Black Entrepreneurs on the Rise: The Success Model

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Black Entrepreneurs on the Rise: The Success Model

Abstract
Black entrepreneurs have several barriers in which prevent them from achieving the standard level of success entrepreneurs, in general, receive. This senior thesis will analyze the different methods that black entrepreneurs must take in order remain competitive and innovative as a minority within the marketplace. This thesis acknowledges and examines the different forms of “glass ceilings” that exist for Black entrepreneurs. Furthermore, it will provide an in-depth analysis on how best to overcome these challenges; this will be done through introducing a success model tailored specifically to Black entrepreneurs. Additionally, this thesis will gather research from primary sources (Black entrepreneurs) on their experiences as minority business owners. My hypothesis is that Black entrepreneurs must adhere to a unique success model that addresses the barriers limiting their ability to achieve success.

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LAKE FOREST COLLEGE

Senior Thesis

Black Entrepreneurs on the Rise: The Success Model

by

Devin Tyler

April 26, 2017

The report of the investigation undertaken as a Senior Thesis, to carry two courses of credit in the Department of Business, Economics and Finance

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Abstract

Black entrepreneurs have several barriers in which prevent them from achieving the standard level of success entrepreneurs, in general, receive. This senior thesis will analyze the different methods that black entrepreneurs must take in order remain competitive and innovative as a minority within the marketplace. This thesis acknowledges and examines the different forms of “glass ceilings” that exist for Black entrepreneurs. Furthermore, it will provide an in-depth analysis on how best to overcome these challenges; this will be done through introducing a success model tailored specifically to Black entrepreneurs. Additionally, this thesis will gather research from primary sources (Black entrepreneurs) on their experiences as minority business owners. My hypothesis is that Black entrepreneurs must adhere to a unique success model that addresses the barriers limiting their ability to achieve success.
I would like to dedicate this thesis to my parents, Donnell and Denise, my family and friends who have provided major support throughout this process. Would also like to dedicate this thesis to my mentor and role model, my grandfather, Bishop Willard Payton. Without his guidance, support, and wisdom, this project would not have been possible.
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Chapter 1: Introduction

For centuries entrepreneurship has been a pillar of a developed nation; it fuels an economy, provides employment opportunities for millions, and contributes to the overall capital success of a nation. Indeed, the United States itself has been the recipient of entrepreneurial success. The captains of industry proved to the world that entrepreneurship has the ability to build a nation. Today’s modern oil companies trace their origin back to John D. Rockefeller and his Standard Oil Company; through Cornelius Vanderbilt the railroad transportation system became the driver of economic success; even the modern banking system is derived from the finance tycoon, J.P Morgan. Each of these men possessed a drive and passion to address a gap in the market. These men, moreover, proved that the world could be transformed through entrepreneurship.

Entrepreneurs have the ability to identify gaps in the market and use their innovative minds to develop a business plan that can address it. Entrepreneurs are forward thinkers; rather than seeing roadblocks and problems, entrepreneurs see opportunities. The creativity and diversity of an entrepreneur’s mind is one of the main pillars in their success. Diversity of thought and creativity are the two components that identify gaps within the market. With this in mind, entrepreneurs that represent marginalized groups become valuable and necessary in driving economic growth. Minority entrepreneurs offer a different perspective on opportunities within a market.

Historically, minority entrepreneurs have played pivotal roles in the advancement of the Nation in similar ways as the Captains of Industry. While working as a cosmetic saleswoman, Madam C.J. Walker noticed that there were no hair products on the market that catered to Black women’s hair texture. She built a multi-million-dollar business
around developing African-American hair products. Not only did Madam Walker become the first female Black millionaire, but modern African American hair products trace their origins back to Madam Walker. Another Black pioneer was Garrett Morgan, the inventor of the three-way traffic light. Not only was Morgan a talented scientist, but his invention is still being used in modern society. Morgan was also able to identify a gap within the market and apply his diversity of thought and creativity to address it.

Determination, in addition to creativity and diversity of thought, is one of the most important components of entrepreneurship; without having strong determination to succeed, entrepreneurs will get discouraged from the inevitable failures associated with starting a new business. In today’s society, the concept of determination is amplified for minorities that wish to capitalize on the opportunities of entrepreneurship. The number of businesses in minority communities has followed a consistent growth trend. Over the last 15 years, moreover, minority businesses accounted for more than 50 percent of the two million new businesses started in the United States and created 4.7 million jobs (U.S. Census, 2012). There are now more than four million minority-owned companies in the United States, with annual sales totaling close to $700 billion (U.S. Census, 2012).

Yet, despite that growth, there is still a significant disparity when it comes to access to capital, contracting opportunities and other entrepreneurial development opportunities for minority-owned firms. Though minorities make up 32 percent of our population, minority business ownership represents only 18 percent of the population (U.S. Census, 2012). Additionally, the Minority Business Development Agency (MBDA) noted in a recent report that even though the number of minority-owned firms has grown by 35 percent, the average gross receipts for those firms dropped by 16 percent (Minority Business Development Agency, 2014). While the numbers of minority-owned
businesses are a source of optimism and hold promise for the future, much more still needs to be done to encourage and strengthen the minority business community.

New entrepreneurs now have the ability to subscribe to several business models that have already been tested and proven. A variety of business models exists that provide the would-be entrepreneur with a step-by-step guide on how to achieve success. For example, the person-to-person business model teaches the entrepreneur how to serve as the link between consumers and those who have a desired product or service. This model is most commonly used by the Airbnb industry. The franchise model, moreover, provides an extremely detailed guide for the entrepreneur to follow in order to achieve success. Companies such as McDonalds and Starbucks provide in-depth training for their entrepreneurs to ensure that they have all the necessary tools needed to continue to build success for the brand. While such business models are valuable to the rising entrepreneur, there are barriers that prevent entrepreneurs from subscribing to them. If a minority entrepreneur does not possess the resources and tools necessary to achieve success, they cannot benefit from these types of business models.

It is safe to assume that without successful Black entrepreneurs there will be a shortage of innovative ideas and business models. As demonstrated by historically successful Black entrepreneurs, minority entrepreneurs have a keen ability to identify gaps and use their resources to create a solution. If minorities cannot contribute to driving innovation then the success as a country stands in jeopardy. Therefore, Black entrepreneurs must be equipped with the proper resources to generate success and drive entrepreneurship. This requires a blueprint that Black Entrepreneurs can subscribe to in order to lead them to success.
The purpose of this thesis is to develop a success model that addresses the common barriers that Black entrepreneurs face. This success model will introduce several components to the traditional framework of entrepreneurship. We will first begin by defining what an entrepreneur is. Next, we will determine what success means for the entrepreneur. From here, we will reaffirm many of the common components of entrepreneurship that are shared among entrepreneurs in general. Thereafter, we will introduce the ‘Black Entrepreneur Success Model.’ Data collected from our qualitative research will reaffirm the necessity of such a model. As a final note, this thesis will further analyze and expound on the idea of success leading to the growth of the business.

Entrepreneurship is still considered a cornerstone of economic growth, with unlimited earning potential. Entrepreneurs have an arsenal of resources that can be applied to lead their visions to success. Black entrepreneurs also have this ability to achieve success from their business. There must be, however, a strategic effort to lower the gap among Black entrepreneurs and this success model is just one of the ways to address it.
Chapter 2: The Entrepreneur

This chapter focuses on the development of the entrepreneur. It takes a detailed approach to determine common links in the personality set of entrepreneurs and their previous employment history. Many scholars suggest that there exists similar character traits, backgrounds, experiences, and motives that drive a person to pursue entrepreneurship. These theories are examined with the hopes of developing a standard in which we can compare Black entrepreneurs to their White counterparts. Once we are able to develop a framework to compare entrepreneurs, we will further examine the systematic barriers that ultimately lead to the differences between ethnic entrepreneurs.

The Entrepreneur’s Qualities

There exists a number of personal and psychological traits that can be attributed to the success of the entrepreneur. Key personal characteristics of entrepreneurs include being optimistic, persuasive, risk-takers, open-minded, possess general business skills, and are innovative.

Optimistic

Entrepreneurs are said to be optimists, self-starters and action-oriented (Hvide, 2009). Entrepreneurs focus on making adaptive decisions rather than over analyzing a situation. They have the ability to deal with ambiguity and are more content with making decisions based on incomplete information than their corporate counterparts (Hvide, 2009). They have a keen eye to spot opportunities from difficult situations while others may view them as threats. Finally, they can apply their analytical skills when needed to determine the best course of action when met with industry barriers (Kaplan & Warren, 2010).
One great example of this type of optimistic entrepreneurship can be found in the leadership of Virgin founder Richard Branson. Branson initially experienced failure in his quest to develop his business. For example, Virgin Cola failed to meet customers’ expectations, and Virgin Ware fell out of fashion before fashion week could begin (Ankeny, 2012). Rather than a gloomy outlook on his experiences, Branson remained optimistic. In an interview, he states the following:

Virgin is an adventurous company because I am an adventurer as well as an entrepreneur… we were the first to cross the Atlantic in a balloon, and we’ve broken lots of other world records. That’s been part of the spirit of building the brand and building the company, and set it apart from the more staid companies we compete with. On the other hand, one could analyze it and say it’s very irresponsible. But we like to break the rules occasionally (Ankeny, 2012, p. 12).

There is a place for optimism in the mindset of an entrepreneur. Indeed, it is often the component that motivates the entrepreneur to become more innovative to determine the next phase of the company.

**Persuasive**

Entrepreneurs are persuasive leaders. They possess skills to win-over their audience. An entrepreneur is the central salesman for their company and brand. This trait becomes increasingly important when an entrepreneur unveils his/her vision to the team. The entrepreneur must be able to sell their vision to their team, stakeholders, and customers. In today’s society, business ideas undergo heavy scrutiny; it is the role of the entrepreneur to defend the vision by captivating the audience.
Successful entrepreneurs are people-orientated; they win over their audience by providing them a role in the development of the vision. This personality trait allows them to make the best decisions based off the resources (both intellectual and financial) people have to offer. Steve Jobs best embodies this trait when he first unveiled the iPhone. Prior to the unveiling of the iPhone, phones had one function: to take and make phone calls (Kawasaki, 2013). It was not until Jobs introduced the concept of a smart mobile device, that the world entered into the smartphone era. In order to accomplish this groundbreaking achievement Jobs had to persuade both his team and his customers that the iPhone was something that they needed (Kawasaki, 2013). His dramatized unveiling of the iPhone left customers believing that they had been missing out on this revolutionary technology. Jobs effectively captured a major share of the market by selling his vision to his audience.

Risk-takers

Entrepreneurs are willing to take risk. If it is determined that a certain action will lead to success for the company, entrepreneurs are more likely to accept the risk. They have a strong Need for Achievement (nAch). Need for Achievement refers to the entrepreneur's personal desire for significant accomplishment, mastering of skills, or high standards. This desire to succeed is often taken into account when the entrepreneur is presented with risky options. If the entrepreneur does not believe that their vision will be achieved by taking on the risk, they will no longer pursue that option. Scholars believe that individuals with a high nAch coincides with their desire to be successful (Mars, Slaughter, & Rhoades, 2008). These people generally prefer personal responsibility for decisions, are moderate risk takers and possess interest in concrete knowledge of the
implications of their decisions, such as the effects to profits and cash flows (Krueger, 2005). Entrepreneurs work with a sense of urgency, but also focus on long-term stability.

Entrepreneurs generally tend to be more risk-loving (risk-seeking) then risk neutral and risk-averse (risk avoiding) (Herranz, Krasa, & Willamil, 2015). This is especially true when examining entrepreneurs in different types of industries. For example, an entrepreneur in the investment banking industry would likely be a risk-lover as opposed to an entrepreneur in a non-for-profit service company (Herranz, Krasa, and Willamil, 2015). This claim can best be summarized in Diagram 1. This diagram creates a hypothetical scenario of 25 entrepreneurs, in which 20 would consider themselves closer to risk seekers, while the other 5 gravitate near risk averse.

**Diagram 1: Entrepreneurs and Risk**

![Diagram 1: Entrepreneurs and Risk](image)

Source: Tyler, 2016.
**Open Minded**

Entrepreneurs are open to new ideas and embrace change. Entrepreneurs see change positively, and have the ability to pivot from their current course when necessary. “They always search for change, looking for ways to exploit it as an opportunity” (Drucker, 1985, p. 22). They avidly search for new opportunities, and are always looking for the chance to profit from change and disruption in the way business is done (Kaplan & Warren, 2010). They are quick to identify industry gaps and address them, even with unproven solutions; their goal is to quickly penetrate the market while the barriers of entry are relatively low. They have some shared disappointment with previous work experience; many times, this dissatisfaction will lead to new ideas refining what is currently in place. The entrepreneur is one who embraces his/her dissatisfaction in their company by starting their own venture. This concept will be further explored within this chapter.

**General Business Skills**

The skills required by entrepreneurs can be placed into three distinct categories: technical skills, business management skills and personal entrepreneurial skills. Technical skills include media management, technical management and organizing skills. In this category, technical management is of key importance in certain industries (e.g. tech startups and investment banking); the entrepreneur must be educated and have the ability to teach his/her team these industry-related skills. Business management skills are managerial skills, such as planning, decision making, marketing and accounting. The entrepreneur must be able to fully manage every aspect of their business.

Entrepreneurs also should have personal skills such as analytics, risk taking and persistence. While students can learn these skills through effective entrepreneurship
education, there has to be an intrinsic drive in order for an entrepreneur to truly reach success. David Rae defines the term ‘entrepreneurial learning’ as learning to recognize and act on opportunities through initiating, organizing and managing ventures in social and behavioral ways (Herranz, Krasa, & Willamil, 2015). Although there seems to be wide variations in the personalities and traits of entrepreneurs, the possession of general business skills are common themes prevalent in entrepreneurs.

**Innovative**

The last character trait to be addressed is that successful entrepreneurs are creative. They master the ability to apply their vision and innovative ideas into a unique business startup. Entrepreneurs possess a passion to prove to themselves that they are worthy and are constantly competing with their own ideas (Hvide, 2009). Entrepreneurs not only identify a gap in the market, but possess an ability to create a solution (Biais & Perotti, 2008). In 1995, two University of Michigan graduate students, Larry Page and Sergey Brin, identified the need for a web-based search engine. They began collaborating on a search engine called BackRub, which eventually grew too large for their server. By 1997 the two created Google.com, the world’s leading search engine. They were able to develop their vision into an actual product (Google Inc., 2016). Their creative mindsets and determination to see their business succeed resulted in a multi-billion-dollar company that is ever-evolving and accepting new ideas to differentiate itself from others.

**Life Experiences**

Along with these characteristics outlined, various life experiences shape a person’s perceptions and goals in life. Researchers have found that there are certain life experiences common among successful entrepreneurs. These experiences include: being sent away from home, being forced into a role of responsibility at an early age, having
supportive parents, having a financially poor childhood and the quality of education received (Ankeny, 2012). The first three life experiences outlined above are significant because they “force the entrepreneur into situations that require them to overcome mental and physical fears, psychological barriers or times of extreme difficulty” (Ankeny, 2012, p. 37). As we will see throughout this thesis, life experiences play a pivotal role in the success model for entrepreneurs. All of these experiences are what often create the passion for the entrepreneur to succeed.

**Role of Education**

Scholars debate whether imagination, risk-taking, creativity, and other core entrepreneurial qualities are inherent traits, unique to individuals and cannot be taught in classroom settings (Biais & Perotti, 2008). Although many scholars believe that entrepreneurial education (often through case studies) does have a role to play in the success of an entrepreneur, many argue (and in some cases, have proven) education is not a necessity for entrepreneurs (Newtone, 2002; Kuratko, 2005). In defense of this point, many scholars point to successful entrepreneurs who did not complete their college education (e.g.: Henry Rockefeller, Henry Ford, and Joe Lewis). Each of these highly successful entrepreneurs managed their startups without the traditional education experience. The argument can be made, nevertheless, that in today’s society there is a higher emphasis placed on education among entrepreneurs. To gain creditability, the entrepreneur must prove that he/she is an expert of the industry.

The current entrepreneurial education consists of a chronologically based approach. That is, business entry has become one of the most broadly addressed entrepreneurial subjects in the current curriculum (Kuratko, 2005). Prominent business schools in today’s society, such as the Wharton School of Business, the Kellogg School
of Business, the Kelley School of Business and Chicago Booth, all tailor their core business courses around this approach. This entry-into-business concept has become, as some scholars describe as, a sort of umbrella for the analytical, social, leadership and innovative skills entrepreneurs rely on to obtain success (Rauch & Hulsink, 2015). Business entry curriculum also identifies various sources of venture capital that may be available to entrepreneurs in need of funding (e.g. angel investors and crowd funding). Furthermore, there exists a heavier focus on the teaching of the ability to make decisions based on imperfect or incomplete information. These components have been highlighted as important issues for entrepreneurial education.

