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African American Male Entrepreneurs: A Study of the Key Success Factors

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Abstract

African American males have a long-standing history of entrepreneurship dating back to the pre-Civil War era. Historically, they faced many challenges in this endeavor, including racism, lack of experience, and undercapitalization. African American males start businesses at a rate higher than their White counterparts, are confident in their ability to succeed, but are less successful in achieving an established business beyond 4 years. This study used grounded theory methodology to identify key success factors that contribute to the business survival rate of African American male entrepreneurs. Study participants were successful African American male entrepreneurs from the western New York area. Purposive sampling was used to deliberately select participants. Data was collected from face-to-face interviews with participants. The emergent theory from this study showed that there were six key factors needed to ensure business success for African American male entrepreneurs. Three were common for all entrepreneurs (opportunity recognition, use of mentors, detailed business knowledge), and three additional factors were critical to the success of African American male entrepreneurs (strategies to access financial capital, prepare for direct and systemic racism, resilient mindset). This study has national economic significance for African American male entrepreneurs. The findings revealed the difficulties they experienced on a daily basis, both interacting with customers and suppliers, as well as, with banks and other financial institutions in securing financial capital.

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Dedication

This document is dedicated to my wife, Twyla for your love and unwavering support during this process, to my children Andria and Patrick, to my brothers Lewis and Richard, to my parents who left us far too soon, William and Rose Love, and to my grandparents Jessie and Theresa Patrick.

To my dissertation committee, Dr. Guillermo Montes and Dr. Matthew Augustine, thank you for your support and guidance and for making this process a little less intimating. I enjoyed our dissertation committee sessions. To my advisor, Dr. Jeannine Dingus-Eason, thank you for periodically checking on me.

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Biographical Sketch

Thomas E. Cummings is a current entrepreneur who previously worked as an executive in corporate American for over 30 years. Thomas earned his first degree, a Bachelor of Science degree from North Carolina A & T State University. In 1988, he earned a Master of Science degree in Administration from Central Michigan University. Thomas began his studies at St. John Fisher College in May 2017 in the Doctoral program in Executive Leadership. Thomas pursued his dissertation research topic entitled African American male entrepreneurs: A study of the key success factors under the guidance of Dr. Guillermo Montes and Dr. Matthew Augustine. Thomas earned the degree of Ed.D. in Executive Leadership in 2019.

Abstract

African American males have a long-standing history of entrepreneurship dating back to the pre-Civil War era. Historically, they faced many challenges in this endeavor, including racism, lack of experience, and undercapitalization. African American males start businesses at a rate higher than their White counterparts, are confident in their ability to succeed, but are less successful in achieving an established business beyond 4 years.

This study used grounded theory methodology to identify key success factors that contribute to the business survival rate of African American male entrepreneurs. Study participants were successful African American male entrepreneurs from the western New York area. Purposive sampling was used to deliberately select participants. Data was collected from face-to-face interviews with participants.

The emergent theory from this study showed that there were six key factors needed to ensure business success for African American male entrepreneurs. Three were common for all entrepreneurs (opportunity recognition, use of mentors, detailed business knowledge), and three additional factors were critical to the success of African American male entrepreneurs (strategies to access financial capital, prepare for direct and systemic racism, resilient mindset).

This study has national economic significance for African American male entrepreneurs. The findings revealed the difficulties they experienced on a daily basis,

both interacting with customers and suppliers, as well as, with banks and other financial institutions in securing financial capital.

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Chapter 1: Introduction

The 2010 U.S. Census reported that of the 27.9 million small businesses in the United States, 6.8% or 1.9 million were owned by African Americans. According to the Minority Business Development Agency (2011), African American-owned businesses were among the fastest growing entrepreneurs in the United States. Despite their fast growth, African American businesses struggled to sustain their existence beyond 4 years experiencing a 39% survival rate within this time period (Turner, 2016). In contrast, the U.S. Census Bureau (2007) denoted that White-owned businesses and Asian-owned businesses survived beyond 4 years, 92% and 91%, respectively.

There are many reasons African American-owned businesses fail. Bates, Jackson, and Johnson (2007) suggested that among the reasons for the failure rates of African American businesses were the lack of financial capital, appropriate business experiences, and access to markets for their products. Additionally, these businesses failed because owners lacked prior self-employment experience, had minimal industry related experience, and spent a large amount of time unemployed (Ahn, 2011).

Unemployment was especially prevalent among African American male business owners. They spent more time unemployed (28%) prior to becoming self-employed compared to Hispanic male business-owners (22%) and White male business-owners (16%) (U.S. Census Bureau, 2011). Among the various minority business populations African Americans face the greatest business survival challenge.

To help address this challenge, governmental entities that support minority-owned businesses were formed. The federal government established the Minority Business Enterprise (MBE) certification program which requires contractors and subcontractors to make good faith efforts to purchase specific amount of goods and services from MBEs. The first numerical goal for MBE participation in federal government contracting and subcontracting was established in 1977 with the passing of the Public Works Employment Act. The goal was to grant at least 10% of federal funds to local public works projects for minority-owned businesses.

According to the Small Business Administration's (SBA) Office of Advocacy (2005), federal, state, and local government reserved contracts for minority-owned businesses grew in value substantially in the late 1970s and 1980s (Niehm, Miller, Shelley, & Fitzgerald, 2009), averaging about $4.4 billion in 1980 dollars. Further, the purpose of the business "set-aside," or reserved contracts was to develop minority enterprises, counter past discrimination, and reduce unemployment among minorities in urban communities, as well as to strengthen the viability of small businesses.

> There are two types of set-aside programs. In the first type, there is a specified percentage or total dollar value of government contracts allocated to minority-owned businesses. In the second type, contractors are required to allot a percentage of the total amount of government contracts to minority-owned subcontractors and or suppliers. (Chatterji, Chay, & Fairlie, 2014, p. 510).

Both types of set-asides are focused on economically disadvantaged entrepreneurs with the goal of increasing the amount of business awarded to MBEs (Chatterji et al., 2014;

SBA, 2005). These set-asides were mandated for federal transportation and highway construction, as well as national defense.

New York wanted to participate in these federal government contracts. In 1988 New York Governor Mario Cuomo created Executive Order Article 15-A to mitigate past discrimination in awarding state public contracts disproportionately to White male-owned companies (Sandberg, 1993). Under this executive order state agencies were charged with establishing participation goals as a percentage of total dollar value of state government contracts allocated to MWBEs. The executive order created a Division of Minority and Women's Business Development (DMWBD) in the New York State Department of Economic Development (DED). The DMWBD was authorized to encourage and assist contracting agencies to increase participation with Minorities and Women-owned Business Enterprises (MWBE) on state contracts and subcontracts valued at $25,000 or more and construction contracts of $100,000 or more (Spigel, 1998). Using the certification process, the DMWBD was responsible for verifying women and minority business ownership and control of companies participating in the program.

