangement that takes a gander at all credits, paying little respect to industry. Such a qualification is vital because businesses, for example, those in the retail and the administrations business may, now and again, be less fruitful when contrasted with others as a result of the sort of business and the lower profit. Women entrepreneurs have likewise elevated the need to get to options wellsprings of money related capital, for example, renegotiating different credits or incorporating a noiseless accomplice in the business. Numerous others agreed with the suggestions' already specified discoveries. These creators see such options wellsprings of capital as imperative to the continuation of women claimed businesses. The options sources are especially critical to minority female entrepreneurs who face extra troubles. The second fundamental issue for women entrepreneurs is the improvement of a typical system structure. A business person's system structure has been characterized as the formal and casual associations of covering authoritative, family, and social enrollments that record for our level of progress; the assets we have accessible to us to fulfill our needs, commitments, and desires. It has been depicted as the "unseen hand of impact" that influences the

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Volume XVI Issue VII Version I Year () improvement of business markets. The measurement of one's system structure is said to incorporate the family, companions, partners, religious and work affiliations, banks, loaning offices, and government offices. It is said to give good examples, preparing encounters, counsel, customer base, and money related backing. Moreover, it is a wellspring of work, business guidance, and contracts for pieces of the pie. Different studies have stressed the requirement for help from companions, family, and associations in the efficient operation of a business. These conclusions are likewise resounded in later studies. Components that have led to financial accomplishment among women entrepreneurs included help from family and companions and enrollment in associations that helped with the operation of the business (Dollinger, 2003).

The proposal for building system structures or enhancing system interfaces additionally incorporates the requirement for African American women entrepreneurs to share data among themselves. Such data is desirable

over the sifting of data through associations. It is mainly suggested that women entrepreneurs in the close geographic vicinity to one another, in the same or related industry, offer data on components identified with business ownership. Studies demonstrate that African American women entrepreneurs who had reliable system connections and reliably shared data on business issues were observed to be more fruitful. Such discoveries are bolstered by comparative conclusions from different studies. African American women entrepreneurs are suggested that they as entrepreneurs focus on building a system structure that would require fewer individuals for a majority. This structure would give a more grounded asset base. This is especially vital for minority women entrepreneurs who may do not have a plenitude of assets. Fundamentally, women entrepreneurs ought to construct system structures with more grounded connections, as opposed to network structures with a plenitude of unimportant connections. This is especially essential because building a system structure requires more responsibility as far as time and assets (Welsch, 2004). VII.

7 Men vs. Women

While the number of white women-owned businesses has increased by 10.1% since 2007, the number of companies owned by Asian women has increased by 44.3%; black women-owned businesses have grown by 67.5%; and Hispanic women-owned operations have increased by a whopping 87.5%. Across all ethnicities, however, the number of womenowned firms is increasing faster than the number of men-owned businesses. While men still own more businesses than women, again women-owned businesses grew at a rate of four times that of maleowned businesses. In 2012, research shows men owned nearly 15 million businesses. Overall, by 2007 and 2012 women-owned businesses earned a total of \$1.6 trillion and sole proprietors, meaning the only employee was the owner, ran the vast majority. Women-owned business employed 8.9 million people, a rise of 1.5 million jobs from 2007. Women-owned business increased their number of employees 20% while men-owned businesses increased their number of employees by only 12%.

8 VIII. Reasons Women Choose Entrepreneurship

While the economic strains women of color faced during the recession may explain part of the reason many of them became entrepreneurs, Harris also attributed the growth, in part, to "increased necessity for women of color to supplement either their existing income (as they are often paid substantially less than the national average) or creating a primary source of income." One notable trend that may have had an impact on this statistic is blacks and Hispanics had consistently higher rates of unemployment from 2007 to 2012 than white or Asian women. Moreover, in 2011, Black and Hispanic women were also more likely to be the financial head of household than Asian and white women. This is a great time for black and other minority start-up businesses given the abundance of resources being aimed at this group. Unfortunately, all this does not mean that they have any better access to the capital and social connections required for business success. Women of color can increase their ability to overcome these differences by joining local women's organizations like associations, trade groups and other collectives. Resources are available through funding, counseling, assistance with federal contracts, and tips and encouragement from other black entrepreneurs. It's exciting to know that more and more businesses, private organizations, and government agencies offer resources to empower black and minority-owned businesses. There are also more and more role models to provide examples, inspiration, and advice to aspiring business owners.

9 IX. Conclusion

Now some may think women would not be able to handle the stresses of running a startup business. Quite the contrary. Women entrepreneurs who have employees and are growth-oriented are among the happiest people in the world, according to the 2013 Global Entrepreneurship Monitor (GEM) U.S. Report, issued by Babson College and Baruch College. American women entrepreneurs ranked their wellbeing higher than other women in the U.S., higher than women entrepreneurs in other countries, and higher than men.

Entrepreneurship is said to be the great equalizer for women. It allows women entrepreneurs

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have control of what they pay themselves, how much influence and power they have, and their time. "They thrive on entrepreneurial endorphins that are produced when they are 'creating the box' rather than operating inside or outside the box," said Amy Millman, president of Springboard Enterprises, an accelerator for womenled businesses in technology, media, and life sciences. What's good for women is good for the economy.

The United States needs more innovation in the traditional workplace, including but not limited to employment and training programs for women in careers where they are underrepresented, such as the science, technology, engineering, and STEM fields. But the country also needs to make sure we are supporting women who choose to be entrepreneurs. Entrepreneurial women of color are a known critical part of our economy, and they have already demonstrated their ability to generate record amounts of revenue, employ people in their communities, and be a tool of economic mobility for women of color and their families.

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Figure 1: 2

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