**Entrepreneurial Characteristics**

Although it is a variable that is difficult to compare to others, and is empirically problematic to measure, entrepreneurial characteristics are still considered a major element of entrepreneurial success (Elmuti, Khoury, & Abdul-Rahim, 2011). The “achievement need” has been described by many as the main driving force of entrepreneurial personality in Western developed countries. The importance, however, of such a trait in other spheres has been contested (Carsrud & Brannback, 2007). In a counter study using the Identity Structure Analysis (ISA) to identify profiles of different entrepreneurs, scholars found that the entrepreneur continually changes his or her leadership tactics and visions to adapt to various stages of the business life cycle (Kaplan & Warren, 2010). For example, propensity for risk-taking, long thought to be an essential attribute of the entrepreneur’s personality, was found to be similar between both entrepreneurs and non-entrepreneurs (McMullen, Bagby & Palich, 2008). The personality and characteristics of the entrepreneur dominate other facets in explaining a business’ success or failure in today’s world; such as the company’s growth plan.
A study of the relationship between success motivation and entrepreneurial motivations in two different cultures, American and Irish, showed different results (Shahwan, 1992). Certain personality traits play pivotal roles in the decision to become an entrepreneur, as well as the likelihood for success. But these traits differ between cultures. They are factors determined by the circumstances of the situation (Folger, 2008). Folber argued that there exists a strong relationship between certain social skills, in contrast to personality traits, and entrepreneurial success in terms of financial achievement. A solution to this dilemma can be found in how each culture identifies and defines that set of characteristics. For example, in cultures where people believe that they are not determiners of their own destiny — external locus of control — there is a tendency for most individuals to internalize not only the societal values and norms but also the public conditions for excellence and success. This is seen in eastern countries where societal success is held more important than an individual’s success. This theory holds weight in examining the differences between entrepreneurs based on race within the United States; Chapter 4 will analyze this concept.

Public opinion regarding success and failure has best been explained by the Psychological Attribution Theory. According to the principles of this theory called “the fundamental attribution error,” there is a general tendency to overemphasize the influence of internal (subjective) factors and underestimate the external (objective) factors when casting judgments about the success of others (Folger, 2008). Put simply, Folger established the claim that individuals cast judgment based predominately on what is shown to them, without considering the internal factors. For example, if the entrepreneur fails to create a successful business model, society will deem it as an overall failure rather than acknowledging the factors that caused the business to fail.
In conclusion, there are many challenges facing entrepreneurs and they should be well prepared prior to unveiling and implementing their business idea. The key to overcoming these challenges, however, is possessing the characteristics above. Drucker warns that “Entrepreneurship is risky mainly because so few of the so-called entrepreneurs know what they are doing. They lack the methodology. They violate the elementary and well known rules…It needs to be systematic, managed, based on purposeful innovation” (Drucker, 1985). Kaplan and Warren explain that “Entrepreneurs possess skills, many of which are embedded within us. We can uncover these hidden traits, and develop them sufficiently to become a successful entrepreneur” (Kaplan & Warren, 2010). As Peter Drucker eloquently explained, “Entrepreneurship is nothing more than a discipline and, like every discipline, it can be learned” (Drucker, 1985, p. 18). Drucker’s main belief is that innovation is not an activity limited to a special class of people; entrepreneurs have just been able to use the skill as a resource to support their creative ideas (Drucker, 1985). This paper will extend Drucker’s claim based on the fact that entrepreneurs can use any resource available to achieve their goals.

**Corporate Development of the Entrepreneur**

Entrepreneurship is becoming the increasingly widespread phenomenon for ambitious individuals. Entrepreneurship, moreover, significantly improves the socio-economic life of the United States. As outlined previously, it is clear that what has become one of the driving forces behind the success of entrepreneurs has been their personality. It is the role of the entrepreneur to invent and develop their own business using their available resources (e.g. creativity and capabilities, analytics, borrowed capital, and vision). Nevertheless, the entrepreneurs’ previous work experience also plays
a pivotal role in their development as an entrepreneur. There is a positive correlation between the corporate background and the success of the entrepreneur.

Due to their role in facilitating employment opportunities and expansion of small businesses, entrepreneurs are viewed as essential components to the growth and stability of long-run economic performance. For example, the United States’ emphasis on the role and importance of the entrepreneur has largely been regarded as a key reason for the United States’ economic dominance over Europe during the twentieth century (e.g. Henry Ford, Bill Gates, Sam Walton). Despite the economic utility rendered by entrepreneurs, there still exist a lack of empirical and systematic knowledge on their motivations and behavior practices. Nevertheless, one theory that has taken shape in recent years is that despite the common fallacy that entrepreneurs are not fit for corporate settings, successful entrepreneurs come from corporate backgrounds.

In order to justify that entrepreneurs, come from corporate backgrounds the first step is examining the broad empirical evidence that suggests that founders of start-up ventures tend to be experienced workers who are willing to take some form of controlled risks. These types of entrepreneurs generally start companies that are strikingly similar to their previous employment or their area of expertise. Cooper (1985) finds that 70% of business owners of new firms in an assortment of industries within the U.S were previously employed in the same industry. Bhide (2000), moreover, finds that 71% of the entrepreneurs in his sample of fast-growing ventures replicated or modified an idea encountered through previous employment. In similar fashion, Klepper and Thompson (2005) summarize their studies from the laser, disc drive, automobile and semiconductor industries and find that nearly 20% of new entrepreneurs in these industries acquired their basic understanding of the industry from their previous experience in larger companies.
These studies suggest that entrepreneurs begin their businesses with some form of established intellectual capital and industry skills obtained from their work experience. For example, Frankie Reddit, owner of Ashley’s Quality Care in Chicago, began her business after leaving a similar homecare business where she worked for 23 years (Redditt, 2017). The anomaly to this claim comes from entrepreneurs who begin their firms from scratch – with no former basis by which to gain industry experience from. One example of this are the co-founders of CityRyde, a bike-sharing consulting firm. Co-founders Ericson and Meinzer explain that they held no prior knowledge about the industry and spent the first two years of their businesses becoming industry experts (Bluerock, 2016).

While previous work experience plays a pivotal role in the development of long-term entrepreneurial ventures, it does have a negative effect on corporate entities. When a person decides that their intellectual capital and work experience is enough to take on the risk of entrepreneurship, he/she leaves the corporation with a shortage of “intrapreneurs” (the inevitable entrepreneur currently working for a corporation). As a result, it is expected that established corporations will actively respond to the possibility of their key employees leaving, by offering an assortment of financial incentive packages (e.g. contingency wages, bonuses, job security, etc.). The worst-case scenarios, for companies that feel threatened by the thought of competition will go as far as pursuing legal actions against the former employee. An example of this was when the music app company Smule Inc. filed a lawsuit against three of its former employees for leaving the company and creating their own startup (The Huffington Post, 2015). The corporation was able to win the lawsuit due their arsenal of legal professionals; these three employees did not have the resources necessary to hold their position.
These observations suggest that in order to have a theory on the traits and characteristics of the entrepreneur, the theory must first address the relationship between workers' (the entrepreneur’s) creative mindset and the firms' effort to protect their intellectual property and employee retention. To develop this theory, a hypothetical model shall be used to illustrate the relationship between the intrapreneur and the firm. In this model, a principal (the corporate owner) hires a worker (the skilled entrepreneur) to engage in a new project (the idea that will inspire the entrepreneur). The goal of this project is to develop an idea of uncertain quality ex-ante.

As a form of corporate protection, the principal includes a very ambiguous intellectual property rights rider; essentially, the firm, to a reasonably-limited extent, can use legal barriers (the threat of a lawsuit) to keep the worker from abandoning the project to capture the value of the idea for him or herself. Rather than the use of fear tactics to dissuade the worker from the latter outcome, the firm must use an attractive wage as an incentive for the worker’s loyalty.

Under this model, there exists two different possible corporate organizational layouts – the 'small' and 'large' corporations, see Diagram 2. The first assumption made is that a large corporation is, from a technical standpoint, more efficient. This assumption establishes that the large company possesses the ability to exploit returns to scale due to, for example, worker specialization. On the other end, the drawback in large companies is that it is also less informed about the progress and content of the projects the workers are engaged in. While it is reasonable to debate that a firm with superior technology does not grow infinitely large (or supply the entire market) due to its inability to maintain control, it is rarely stated exactly how this limited span of control will affect the firm’s
productivity as its size grows. As a consequence, for the corporation, it is at this point where this model claims that the departure of key employees takes place.

**Diagram 2: Entrepreneurs from Corporations – Large and Small**

Source: Tyler, 2017.

The outcome of Diagram 2, ‘Entrepreneurs from Corporations – Large and Small,’ takes place when the firm lacks the ability to identify the key players driving the project to success. When this scenario unravels, it leaves the worker with the ability to perform an opportunity cost analysis for entrepreneurship. The employee will weigh the cost and benefits of leaving their job and pursuing their own business, and if the benefits appear to be better for entrepreneurship, there is a higher likelihood the worker will leave the company.

The main insight from the model can be summarized as follows. Small firms have the ability to implement a wage policy that is tailored specifically to combat workers' opportunity cost for pursuing a startup. This model, however, does not suggest that
entrepreneurs are solely groomed from large firms. Small corporations can also lead to the development of entrepreneurs, just not as rapidly compared to their larger counterparts (depicted in Diagram 2 by the broken arrow from small business to the entrepreneur). Furthermore, this model argues that workers leave a small business to become entrepreneurs only when their personal benefits, such as more flexible work hours or a sense of independence and personalization, from doing so are sufficiently higher. When such a situation exists, the worker is far more compelled to explore the options of entrepreneurship than in previous times. On the other hand, large corporations have a more disciplined and rigid wage policy; this often results in the loss of their best workers and their creative minds. Therefore, what can be deduced from this theory is that entrepreneurs emerging from large firms will be at a higher quantity and quality than entrepreneurs emerging from small firms.

The second implication of this model is that there is a negative impact on the entrepreneur from the large corporation. When property rights protection is inferior, the value of information is high. At any point the principal can obtain secondary information about the value of individual workers (and/or their projects). Given that a worker leaving with the company’s idea is more of a threat to the company’s intellectual property, being a large corporation becomes more beneficial; the company has rules, systems and contingency plans in place to prevent such a scenario. Thus, when property rights protection is superior, the value of information is low; making the company’s idea irrelevant to the worker. This means that the worker departing is no longer considered a valuable threat. Therefore, improved intellectual property rights make a larger corporation more likely to be optimal. Despite the improved property rights, scholars still believe that large corporations increase the quality of entrepreneurs.
Scholars support the claims raised by the model: ‘Entrepreneurs from Corporations – Large and Small.’ Economists Hans Hvide (2005) examines data derived from Norway. In his experiment, the dataset consists of legal companies founded between 1993 and 2003. The dataset is compiled from three different sources. First, financial information from Dun and Bradstreet's database of accounting figures based on companies’ annual tax reports. This data includes variables such as sales, assets, profits, etc. for the years 1993-2005. Second, data regarding private citizens is compiled by Statistics Norway. These records include individual identification number and yearly sociodemographic statistics such as age, education, wealth, and earnings split into labor income and capital income, for 1986-2004. The Statistics Norway data is used to build measures of owner background information. The third measurement used in Hvide’s research is founding documents (e.g. business licenses, tax forms, trademark patents) that are submitted by new ventures to Bronnysundregisteret, a Norwegian government agency. These data include the company’s identification number for the start-up, personal identification number of the founding members of the venture, total assets owned by the company, and each founder's respective ownership share.

Using this data, Hvide first defines an 'entrepreneur' as an individual with a majority stake, i.e., more than 50% of the total shares, in a newly established company. Many start-ups in Norway, particularly in the real estate industry, are tax-free-havens or have minimal activity. His sampling procedure compensated for this in two ways. First, by oversampling start-ups in manufacturing and IT services, since tax havens are less likely to occur within these industries. As an additional consequence, these industries exhibit high variation in perceived capital-intensity. Second, to prevent sampling unprofitable companies, start-ups sampled were required to have at least NOK 500,000
(the U.S equivalent of approximately $59,000) in sales and at least two full-time employees during the first two years of the company’s establishment. For each new venture identified in Dun and Bradstreet's database, a list of owners was created based on the founding documents. Next, the owner’s associated socio-demographic information was matched.

With this procedure, a sample of nearly 1,000 entrepreneurs totally 5,000 entrepreneurial-years was created. Hvide used these measures to note several unique features of this pool. Most significantly, the pool contains detailed information about the employment and wage history of the entrepreneurs, which has been proven to be a component for the model outlined previously in Diagram 2. This experiment enabled Hvide to control for differences in human capital and the entrepreneur’s opportunity cost (what they were giving up in place of pursuing their business).

The experiment, moreover, allows Hvide to develop measures of the size of the entrepreneur’s previous employer (differentiating small corporations and large corporations). Second, the dataset allows for the examination of industry-specific effects related to employer size and profitability. Third, the data gathered allows him to develop several unique performance measures for the start-ups which captures the different aspects of perceived success. The empirical results reported from Hvide’s research are consistent with the theoretical prediction of the ‘Entrepreneurs from Corporations – Large and Small’ model. Qualified entrepreneurs are more likely to come from large corporations than smaller companies. Hvide states the following from his experiment:

The main insights [from this experiment] were twofold. First, due to large firms having less precise information about the value of individual employees, large firms will pay less flexible wages and produce
entrepreneurs of higher quality than small firms. Second, by affecting the trade-off between information quality and returns to scale, a large firm is more likely to be optimal, with stronger property rights protection. Evidence on the quality of entrepreneurs from Norway gave encouraging support… (Hvide, 2009, p. 1030)

In contrast to Hvide’s argument, one assumption, that shall be explored, is that the principal can stop the worker from engaging in private activities but does not possess the ability to prevent the worker from leaving with ideas that are produced through his work. To explore this claim, Klepper and Thompson (2005) model a hypothetical scenario where an employee gets frustrated and leaves a firm if his opinion about the firm's best course of action disagrees with the prevailing corporate vision. This model predicts a nonmonotonic relationship between the size of the employer and the quality of the start-up. Thus, this theory and the departure of the worker bares no consequence to the model outlined in Diagram 2.

It is interesting to note, however, that both outlined frameworks maintain the conclusion that optimal firm size increases the strength of intellectual property rights. To explore this assumption, Pakes and Nitzan (1983) consider the problems that arise where workers can appropriate part of their output. In their theory, there are no property rights and the principal is fully informed about the value of individual workers. Therefore, only efficient separations between the worker and the firm will occur, if any. The claim that principals in larger firms have inferior information about projects than principals in small firms was discovered by the research of Simon (1973), who expressed that as company size grows, managerial attention becomes more of a scarce resource to employees. A version of this idea was later employed Williamson (1981) and by Rosen (1982). They
arrived at the same conclusion: that principals at large corporations, compared to small companies, do not have the ability to maintain managerial attention over all of their employees (Hvide, 2009).

Scholars continue to debate the relationship between the entrepreneur and their previous work experience. Aghion and Tirole (1994) consider the effects of corporate management of creativity in a setting based on Grossman and Hart’s (1986) study. Within this setting, there is no entrepreneurship in equilibrium due to ownership rights being fully contractible. A hypothetical example of this could be examined in the ‘Entrepreneurs from Corporations – Large and Small’ model presented previously. The employee has informal control, in that only he/she has the wherewithal and human capital necessary for the innovation. Therefore, there cannot exist a level of creative management. Neither the large or small corporation principal can control the informal knowledge possessed by the worker. This means that while the worker may have undergone training on a specific corporate project, during their interaction with the project the worker gains meaningful knowledge that can improve the project. It is at this point where the worker must choose whether to continue improving the corporation, or take their knowledge elsewhere to the startup.