Further, the Executive Order established participation goals for contractors and subcontractors requiring the use of goods and services from MWBE businesses. It also established periodic compliance reviews for each contracting agency relative to the level of MWBE participation. It established a statewide advocate to provide assistance for certified MWBE businesses and applicants. The Executive Order authorized the Director of DMWBD to commission a state-wide disparity study relative to the participation of MWBEs in state contracts. The purpose of the study was to determine whether there was a discrepancy between the number of MWBEs prepared, eager, and skilled to perform state contracts compared to the utilization or number of contracts awarded (Tillman, 2016).

Not long after the enactment of New York's Article 15-A, in 1988, several lawsuits were filed in New York and other states claiming that the MBE preferences plan violated the 14th Amendment. The U.S. Supreme Court ruling on the *City of Richmond v. J.A. Croson* (1989) found Richmond, Virginia's minority set-aside program plan, which gave preference to MBEs in awarding municipal construction contracts, was unconstitutional under the Equal Protection Clause of the 14th Amendment. Further, it found the 30% set-aside number was chosen indiscriminately and not tied to the number of MBE subcontractors in Richmond. The Supreme Court also found that Richmond's set-aside plan was too expansive because it included businesses from anywhere in the country as long as they were owned and controlled by "African American, Spanish-speaking, Oriental, Indian, Eskimo, or Aleut citizens." Additionally, it found the city failed to adequately prove that earlier discrimination had hampered minorities from joining or partaking fully in Richmond's construction industry.

The Court's ruling required every jurisdiction to prove discrimination against specific groups prior to introducing or renewing MBE contracting preferences. Also, it required that programs needed prior statistical evidence of discrimination and must equal the availability of MBE firms in the marketplace to the number utilized.

The Supreme Court's dissenters argued against the requirement that the City of Richmond identified the discrimination it sought to fix in its own jurisdiction. They indicated the city's history of past discrimination against MBEs that resulted in a complete lack of access to city contracts justified the need for preferences. Further, the dissenters suggested that Richmond's discriminatory practices could be replicated from geographic area (village, town, city or county) to geographic area. They noted the majority decision was retreating from the Court's longstanding consideration relative to race-conscious corrective efforts directed toward equality of economic opportunity. Additionally, they suggested the new and restrictive tests eliminated Richmond's and other city's efforts to correct some past discriminatory practices.

Decades after the Supreme Court's ruling some changes were made in New York. In 2011, Governor Andrew Cuomo doubled the state's MWBE contract procurement goal to 20% (Glinski and Lewis, 2015). By the end of fiscal year 2013-14, the state had achieved 25% or $1.96 billion in contracts to MWBEs and was leading the rest of the states in the country in the percentage of contracts awarded to MWBEs. For fiscal year 2014-15, the Governor again increased the state's contract goal to 30% or $2.4 billion to continue leading the nation (Cuomo, 2014). In fiscal year 2015-16, MWBEs secured $1.9 billion in state contracts. According to Cuomo (2017), New York State was leading the nation in expanding opportunities for MWBEs, which he argued were a critical part of the economy.

However, according to the State of New York 2016 MWBE Disparity Study, a tool required by the Croson case ruling to determine whether any gender or race disparity exists in New York contracting, much progress had been made, yet more improvement was necessary to increase the participation of MWBEs on the State's contract because the 30% goal had not yet been reached. For example, the report showed there were fewer state contracts awarded to MWBEs compared to the number available. MWBE businesses available with the appropriate certifications to provide goods and services to the state in construction-related services, such as architects and engineers, was 50%, but actual contracts awarded was about 27.5% (Tillman, 2016). In sum, contractors were contracting just as much as required, coming close to the required 30% but no more. Action is needed so that contractors exceed the requirements voluntarily.

African American entrepreneurial history

African Americans have a long-standing history of engaging in entrepreneurial ventures dating back to the pre-Civil War era, despite the restrictions caused by racism, lack of experience, and undercapitalization (Walker, 1986). According to Pickard-Whitehead (2018), 80% of African American-owned businesses stated lack of capital was the most difficult part of operating their business. These numbers are 10% higher than the average small business. Even with those many constraints, African Americans continued to open businesses with an anticipation of success (Walker, 1986).

With beginnings before the Civil War, African American businesses played an important historical role in the U.S. economy and in the African American community. Many started businesses during difficult times and faced many challenges, but still persevered. Many African Americans were employed in service fields for many years allowing them to obtain valuable skills which they used to become entrepreneurs (Kollinger & Minniti, 2006). African American entrepreneurship provided advantages for the entrepreneur and the community. These advantages included obtaining community presence; generating jobs within society; creating wealth for future generations; assisting others who desired to become entrepreneurs and achieve the American dream; and supplying products and services to the marketplace (Bates, 2006; Smith, 2004).

The trend of African Americans opening businesses continued after the Civil War as the economy encouraged more African American males to transition into entrepreneurship. Some became carpenters, barbers, real estate speculators, grocery store and restaurant owners, and merchandisers. Others pursued careers as lawyers, dentists, and doctors, although they were restricted to servicing only African American clients under the Jim Crow laws (Walker, 1986).

Another factor that moved African American males toward entrepreneurship was the Great Depression. During this time, large numbers of African American laborers were laid off from various industries. Subsequently, in order to survive and provide for their families, African Americans along with many other people, became business owners. Using U.S. Census data from 1940, Boyd (2000b) conducted a study to determine whether being without a job during very difficult economic times, such as the Great Depression, pushed African Americans to seek entrepreneurship as a means of survival. Boyd concluded that many urban African Americans in northern cities were motivated to become entrepreneurs in response to widespread unemployment. That is in contrast to African Americans in southern cities faced with a similar situation who did not feel compelled to become entrepreneurs because they had options in agriculture—farmers, farm managers, and farm labors—not available to their northern counterparts.

Problem Statement

Although identified as one of the fastest growing ethnic groups in starting businesses, African American businesses comprise a relatively small percentage (10%) when compared to the total number of small businesses in the United States. Further, while African Americans start businesses at a rate higher than their White counterparts

(11.1% vs. 6.2%), they are unable to stay in the business for 5 years (Kollinger & Minniti, 2006; Minority Business Development Agency, 2011). Indeed, African American males open businesses at nearly double the rate, but their businesses succeed at 42% the rate of White businesses. Additionally, African American male businesses struggle to sustain their existence beyond a 4-year time period, at which their survival rate is only 39% (Turner, 2016). Collins, Moore, and Unwalla (1964) indicated that the first 5 years were the most difficult to survive for entrepreneurs. The high failure rates of African American businesses have had a negative impact on the U.S. economy and the African American community as jobs have been lost (Smith & Tang, 2013).

Theoretical Rationale

Resource-based theory has its origins in economic theory by Penrose (1959) and strategy theory by Selznick (1957) and Andrews (1971). Resource-based theory is based upon three approaches: distinctive competencies, Ricardian economics, and the theory of entrepreneurship growth espoused by Penrose (1959). First, the origin of resource-based theory, originally labeled resource-based view in the 1980s, focuses on leveraging distinctive competencies of a business, such as leadership capabilities (Selznick, 1957). Distinctive competencies are those activities entrepreneurs perform better than their competitors by using unique or valuable resources as a competitive advantage to differentiate themselves from the competition and achieve long term financial gains (Hitt & Ireland, 1985).

Ricardian economics, the second part of the foundation of resource-based theory, had an early influence emphasizing the importance of rents, for example unearned income, that can be obtained by owning resources that are valuable, scarce, and immobile, such as land (Ricardo, 1817). The third foundational basis of resource-based theory is the theory of entrepreneurial growth which focused on how resources are used to create profits for a business (Penrose, 1959).

Resource-based theory became the leading standard in strategic planning during the 1980s and 1990s and is widely used today. Resource-based theory was first postulated through the research of Wernerfelt (1984). Resource-based theory is focused on the notion that the success of a business is dependent upon the strategic resources it owns or controls that provide a competitive advantage in the marketplace (Wernerfelt, 1984). Its prescriptive approach provides a managerial focus on considerations external to the business, such as industry structure. Barney (1991) played an important role in elevating the status of resource-based theory when he suggested that long-term or sustainable competitive advantage comes from the development of outstanding capabilities and resources.

Resource-based theory is a management framework used to determine strategic resources required to create a competitive advantage for an entrepreneur (Barney, Wright, & Ketchen, 2001). As mentioned above, resource-based theory is focused on the notion that business success is dependent upon the strategic resources it owns or controls that provide a competitive advantage in the marketplace (Wernerfelt, 1984). Successful businesses have competitive assets or resources that lead to sustainable competitive advantage. The resources must be valuable, rare, imperfectly inimitable or hard to copy, and non-substitutable (VRIN).

Dollinger (2008) suggests that sustainable or long-term competitive advantage and business success will occur when entrepreneurs own or can acquire and control a bundle of resources that are VRIN. Other researchers agree with Dollinger and offer examples of these valuable resources, such as legal documents that are intangible, protected by patents, trademarks, and copyrights (Barney, 1991; Bharadwaj, 2000; Collis, 1994; Conner, 1991; Galbreath, 2005). In contrast, tangible resources are comprised of financial capital and physical assets, such as facilities, equipment, raw materials, and inventory. Intangible resources consist of reputation, brand, product quality, technical skills, and knowledge including patents, trademarks, and copyrights previously mentioned. Hall (1992, 1993) argues that intangible resources are categorized as either assets (e.g., something the business owns) or skills (e.g., something the business does), and are more likely than tangible resources to be categorized as VRIN (Barney, 1991). VRIN resources are used to locate and implement strategies.

Resource-based theory emphasizes both business resources and internal capabilities. Resources that are markedly different from or much better than the competition may be viewed as having a competitive advantage (Andrews, 1971; Peteraf, 1993; Prahalad & Hamel, 1990). A critical assumption of the resource-based theory is that businesses with better resources and strategies are able to provide products or services at a more competitive price and better satisfy customer demands (Peteraf, 1993).

The essence of strategy formation is to design a strategy that makes the most effective use of the company's key resources and capabilities (Grant, 2001) to capture external opportunities leading to a sustained competitive advantage (Hooley, Moller, & Broderick, 1998). Resource-based theory is one of the contemporary strategic management concepts used to develop a business's strategy. As part of their strategy, businesses can choose to pursue many possible competitive positions. Hooley et al.

(1998) offer six potential classifications to assist in understanding and using competitive positioning. The positioning classifications include price, quality, innovation, service, benefit, and tailored.

Regardless of the particular competitive positioning, businesses that leverage existing resources by using them in a new way can expect to earn a profit, unless their existence attracts more competitors (Jurevicius, 2013; Peteraf, 1993). Successfully implemented, this kind of strategy will elevate a business to exceptional performance by enabling the company with a competitive advantage to outperform competitors (Passemard & Calantone, 2000). In addition, a business strategy that utilizes the various resources over which it has direct control could gain a competitive advantage (Reed & DeFillippi, 1990). Outstanding business performance and exceptional resources are indicators of competitive advantage. Powell (2001) indicates that business strategy is a tool that strategically uses resources and creates competitive advantage. Having control over unique resources enables the business strategy to be more effective creating a competitive advantage.

Potential Impact of the Study

Because resources and strategies can have a significant effect on business success, this study aims to provide insight into the need for and impact on success factors. This study's findings may offer valuable insights in determining key success factors for African American male entrepreneurs.

Statement of Purpose

Stafford, Bhargava, Danes, Haynes, and Brewton (2010) define success as operating a business in such a way as to support the entrepreneur and business venture financially. Furthermore, the Small Business Administration (2014) suggests success is accomplished when a business achieves profitability and longevity for 5 or more years. General business success factors for entrepreneurs may be different (Chawla, Pullig, & Alexander, 1997), but, irrespective of the industry would include profitability, growth, innovation, and financial capitalization (Hitt, Ireland, Camp, & Sexton, 2001). The purpose of this study is to determine key success factors for African American male entrepreneurs. Additionally, the study will focus on their resources that are valuable, rare, imperfectly inimitable or hard to copy, and non-substitutable and the impact those resources have on their businesses.

Research Question

In order to determine the theory of how African American male entrepreneurs are successful, the questions guiding this study are: What do successful African American male business owners think are the keys to obtaining and sustaining success? What are the unique attributes of these businesses that provide a competitive advantage?

Significance of the Study

As there is a lack of significant published research on the success or survival of businesses established by African American male entrepreneurs (Lough, 2015; Peters & Brijlal, 2011), this study could fill a void in the literature on this very important topic. Moreover, there are varying arguments in what limited existing literature there is that explain African American male-owned business success.

Obtaining lived experience insights from successful African American male entrepreneurs relative to key success factors for starting and sustaining a business beyond 4 years could be invaluable. This study will contribute by identifying success factors for

African American male-owned businesses resulting in increased entrepreneurship, improved survival rate, and increased number of jobs created, and by providing information to government agencies to consider when writing policies which could impact small business owners.

New and small businesses created most of the new jobs in the U.S. economy (Scarborough & Zimmerer, 2005). Most African American-owned businesses are small but play an important role in providing jobs in the African American community and the U.S. economy (Kollinger & Minniti, 2006).

Chapter Summary

Small businesses are a critical part of the U.S. economy, and African American males have a long-standing history of entrepreneurship in the U.S. dating back prior to the Civil War. They start businesses at a rate higher than their White counterparts. African American male entrepreneurs provide jobs and serve as positive role models within their communities. Yet, African Americans make up only a small percentage (10%) of total small- and medium-size enterprises (SME) within the United States (Division of Minority Business Development, 2017).