Overall, there exists a positive correlation between an entrepreneur and their corporate background. As most entrepreneurs begin their start-ups with experience gained from their previous employment, it notes that there is a trend that more entrepreneurs come from larger corporations. These corporations often times lack the ability to identify intrapreneurs, and cannot make them an offer that supersedes their desire to start their own business. This idea will play a key role in determining the success of Black entrepreneurs.
In conclusion, we have now developed the skeletal base for the modern entrepreneur. We have established the key characteristics that are common in most entrepreneurs. This will allow us to compare the similarities and differences between Black entrepreneurs and their counterparts. This thesis will assume that both types of entrepreneurs have met the criteria of this chapter. Therefore, we now assume that differentiation between the two types of entrepreneurs comes from beyond this point. An amendment to this assumption however, is that Black entrepreneurs may lack the ability to gain employment in large corporations compared to their counterparts. This is imperative to note, since our model, ‘From the Entrepreneur to the Startup,’ argues that qualified entrepreneurs come from large corporations.
Chapter 3: Success Model

Entrepreneurship is, in many ways, a state of mind. It is the state in which the entrepreneur must be flexible, attentive, motivated, confident, inspiring and optimistic. The entrepreneur has an obligation to his/her company and stakeholders to lead their vision forward to success. While ‘success’ is a relative term, it does have a place in the psyche and motivation of the entrepreneur. Success is the ultimate goal of an entrepreneur. In this chapter, we will define success for entrepreneurs, introduce our model for success, and outline the basic (and often universal) components of the model that leads to entrepreneurial success. This will lay the foundation to determine the systematic differences between successful Black entrepreneurs and their counterparts.

Defining Success

Success is a key criterion in evaluating the performance of an entrepreneur. Indeed, in the most basic of terms of economics, the role of a business is to maximize profits; therefore, a successful business is one that is profitable. The financial rewards that come from being successful in business are indeed important, and are often major factors in motivating entrepreneurs to work hard and take on risks.

Successful businesses earn a substantial return on investment for their stakeholders who have invested their capital into the startup. For a business owner, return on investment (ROI) is an important metric to identify whether the company is successful. Investors that take on the risk of a new venture are equally concerned with the level of success the business achieves. As a prerequisite, potential investors will often scrutinize the entrepreneur’s vision and business plan prior to making the decision to invest. Once an investment is secured, these investors set reasonable expectations on the
startups performance; this includes quarterly and yearly performance reviews. This creates pressure on the entrepreneur to meet the expectations of their investors.

The founder of the company, who is generally an investor him or herself, is able to create wealth for their families, live a comfortable or even a lavish lifestyle, and provide security for their future. They invest their time and energy into the startup, with the expectation that they will receive financial benefits from their efforts. For this reason, many entrepreneurs measure success by being able to provide a comfortable lifestyle through financial gains. For Sir Richard Branson, this idea could not hold more truth. Branson began his career from very humble beginnings as young child dealing with dyslexia and a poor academic performance (Branson, 2014). Nevertheless, Branson showed early signs of entrepreneurship and eventually began his company, Virgin Group (Branson, 2014). Today, the company is worth approximately five billion dollars. Branson enjoys his comfortable lifestyle – often traveling around the world and touring exotic sites (Forbes, 2017).

If success, however, can be defined as the feelings of satisfaction and completion one gets at the conclusion of their business career, success then has other dimensions. For some entrepreneurs, this is the case; there are other objectives of a successful business that are as significant, or more so, than financial gains.

*Social Benefits*

Companies can also measure their success by the social benefit that they are able to accomplish for society. Some businesses have specific goals, such as improving the environment, providing educational opportunities for underrepresented children, or assisting the homeless through a product or service. While the focus of most companies
has not strayed away from their financial goals there has been a heavier emphasis placed on social responsibility.

Entrepreneurs are beginning to consider their positive social impact as a part of their success. These companies have a very high aptitude for social missions; they are committed to charitable giving and being a role-model corporate citizen. A great example of this can be found in film star Paul Newman’s company, Newman’s Own, Inc., which manufactures and markets a variety of consumer products. The company then distributes all of its profits to charitable causes. Since its founding, Newman’s Own Inc. has donated more than $300 million (Newman's Own, 2005). It is clear that Newman defines his company’s success based on the work that they are able to do for their community.

Another example of social responsibility can be found when examining TOMS, a shoe retailing chain. The company recalls it’s humble beginning: “while traveling in Argentina in 2006, TOMS Founder Blake Mycoskie witnessed the hardships faced by children growing up without shoes. Wanting to help, he created TOMS Shoes, a company that would match every pair of shoes purchased with a new pair of shoes for a child in need. One for One” (TOMS, 2017). The company has experienced great success and has maintained a positive public image.

**Personal Satisfaction**

For entrepreneurs, great satisfaction comes from the process of creation – starting with just a vision and creating something that is sustainable. The owner takes pride from seeing his or her family name branded on the business. The owner can experience a sense of satisfaction from successfully overcoming difficult challenges that uncover his/her unlocked potential. The entrepreneur uses his or her business as a platform to develop and fine-tune their skills and strengths. For the entrepreneur, the company has a higher
internal value placed on it than financial benefits. "Millions of people, from entrepreneurs to celebrities, have a hard time internalizing their accomplishments," says Valerie Young, an expert on impostor syndrome and, author of *The Secret Thoughts of Successful Women* (Crown Business, 2011). Young goes further to explain that for those that can internalize success, they will have the ability to internally motivate themselves to find the next innovative idea (Crown Business, 2011).

**Customer Satisfaction**

Providing the customer with a product that is interesting or that solves a problem also yields value to entrepreneurs. The idea of creating a product that engages the customer was the basis for many of the products and services created for everyday living. For example, Jordan Maron, has managed to parlay his YouTube fame into a profitable business (Forbes, 2017). The famed YouTube star launched a gaming workshop called XReal, which now has nine million YouTube subscribers, and has 3,000 videos that have been watched over two billion times (Forbes, 2017). XReal teaches gamers the ins-and-outs of any given online game.

For an entrepreneur, seeing that their product improved the life of their customer is one of the motivating factors that keeps them working so intensely. The need to fulfill customer desires also leads the entrepreneur to continually grow their product or service; they are able to identify gaps in the consumer industry and fill these gaps with their business. For example, in 2003 Niklas Zennström and Janus Friis identified a gap in the communication industry (Skype, 2017). Recognizing that people lacked the ability to virtually interact with one another over video chat, they created Skype. Today, their free service is utilized by millions across the globe (Skype, 2017).
The entrepreneur thrives on customer feedback; they use this information to improve their business model. The goal for the entrepreneur is for the customer to leave their business feeling satisfied. Many entrepreneurs tailor their company’s customer relations training around the idea that the customer is always right — this ensures that the company maintains a strong and reoccurring customer base. Praise and accolades from their satisfied customers provides a feeling of accomplishment that for some entrepreneurs is as important as the financial rewards they earn.

Employee Satisfaction

*Fortune* magazine publishes an annual list of what it considers the 100 best companies to work for, but thousands of business owners do not need national recognition to know that they have made taking good care of their employees a high priority. This measure of success is spotlighted when the entrepreneur adopts his/her employees as a part of their family. The business is often built on family value principle: love, faith, goodwill, etc.. For the employee, the entrepreneur must treat them as an integral part of the venture – expressing their importance and exhibiting respect to the employees. According to the Society for Human Resource Management, the number one contributor to job satisfaction is if the company has respectful treatment of all employees at all levels (Society for Human Resource Management, 2016).

Similar to the entrepreneur, the employees have embodied the company’s mission. This duel relationship between the employer and employee creates a work environment that is conducive for a healthy, work-balanced lifestyle. Given that family values are embedded in the business model and vision, employee loyalty and retention is unparalleled. The employees value their jobs as if they were a part of their individual makeup; they identify with themselves as key players for the company often becoming
synonymous with the business itself. Meanwhile, the entrepreneur does everything he or she can to ensure that their employees remain on the team; reflecting a lower turnover rate. This is reflected in total separation (or turnover rate) recorded by the Bureau of Labor Statistics. According to the Bureau, total separation across all industries have decreased from 5.18 million in December 2015 to 4.96 million in December 2016 (U.S Department of Labor, 2016).

For entrepreneurs, employee satisfaction reflects on their leadership abilities. As explained in Chapter 2, the entrepreneur must be able to persuade his/her audience. The entrepreneur has successfully relayed his/her business idea and vision to others, who have taken ownership of it as well. This is an intricate milestone in the development of the entrepreneur’s business as it guarantees passion and commitment on all levels of the business. Therefore, the early stages of success can often be measured from this leadership test: selling the business to the employees.

**The Entrepreneur’s Success Model**

Now that there is an established definition of the entrepreneur and his/her definition of success, it is time to introduce the model of success. The entrepreneur cannot expect to instantaneously achieve success upon the announcement of their business, but rather success is achieved through a meticulous process. While every entrepreneur experiences a different process, there are key components that can be considered essential for entrepreneurs.

Diagram 3 reflects the ‘Black Entrepreneur’s Success Model’ original to this thesis. This model explains how Black entrepreneurs achieve success in their startups. In addition, this model will serve as a standard model for Black entrepreneurs across all disciplines and industries.
Though this model is tailored specifically to identify components that lead to success among Black entrepreneurs, there are universal principles that can be applied to entrepreneurs in general. Under this model certain components of the *motivation* and *resources*, sections are universal among all entrepreneurs. These universal components will be the focus of the remainder of the chapter. It is the goal of this chapter to identify the necessary foundations that will be attributed to success of the entrepreneur regardless of racial or ethnic differences. We will highlight the main areas in which we believe are universal to achieving success for all entrepreneurs, while providing a prelude to the areas where we have identified that Black entrepreneurs adhere to.
Diagram 3: Black Entrepreneur Success Model

Source: Tyler, 2016.
Motivation

In order for an entrepreneur to achieve success, they must first encounter some experience that motivates them to start their own business. The idea that success is achievable must be a concept that is adopted by the entrepreneur prior to their business venture. Motivation comes in several different forms, many of which are subtle and even subconscious. It is the responsibility of the entrepreneur to be keenly aware of what motivates them. This ensures that the entrepreneur’s maximum effort is sustainable. Motivation theories attempt to explain what the “M” is in the equation: “M motivates P” (Motivators stimulate the Person). It is one of most important tasks of an entrepreneur to remain motivated to see their work vision come to fruition. Without motivation, the success of the business will be eclipsed by the lack of ambition from the entrepreneur. The following are universal motivational theories that fit the framework of an entrepreneur’s determination to succeed.

The Expectancy Theory argues that humans act according to their conscious expectations that a particular behavior will lead to specific desirable goals (Wendelien, 1996). This theory was developed by Victor Vroom as a theory for workplace behavior and motivation. This theory essentially asserts that the motivation to behave in a particular way is determined by an individual’s expectation that behavior will lead to a particular outcome, multiplied by the preference or valence that person has for that outcome. $E \rightarrow P$ (Wendelien, 1996). The belief of the person that her/his effort (E) will result in realization of desired performance (P) goals (Wendelien, 1996). $P \rightarrow R$. The belief of the person that he or she will receive a reward (R) if the performance (P) expectation is met (Wendelien, 1996).

$$E \rightarrow P \rightarrow R = \text{Motivation}$$
Valence is the value and utility of the reward according to the person (Wendelien, 1996). Applied to entrepreneurs, their expectation for success is linked to their daily effort in the business (E), which leads to the company to meet its performance outcome goals (P). This will ultimately result in the success of the company (R), which has a valence set by the entrepreneur.

Developed by John Stacey Adams in 1963, Equity Theory suggests that if the individual perceives that the rewards received are equitable, that is, fair or just in comparison with those received by others in similar positions in or outside the organization, then the individual feels satisfied (Walster, 1978). Applied to entrepreneurship, this is often the case that leads a person to choose a startup rather than joining a company’s workforce. If the entrepreneur believes that their output in their business is equitable compared to not being an entrepreneur, they will achieve satisfaction and ultimately success.

Edwin Locke proposed the Goal Setting Theory in 1968, which states that motivation and performance results will be high if individuals have set specific goals which are challenging, but accepted by the entrepreneur (Locke & Latham, 1990). For entrepreneurs, this is the core of their vision. Given that the entrepreneur’s vision for the company has not fully come to fruition, but is accepted as an obtainable goal for the company, the entrepreneur is challenged to meet this goal.

As highlighted above, there are many complex theories on the motivation of entrepreneurs. Another theory comes from research performed at the School of Human Movement Studies at the University of Queensland, in Australia (Ma, 2012). Though the study does not have its origins based in entrepreneurial principles, it does shed insight into how many entrepreneurs motivate themselves. In this 2002 study researchers
completed an extensive review on the correlation between the participation and their adherence to physical exercise (Ma, 2012). This study was done to determine what motivates people to fully participate in a rigorous exercise program. From this study, three findings were significantly compelling and can be applied to the world of entrepreneurship.

The first finding was that social support of goal reinforcement is crucial. Social support from a significant other or meaningful friend is highly associated with exercise adherence (Ma, 2012). The research showed that if a person worked out with a spouse or partner, that person would likely continue with the exercise routine. The idea of social support for goal reinforcement is a significant factor for increasing motivation and adherence. Secondly, the study found that physical environment, in terms of having easy access to exercise facilities, also enhances adherence (Ma, 2012). If the gym facility is next door there is a higher likelihood for a person to exercise on a consistent basis. One final finding from this research is that self-worth is an important factor for exercise adherence.

The research indicated that successful exercise adherers demonstrated an ability to create an intrinsic motivation and drive to exercise. In a later study (Whaley and Schrider, 2005) it was determined that how people view themselves, from past experiences to current reality, will soundly influence their choice for physical activity. Thus, a person’s sense of self-perception plays a pivotal role in whether he or she will start and adhere to a rigorous exercise program. The researchers highlighted that positive feedback that improves a person’s self-perception, and focusing on a person’s future hopes instead of dire consequences, are much better ways to motivate people to exercise.
Ultimately, these three factors (social support, physical environment, and self-perception) lead researchers to believe that success breeds success. The main insight adopted from this study is that if a person is mandated (in this case for medical reasons) to improve their physical health, there must exist persuasive motivational factors to drive them to success. Accordingly, we can translate these findings to the anatomy of motivation for entrepreneurs.

To develop the level of motivation required for successful entrepreneurship, the entrepreneur should surround themselves with other entrepreneurs and highly motivated individuals. Business philosopher and entrepreneur Jim Rohn famously explained that a person is the average of the five people they spend most of their time with (Rohn, 2017). Rohn’s philosophy is further supported by billionaire entrepreneur, Oprah Winfrey, who stated: “Surround yourself with only people who are going to lift you higher" (Entrepreneur.com, 2016). In essence, entrepreneurs surround themselves with individuals that believe in their vision.

Entrepreneurs, additionally, create system of co-accountability with entrepreneurial partners to drive them toward success. If he or she does not have a business partner, they tend to rely on key members of their family or friend group to hold them accountable to their vision. This idea is all the more true when examining family businesses. Establishing systems to hold each member of the business to certain standards is key to the success of family businesses. “You need to set expectations upfront,” says Stephen Hillenmeyer, owner of Weed Man Lawn Care and Stephen Hillenmeyer Landscape Services in Lexington, Ky. For Hillenmeyer (Weed Man, 2014). Their family business has its origins dating back to its founding in 1841. Stephen the fifth generation to take operate the business (Weed Man, 2014). Although his two sons are preparing
themselves to lead the company into the next phase, there is still a level of accountability that is maintained for all.

A true entrepreneur is not driven by outward appearances of success. Instead, their motivation comes from solving a problem whose solution provides maximum value to its customer. Entrepreneurs are motivated by their desire to see their customers receive utility from their product or service (Johnson, 2013). This dedication shows up time and time again among high achievers in business, and it is most evident among those who despite their great wealth and accomplishments continue to live a modest lifestyle. For example, Mark Zuckerberg, CEO of Facebook, rented his home for several years even though his net worth was in excess of $1 billion dollars. His commitment to Facebook’s original goal of enhancing human communications was reiterated in his address to the nation during Facebook’s initial public offer: “Our mission isn’t to be a public company. Our mission is to make the world more open and connected” (Zuckerberg, 2012). At this stage of Facebook’s life, Zuckerberg could have sold his share of the company and lived off of that income. His motivation to be successful is not the financial benefit, but rather ensuring that his idea completely transforms into reality; thus, attaining self-actualization (Johnson, 2013).

Family Background

Understanding how entrepreneurs develop, the circumstances that induced them to entrepreneurship, and the family’s principles and beliefs that motivated a person to entrepreneurship is imperative to this study. Information on the family backgrounds and beliefs of the founders of businesses in high-growth industries is scarce today.