Unfortunately, African American male entrepreneurs have faced many challenges in their endeavors to succeed including racism, lack of business experience, and undercapitalization. These are some of the reasons that African American male-owned businesses' survival rates are lower than their White counterparts. Because of the low survival rates, there is a need to understand the success factors to improve the survivability of current and future African American male entrepreneurial businesses. Unfortunately, there has been a limited amount of empirical research focused on the key success factors for African American male entrepreneurs. Thus, this study findings will add to the current body of knowledge on this topic.

Chapter 2 examines the current empirical literature relative to African American male entrepreneurs. Chapter 3 discusses the methodological approach for this study while Chapter 4 presents findings and analysis of semi-structure and theoretical sampling data and the emergent grounded theory. Chapter 5 presents implications of findings, discusses limitations, and provides recommendations for future research.

Chapter 2: Review of the Literature

"Entrepreneurship is often touted as an opportunity that represents American ideals of individualism and financial gain; a pathway that allows anyone to achieve the 'American Dream' regardless of background." (Wingfield & Taylor, 2016, p. 1676)

Introduction

This literature review focuses on identifying key success factors for entrepreneurs. It also provides a comparison of African American and White entrepreneurs, and highlights the characteristics of successful entrepreneurs, challenging entrepreneurial experiences, and reasons for starting a business.

Comparison of African American and White Entrepreneurs

African Americans have been establishing business enterprises since the pre-Civil War era. While they continue to open businesses today their success rate and longevity lags behind that of their White counterparts. There are many factors that can be attributed to this pattern, several of which will be described in this subsection. One key factor is the socioeconomic differences between African American entrepreneurs and White entrepreneurs.

Crump, Singh, Wilbon, and Gibbs (2015) conducted a quantitative study to explore sociodemographic differences between African American and White entrepreneurs, using General Social Survey (GSS) data. The GSS, a sociological survey, collected historical records of concerns, experiences, attitudes, and practices of U.S residents. The National Opinion Research Center (NORC) administered the GSS interview survey to more than 38,000 U.S. households. The interviews averaged 90-minutes and were conducted in person. Crump et al. (2015) analyzed data collected on African American and White entrepreneurs over the decades from 1972-2010. Several comparisons were made between White entrepreneurs and White non-entrepreneurs, African American entrepreneurs and White entrepreneurs, and African American entrepreneurs and African American non-entrepreneurs.

The study found there were significant differences in years of education completed, and socioeconomic status of African American and White entrepreneurs. The same was true for White entrepreneurs compared to White non-entrepreneurs. When comparing education levels, African American entrepreneurs had on average 2 fewer years of education (13 vs. 11) than their White counterparts. Additionally, African American entrepreneurs' socioeconomic status reflected larger family sizes, and substantially less income than White entrepreneurs. The overall socioeconomic index level (a composite of profession and status) for African American entrepreneurs was significantly lower than White entrepreneurs (Crump et al., 2015).

While the socioeconomic study conducted by Crump et al. (2015) revealed a significant difference between African American and White entrepreneurs, Kollinger and Minniti (2006) sought to understand if there were differences in entrepreneurial participation rates. Further, they wanted to know which variables correlated with the differences at the various stages of business development (i.e., "nascent," "baby," "established" entrepreneurs). Nascent entrepreneurs are individuals in business less than 12 months, involved full time or part time as owners in the business, and had not paid any wages for more than 3 months. Individuals who owned and managed a business and had paid wages for 3 - 42 months were considered baby entrepreneurs. Experienced entrepreneurs were individuals who owned and managed a business that had successfully survived for at least 43 months and paid income to the owners. The Kollinger and Minniti (2006) study was conducted using a sample of the survey data collected for the Global Entrepreneurship Monitor (GEM) project in the United States. This is a survey designed to study the causes and implications of entrepreneurial behavior across countries.

The study found that African Americans were significantly more likely to start a business than Whites (11.1% vs.6.2%), but less likely to succeed than White entrepreneurs. Regardless of that finding, they determined African Americans were more optimistic about their ability to succeed in a new venture than White people. Further, they found African American entrepreneurs were less experienced entrepreneurs compared to White entrepreneurs (3.4% vs. 6.5%). The finding that African American entrepreneurs were less likely to be experienced entrepreneurs than White entrepreneurs was consistent with previous studies (Fairlie, 1999; Hout & Rosen, 2000).

One of the reasons the experienced African American entrepreneurial percentages were lower than White people and other minorities is related to financial institutions' discriminatory lending practices or the entrepreneurs' restricted access to financial capital (Kollinger & Minniti, 2006). Using data from the Characteristics of Business Owners (CBO) survey to conduct a qualitative study, Fairlie and Robb (2007) found that small business success was positively related to having required start-up financial capital. African American businesses, both start-up and existing are charged a higher interest rate on debt capital than their White-owned counterparts. They were turned down for loans more frequently than White-owned businesses regardless of credit-worthiness.

Subsequently, African American entrepreneurs expect to be turned down for loans because of their race, and therefore were more reluctant to apply (Kollinger & Minniti, 2006).

In 2016, Bates and Robb conducted a quantitative study to examine the causes of racial disparity in small businesses obtaining credit and the terms of that credit. They used Kauffman Firm Survey (KFS) data to explore urban small-business loan availability. Business and business owner characteristics were used in the analysis, controlling for business-specific geographic location and economic health of the neighborhood. Also, controlling for credit risk factors, regression analyses were used to describe discouraged borrowers—"those meeting two conditions: (a) they explicitly state their firms need credit but nonetheless do not seek bank loans and (b) they do not subsequently apply for bank loans… ." (Bates & Robb, 2016, p. 163).

Bates and Robb (2016) found banks used discriminatory practices when providing credit to minority-owned entrepreneurs. Banks aggressively pursued, and readily provided financial assistance to White-owned small businesses but did not do so for minority-owned small businesses. When minorities were provided credit, the amounts were generally smaller and the terms less favorable than those of their White counterparts, as banks were attempting to minimize credit risks while increasing profitability. Bates and Robb (2016) suggested banks focused on conventional credit practices, not only on business location when adding new clients to their portfolio. However, they found banks used much more rigorous screening processes to discourage potential borrowers in predominately minority communities by requesting the following from minorities versus White people: "(a) business financial statements (83% vs. 50%),

(b) income tax returns (86% vs. 52%), (c) bank account information (25% vs. 0%), (d) personal financial asset details (60% vs. 22%), and (e) credit card debt information (42% vs. 13%)" (Bates & Robb, 2016, p. 160). Further, assistance in completion of loan applications was provided less often for minorities than White people (18% vs. 59%). These practices resulted in unfulfilled credit needs or undercapitalization. Those credit needs were unfulfilled for a variety of reasons, such as low profitability, low credit scores and owner's personal wealth.

Undercapitalization and the use of personal funds might help explain why African American entrepreneurs were more likely not to discontinue operations after 2 years in business even though profitability was below expectations for their new venture. In 2016, Freeland and Keister, using data from the Panel Study of Entrepreneurial Dynamics II (PSED II) conducted a study to determine factors affecting the decisions to remain in business. PSED II was a longitudinal survey of nascent or aspiring entrepreneurs. Data was collected in three phases: 1) a random-digit telephone dialing (RDT), 2) a 60-minute telephone survey, and 3) an annual telephone follow-up interview conducted 12 months after completing the initial survey.

The complete entrepreneurial process from idea generation through the beginning of a new business was studied. Regression analysis was used and among the factors reviewed from the data were: race/ethnicity, ability to obtain supplier credit, and personal funds infusion to determine the impact, specifically, on continued involvement, new venture creation, and disconnection (Freeland & Keister, 2016).

There were some interesting revelations from the study relative to the actions of African American, White and Hispanic entrepreneurs. Freeland and Keister (2016) found

African American entrepreneurs were five times more likely not to obtain supplier credit when compared to their White and Hispanic counterparts. In addition, African American entrepreneurs put more money into their businesses to meet or reduce the gap between available funds and business financial needs than White and Hispanic entrepreneurs. Further, African American entrepreneurs were more likely to continue business operations after 2 years even though financial success was not achieved. However, Hispanics were found willing to minimize losses, and dissolve businesses more quickly than small and medium sized African American enterprises (Freeland & Keister, 2016).

In summary, a comparison of African American and White entrepreneurs revealed some interesting facts. There were differences in their socioeconomic and education statuses. The socioeconomic index level for African American entrepreneurs was significantly lower than White entrepreneurs. Additionally, African Americans had 2 fewer years of education than their White counterparts. African Americans were more likely to start a business than White people; but less likely to remain in business long enough to become an “experienced entrepreneur” than their White counterparts, partly because of their lack of access to financial capital. African American entrepreneurs were charged a higher interest rate on debt capital and were turned down for loans more frequently than White entrepreneurs regardless of credit worthiness. Banks used discriminatory practices when providing credit to African American-owned businesses, aggressively pursued and provided financial assistance to White owned businesses while using rigorous screening processes to discourage potential minority borrowers in predominantly minority communities. African American entrepreneurs were five times more likely to be turned down for supplier credit than their White counterparts. African

American entrepreneurs put more money into their businesses to sustain them than White entrepreneurs. They were also more likely to continue business operations after 2 years even though financial success was not achieved.

Large African American Entrepreneur Businesses

While the majority of African American-owned businesses are small and medium enterprises (SMEs), there are a number of highly successful, well-established, African American-owned businesses that are classified as large. Generally, they have high personal net worth and their businesses are well capitalized. A focus on these businesses is included to offer a broader perspective of African American-owned businesses. Understanding how they became successful could provide useful tactics for aspiring African American-owned businesses. *Black Enterprise* magazine has annually published a list of the most successful African American-owned businesses. Sonfield (2016) conducted a 40-year longitudinal study of the 100 largest African American-owned businesses in the United States covering the period from 1974 to 2014. The purpose was to validate the results from an earlier analysis relative to the evolution of these companies (Sonfield, 2016).

Using descriptive analysis, Sonfield (2016) found that sales in 1974 and 2014 for the largest Black Enterprise (BE) 100 company were too small to compare against the smallest Fortune 500 company, at $45 million and $6.4 billion versus $1.9 billion and $30 billion, respectively. The 100th largest American conventional company had sales each year greater than the 100 largest African American-owned companies combined.

By reviewing the longitudinal data over the past 10 years, Sonfield (2016) was able to conclude that management skills and strong leadership contributed to the success of some large African American-owned businesses. Another reason for success was the growth of the African American-owned automobile dealerships within the inner-cities. This growth was the result of White-owned dealers abandoning the inner cities for suburban locations and savvy African American-owned dealers recognizing and seizing opportunities to fill the void. In addition, they succeeded because of the external economic, industrial, or political environments.

There was another longitudinal study conducted by Smith and Tang (2013) covering 10 years. The intent of the study was to determine how certain conditions, such as the availability of industry resources (munificent), number of industry competitors (complexity), and rate of change (volatility), affected business performance disparities between the largest African American-owned businesses and their White counterparts. A comparison was made of revenue data from 1998 to 2008 for a sample of the largest African American-owned companies with equivalent White owned companies.

The sample size equaled 440 cases, consisting of 40 businesses. Twenty of the largest African American-owned businesses in the United States were selected from an annually published list by *Black Enterprise* magazine which represented 17 industries. Using Compustat dataset, 20 White-owned businesses were selected from each industry using a structured random approach. Palmer and Wiseman's (1999) method was used to calculate variables of industry complexity, munificence, and volatility from Compustat dataset. Using regression analysis, Smith and Tang (2013) determined the availability of resources to support industries with abundant growth or munificence, industry volatility, and rate of change in the environment.

Smith and Tang (2013) found that there was evidence of racial disparities in growth of sales for experienced or established African American-owned businesses (10.9% for African American-owned compared to 14.7% for White-owned businesses, not statistically significant). Business size was found to be statistically significant for sales growth. Further, they found that complex and volatile industry environments were high growth and had a significantly more negative effect on African American-owned businesses, which tended to be smaller and less capitalized, thus less adaptable to environmental conditions than similar White-owned businesses. That was not the case with the munificent industry, which was depicted as having an abundance of resources, low growth, and a large representation of African American businesses. Their findings did not suggest African American-owned businesses avoid those industries, but rather highlighted the competitive disadvantages that may be inherent when African Americans compete in the complex and volatile industries.

The Black Enterprise (BE) 100 largest African American-owned businesses have achieved a level of success in certain industries according to longitudinal studies. Some of the reasons for success are: financial acumen, strong leadership, good management skills, and ability to capitalize on changing business environments (Sonfield, 2016). In the future, the BE 100's success and ability to effectively compete in some high-growth industries could be negatively affected by larger mainstream businesses' size, ability to acquire resources, and higher sales-growth rate. Even though the BE 100 companies have achieved a level of success, because of the size differential with mainstream businesses, they cannot be effectively compared; the combined BE 100 company sales do not equate to the smallest Fortune 500 mainstream company.

In summary, management skills and strong leadership contributed to the success of some large African American-owned businesses. African Americans were able to seize business opportunities in the automobile industry to facilitate their growth. There were racial disparities in the sales growth for established or experienced African American-owned businesses compared to their White counterparts. Business size was important for sales growth. African American-owned businesses tended to be smaller and less capitalized which could be a competitive disadvantage when competing in complex and volatile industries.