In 2009, Vivek Wadhwa, Raj Aggarwal, Krisztina Holly, and Alex Salkever released a research paper entitled: The Anatomy of an Entrepreneur. Within this study,
the researchers surveyed 549 entrepreneurs across several industries on their background (Wadhwa, Aggarwal, Holly, & Salkever, 2009). Though the survey cannot be generalized to the entire population of entrepreneurs, the findings from their study sheds light on the common traits and backgrounds that entrepreneurs may share.

Their data informed that 71.5 percent of respondents came from middle-class backgrounds (34.6 percent upper-middle class and 36.9 percent lower-middle class). “Entrepreneurs tend to come from middle-class or upper-lower-class backgrounds, and were better educated and more entrepreneurial than their parents” (Wadhwa, Aggarwal, Holly, & Salkever, 2009). Additionally, 21.8 percent said they came from upper-lower-class families (blue-collar workers in some form of manual labor) (Wadhwa, Aggarwal, Holly, & Salkever, 2009). Family and friend encouragement was also highlighted in the study as a motivating factor for entrepreneurs. Of the entrepreneurs participating in the survey, 37.8 percent of respondents said the role played by an entrepreneurial friend or family member was an important factor. A co-founder’s encouragement was important for 27.9 percent of the respondents (Wadhwa, Aggarwal, Holly, & Salkever, 2009).

A few conclusions can be drawn from this research that contradict some modern stereotypes (e.g. entrepreneurs come from poor families or did not finish their secondary education). Entrepreneurs are more likely to come from a middle-class or upper lower-class background, with very few coming from backgrounds of extreme wealth or extreme poverty (Wadhwa, Aggarwal, Holly, & Salkever, 2009). Additionally, entrepreneurs are usually well educated, with only five percent reporting having less than a bachelor’s degree (Wadhwa, Aggarwal, Holly, & Salkever, 2009). Entrepreneurs also are likely to have a higher education than their parents, with half of the participants’ fathers and a third of their mothers having at least bachelors’ degrees (Wadhwa, Aggarwal, Holly, &
Salkever, 2009). Entrepreneurs do not always come from families of entrepreneurs; slightly more than half of the sample were the first in their families to launch businesses. Finally, on average, entrepreneurs tend to be the middle child in a three-child household (Wadhwa, Aggarwal, Holly, & Salkever, 2009).

Family motivation on the psychological level also holds validity in the success of an entrepreneur. Oprah Winfrey is known across the globe for her success throughout her career. Even after the conclusion of the Oprah Winfrey show, Winfrey continued to expand her brand by creating the Oprah Winfrey Network (OWN). In a 2007, however, broadcast entitled: *Oprah’s Roots: An African American Lives Special* it was revealed that Winfrey’s family has roots in entrepreneurship (Judd, 2007). Dr. Louis Gates Jr. revealed to Winfrey that her great-great grandfather, a former slave, purchased a substantial amount of land and built a school for African American youth (Judd, 2007). Like her ancestor, Winfrey built a school for young children and focuses much of her business on giving back to the community.

Winfrey found renewed validation of her purpose in life based on the history of her family. Kevin D. Johnson, founder of Johnson Media Inc., also shares a similar story as Winfrey (Johnson, 2013). Johnson explained that he struggled to find positive affirmation from his family that entrepreneurship was an honorable career path. Johnson learned that two of his great-uncles were entrepreneurs during the early 20th Century (Johnson, 2013). They delivered groceries and sold coal from coal mines to customers (Johnson, 2013). This leads to the idea that the mindset of entrepreneurs can very well transcend generations. If an entrepreneur can come to the realization that their ambition to succeed in the world of entrepreneurship is not a new phenomenon in their family, they can be inspired and motivated to accomplish their vision.
Resources

After a person is motivated to take on the risk of becoming an entrepreneur, there must exist resources for them to begin their journey. Entrepreneurial resources can be defined as assets, both tangible and intangible, that are mobilized by entrepreneurs in the process of building their business. Entrepreneurial resources include sources of financing such as lines of credit and investment capital, but may also include intangible resources such as knowledge of a particular field or technology, or networks of contacts who can be called upon to contribute financial support, publicity, or other benefits to a growing enterprise. For the purposes of this chapter, we will focus on the tangible financial resources needed for any entrepreneur to begin their journey; entrepreneurial capital. These resources can be categorized into two separate sections: traditional capital resources, and 21st Century resources.

Traditional Capital Resources

The source of capital that often receives the most media attention is venture capital fundraising. Based on Diagram 4 from the 2006 Federal Reserve National Survey of Small Business Finance, however, these funds are a minimal contributor to the total annual capital available to entrepreneurs (Federal Board of Reserves, 2006). The main source for an entrepreneur to generate capital is from their own contributions.
This claim is further supported by the Global Entrepreneurship Monitor (GEM) 2016 Entrepreneurial Finance Report. This report indicates that entrepreneurs rely heavily on their personal savings to fund their startup business (Global Entrepreneurship Monitor, 2016). GEM found that, from a global perspective, 95% of entrepreneurs use personal funding when starting businesses (Global Entrepreneurship Monitor, 2016). Not only is there an expectation for the entrepreneur to invest their own money into the company, but this investment plays a pivotal role in the company’s ability to succeed. Within the United States, nearly 75% the total amount of money needed to fund a venture that comes from the entrepreneur’s personal finances (Global Entrepreneurship Monitor, 2016). Without an initial investment from the entrepreneur, the company lacks the ability to move out of the idea phase.
The second largest financial resource available to entrepreneurs is financial institutions and banks. According to the U.S Census Bureau 3,912,350 companies with paid employees received a loan from a financial institution or bank (U.S Census Bureau, 2014). The importance of institutional funding is particularly relevant to startup ventures within the United States. Diagram 5 reflects the necessity of banks for early-stage entrepreneurs. Compared to other developed countries, the United States lags in their investment into research and development (R&D); the fuel for entrepreneurship. For example, Germany and Japan invests 2.92% and 3.39% respectively of their Gross Domestic Product in research and development, while the United States only invests 2.75% (The World Bank, 2013). Often is the case that government investment in R&D leads to grant funding, and loans for entrepreneurs to fund their venture. Nearly 35% of an entrepreneur’s total capital raised comes from debt financing (Global Entrepreneurship Monitor, 2016). Therefore, it can be safely assumed that in order for an entrepreneur to achieve success in their venture, they must possess the ability to obtain a small business loan.
Despite the common fallacies involving the hurdles in obtaining a loan, there are several governmental programs designed to assist entrepreneurs. The 7(a) is the Small Business Administration’s (SBA) most popular loan program (Small Business Administration, 2017). As a small-business owner, the entrepreneur can take out a loan for up to $750,000 from their local 7(a) lenders (Small Business Administration, 2017). This loan will be backed by a partial guarantee from the Small Business Administration. One thing to note is that the Small Business Administration does not directly lend money to entrepreneurs. Through this program the Small Business Administration, in part, takes on the risk of the startup. This is added motivation for the local lender to make the loan to the entrepreneur. A requirement of such a loan is that all the owners of a business who hold an ownership stake of 20 percent or more are required to personally guarantee the loan (Small Business Administration, 2017).
For many small businesses, trade credit is an essential resource for financing growth. Trade credit is the credit extended to a company by their suppliers who allows them to buy the material now and pay at a later date. Any time the company takes delivery of materials, equipment or othervaluables without paying cash on the spot, they have been issued trade credit. While this resource has proven to be essential when a company is strategically planning its finance campaign, it is difficult to obtain for a startup venture. When an entrepreneur is first starting his or her business, suppliers most likely are not going to extend trade credit. For most startups, the supplier will require every order to be c.o.d. (cash or check on delivery) or paid by credit card in advance. Until the entrepreneur and the company can establish a consistent history of on-time payment and a record of good business ethic, the supplier will not be inclined to create this line of financing.

Funding generated from family and friends takes up a significant portion of financial resources available to entrepreneurs. According to the Census Bureau’s 2014 Statistics for U.S. Employer Firms by Funding Sources Report, 71,420 firms with paid employees have raised $250,000 in funding from their friends or family (U.S Census Bureau, 2014). Bank of America’s Small Business Owner’s Report, moreover, confirmed that 38% of entrepreneurs reported having received financial gifts or loans from friends or family (Bank of America, 2016). As we understand it, small business owners are inherent self-starters – making significant personal sacrifices on behalf of their businesses. What is insightful, however, is the depth in which family and friends become significant in the financial plan of the venture.

These four sources of funding are considered the traditional avenues by which an entrepreneur generates capital for his or her business. While these resources can be
considered standard and available to most entrepreneurs, we will later highlight the
different institutional barriers that often prohibit minority entrepreneurs from obtaining
any (if not all) four of these traditional financial resources.

21st Century Resources

In addition to the resources outlined above, entrepreneurs have access to newer
resources that have been proven beneficial to startups. These 21st Century resources
provide the entrepreneur with alternative financing options to fund their venture. While
many of these resources focus on cost-cutting, and development for the entrepreneur’s
venture, they allow the entrepreneur to restructure their finances to match their immediate
needs. The two resources that this section will highlight are crowdfunding options and
incubators.

One of the most prominent modern resources available to entrepreneurs, or
anyone in need of cash, is crowdfunding. As a form of crowd-sourcing, crowdfunding is
the practice of funding a venture by raising capital from a large amount of people. Thanks
to the advancement of technology, crowdfunding has become an efficient way for an
entrepreneur to generate a large audience through internet-mediated registries. In 2015,
an estimated $34 billion was raised through crowdfunding efforts (University of

While the idea of crowdfunding does not have its origins in the 21st Century,
crowdfunding gained traction after the launch of ArtistShare, in 2003 (Freedman &
Nutting, 2015). Following ArtistShare, more crowdfunding sites started to appear on the
web such as IndieGoGo (2008), Kickstarter (2009), and Microventures (2010) (Freedman
& Nutting, 2015). Each of these crowdfunding companies appeal to a variety of different
types of entrepreneurial ventures. They can be tailored to a specific industry (e.g. ArtistShare), or can be used any type of business (e.g. Kickstarter).

According to the Crowdfunding Center’s May 2014 report there are two types of crowdfunding: reward crowdfunding and equity crowdfunding (The Crowd Data Center, 2014). Reward crowdfunding allows entrepreneurs to presell a product or service to launch their business concept without incurring debt or offering equity in the company. In equity crowdfunding, the investors receive shares of the entrepreneur’s company; this is typically done during the early stage of the company.

Crowdfunding has led to many successful entrepreneurial ventures. For example, Formlabs is a three-dimensional printing startup. Seeking an investment for their FORM1 project, the company set a crowdfunding campaign goal of $100,000 (Toren, 2015). The company received over 2,000 investors and raised $3 million dollars through their campaign. (Toren, 2015). In a similar case, Pebble, the startup smartwatch venture, was able to secure $1 million in 28 hours through their crowdfunding campaign (Toren, 2015). The company was eventually able to raise over $10 million for their business.

Crowdfunding has the potential to impact an entrepreneur’s venture in a significant way. From tapping into a wider investor pool to enjoying more flexible fundraising options, there are a number of benefits to crowdfunding over traditional methods. By using a crowdfunding platform, an entrepreneur has access to thousands of accredited investors who can view, interact with, and share the fundraising campaign.

One of the best things about online crowdfunding is its ability to centralize and streamline the entrepreneur’s fundraising efforts. By building a single, comprehensive profile to which the entrepreneur can funnel all prospects and potential investors, the entrepreneur eliminates the need to pursue each of them individually. Therefore, instead
of duplicating efforts by printing documents, compiling binders, and manually updating each one when there is an update, the entrepreneur presents everything online in a much more accessible format, leaving the entrepreneur with more time to run his or her business instead of fundraising.

In addition to crowdfunding, entrepreneurs have the ability to utilize an incubator to jump-start their venture. Business incubators are organizations designed for speeding up the growth and success of early stage entrepreneurial ventures. Incubators are often a great path to capital from angel investors, state governments, economic-development coalitions and other investors. The National Business Incubation Association (NBIA) serves more than 2,100 members in over 60 nations (The National Business Incubation Association, 2017).

Incubators are a great resource to entrepreneurs because they provide networking opportunities, shared office space, mentorships, and financial resources. For an entrepreneur, there is a plethora of support and cost-saving programs in incubators. Furthermore, there are several incubators that are specifically designed to support different niches of entrepreneurs. For example, the Young Entrepreneur Council was founded in 2010 as an invite-only organization for entrepreneurs under 40 (Young Entrepreneur Council, 2017). This incubator offers support to their members through forums, discounted products or services, shared office space and several brand-building initiatives. This type of incubator is beneficial to the growth of a venture because it allows entrepreneurs to utilize their peer’s young innovative minds.

Dynamite Circle is another incubator that focuses its efforts in strengthening private, well-established and successful entrepreneurial ventures (Dynamic Circle, 2017). This incubator was founded in 2011 and provides its members with local networking
opportunities, discounted products and services, and a plethora of brainstorming forums. Dynamic Circle markets itself as the home for masterminds, offering their members mastermind placements (joining a small group of entrepreneurs to serve as a council of consultants) (Dynamic Circle, 2017). Overall, incubators provide the entrepreneur with resources necessary for their business to grow. It is the role of the entrepreneur to identify which incubator is best suited to meet the needs of the company.

**Growth Opportunity**

The success of an entrepreneur’s business venture is closely stitched to the company’s growth plan. Therefore, it is the entrepreneur’s responsibility to strategically outline the business’s growth model. Failure to grow, in any industry, results in stagnation and inevitable depreciation of the company’s value. Growth is a risky but necessary procedure for startups to survive. Growth may be assessed in the context of employees, customers, revenue, liquidity, profit, geographic locations and a variety of other dimensions. Regardless of the growth type, hurdles are always present. An entrepreneur who understands the risks, and knowingly takes them, will have a chance to grow; whereas one who is not willing to take risks will not.

**Expansion**

This section describes both the risks and benefits associated with a company’s expansion efforts. This section will then identify two hurdles entrepreneurs face when attempting to expand their company: strategic planning, and company structure.

All businesses undergo periods of expansion. Expansion can be a turbulent time for any company, as they are inherently unstable and carry risk. In practice, there will always be barriers impeding growth. It is both the will and the ability to overcome these barriers which enable the entrepreneur to expand the company. The will, as an extension
of the entrepreneurial spirit, is needed as there are many companies which stagnate due to their unwillingness to take the risks associated with growth.

One prominent example of a business venture’s failure to innovate and remain relevant is Blockbuster. This video-rental chain survived the transition from VHS to DVD during the early 2000s era, but failed to adapt to the next wave of technology. Blockbuster remained firm in its decision to follow its business model. This was a major pitfall when Netflix, their competitor, began sending videos through the mail. Moreover, cable networks began offering video-on-demand, another major competitor to Blockbuster. Though Blockbuster soon realized its mistake in not innovating, it was unable to recover from the rapid industry expansion. In 2013 Blockbuster ceased operations (Reference for Business, 2014).

While growth may appear to an entrepreneur as a risky compared to temporary stability, stagnation in a high-tech company increases the risk of failure. Innovating in response to changes in the market is a good way to mitigate risk. Careful and strategic planning can decrease risk. Being able to anticipate the majority of risks involved and successfully navigating them is what allows the venture to grow.

Expansion helps businesses to establish legitimacy, creating more options to grow. Larger firms are less likely to fail, encouraging trust in customers and potential investors. It is during and immediately following a period of growth that startups find it easiest to acquire investment capital. Business ventures which are perceived as having crossed their initial startup hurdles are seen as being stable. With an increase in size comes an increase in profitability and liquidity for the venture. This essentially gives the company a history, which partners and investors are more willing to trust. Assets and finances will thus become more attainable than they were previously. With expansion, the
company forms new connections and is able to access new markets. This results in an increase in sales, profitability and influence.

Amazon serves as an excellent example of a startup venture that followed a strategic growth plan. Four years after being named the youngest vice president of a successful Wall Street investment firm, Jeff Bezos quit his job and moved to Seattle to pursue what he believed to be untapped online retailing opportunities in the book industry. Bezos began his business in his garage in Bellevue, Washington, and began developing the software (Amazon, 2017). Bezos held meetings at a nearby Barnes and Noble, where most of Amazon's first contracts were negotiated (Amazon, 2017). In July 1995, Bezos launched Amazon.com and sold his first book from his garage startup. The company’s online retailer website was met with a large consumer demand (Amazon, 2017). Thus, two years after their official start, Bezos issued his Initial Public Offering (IPO) (Amazon, 2017). Amazon is now the world's largest online retailer. The company followed a strategic growth plan and it expanded beyond books.