Entrepreneurial Experience

Several studies examined the entrepreneurial experiences of African American male entrepreneurs, specifically focused on how they deal with discriminatory practices, decide to become entrepreneurs, environmental factors, business opportunity recognition, and effects of consumer perceptions on business sustainability. Wingfield and Taylor (2016) conducted a study of 19 inexperienced African American entrepreneurs to determine how their entrepreneurial experiences were impacted by race, class, and gender. Snowball sampling was used to obtain participants. The average age of the participants was 37 years old and they were selected from several metropolitan cities in the mid-Atlantic, Southern and Western United States. Face-to-face interviewers were used to collect most of the data with four interviews being conducted over the phone.

The study found African American business owners used counterframe approaches to deal with discriminatory practices due to race, gender, and class (Wingfield & Taylor, 2016). As it relates to entrepreneurship, counterframe is an approach to challenge negative messaging, beliefs, and ideologies that denigrate minority business ownership while disproportionately enhancing White business ownership.

There were several examples highlighting the use of counterframes noted in the study. First, because of unfair racial employment practices, Raheem, a study participant, used a counterframe to emphasize the impact race can have on one's career opportunities and the decision to become an entrepreneur. Raheem started a web-based service business in response to unfair racial employment practices. Further, to counter stereotypical misconceptions about African Americans being unskilled and unsuitable for white collar employment, Raheem used counterframing to denote the inaccuracy, hence the decision to start a business. In an effort to avoid racial discrimination and maximize the company's business opportunities, Raheem chose anonymity, concealing his online identity by not posting personal pictures to the company website (Wingfield & Taylor, 2016).

Another example of counterframe usage was Bilal as well as other participants. Bilal used counterframing to assess race-based stereotypes in his advisory and asset management trading corporate environment. The counterframing persuaded him and other African Americans as well to become entrepreneurs and attain a level of professional freedom. Specifically, Bilal noted that even though his qualifications were equal to or better than his White or Asian counterparts, his performance was never recognized as such. That lack of recognition was a motivating factor and ultimately convinced him to become an entrepreneur (Wingfield & Taylor, 2016).

In addition, the study identified other reasons African Americans become entrepreneurs. Wingfield and Taylor (2016) found that personality type drives some individuals to become entrepreneurs. Race-related barriers resulting in lack of advancement in their chosen field was another catalyst for becoming an entrepreneur. Racial counterframe was used to identify barriers and “through that counterframe, business ownership became a means of actively offsetting what they saw as racial discrimination” (Wingfield & Taylor, 2016, p. 1685).

One of the tenets of an entrepreneur is being able to recognize an opportunity and respond quickly. In 2008, Singh, Knox, and Crump conducted a study to determine opportunity recognition strategies used by aspiring African American business owners as compared to their White counterparts. The strategies were to first recognize a need then develop opportunity to attend to the need—internally-stimulated opportunity and, to establish a business, then search for the need or opportunity to seek—externally-stimulated opportunity (Singh et al., 2008).

Researchers used data from the Panel Study of Entrepreneurial Dynamics (PSED), which was a representative sample of the U.S. population. The PSED was collected using random digit dialing (RDD) telephone survey interviews with entrepreneurs followed by mail survey questionnaire. Responses were from 771 White entrepreneurs and 157 African American entrepreneurs. Multiple hierarchical regression was used in this study to determine the differences in the opportunities pursued by African American and White entrepreneurs (Singh, Knox, & Crump, 2008).

Singh, Knox, and Crump (2008) found that even though both, African American and White entrepreneurs had relatively high household net worth, White entrepreneurs’ net worth was significantly higher than their African American counterparts. African American-owned businesses were more at risk in terms of survival than White-owned businesses because they lacked the same level of personal financial resources to invest. Further, aspiring African American entrepreneurs were more likely to seek externally stimulated opportunities with appreciably smaller expected revenues than White entrepreneurs.

Another tenet of an entrepreneur is to understand their customer base and potential business patronage. Ogbolu, Singh, and Wilbon (2015) conducted a study at several different locations around a major East Coast city within the United States and its suburbs to examine consumer perceptions about doing business with African American entrepreneurs and White entrepreneurs. There were 846 participants in the study. Two versions of a survey questionnaire were used over a 52-day period between December 2010 and January 2011. Hierarchical regression analyses were used to test the hypotheses in their study. Eight variables included in the analyses were legitimacy, attitudes, intended patronage, age, education, income, race of respondent, and race of entrepreneur.

The study found a strong positive relationship between attitudes and business legitimacy—being qualified and able to perform in designated business area—and intended patronage. Attitude was defined as a favorable or unfavorable response to a person, thing, place, event, or business (Greenwald, 1989). Attitude was measured using a 5-point Likert scale survey instrument. For White-owned entrepreneurs, there was a strong relationship between customer attitude—feelings about one's business—and willingness to patronize (Ogbolu et al., 2015). Further, White and African American consumers showed a strong preference for buying from White-owned entrepreneurs. In contrast, the findings of African American consumers did not show any preference for buying from African American entrepreneurs (Ogbolu et al., 2015). Weems (1994) also confirmed a declining patronage of African American-owned businesses by African American consumers.

In summary, African American entrepreneurs experienced a myriad of business challenges. First, they were faced with unfair racial employment practices motivating many to become entrepreneurs. Second, even though African American entrepreneurs were found to have high household net worth, their White counterparts had much higher household net worth. Third, African Americans entrepreneurs tended to start businesses, then search for opportunities to pursue, resulting in lower revenue generating business opportunities. This was in contrast to White-owned businesses who sought higher revenue generating opportunities, by first recognizing need, then developing opportunity to address the need (Singh et al., 2008). Fourth, African American entrepreneurs were challenged by concerns relative to their ability to provide quality products and services at competitive prices in their specific business areas, thus affecting patronage from both African American and White consumers (Ogbolu et al., 2015). Collectively, these challenging experiences could negatively affect African American male entrepreneurs' survival rate.

Success Factors for African American Businesses

Previous research found that African American-owned businesses were 43% more prone to close than White-owned businesses; African American male-owned businesses were 51% more prone to close than White male-owned businesses and African American female owned businesses were 38% more prone to close than White male-owned businesses (Robb, 2002).

Why do some of these small businesses fail while others succeed? Gaskill, Van Auken and Manning (1993) suggested that understanding that question could be vital to the stability and health of the economy. In a study conducted by Lussier and Corman (1995) using a list of 20 success and failure variables obtained from 20 journal articles, they sought to understand if there were differences between successful and failed small businesses. The Dun and Bradstreet's definition of failure and discontinuance was used for this study. The small business sample covered only New England states - Connecticut (20%), Maine (5%), Massachusetts (44%), New Hampshire (19%), Rhode Island (9%), and Vermont (6%). Failure data were obtained from court bankruptcy records. A 15-question questionnaire was mailed to both successful and failed companies. Returned usable questionnaires (216) were equally divided between failed and successful businesses then analyzed using a bivariate test to determine significant differences. Companies were matched by size, region, industry and age.

Key findings showed that with two exceptions there was virtually little difference between successful and failed small businesses. The two exceptions were: successful businesses used professional advisors more often than unsuccessful businesses, and had family-owned business experience. In contradiction with previous studies, failed business owners had very little difficulty obtaining staffing and had a higher level of education (Lussier & Corman, 1995).

Key success factors found by Sonfield (2016) were the evolving legal decisions relative to government targeted set-aside contracts and the changing policies of corporate procurement offices. Furthermore, superior decision making, strong strategic management skills, and being in a segment of the American economy unaffected by economic downturns led to long-term business survival. Additionally, research shows that there is a strong relationship between formal educational attainment and entrepreneurial success (Singh, Knox, & Crump, 2008).

In summary, there were a number of success factors identified during the literature review process. Successful businesses used professional advisors as well as had family-owned business experience. Additionally, they had superior decision-making skills, strategic management skills, and were in a segment unaffected by economic downturns. Location was also identified in the discussion of success factors.

Location. Fairlie and Robb (2008) indicated there is still much to learn about why some minority-owned businesses are more successful than others. Location can be one of the reasons, given that many minority-owned businesses tend to be located in urban areas where the customer base is somewhat captive and restrictive for their growth and survival.

Several researchers have examined the impact of location on the success of minority-owned businesses by conducting studies in four large cities within the United States. The findings of the studies revealed mixed results relative to location impact.

The first city examined was Philadelphia, a major purchaser of goods and services. From the lens of a neighborhood geographic, Dayanim (2011) conducted a study to explore issues associated with economic opportunity for minority-owned businesses. Philadelphia’s professional services minority-owned businesses were analyzed for this study. They were selected because businesses were contract and customer based and not directly tied to a location, required a level of skill to perform, and that sector was growing fast. Philadelphia actively participated in the local government set-aside program.

Analyses were performed on minority-population concentration locations, specific zip codes, and contract awards by neighborhood. Dayanim (2011) found minority-owned businesses experienced economic disadvantage because of their location. Gibbs (2014) used geographic information systems analysis and confirmed the finding of Dayanim (2011) relative to awarding city contracts to minority-owned professional services businesses in Philadelphia.

A comparative study was conducted in three other U.S. metropolitan statistical areas (MSAs)—Miami, Atlanta, and Detroit—to better understand the effects of race and location on the success of African American entrepreneurs and earnings from self-employment. Those locations were selected because they had gone through regional demographic and economic transformations. Wang, Gleave, and Lysenko (2014) used American Community Survey microdata from 2006-2010 for the three MSAs. The sample was restricted to American-born African Americans living and working in the specific MSA. Multiple-level regression was used to determine the relationship between African Americans tendencies towards entrepreneurship, their earnings from a job, and their concentration by geographic area.

Wang, Gleave, and Lysenko (2014) found there was a significant variation between MSAs. For example, individuals living in a Detroit community mostly populated with African Americans tended to earn less. Job earnings and wages earnings were not significantly affected by neighborhood segregation when compared to Miami and Atlanta.

Further, the study by Wang, Gleave, and Lysenko (2014) found there was not a negative relationship between the high concentration of African Americans and their entrepreneurship in Atlanta, but there was in Miami. There was a higher probability of entrepreneurship in Detroit due to the higher percentage of American-born African Americans in the job market.

Evidence for location as a success factor was found to be mixed in the studies. Location within the inner city was found to be an economic disadvantage to the success of African American-owned businesses in Philadelphia and Miami. That was a contrast to the findings in Atlanta and Detroit.

Education. Literature reviewed on education revealed mixed findings as an entrepreneurial success factor. The perceived typical profile of African American entrepreneurs in the United States suggest they are educated and experienced in their chosen fields (Bates, 2006).

The importance of education appeared in various articles. Fairchild (2009) determined the likelihood of becoming an entrepreneur rose with an individual's completion of a bachelor's degree. Thus, education was a strong predictor of entrepreneurial success (Bates, 1990; Green, Duncan, Salter, & Chavez, 2012; Singh, Knox, & Crump, 2008). Fairlie and Robb (2007) found there was a strong relationship between an entrepreneur's education and business profitability. In contradiction to the previous studies, Fairlie (1999) found that the relationship between education and becoming self-employed was not very strong for either African Americans or White people.

Financial capital. In this subsection we review studies that have identified financial capital as an important factor in business success. Using PSED I data from 1999-2012, Frid (2015) conducted a quantitative study to determine the relationship between nascent entrepreneurs and the type financing used during the formative stage of business development and how securing financing differs among ethnic groups. Financing for formative businesses can be considered different from established businesses as the sources of capital are different.

In 2015, Frid found that during this nascent phase the probability is virtually the same that African American and White entrepreneurs will acquire external debt and equity financing. Because they are in the nascent phase, they are offered few financial options, and thus primarily use personal financial resources, such as savings and credit cards, to advance the business to next phase, whether capital intensive or not.

Capital intensive industries generally require very structured, documented processes and procedures. To create and maintain these structures, processes, and procedures require financial and human resources (Gibson, Harris, McDowell, & Voelker, 2012). Boden and Nucci (2000) discovered that White entrepreneurs are more likely to be found in capital intensive industries and are better able to obtain financing compared to African American-owned businesses, that result in reduced start-ups and low survival rates.

The infusion of personal funds during the nascent business phase (in the process of creating a new business, but not an operational entity) was examined by Frid, Wyman, and Gartner (2015). They sought to determine if there was a relationship between the amount of personal money invested during the nascent phase and the propensity for business success. Using a sample PSED II longitudinal dataset of 1,214 emerging entrepreneurs focused on creating new businesses between 2005-2012, Frid et al. (2015) initiated a study. Interviews were conducted with those entrepreneurs for 60 minutes each, in 12-month intervals. Some human capital items were controlled: education, prior work experience, managerial, and start-up experiences, and types of businesses started. A multinomial logistic regression analysis was used to determine if the amount of money invested correlated to nascent business success.

The study found there was not a statistically significant relationship between business start-up success and the amount of personal money invested in the nascent phase by African American, Hispanic, and White entrepreneurs. Hence, the amount of money invested in a business does not determine success as an entrepreneur. However, the study indicated a small increase in the amount of money invested relative to household income increased the possibility of success by close to one third (Frid et al., 2015).

In sum, during the formative phase of business development, financial capital continued to be important to the success of African American-owned businesses. During that same phase, the probability was virtually the same that African American and White entrepreneurs will acquire external and equity financing There was a significant relationship between business success and the amount of personal funds invested during the early phase (Frid et al., 2015).

Government-assistance funding. There have been numerous studies focused on government programs designed to assist minority-owned businesses with funding. Governmental programs could help reduce the historical racial disparity in business ownership according to a study conducted by Fairlie and Robb (2007).