Firms require strategic planning, both in the short and long term, in order to succeed. Long term success requires effective daily management and strategic decisions. It also requires that these are not at the expense of the long-term plan. Firms that do less short and long term planning are at a greater risk for failure. Many firms pursue short term contracts and quick profits without considering the long-term impact of their choices.

It is easy for an entrepreneur to get discouraged when a long-term strategy does not net immediate results. The entrepreneur, nevertheless, must realize that setting a long-term goal, and making strategic choices for that goal, will not give immediate positive results. Having the ability to execute short term plans while aligning with long term goals
may be difficult, but is necessary to give the entrepreneur a vision which allows focus and unity amongst their employees.

A company which only chases short term returns may be able to make profit for a while, but will inevitably have a difficult time attempting to grow. Being able to set frequent milestones and to guide actions towards a long-term goal can be an effective way to manage short term tasks. This allows short term goals to be put in the context of the larger picture for the company, while allowing for the tackling of each individual instance to be molded for specific circumstances. Therefore, it is a good idea for an entrepreneur and his or her employees to know their 1, 2, 3 and 5 year plans to unify the goals and allow transparency on how the company is reaching its milestones.

Company structure is an imperative component to strategic expansion. When a company is small, it is possible for all information channels to be centralized around one person, usually the entrepreneur, enabling that person to make decisions quickly based on information directly from the source. During and after growth, as the company loses some internal transparency, it is often not possible for a single individual to keep track of all the information without setting up formal communications channels. As the company expands, managing daily operations will become exponentially difficult, if the same managerial structure is kept. This creates a double impact, giving the central figure less time to communicate with others, as they spend increasing allotments of time attempting to manage operations.

Many companies find this difficult in the first growth cycle as the entrepreneur will often not feel psychologically comfortable with giving up direct control over all aspects of the company. In order to foster such a transition, having a deep structure of shared rules and beliefs within the company will allow such transitions to flow smoothly.
This allows the employees to work towards a purpose rather than work at a specific job. The purpose will remain the same even during turbulent growth, letting employees know what is expected and what they should do.

Success is the core of every business regardless of the definition used to define it. This chapter covered a multitude of foundational components that lead entrepreneurs to success. Motivation through family and friend support, resources (whether traditional or alternative) and strategic growth plans are essential to a startup obtaining success. These principles, however, can be applied to entrepreneurs across all industries and regardless of race or ethnicity. In Chapter 4, we will apply the next components of the model that are specific to the success of Black entrepreneurs.
Chapter 4: The Black Entrepreneur

Minority entrepreneurs, in general, are currently underrepresented compared with their share of the population within the United States (Small Business Administration, 2016). The largest minority groups, Blacks and Hispanics, own disproportionately fewer businesses than their non-Hispanic White counterparts (Small Business Administration, 2016). The share of smaller groups, such as Asians and American Indians, is closer or equal to parity. Table 4.1 reflects this reality.

Table 4.1: Comparative Shares of Minority Business Ownership and Total Population, 2012

<table>
<thead>
<tr>
<th></th>
<th>Number of Businesses</th>
<th>% of U.S Business</th>
<th>Population</th>
<th>% of U.S Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black/African American</td>
<td>2,584,403.0</td>
<td>9.5</td>
<td>39,697,782.0</td>
<td>12.6</td>
</tr>
<tr>
<td>American Indian and Alaskan Native</td>
<td>272,919.0</td>
<td>1.0</td>
<td>2,574,388.0</td>
<td>.8</td>
</tr>
<tr>
<td>Asian</td>
<td>1,917,902.0</td>
<td>7.1</td>
<td>15,578,065.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Native Hawaiian and Pacific Islander</td>
<td>54,749.0</td>
<td>.02</td>
<td>530,525.0</td>
<td>.2</td>
</tr>
<tr>
<td>Hispanic</td>
<td>3,305,873.0</td>
<td>12.2</td>
<td>52,932,483.0</td>
<td>16.9</td>
</tr>
<tr>
<td>Minority</td>
<td>7,952,386.0</td>
<td>29.3</td>
<td>116,638,306.0</td>
<td>37.2</td>
</tr>
<tr>
<td>Non-Hispanic White</td>
<td>19,278,260.0</td>
<td>70.9</td>
<td>197,275,734.0</td>
<td>62.8</td>
</tr>
</tbody>
</table>


Black entrepreneurs, specifically, continue to face many of the same challenges they faced fifty or more years ago, such as being met with a double standard when applying for financing. While it is a common thought, that racial inequality is a former and now, nonexistent blemish in United States’ history, unfortunately it is not yet a reality. Though Black-owned businesses as a whole remain far behind industry levels, the success of the Black business culture cannot be overstated. Within this chapter, we will identify the major challenges that Black entrepreneurs face today. We will, in addition,
introduce several components to the ‘Black Entrepreneur Success Model.’ These new additions will highlight what factors are necessary for success among Black entrepreneurs.

**Challenges**

Most small business owners find themselves with challenges on a daily basis; such is the nature of their job. For Black entrepreneurs, however, there can be additional hurdles to overcome such as a lack of financial resources, insufficient access to professional development, underwhelming community resources, and poor access to the right kinds of advisors and mentors.

Among minority owned business ventures, discrimination has often interfered with efforts to obtain access to educational and business-related experiences. Specifically, these barriers often result in overly small, less profitable, and generally less viable firms (Small Business Administration, 2016). The uniqueness of Black-owned businesses is rooted in the higher barriers that they encounter when attempting to access these fundamental building blocks. The whole process is more difficult for Blacks compared to White entrepreneurs.

The most common barriers limit access to financial capital and a sustainable marketplace. Access to skills and work experience that facilitates firm formation, moreover, are often limited. These barriers can limit minority self-employed and small-business owners in multiple ways. Barriers often result in overly small and less viable firms, relative to those owned by non-minorities. The greater incidence of marginal firms, in turn, cause heightened failure rates among minority-owned business. Barriers, finally discourage some potential minority entrepreneurs from ever taking the opportunity of self-employment.
In many cases, there lies a process in which an entrepreneur’s business becomes successful. The creation of viable startup ventures entails: (1) involvement of skilled and capable entrepreneurs who have; (2) access to financial capital to invest in their business ventures and; (3) access to markets for the products of their company (Bates, Jackson, & Johnson, 2007, p. 10). It is often suggested by those who regularly invest in startup ventures that the first of these three building blocks – skilled and capable entrepreneurs, or the management team – is one of the most important. Gaining management skills, however, require opportunities to acquire certain educational and business-related experiences; experiences that are often unobtainable for Blacks due to discrimination in job hiring, or inadequate education systems.

In Chapter 2, we discussed the corporate development of the entrepreneur. We determined, based on our model, that entrepreneurs that begin their journey in larger firms are more likely to achieve success compared to their counterparts (those that begin in a smaller firm). With this in mind, one could reasonably expect that the success of Black entrepreneurs would also lend itself to this prediction.

As this thesis has already introduced several components to the ‘Black Entrepreneur Success Model,’ the remainder of this chapter will focus on the aspects that are designed to enhance the likelihood of success for Black entrepreneurs specifically. The conclusion of this chapter will highlight necessity of the model in its entirety.
Diagram 3: Black Entrepreneur Success Model

Source: Tyler, 2016.
Motivation

In the previous chapter under motivation we explained the significance of the entrepreneur’s family background. We believe this component of motivation holds true for entrepreneurs of all kind. For Black entrepreneurs, however, there is a heavier importance placed on the family support system. In many cases, for a Black entrepreneur, their families will be their first customers, investors, and workers. In addition to the support and encouragement that is required at a young age to motivate the entrepreneur, the family is also charged with being a cornerstone for the business itself.

For example, Erick Mathelier, cofounder of William and Park, a digital and social media company, stated the following in an interview with Tech Co:

I was first introduced to entrepreneurship at the age of twelve while living in Flatbush, Brooklyn. At the time, I had no concept of what entrepreneurship was since no one in my family was an entrepreneur, but I had this random idea to build a sports complex where people could come together to play all types of sports under one roof. You can think of it as the precursor to what became “Chelsea Piers.” This was my accidental introduction to entrepreneurship.

Fast forward to the present, my motivation to start my own business stems from an innate feeling that this is what I was meant to do. I’ve worked in corporate America for years, and I’ve never felt fulfilled, but starting my own business has filled that missing void. Also, it seems like since the age of twelve, I’ve had the itch that has never gone away to build a company from the ground-up. Thanks to the support of every family member, my business has become a great success (Mathelier, 2015, p. 3).
In the same interview, the founder of Booking Agent Info, a celebrity contact database, Billy Bones explained the following:

I was introduced to entrepreneurship at a young age by my parents. My parents are Nigerian and when they came to this country, my dad opened up an accounting office and my mom opened up a beauty salon. At an early age, I witnessed my parents work long hours and put a lot into their business. I was often right there with them as a kid helping them where I could in running their business. I started my business after I was laid off my job, totaled my car on my birthday, and really had what seemed like no other options (Bones, 2015, p. 3).

Family background plays an integral role in the motivation and longevity of Black entrepreneurship. The absence of a strong family support system will often result in the lack of necessary resources for the Black entrepreneur; especially given that several systematic barriers are already in place. Therefore, it is the role of the entrepreneur’s family to serve as an inspiration, as well as a tangible resource to the business.

In addition to a supportive family background, in order for the Black entrepreneur to achieve success, he or she must be influenced by someone that they can relate to by virtue of their race and ethnicity. For this component, we turn to Black Excellence: the belief that successful Black role models are necessary to create the next wave of Black entrepreneurs.

**Black Excellence**

In many cases within Black communities, children lack adequate roles models. Too often the role models for young Black men, specifically, are celebrities, athletes, and rappers who glamorize crime, guns or gangs, rather than their local fireman, police
officer or lawyer. While these professions are fruitful to Black culture and provide a stream of income to their communities, they are often not an obtainable goal.

In today’s hip hop culture, there is an emphasis on creating success through making money, attracting females, hustling, and being an outlaw. What is often absent from messages in the hip hop culture is rhetoric around working hard, achieving goals, and giving back to those less fortunate. For example, the 2011 Grammy nominated rap song “Young, Wild and Free” by Snoop Dogg, Wiz Khalifa, featuring Bruno Mars, promotes the idea of indolence ignorance. The song glamorizes young people being drunk and smoking weed. The justification for this type of behavior is that young people can live “young and wild and free.” If Black children are subject to holding these types of celebrities as their idols, they will also hold the values taught through their lyrics. This in turn takes an emphasis off of excelling in school and setting high goals, and instead focuses on hustling as the only means of achieving success.

There exist, however, opportunities for entrepreneurs to excel in the music industry. For example, the Institute for Hip-Hop Entrepreneurship is designed to provide support to the entrepreneurs who seek to start their ventures through the hip-hop genre (Institute of Hip-Hop Entrepreneurship, 2017). This incubator focuses on connecting “ambitious young entrepreneurs” to the resources, knowledge and contacts necessary to build their business and brand (Institute of Hip-Hop Entrepreneurship, 2017). This type of resource provides an entrepreneur with a strategic road map to achieving their goal, rather than relying solely on their talent.

In order to combat the phenomenon of negative role models, successful Black leaders must be introduced into Black children’s lives at an earlier age. Role models have the ability to shape the values, goals and visions of young people. This is a crucial
component to creating successful entrepreneurs because it requires them to have an equal passion for their job as they would if they were the next rapper or athlete. Despite the negative stigma associated with hip hop and rap, there does exist positive messages and celebrities. An example of this can be found through work of Kendrick Lamar, who was praised by President Obama for his devotion to positively impacting the lives of his young audience through the ‘Pay it Forward’ program, a mentorship program for inner-city youth (Rolling Stone, 2016).

Black entrepreneurs breed Black entrepreneurs. Though there is still a long road that Black entrepreneurs must travel to gain equality of enterprise, their current successes push their economic accomplishments to the next level as well as pave the way for other entrepreneurs to step up. As a crucial component to motivation – Black entrepreneurs must talk to one another and examine how each began their journeys. This creates a network of mentors. This is the single most important thing Black entrepreneurs can give back to their communities and develop their socioeconomic status as a race.

It is through mentorships that Black entrepreneurs can recreate the landscape of their communities. An extraordinary example of this can be seen through the mentorship culture of the Black church. While members of the Black clergy focus their efforts on ministry, it is common that certain aspects of their ministry include social entrepreneurial ventures. Such services allow Black clergymen to train the next generation to take on leadership positions; both in ministry and the nonprofit sectors. Chapter 5 will dive further into this theory through primary data collected.

The apprenticeship method of training, moreover, works in favor of every person involved in the process. This training assists those who love to gain invaluable experience that can help them flourish in their enterprise. Most business owners allocate most of
their time gaining the competitive advantage such that apprenticeships have become nearly extinct. But, competition is not a new phenomenon that requires the undivided attention of the entrepreneur. It is, rather, a consistent component of the everyday lifecycle of a business. Though competition is considered a valuable threat to the lifespan of a business; one could argue that a more pressing threat is the longevity and skilled labor found in Black startups. This concept will be further explored within Chapter 6. Therefore, Black entrepreneurs specifically must be willing to take on apprentices and prepare the next generation on how to continue the business.

In 1942, John Johnson began his entrepreneurial venture, Johnson Publishing Company headquartered in Chicago Illinois (The Huffington Post, 2015). The Black owned venture currently holds the title as the largest African American owned publishing firm in the United States, serving as the parent company to Ebony and Jet Magazine (The Huffington Post, 2015). During the company’s growth stage, Johnson identified the need to begin preparing his successor to run the organization. His daughter, Linda Johnson Rice, currently serves as the Chief Executive Officer of Ebony (Chicago Tribune, 2017). Rice explained that her father’s apprenticeship was crucial to her personal development as a business leader.

During the early 1900’s in Greenwood, Oklahoma the term ‘Black Wall Street’ was coined (McFarlin Library, 2017). During the oil boom of the 1910s, the area of northeast Oklahoma around Tulsa flourished, including the Greenwood neighborhood, which originally bore the name ‘the Negro Wall Street.’ ‘Black Wall Street’ was founded due to the segregation and struggles that Black entrepreneurs were faced with when beginning their venture. The area was home to several prominent Black businessmen. Greenwood boasted a variety of thriving businesses that were very successful up until the
Tulsa Race Riot. Not only did Black Americans want to contribute to the success of their own shops, but there existed racial segregation laws that prevented them from shopping anywhere other than Greenwood.

The success of the town was due to its inhabitants’ determination to build financial independence at a time when Blacks were generally prevented from participating in the economic prosperity of America. The 10,000 citizens of ‘Black Wall Street’ determined everything that they needed to create a comfortable lifestyle and created it themselves (McFarlin Library, 2017). Following the riots, the area was rebuilt and thrived until the 1960s when desegregation allowed Blacks to shop in areas from which they were previously restricted. The success of the community was through their ability to continuously motivate the next generation of entrepreneurs to carry on the business venture.

In similar fashion to ‘the Black Wall Street,’ Baldwin Hills Los Angeles, was often described as the ‘Black Beverly Hills.’ It was considered to be the golden door of the Black community. It was home to modern infrastructure, and a plethora of resources for its inhabitants. It was even recorded that one dollar circulated 100 times before leaving the community – a feat unheard of in the Black community today. The community was built on the principle of supporting one another and creating their own brand of entrepreneurs. Black entrepreneurs of this community often included training programs and mentorships in their weekly routines to ensure that the next generation of leaders were adequately receiving the education necessary for success.

Entrepreneurs who have grown up within these types of communities can look to their community leaders as examples of Black excellence. The community (then and Black communities now) cannot thrive with just one grocery store, one gas station, and
one bank. It takes motivated and inspired entrepreneurs to expand and enrich their community. As entrepreneurs increase, the community will grow and expand beyond the community borders. This results in capturing a larger market share through more consumers. Ultimately this creates the motivation necessary for the entrepreneur to identify a gap in the market and take on the risk. The first step, however, is to create Black entrepreneurs through positive mentors.

**Resources**

Entrepreneurs, in general, rely on a variety of financial resources ranging from government grants, to business loans. Figure 1 represents the sources of startup financing that entrepreneurs commonly use. The results show that comparatively the majority of entrepreneurs rely more on personal and family financing options than any other means of funding (Robb & Morelix, 2016).

**Figure 1: The Top 3 Most-Used Sources of Startup Capital**

<table>
<thead>
<tr>
<th>Source of Financing</th>
<th>Percent of Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal/Family savings of owner(s)</td>
<td>63.9</td>
</tr>
<tr>
<td>Business Loan from Bank or Financial Institution</td>
<td>17.9</td>
</tr>
<tr>
<td>Personal Credit Card(s)</td>
<td>10.3</td>
</tr>
</tbody>
</table>

Source: Annual Survey of Entrepreneurs, 2014.
According to this survey, 64% of entrepreneurs use their personal and family resources to finance their startup venture. Therefore, it can safely be assumed that regardless of race or ethnicity, entrepreneurs in general must rely on some contribution of personal investment. While this is a common practice for entrepreneurial ventures, the contribution amounts can vary based on the financial resources available to the entrepreneur. With this in mind, another fact that can be derived is that minority entrepreneurs rely on: 1) personal investments over bank loans, and 2) their personal financial resources are comparatively less than adequate, causing them to have a higher dependency on family member’s investments.

Figure 2 depicts the level of financial support from family members required by minority entrepreneurs. The majority of Hispanic and Black entrepreneur’s primary source of startup capital comes from their family members (72.3% and 70.6% respectfully). This is a significant contribution compared to the only 64% of White entrepreneurs who rely on their family’s investment. This figure, moreover, highlights the fact that White entrepreneurs still maintain an overall dominance in the industry. The industry average is determined by the performance of the majority of the sample size. If the majority of the sample size are White entrepreneurs, then the average will reflect this. This is seen through the close correlation between White entrepreneurs (64.5%) and the industry average (63.9%).
Figure 3 highlights the striking contrast between the ability for entrepreneurs to obtain business loans as the primary source of capital for their venture. This data reveals that regardless of race, only a small portion of entrepreneurs rely on business loans as the primary sources of capital. While small business loans have proven to be an instrumental tool to drive a startup venture to success, it is not the central component in financing. As highlighted previously in Diagram 4, the number one sources of startup capital for entrepreneurs is their own personal investments. While Figure 3 reflects a close correlation between the number of entrepreneurs that use loans as the primary sources of startup capital, Black and Hispanic entrepreneurs are still representing the lower half.

Source: Annual Survey of Entrepreneurs, 2014.
This final figure, Figure 4, reflects the level of determination that entrepreneurs are willing to exhibit through acquiring personal risk. While 10% of both the industry average and White entrepreneurs depend on personal credit card as their primary source of startup capital, 18% of Black entrepreneurs rely on this as their primary resource. For an entrepreneur to risk their personal credit for their new startup venture highlights their confidence in their business, or lack of other resources. If capital financing resources are scarce, but the entrepreneur believes that their business is worth the risk, financing the venture through personal credit becomes a greater option.

Source: Annual Survey of Entrepreneurs, 2014.
Black business progress in recent decades is strongly rooted in personal financing, human capital, and family support systems. Market access, additionally, has broadened and financial capital availability has expanded. Parity to nonminority entrepreneurs, however, has not yet been achieved. Capital market access still remains to be an enduring barrier daunting Black entrepreneurs. Yet, the existence of systematic barriers yields an opportunity to create new market – one that services underserved Black ventures.

Notwithstanding the resources currently allocated to entrepreneurs in general, for Black entrepreneurs to achieve success, additional access to resources must be available to compensate for the gap between venture funding. The following section highlights Black specific resources that have become available during recent years.

**Black Specific Financial Resources**

Three assumptions are applied to our model for Black specific resources: (1) Black entrepreneurs have less access to financial capital than nonminority firms with similar business traits, (2) such unequal access creates opportunities for venture
capitalists (VC) to diversify their investment portfolio, and (3) unconventional funding methods become opportune for Black business ventures in desperate need to raise capital.

Venture Capital funds seeking to invest in Black ventures commonly target firms whose owners have strong educational credentials and considerable managerial expertise. Firms receiving these investments typically have annual sales excess of $1,000,000 (Bates & Bradford, Venture Capital in Minority Business Investment, 2002). Among Black-owned firms, Census data indicates that only 16,496 of the 2,584,403 firms covered under the Survey of Business Owners reported annual sales exceeding $1,000,000 (Census Bureau, 2012). These large Black-owned firms generate 59.3% of all jobs found in the nation’s Black business community (Census Bureau, 2012). Therefore, helping to finance this high rate of growth and job creation is a major task for minority-orientated venture capitalists.

An important trait differentiating the minority-orientated VC sector from mainstream venture capitalists is its broad diversification regarding industries in which the funds invest. Mainstream VCs are typically heavily concentrated in several high-technology sectors while minority VCs are widely diversified across high and low-technology fields (Bates & Bradford, Venture Capital in Minority Business Investment, 2002). Venture capital funds have a prominent role in the success of some Black businesses, however they only target a minimal proportion of these businesses. For the small dry cleaner run by a Black entrepreneur, this resource is virtually unrealistic. Therefore, while venture capital funds that focus primarily on minority investments is essential, other financial resources to Black entrepreneurs is necessary.

In addition to venture capital funds that are tailored specifically to accommodate minority-owned businesses, Black entrepreneurs also have access to grant funding.
Unlike the barriers often found in acquiring loans, grant funding provides specific financing options for Black-owned businesses. Many Black entrepreneurs have turned to business grants as a solution. For example, in 2012 $85 billion dollars in grant money was awarded to Black entrepreneurs (Census Bureau, 2012).

Though some grant programs are becoming depleted or fully eliminated, there still exists a plethora of minority specific business grants. For example, business grants continue to be rewarded from the Department of Commerce, the Small Business Administration, the U.S Agency for International Development, the National Institute of Business Grants, and the National Association for the Advancement of Colored People (NAACP). Several companies, moreover, play an instrumental role in funding minority-owned ventures. Companies such as Miller Brewing Company, Ford Motors, FedEx, and Sam’s Club have devoted financial resources that are designed to benefit minority entrepreneurs.

Several new programs have been adopted to assist with financing minority-owned startup ventures. For Black entrepreneurs, these are great resources for kick-starting their business ventures without the fear of acquiring too much debt. For example, Accion USA, a subsidiary of micro-lending giant Accion International, is the largest small-business lender of its kind in the U.S., making loans ranging from $500 to $25,000 for minority entrepreneurs with low income (Accion, 2017). Accion also engages in impact investing initiatives to support start-ups that are working to create models for improving the efficiency, reach and scope of financial services for the poor (Accion, 2017).

The National Minority Business Council (NMBC) is a group that focuses on improving resources for minority businesses. The Council offers incubator-like resources (e.g. mentorships, access to capital resources, networking opportunities). The NMBC’s
Micro-Loan Fund provides short-term loans of $1,500 to $25,000 to its members (National Minority Business Council, 2017). The council, in addition, recently launched its Emerging Enterprise Investment Committee, which makes equity investments from $250,000 to $5 million in qualified women-owned or minority-owned businesses.

The National Minority Supplier Development Council matches more than 15,000 minority-owned businesses with 3,500 corporations who want to purchase goods and services from them (National Minority Business Council, 2017). The Council also offers loans to participating small businesses through its Business Consortium Fund. The National Urban League’s Urban Entrepreneur Partnership, which has a $127.5 million fund set up to lend to qualified business owners in its program (National Urban League, 2017).

In addition to these resources; Black entrepreneurs also have the ability to utilize ethnic-specific lending organizations like the U.S. Black Chamber of Commerce. The U.S Black Chamber of Commerce operates as a network to connect Black entrepreneurs to one another. The Black Chamber of Commerce also serves as a gatekeeper to several funds within the network (U.S Black Chamber Inc., 2017).

Black entrepreneurs can also set their sights on local funds in addition to larger resources. For example, the Brotherhood Business Development and Capital Fund is a local network for Black entrepreneurs. The Brotherhood Business Development and Capital Fund provides small business loans to underserved communities in South Central Los Angeles (Brotherhood Crussade, 2017). On the East Coast, moreover, there is Harlem’s Upper Manhattan Empowerment Zone that lends to businesses in that neighborhood (Upper Manhattan Empowerment Zone, 2017). In broader terms, there are several community non-profit organizations that are instrumental in presenting resources
to their local entrepreneurs. Examples of local churches hosting fundraising events, community activists lobbying for additional resources for small businesses, and local corporations with the desire to give back to their communities are all great resources to help raise startup capital for the local Black entrepreneur.

Despite being met with countless obstacles by way of capital funding, Black entrepreneurs still have the ability to generate the funds that are required for their business. For some Black entrepreneurs, their personal investments will not properly address the gap to fully finance their venture. Therefore, in order for Black entrepreneurs to achieve the necessary financial resources, they must utilize these Black-specific resources allotted to them.

**Communal Support**

The third component of our ‘Black Entrepreneur Success Model’ highlights the necessity of available financial resources from the Black community to propel the Black entrepreneur’s venture. Black communities differ in their ability to provide resources to community members; this in turn has an effect on the entrepreneur and his or her decision on whether or not to seek resources outside of their community. The varying levels of communal support also result in the amount of resources used from the entrepreneur’s family and friends.

To account for the influence in different levels of socioeconomic resources on strategic decision-making, we create three categories of Black communities with different levels of resources. This typology will prove to be valuable as it is plays an integral role in whether the entrepreneur’s company will be able to reach the fourth component: Growth Opportunity. Diagram 6 provides an overview of the three types of communities.
**Type 1: The Affluent Community**

The affluent community represents a Black population with significant resources including financial institutions, potential customers of higher socioeconomic status, strong self-help networks, and numerous high performing entrepreneurs who mentor and develop businesses. In an earlier example used, the ‘Black Wall Street’ and ‘Little Africa’ are accurate presentations of the affluent Black community. High performance orientated entrepreneurs may successfully conduct their businesses entirely within the Black community without the need of seeking resources in different populations.

Mitchellville, Maryland serves as a great example of a minority affluent community that has the ability to support their own businesses. According to the U.S Census, Mitchellville is home to nearly 11,000 people, of which 85.4% identify as Black or African American alone (U.S. Census, 2012). The median household income, moreover, for this predominately Black community is $120,538 (U.S. Census, 2012). As a final note, 86% of the businesses within this community are owned by Black entrepreneurs (U.S. Census, 2012).
For a Black entrepreneur, this community is ideal to begin their venture. It would be safe to assume that this community would have the resources necessary to nurture the startup, and provide the entrepreneur with the mentors that he or she may need. This community also has the resources necessary to support the Black venture even if the venture is not their primary go-to. As a final note, the Black businesses within this community can also retain customers from those that may live outside of this community. Overall, an affluent Black community can serve as an incubator within itself for their Black entrepreneurs.

**Type 2: The Moderate Community**

The moderate Black community has an intermediate level of resources with fewer Black lending institutions, a lower number of potential customers in the middle to higher socioeconomic bracket, weaker self-help networks and fewer high-performing entrepreneurs available to advise smaller business owners. This type of community is the second most common community found within the United States. The moderate Black community, moreover, is most likely to house the largest class of Black entrepreneurs. While these entrepreneurs can generate income from their community, there is a level of reliance on outside resources to off-set the incapability of the community.

Compared to Mitchellville, Hazel Crest, Illinois can be described as an accurate representation of a moderate Black community. The city is home to 14,100 residences, of which 85.2% identify as Black or African American (U.S. Census, 2012). The average household income for this community is $52,134 (U.S. Census, 2012). Finally, there are approximately 1,269 businesses within this community, of which 1,066 (84%) of these businesses are owned by minority entrepreneurs (U.S. Census, 2012).
While community members possess some level of disposable income, they do not have the ability to fully support Black businesses within the community as well as an affluent community can. Residents are more likely to shop outside of their community, or turn to larger retail stores for more affordable options. This in turn, creates an additional obstacle for the entrepreneur in terms of developing a strong customer base. The Black entrepreneur must focus their efforts on remaining competitive with businesses near the community, while trying to expand their geographical customer reach. These efforts are necessary to the survival of the business.

Type 3: The Impoverished Community

The impoverished community is often the most unsuccessful place for a Black entrepreneur to build their venture. The third type of Black community may have a large population of lower socioeconomic individuals, limited community resources, few high-performance entrepreneurs. Marginally performing business persons who cannot serve as a mentor to others or advise new development within the neighborhood, and a weak self-help network to aid. Therefore, if the entrepreneur wants to consider their business as being successful they must be willing to accept marginal success according to the criteria of this low socioeconomic community. This altered criteria for success can reflect poorly on the company’s performance, customer service, and profitability. This will cause the entrepreneur to automatically seek additional resources outside of the community. It is against this backdrop of an impoverished community that the entrepreneur must exercise his or her motivation to succeed notwithstanding the poor community culture.

Gary, Indiana represents this type of community. According to the U.S Census, approximately 80,000 individuals reside in the city, of which 84.8% are Black or African American (U.S. Census, 2012). The median household income for this community near
the poverty level at $28,000 (U.S. Census, 2012). There are 6,467 businesses within this community, of which 5,160 (80%) are owned by minorities (U.S. Census, 2012).

Unfortunately for Black businesses within this community, community members do not have the resources available to support the venture. Given that the median income is so low, community members often rely on government support and aid. Once, they are able to receive such assistance, the reasonable expectation is that these resources are allocated to the most cost-effective goods and services. While it is advantageous for a resident of this community to use their resources strategically (e.g. shopping at a discount or retail store), it can have a detrimental effect on Black owned businesses that do not have the means to support a lower pricing structure to remain competitive.

For the Black entrepreneur within this community, they are also met with the challenge of seeking customers outside of their community. Unlike the necessity for a Black business in an affluent or moderate community, reliance on an outside customer base is absolutely essential for the life of the business. Without reoccurring customers, the venture will become stagnant, deplete its resources, and inevitably fail due to its inability to remain competitive.

The communal support system has an integral role in the success of a Black business. If a community has the resources to support minority owned businesses within their region, then there is a greater likelihood that the business will remain functional. The unfortunate reality, however, is that predominately Black communities rank between the impoverished and moderate levels. This is reflected in the population sizes of the three communities examined (Mitchellville, Hazel Crest, and Gary). The Affluent and Moderate communities housed a collective total of 25,000 residence with an average of 85% of Black residence. This is only 31.25% of the total population of the impoverished
community, Gary. Therefore, in order for a Black venture to succeed, there must be an emphasis placed on community development in order to increase the median household income and overall disposable income.

In conclusion, this thesis believes that in order for a Black entrepreneur to achieve success he or she must be able to address each of the components listed in both Chapter 3 and 4. While certain aspects of the ‘Black Entrepreneur Success Model’ can be transcribed and applied to entrepreneurs in general, this chapter highlighted the major barriers that Black entrepreneurs are faced with in their quest to create a successful business. These barriers include primary sources for motivation, family support systems, access to financial capital, and the type of communities supporting the venture. While this model has provided empirical evidence, census data and several studies and reports, Chapter 5 will apply this model to a small test group to determine the necessity and accuracy of each component.
Chapter 5: Model in Action

The ‘Black Entrepreneur Success Model’ addresses the common shortfalls and barriers that Black entrepreneurs face when developing their business. While this thesis has provided several studies and data points derived from other academic studies, the actual model needs to be tested to determine its usefulness for Black entrepreneurs. To do so, a qualitative research analysis was performed with a small focus group of Black entrepreneurs. Each entrepreneur was interviewed to determine the significance of the model with respect to their experiences. This chapter will explain the methodology in which we collected our data, analyze the results of the survey questions and provide primary feedback on the barriers that Black entrepreneurs consistently face.

Methodology

To begin an analysis of the model, a focus group of twenty-two Black entrepreneurs was selected. Two methods were used to determine the usefulness of the model: 1) a survey, based on the components of the model, was administered to collect statistical data; and 2) Phone interviews were conducted to allow the entrepreneur the opportunity to expand into specifics about their experiences. Each participant signed an interview release form, allowing their responses to the survey and interview to be recorded for the thesis. In regard to the phone interview, all questions were in ‘follow-up’ form to the entrepreneur’s response to the survey. For example, if an entrepreneur selected ‘yes’ as an answer on the survey, the interview question would ask why they chose yes. The following survey questions were administered to the focus group.

The questions selected in ‘The Black Entrepreneur Questionnaire’ represent the overall points argued in each component of the ‘Black Entrepreneur Success Model.’ The survey begins with gathering basic information about the entrepreneur and their
background (level of education, age, etc.). In the area of Motivation, (see Survey 1) we seek to determine if the entrepreneur’s family played a defining role in their decision to pursue the business. The motivation section of the survey, moreover, looks to determine how much of a role Black role models play in the lives of entrepreneurs.

In terms of the Resources section of the model, the survey seeks to identify where Black entrepreneurs acquire their capital. The goal of this section of the survey is to also determine if there are in fact barriers that limit minority entrepreneurs from using traditional resources. The Community Support component of the model is represented in the survey through targeted questions about the geographic location and reach of the business. Black entrepreneurs are asked to classify the type of community that their business is located and identify where most of their customers come from (whether from within the community or outside of the community). This helps determine if the community is supporting the entrepreneur’s business.

The final section of the survey focuses on identifying growth opportunities for the business. Participants were asked to determine if they believed that their business is equipped to grow and expand. This section of the survey seeks to determine if the entrepreneur considers their business successful and thus, can continue to grow. Survey 1 represents the ‘Black Entrepreneur Questionnaire.’
Survey 1: Blacks Entrepreneur Questionnaire, Tyler 2017

**Personal Background:**

Name: ____________________________________________

Age: 18-35____  36-49 ____  50-65____  66+____

Degree Received: GED___  AA____  BA/BS ____  MBA/Masters___  J.D____  Ph.D.____

**Business Background:**

Occupation: ________________________________

Title: ____________________________________________

Number of Years in Practice: 0-5 ____  6-15____  16-25____  26-44____  45+_____  

**Motivating Factors:**

Were you motivated to start your business by family members?  Y____  N____

Are there other entrepreneurs in your family?  Y____  N____

Does your family financially support your business?  Y____  N____

Do you have Black role models outside of your family? Y____  N____

Do you consider yourself a role model to young people?  Y____  N____

**Resources:**

Were business loans used to fund your business?  Y____  N____

Are there barriers limiting your access to financial resources (e.g. bank loans)?  Y____  N____

Have you ever experienced financial discrimination?  Y____  N____

Have you ever used crowdfunding resources?  Y____  N____
Are you a member of an incubator or professional development network?  Y____  
N____

How much of your business’s financial capital comes from personal/ family investment?
0-10%___  11%-35%___  36%-50%___  51%-69%___  70%-85% ___  85%+___

*Community Environment:*

Which type of community would you consider your business to be located in?
Affluent Community______       Moderate Community_____    Impoverished Community ____

Do you receive support from your community?  Y____  N____
Can your community fully support your business? Y____  N____
Do you seek customers outside of your community?  Y____  N____
Do you retain customers outside of your community?  Y____  N____

*Growth Opportunities*

Do you believe your business can expand?  Y____  N____
Do you require government support for your expansion efforts?  Y____  N____
Do you have skilled workers?  Y____  N____
Is there an official growth plan for the company?  Y____  N____
The Participants

In developing the focus group, the requirements for the focus group were that: 1) the owner identified as Black or African American, 2) the business is in full operation, and 3) the entrepreneur has a method of tracking and recording the business’ financial records. These prerequisites allow our focus group to represent the general background of Black entrepreneurs as a whole. The twenty-two Black entrepreneurs that were selected vary between age groups, educational background, type of community. The data collected is not from a random sample and cannot serve as a representation of the entire Black entrepreneur population. It does, however, highlight many common themes among Black entrepreneurs that is vital to their success.

In order to acquire participants, a church network of entrepreneurs was used. The Church of God In Christ Inc. host their annual “Holy Convocation” in St. Louis, Missouri. While this convention is open to the public and members of the congregation, it traditionally attracts hundreds of Black entrepreneurs. With this in mind, many of the participants of the focus group were recruited from the “Holy Convocation.” Therefore, this focus group cannot be considered a representative sample of the entire population of Black entrepreneurs. Their participation, nevertheless, does shed light on the experiences that Black entrepreneurs in general face. Thus, these participants fit the requirement of our focus group. Table 5.1 represents the company details of each participant of the focus group:
<table>
<thead>
<tr>
<th>Company Name</th>
<th>Age of Participant</th>
<th>Years in Practice</th>
<th>Company Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Future Design Group</td>
<td>36-49</td>
<td>6-15</td>
<td>For Profit</td>
</tr>
<tr>
<td>Branded 312</td>
<td>18-35</td>
<td>0-5</td>
<td>For Profit</td>
</tr>
<tr>
<td>Chooman Productions LLC</td>
<td>36-49</td>
<td>0-5</td>
<td>For Profit</td>
</tr>
<tr>
<td>AandD Media Group Inc.</td>
<td>18-35</td>
<td>0-5</td>
<td>For Profit</td>
</tr>
<tr>
<td>Body By Stevo Fitness</td>
<td>18-35</td>
<td>0-5</td>
<td>For Profit</td>
</tr>
<tr>
<td>Ashley’s Quality Care Inc.</td>
<td>66+</td>
<td>26-44</td>
<td>Nonprofit</td>
</tr>
<tr>
<td>Lifestyle Brand (Eye-Invest-In-Me)</td>
<td>18-35</td>
<td>6-15</td>
<td>For Profit</td>
</tr>
<tr>
<td>Marlon Speaks, LLC</td>
<td>18-35</td>
<td>0-5</td>
<td>For Profit/ Nonprofit</td>
</tr>
<tr>
<td>Reed’s Wings N Things</td>
<td>36-49</td>
<td>6-15</td>
<td>For Profit</td>
</tr>
<tr>
<td>Beauty Bar 93</td>
<td>18-35</td>
<td>0-5</td>
<td>For Profit</td>
</tr>
<tr>
<td>Dream Creation</td>
<td>18-35</td>
<td>0-5</td>
<td>For Profit</td>
</tr>
<tr>
<td>Just For You</td>
<td>50-65</td>
<td>6-15</td>
<td>For Profit</td>
</tr>
<tr>
<td>Toya Che’rise Sweets</td>
<td>36-49</td>
<td>0-5</td>
<td>For Profit</td>
</tr>
<tr>
<td>Lenora’s Place Home Daycare</td>
<td>36-49</td>
<td>0-5</td>
<td>For Profit</td>
</tr>
<tr>
<td>C. Bittings Therapy</td>
<td>36-49</td>
<td>6-15</td>
<td>For Profit</td>
</tr>
<tr>
<td>Kid’s Connect Childcare Center</td>
<td>36-49</td>
<td>6-15</td>
<td>For Profit</td>
</tr>
<tr>
<td>Future Design Graphic Studios</td>
<td>18-35</td>
<td>6-15</td>
<td>For Profit</td>
</tr>
<tr>
<td>New Birth Community Care Center, Inc.</td>
<td>66+</td>
<td>16-25</td>
<td>Non-Profit</td>
</tr>
<tr>
<td>BElegant events</td>
<td>18-35</td>
<td>0-5</td>
<td>For Profit</td>
</tr>
<tr>
<td>Journey School of Visual Performing Arts</td>
<td>18-35</td>
<td>0-5</td>
<td>For Profit</td>
</tr>
<tr>
<td>Reddfoxx Enterprizes</td>
<td>36-49</td>
<td>6-15</td>
<td>For Profit</td>
</tr>
<tr>
<td>Maxine Essex Funeral Services</td>
<td>50-65</td>
<td>16-25</td>
<td>For Profit</td>
</tr>
</tbody>
</table>

The Results

As mentioned previously, the survey administered is designed to determine if the entrepreneur receives utility from each component of the model. Participants, moreover, were prompted to provide feedback on their thoughts regarding a specific question. Overall, the results highlight the validity of the model as a tool to lead the Black entrepreneur to success.

Motivating Factors

When asked “were you motivated to start your business by family members,” 73% of the responded “yes.” They believe that their family played a prominent role in motivating the participant to begin their business. Several of the entrepreneurs interviewed expressed that their venture was necessary to provide an additional stream of income to the family. Many of the entrepreneurs in this focus group began their venture while simultaneously working at another job. The additional revenue earned from their venture went into supporting the immediate needs of the family.

Seventy-seven percent of the participants of the survey have other entrepreneurs in their family. The presence of another entrepreneur within the family provides an additional resource and expertise. One participant stated the following:

Having an entrepreneur in my family helped me to realize that my dream business is an achievable goal. I rely on my cousin [the entrepreneur] when I
need advice or additional resources. He is one of my first connections that can link me to other resources and networks. Together, we feed off of each other; we understand the rough parts of our business. We’ve formed a relationship and trust system where we can be the moral support system to each other. – Participant 13

As stated previously, entrepreneurs breed entrepreneurs. There is a great advantage for entrepreneurs that have family members that are also entrepreneurs. This type of relationship allows them to rely on one another and push themselves to success. When asked “do you have Black role models outside of your family,” 91% of the participants responded with “yes.” This highlights the necessity of a role model that can inspire and encourage entrepreneurs to pursue their goals. The participants of this focus group acknowledged that much of their success can be attributed to the seed that was planted by their role models. One participant stated the following:

The barbershop owner on the corner of my street inspired me to pursue my business. Every time I would go to get my haircut I could see the pride that he had for his shop on his face. He never let anyone vandalize it; he treated his customers with a ton of respect; and if something was not done to his liking, he would get up and do it himself. I wanted to find something that I could have so much pride in like he did. That something turned out to be my business. – Participant 18

Many of the participants also share similar sentiments regarding individuals within their personal lives that impacted their motivation to succeed at an early age in life. Another participant stated “my 3rd grade teacher was the role model that pushed me. She taught us
that if we did see our dream job then we had to create it.” Role models have a major impact on the motivation of entrepreneurs in this focus group.

The entrepreneurs within this focus group acknowledge the influence that role models have on young people. With this in mind, 100% of the participants consider themselves to be role models to Black youth. If entrepreneurs breed entrepreneurs then there is an obligation placed on the current entrepreneurs to serve their community as role models to the next generation. This focus group establishes this concept through their willingness to teach and mold the next wave of entrepreneurs.

**Resources**

When asked “were business loans used to fund your business,” a striking 86% of participants answered “no.” The following responses from the interview shed light on why so many of the participants did not use the traditional source of funding when starting their business.

I knew I would get push back from the bank if I tried to get a bank loan before I even officially began my company. So, I knew it wasn’t worth trying – Participant 1.

Bank loans are unnecessary and just provide too much anxiety and hassle on my business. I’d rather just deal with financing the company on my own – Participant 6.

I got denied a loan because the bank did not believe that I had enough personal skin in the game… even though my personal investment was 75% of my savings – Participant 3.

As presented in the model, bank loans are not an easy resource for Black entrepreneurs to acquire. This focus group highlights the determination of Black
entrepreneurs to identify resources that can sustain the business without the need to use the traditional resources.

Of the participants (3) that stated that they do use bank loans to fund their business, all three also answered “yes” to the question “are there barriers limiting your access to financial resources?” This further points to the fact that Black entrepreneurs still face barriers in their quest to fund their business ventures. Other participants of the focus group did not identify barriers when applying for bank loans mainly due to the fact that they never began the process to do so. Participants explained that they began their business without considering acquiring bank loans, therefore they never experienced any major barriers or financial discrimination, in general.

Sixty percent of the participants in the focus group stated that 51% or above of their total financial capital come from their personal or family investment. This reflects the national average depicted by the 2012 Survey of Business (see Figure 2). Black entrepreneurs are often required to invest much of their own finances into the business to meet the requirements of running the venture. One participant stated: “Since I knew that the banks weren’t going to give me the money I needed I had to just fund the business myself.” This mentality, while unfortunate, must be embraced by Black entrepreneurs if they desire to truly achieve success in their venture.

A further examination from the participants paint a compelling story. There is a negative correlation between the age of the entrepreneur and the amount of financial support received from their families; the older the entrepreneur is, the less likely the family is willing to support the business financially. Of the participants that are between the ages of 18 and 35, 80% receive financial support from their
family. Of the participants between the ages of 36 and 49, 50% receive financial support from their family. Only 13% of the participants between the ages of 50 and 65 receive financial support from their families. Finally, 0% of the participants who are older than 60 receive financial support from their families.

Community Environment

To determine the type of community the entrepreneur’s venture is in, three options were given to the participants: affluent, moderate, or impoverished. Of these three options, all of the participants determined that their businesses are located in either a moderate or impoverished community. This reinforces the fact that most of the Black community live in moderate or impoverished communities. As explained in Chapter 4, the geographic location of the business has an impact on the success of the company.

Despite being in under-supported communities, 60% of the participants receive financial support from their community (i.e. local customers patronize the store). On the other hand, 60% of the participants do not believe that their communities can fully support their business. This phenomenon demonstrates the willingness of the community to support Black businesses within their community, notwithstanding the fact that they may not have the full financial resources. One could speculate that if Black communities were equipped with a higher disposable income that they would greater support Black-owned businesses.

Given that the current reality, Black entrepreneurs are required to seek customers outside of their communities. The focus group fully represents this fact, with 100% of the participants stating that they do seek and retain customers outside of their community. One participant stated the following:
The people in my community cannot afford my services on their own and it would be foolish of me to rely on the government to help carry the cost. This means that I have to find business outside of the community; I need customers that can afford to pay the salary of my employees. – Participant 21

There is a strain put on Black entrepreneurs to actively seek customers outside of their communities that can help support their venture. Without a strong customer base, a venture will not be able to achieve success and growth. Black entrepreneurs are aware of these criteria and must seek outside resources until there is a major shift in their communities.

**Analysis**

While this focus group cannot serve as a representative sample of Black entrepreneurs, it does hold merit as insight into the applicability of the ‘Black Entrepreneur Success Model.’ Each member of the focus group identified areas within the three components (motivation, resources, and communal support) of the model that play a vital role to their personal success as an entrepreneur.

In the area of motivation, Black entrepreneurs are in need of role models – both from within and outside of their families. Black role models serve as examples that success is obtainable goal for a person of color. Each participant of the focus group identified that part of their success is linked to the role models that they had in their personal lives. Black role models must be impactful and strategic in order to combat the stereotypes and negative influences that Black youth are faced with on a consistent basis.

Financial institutions must actively seek ways to motivate inspiring entrepreneurs to seek the capital that they need to begin their venture. The focus group highlighted that there is a pre-registered disdain among Black entrepreneurs when seeking capital from
traditional banks. This fear of banks limits the growth opportunity and overall potential success of the venture. The modern banking system must develop initiatives and programs to encourage minority entrepreneurs. Black entrepreneurs, moreover, must continue to seek non-traditional resources to fund their ventures.

Until there is a shift in the process by which financial institutions allocate funding, Black entrepreneurs must exploit any resource available. They must possess the tenacity, drive and risk-taking characteristics in order to commit to reaching their goals for the venture. This may, in many cases, require the entrepreneur to make difficult decisions in order to properly fund the business. If the entrepreneur is unwilling to exploit untraditional resources, there is a higher likelihood of their business ultimately failing.

The lack of communal support serves as detriment to the success of Black Entrepreneurs. The focus group not only understands this reality, but also tries to combat it. It is the role of the Black entrepreneur to: 1) seek customers that can support the venture and 2) find ways to invest into the community. Black communities are in desperate need of support and investment. While a small business entrepreneur cannot solely rebuild a community, he or she does have a role in strengthening the community. Until the community is fully able to support the venture, the entrepreneur must strategically identify ways to maintain a consistent stream of income. Therefore, seeking and retaining customers outside of the community must be incorporated in their overall business model in order to obtain success.
Chapter 6: Aftermath of Success

Success can be obtained if Black entrepreneurs can address each component of the model presented in this work. Success, however, is not a one-time accomplishment for the entrepreneur; it is, instead, a continual state of the business. Therefore, after a business has determined that it is successfully operating, the next step is to obtain success in the growth of the business. Block Buster served as an example of a business that remained stagnant; the result is being eclipsed by competitors. A successful business must incorporate a growth process.

In the focus group examined, 100% of the respondents marked yes to the question “Do you believe your business can expand?” Additionally, 77% of the respondents marked “yes” to the question “Is there an official growth plan for the company?” Growth is a necessary component to maintain success. For Black entrepreneurs, growth can be obtained with the assistance of government support and a skilled labor force.

Diagram 7: Black Entrepreneur Success Model - Success

Source: Tyler, 2016.
Growth Opportunity

It is clear that over the last century, Black businesses have grown more rapidly and into a wider array of industries, from technology and food services to engineering and financial services, than at any previous time in American history. This is due in part to the barriers to access of capital, corporate contracts and government contracts being lowered or eliminated by anti-discrimination legislation and equal opportunity efforts as a result of the triumphs of the 1960s Civil Rights Movement, and the subsequent election of African-American mayors in major cities in the 1970 and 1980s (most notably, Mayor Maynard H. Jackson, Jr. in Atlanta) (Emond, 2014).

Concurrently, and perhaps more significantly, was the ability of Black entrepreneurs to move beyond marketing to only Black consumers, as a result of legal and de facto segregation, to eventually compete in national and even international markets. Through the 1980s, the nation’s largest Black-owned businesses were led by companies such as Berry Gordy’s Motown record company in Detroit and John H. Johnson’s Johnson Publishing Company (best known for Ebony and Jet magazines) in Chicago, which catered primarily to Black Americans (Emond, 2014).

Today, only a few of the largest Black companies target African-Americans or any specific ethnic market (Emond, 2014). The watershed event in this transition: the landmark $985 million acquisition of Beatrice International Foods by Reginald F. Lewis in 1987 (Emond, 2014). This deal created America’s first Black-owned company with more than $1 billion in revenues, while serving customers who were not only African-American, but not American at all—nearly all of its businesses operated in Europe (Emond, 2014).
Despite the current growth trends of Black businesses, there still remains significant gaps between the growth level of Black and White owned businesses. This phenomenon, as a result, contributes to the wealth gap of minorities. Therefore, in order for a Black venture to achieve success, there must be a notable effort in expanding growth opportunities for Black owned ventures. As a country, the United States has been grappling for decades with the harsh realities of systemic inequality, institutional racism and discrimination against Blacks and other minorities.

**Expansion**

This thesis argues that if the country is going to close the wealth gap, it must engage in a dialogue about race-recognition remedies at the highest levels of government, as well as between Black and White Americans in general. There is a general recognition that public policy based on racial preferences is extremely provocative and controversial, but controversy should not prevent a reasonable dialogue about a societal dilemma that is real and economically devastating in its potential to millions of Black and African Americans. This in turn will begin to address the systematic barriers preventing Black businesses from expanding across their industries.

In Baltimore in 1910, a Black graduate of Yale Law School purchased a home in a previously all-white neighborhood. The Baltimore city government reacted by adopting a residential segregation ordinance, restricting African Americans to designated blocks. Explaining the policy, Baltimore’s mayor proclaimed: “Blacks should be quarantined in isolated slums in order to reduce the incidence of civil disturbance, to prevent the spread of communicable disease into the nearby White neighborhoods, and to protect property values among the White majority” (Rothstein, 2015).
In 1917, the U.S. Supreme Court found ordinances like Baltimore’s 1910 segregation rule unconstitutional, not because they abridged African Americans’ rights to live where they could afford, but because they restricted the property rights of (White) homeowners to sell to whomever they wished (Rothstein, 2015). Baltimore’s mayor responded by instructing city building inspectors and health department investigators to cite for code violations anyone who rented or sold to Blacks in predominantly White neighborhoods. Five years later, the next Baltimore mayor formalized this approach by forming an official Committee on Segregation and appointing the City Solicitor to lead it (Rothstein, 2015). The committee coordinated the efforts of the building and health departments with those of the real estate industry and white community organizations to apply pressure to any whites tempted to sell or rent to blacks. Members of the city’s real estate board, for example, accompanied building and health inspectors to warn property owners not to violate the city’s color line (Rothstein, 2015). This example in Baltimore reaffirms the government’s role in the systematic racism that has led to the wealth divide of the country.

Throughout many years, this nation has been committed to several objectives designed to improve the overall quality of life (e.g. healthcare reform, higher quality education, economic improvement), but, however noble they may be, these efforts have not and will not close the Black wealth gap. In the area of expansion for Black businesses, the government plays a pivotal role; it is the responsibility of the government to create opportunities for minority entrepreneurs to get an equal footing in their industries. Black entrepreneurs as a whole do not possess the ability to address the gap between expansion opportunities. Therefore, to initiate a dialogue on how to expand
Black businesses and increase Black wealth, the following policy proposals should be considered:

1. Make provisions for Black businesses to be eligible for government set aside contracts if they own 10 percent of a business rather than the existing 51 percent rule due to the 10-to-1 wealth gap; and significantly increase the dollar volume of set aside contracts for Black businesses across all government agencies. This will guarantee the Black entrepreneur a client project, while also allowing the venture to expand its resources to accommodate the project.

2. Encourage majority-owned businesses to invest in Black-owned companies by deferring the taxes on the capital gain. Investment into minority owned businesses can create programs for the development of skilled labor, increase capital for the organization, and provide for greater leadership development resources for the business.

3. Allow Black families earning less than $200,000 annually to defer federal income taxes, without interest, provided tax deferrals are placed into a 401(k)-type savings account which can only be drawn out at retirement or upon death at which time the government would be reimbursed for the deferred taxes. The gain on the 401(k) investment would be available to the families at retirement or passed on to future generations. This provides the family with higher resources that they can use to invest in the business; this is imperative due to the fact that Black businesses rely more on personal and family capital than their counterparts.

4. Create a Treasury-backed fund to securitize short-term borrowing or emergency loans made by minority banks or other lending institutions to Black families provided these loans are marketed and made in a regulated and transparent
manner. This will encourage minority banks to continue their business within the community, while providing stability to Black families in need of credit. The securitized loans would also encourage banks and lenders to make short-term or emergency borrowing available at reasonable rates.

5. Require large banks under the Community Reinvestment Act to fund a nationwide marketing campaign targeted to the Black community with a focus on financial literacy and savings.

Many of these proposals are incorporated in some form or another in current policy and are usually based on economic disparities — for example, the poor versus the rich but these policies do not acknowledge the wealth disparities between Blacks and Whites. With Blacks facing a significant wealth gap, due to the systematic discrimination by the law, the government must be willing to address this issue in order to provide expansion opportunities. The unfortunate reality, that without the governmental support and resources, Black businesses do not have the ability to generate the expansion necessary for sustainable growth. Therefore, it is the role of the government to begin the dialogue to address expansion opportunities for Blacks.

**Skilled Labor**

The data collected from the surveys point to a very clear picture: skilled labor is essential to the future success of a Black business. Of the businesses surveyed that believe that their business “can expand” 82% believe that they currently have “skilled workers.” The success of a business is not left solely to the actions of the owners. Employees play a significant role in creating a successful business. With this in mind, there must be an importance placed on the necessity of education for Black communities in order to develop skilled labor.
Recently, the nation has seen protests erupt over police brutality and injustice. This has caused a rise in demands for fair policy reform and concerted efforts among multiple communities to make tangible changes in government. The fight for equality in education is similar to this movement in many ways. In fact, soon after the 2015 Baltimore protests ensued over the death of an unarmed young Black man, conversations in the media shifted to the city’s educational inequalities and its linkage to the criminal justice system. This widely known reality is detrimental to closing the gap between entrepreneurs. Among the Black education system there exists a school-to-prison pipeline rather than school-to-entrepreneurship pipeline.

The Black education reform movement and the current civil rights moment are inextricably linked. The tumultuous fight for equality in education is also rooted in a history of protests, disruption of the status quo, arguing of legal cases, strategic policy proposals and a firm stand against structures and practices that perpetuate inequality. Just as there is a crisis in the criminal justice system with rampant discrimination against African Americans, there are deep fractures in our educational system that often result in inadequate opportunities for learning by African American students. Far too often, however, the Black voice in the educational movement is not heard. There is a belief in education policy, research and practice circles that Black parents and community members are apathetic toward education—something that in reality is not the truth.

Education has always been of utmost importance to the Black community—from desegregating K-12th grade schools and colleges, to establishing and managing Historically Black Colleges and Universities (HBCUs). The Black community has always championed equality of opportunity and access for students because in this country, it has long been the key to socio-economic mobility and economic independence. The
unwavering impetus for change in the nation’s school system is still evident; the drive to illuminate the crisis for Black students is ever-present.

The public narrative surrounding the education of Black children, however, has concentrated on a discourse of under-achievement and failure, rather than excellence and equity. A conversation about the struggles of Black students and the institutions that serve them is indeed needed to understand specific strategies and investments that will make a difference. Unraveling inequality in the nation’s schools has elevated conversations on the achievement and opportunity gaps.

This systematic racial isolation looms as a major obstacle for initiatives designed to improve the quality of education available to all students. Researchers, moreover, have found that the single-most powerful predictor of racial gaps in educational achievements is the extent to which students attend schools surrounded by other low-income students (Reardon, Robinson, & Weathers, 2016). In nearly half of the largest 100 cities, most Black students attend schools where at least 75% of all students come from low-income households (Census Bureau, 2012).

The overwhelming isolation of students of color in schools with mostly low-income classmates threaten to undermine efforts both to improve educational outcomes and provide a pipeline of skilled workers for the economy at a time when such students comprise a majority of the nation’s public school enrollment (Census Bureau, 2012). This becomes an impediment and strain on Black entrepreneurs who have the desire to hire employees from their communities, but lack a qualified pool to select from.

The economic segregation facing Black students represents the convergence of many trends, including the high rates of childhood poverty and the persistent patterns of housing segregation in many major cities (Florida, 2014). Collectively, these factors have
left many Black students in schools where economic struggle becomes the focus of their attention; this results in lower performance outcomes (Florida, 2014).

The experience for White students, who today now represent the minority of the public-school student body nationwide, remains to be different (Census Bureau, 2012). Approximately 80% of Whites attend majority low-income schools in just six cities compared to the 80% of Black students that attend majority low-income schools in fifty-four cities (Florida, 2014). This provides White students with a competitive advantage over their minority counterparts. As a result, White students are more likely to achieve higher honors, better opportunities, and access to improved resources. Of the six cities where such large level of Whites experience concentrated poverty, these are the places that are confronting long-term economic decline: Jersey City and Newark, New Jersey; Detroit, Michigan; San Bernardino, and Stockton, California; and Haileah, Florida. That stands in clear contrast to the economic isolation confronting minority students even in many thriving cities (Florida, 2014).

In order for Black entrepreneurs to achieve the level of success that is conducive for sustainable growth and provide opportunities for emerging Black entrepreneurs reform must be made in order to improve their pool of skilled labor. Student achievement gaps need to be aggressively addressed. The percentage of Blacks ages 25 and older, for example, with a high school diploma or more is 72% compared to the 87% for Whites (Census Bureau, 2012). The percentage of Blacks, moreover, with a bachelor’s degree or more is 12% compared to 27% of Whites (Census Bureau, 2012).

Closing the achievement gap is a critical issue. The performance of Blacks is systematically different from other racial groups. Decreasing gaps in student achievement means that there must be an increase in the learning gains of Blacks. This will require the
creation of public policies and legislation that support public schools committed to identifying and setting high and attainable goals for students. Ensuring that teachers and students are supported in these efforts is also set as a priority to improve the gap. While the government plays a pivotal role in addressing the achievement gap, there is a requirement placed on the community to support this initiative as well. Meaningful collaboration among community organizations and leaders is crucial in ensuring successful outcomes for students.

There must be a convergence between government and community members in order to fully address this gap. The development of programs such as “Head Start” provides a positive impact on targeting student’s achievement abilities at a young age. Head Start partners with religious groups and community organizations to promote school readiness of children between the ages of one and five from low-income families by supporting their development process (Office of Head Start, 2017). This program enriches the community by providing early access to educational tools. Skilled labor is an essential component to maintaining steady growth. Black entrepreneurs must be able to hire from a qualified pool of Black applicants. This can only be achieved if there is an emphasis placed on education reform and by developing higher quality programs that are designed to close the education gap.
Chapter 7: Conclusion

Pursuing entrepreneurship can be daunting and unpredictable. Entrepreneurship is designed for those that are self-starters, passionate about their vision, and risk takers. While there is not an official road map to which entrepreneurs can adhere to, success models are designed to provide a blueprint for entrepreneurs to achieve their vision for the business. When models, however, fail to acknowledge and properly address systematic barriers to achieving success, then the entrepreneur is left without much guidance. This has been the case for Black entrepreneurs.

The ‘Black Entrepreneur Success Model’ is designed to serve as the bridge linking ambitious entrepreneurs to the success that they desire to achieve. In order for an entrepreneur to achieve success based on the model presented, this thesis first provided a descriptive analysis on the characteristics and background of the entrepreneur. This step is an imperative prerequisite to the model due to the fact that entrepreneurs must have a passion and drive prior to their decision to begin the business. After defining the entrepreneur, the next step was to provide a general definition of success by which most entrepreneurs can subscribe to.

We first began by determining the development of the entrepreneur prior to the creation of the business. In this aspect, the entrepreneur is most likely to come from a family that supports and instills the common values that entrepreneurs hold. Thereafter, we identified several traits by which most entrepreneurs possess as the driving force for their venture. The work experience of the entrepreneur, as a final prerequisite, was also determined to hold significance on likelihood of a person becoming an entrepreneur.

Having created the bases of the entrepreneur, we created a general definition of entrepreneurial success by achieving the following: profitable sources of revenue, high
customer satisfaction, high employee satisfaction, and a positive impact on the community. If this definition of success is the goal of the Black entrepreneur, then the success model created would serve as a path to profitability.

The Black entrepreneur must first find motivation to endure the hardships that are naturally associated with entrepreneurship. The foundation of motivation can often be found through the support received from family members. If the Black entrepreneur can utilize the role models, successes, and overall life-lessons taught by their family, they will begin to develop the drive necessary for success. Black role models, moreover, is also crucial to motivating Black entrepreneurs. These role models must exhibit Black excellence through overcoming their own personal trials, while also serving as an example that success is achievable regardless of socioeconomic background. These role models must also be an immediate resource for the entrepreneur; this means that the role model must be actively present in their lives in order to successfully impact their motivation to achieve success. These two components of motivation are essential to leading a Black entrepreneur to success.

Black entrepreneurs must be willing to aggressively pursue resources in order to achieve success in their business. Though there are efforts in trying to address the systematic barriers holding resources away from minorities, Black entrepreneurs cannot reasonably expect easy access to resources. This then requires them to stand firm in the face of adversity and challenge the status-quo in terms of acquiring access to resources. Minority entrepreneurs, in addition, cannot focus their efforts solely on obtaining minority-specific resources. The Black entrepreneur must acknowledge that the current system is not tilted in their favor, nevertheless, they must remain determined and persistent in their pursuit to obtain resources.
As described previously, the community where the venture is located has a major impact on the success of the business. While the location of the business cannot be easily adjusted, the entrepreneur still can benefit from the community. If the entrepreneur can begin to make an impact on their community, community members will view the venture as a positive pillar in the community and begin to offer as much support as they can. A self-sufficient community eco-system can be developed in any type of community. Therefore, if the entrepreneur wants to receive support from local members they must in turn provide enrichment to the community. The success of the entrepreneur is linked to the community by which their customers come from; the community and the entrepreneur must work together to obtain success.

Failure is inevitable for all entrepreneurs, regardless of race or socioeconomic status. Failure is the necessary component whereby the entrepreneur must decide whether he or she will pivot from entrepreneurship completely (that is, to leave their entrepreneurial venture) or if they will retry until success is obtained. Pivoting is a familiar feature in the process to success for an entrepreneur. When the entrepreneur’s business model is not reaching the desired outcome, the entrepreneur must acknowledge the current failure and pivot to an alternative process in order to achieve success. Pivoting, however does not necessarily mean desperation. It can be a tool to prevent the venture from fully reaching failure; pivoting can be applied at any stage of the entrepreneur’s venture in order to remain on the course of obtaining success.

In the model presented in this thesis, failure has its place within each component. If the entrepreneur lacks motivation, their business will not transition out of the idea phase. If the entrepreneur hails to acquire the resources necessary to sustain the business, then the venture will remain stagnant. Finally, if the community in which the
entrepreneur’s venture is located fails to offer the support necessary to keep the business profitable, the business will exhaust all of its resources and inevitably fail. The role of the entrepreneur, however, is to not allow failure to prevent them from reaching success. This requires them to remain persistent and push lead their business out of a state of failure and into success and growth.

The rate at which Black-owned businesses are being formed continues to rise. The number of minority business enterprises increased 39 percent between 2007 and 2012 (from 5.8 million to 8.0 million), or more than three times faster than population growth among minorities, according to the Census Bureau's 2012 Survey of Business Owners (Census Bureau, 2012). Despite the rising number of Black entrepreneurs, they continue to fall short in comparison to other businesses' overall success in terms of revenue and profit growth. Nevertheless, Black entrepreneurs have the ability to achieve success.

Acknowledging the barriers that limit success for minorities entrepreneurs is crucial. Black entrepreneurs, however, must not allow these barriers to serve as a road block. These barriers can be overcome if the entrepreneur is determined to succeed. Indeed, the entrepreneur must fully acknowledge discrimination, where ever it may exist, and instead use it as motivation to reach their goals. Reality dictates the process for achieving success, ones’ reality can be altered. Though the current reality is that Blacks face barriers that can overwhelming prevent them from pursuing a career in entrepreneurship, if the determination and drive is present, Blacks can indeed break through the glass-ceiling and achieve success.
References