Edmondson, Suh, and Munchus (2008) conducted a literature review of existing viewpoints on minority-owned businesses. The purpose of this study was to provide guidance for strengthening the relationship between large and small companies' minority-supplier development programs. In the review, the researchers found that government set-aside programs were necessary and that some companies were exceeding government mandated participation rate with MBEs.

Through the contract bidding process and by conducting a thorough search of literature about government assistance for minority suppliers, Edmondson et al. (2008) found critics and supporters of the government set-aside programs. First, some critics expressed concern that many of the businesses were not owned exclusively by minorities but were fronts for White-owned businesses to attain more business for themselves. Second, they questioned whether the supplier-development programs had unintended results, that is, helping businesses that really do not need help. Third, other critics suggested the businesses served did not have the requisite skills but were propped up by set-aside type programs. Minority-owned businesses received far fewer government contract dollars than anticipated (57 cents for every dollar anticipated), given the availability of the businesses (Enchautegui, Fix, Loprest, von de Lippe, & Wissoker, 1996). Finally, the critics indicated there was significant difficulty in locating minority owned businesses to serve as subcontractors in some industries.

Supporters of the set-aside programs argued the programs allowed minority-owned businesses an opportunity to fully participate in the economy. Second, the programs helped level the playing field and rectify past discriminatory practices. Third, the programs helped businesses to be prepared for and take advantage of the changing

U.S. ethnic demographics. The 2004 census reported that minority representation is expected to change from estimated 26% to an estimated 50% of the U.S. population within the next 50 years (US Census Bureau, 2004).

The number of ethnic minority-owned businesses continue to be small in comparison to White-owned businesses. However, the number of ethnic minority owned businesses is growing as well as the number of businesses doing business with these enterprises (Smith & Tang, 2013). Smith and Tang (2013) indicated that because of the federal, state and local government mandated set-aside programs some businesses have been forced to select minority suppliers to compete for government contracts. Many private businesses established goals exceeding government requirements and voluntarily utilize minority suppliers on private contracts. For example, Ford, Apple, IBM, Boeing, and Marriott are a few companies recognizing the importance of having a minority supplier development program. Ford educates employees on the benefits of implementing this type program and supporting specific business categories.

Gibson, Harris, McDowell, and Voelker (2012) conducted a study to determine specific categories minority business contractors dominate. All contracts were reviewed and awarded by Johnson Space Center (JSC). Sample contractual data was obtained from an online NASA Acquisition Internet Service (NAIS) which allows for ad-hoc inquiries on NASA direct relationships and various companies receiving funding. Data was categorized for small businesses and was separated to reflect minority business status. Not-for-profit data was omitted. MBEs were more likely than women and White-owned businesses to be contractors in service-intensive industries, such as construction, administration, support, waste management, and educational services. Women owned businesses were most likely to provide educational services. Both results were statistically significant. White-owned small businesses were overrepresented in the metal manufacturing category. There were no other significant differences relative to business ownership for the NASA categories.

The government set-aside programs have been deemed necessary to the success of minority-owned businesses, including African Americans. There have been critics of the program resulting in some reduced participation (Edmondson et al., 2008). However, supporters have continued to emphasize (a) the need to level the playing field for minority-owned businesses, and (b) the potential positive impact on the U.S. economy as a result of their participation.

In sum, the government set-aside programs have been found to be necessary, albeit with both strong criticism as well as support. MBEs were more likely to be contractors in service intensive industries, such as (a) construction, (b) administration, support, (c) waste management, and (d) educational services while White-owned businesses dominated the metal manufacturing businesses.

Leadership. In this subsection, studies that have identified leadership as an important factor in business success are reviewed. Studies like these identify leadership measures and the impact leadership style in small businesses can have on the success of the company. Using data from the Project Globe Leadership Questionnaire, Green, Duncan, Salter and Chavez (2012) conducted a study to assess 21 measures of leadership. Four demographic variables were analyzed: (a) years of formal education, (b) gender of participants, (c) age, and (d) years of management/leadership experience. There were 692 working adult participants. The mean age was 41.3 years (ranging from 20 - 82 years).

The self-reported ethnic demographic breakdown was 8% Asian, 10% African American, 38% White, and 35% Hispanic. There were 32% males and 68% females. The mean number of years of formal education (ranging from 10 - 22 years) was 16.8. Work experience ranged from 1 – 51 years (mean 19.77 years). The mean management experience was 6.71 years, ranging from 0 – 39 years.

In measuring the 21 leadership characteristics, the study found the following: 10 characteristics were considered somewhat contributors to outstanding leadership (i.e., integrity, performance oriented, visionary, administratively competent, value-based, team-oriented, team integrator, decisive, inspirational, participative), six characteristics were slight contributors to outstanding leadership (i.e., humane-oriented, modesty, diplomatic, self-sacrifice, collaborative team orientation, autonomous), four characteristics had no impact (i.e., procedural, status conscious, self-protective, conflict inducer), and four characteristics inhibited outstanding leadership (i.e., face saver, autocratic, self-centered, malevolent). Eighteen of the 21 leadership measures were related to years of formal education while age was only related to four (Green et al., 2012). Kearney and Gerbert (2009) and Xirasagar (2006) found there was a positive relationship between the level of formal education and leadership.

Using a Multifactor Leadership Questionnaire (MLQ) survey, Valdiserri and Wilson (2010) conducted a study to ascertain if there was a connection between leadership styles and organizational profitability and success. They found that transformational leadership style—the ability to get people to perform at higher levels beyond previous expectations—and transactional leadership style—focus on the exchange that occurs between leaders and followers where leaders exchange things of value with followers to promote both the leader's and follower's agendas—(Northouse, 2016), as measured by employee effectiveness and employee satisfaction were more conducive to organizational profitability and success than laissez-faire leadership style. In laissez-faire leadership no one takes responsibility for accomplishing organizational goals (McGuire & Kennerly, 2006).

In summary, the findings relative to the relationship of education to business success was mixed. Bates (1990) and Singh, Knox, and Crump (2008) determined education was a strong predictor of business success while Fairlie (1999) concluded there was not a strong relationship between education and entry into self-employment for either African Americans or White people.

Characteristics of a Successful Business.

There are many characteristics of business success identified in the literature. In 2014, Gibbs conducted a study to determine which variables were essential for African American male and African American female entrepreneurial success. The total sample of returned surveys was 232. The responses of 147 African American entrepreneurs were examined for this study resulting in a final sample of 85 African American males and 58 females. The study participants were past clients of three minority supplier development councils (MSDC) located in the south-central part of the United States. Of the ethnic minority entrepreneurs 69% were married, 32% had less than a college degree, and 68% had at least a college degree. The average number of years in business was 12.6 years in their respective industries prior to their new start-up businesses.

Bhave's process model of opportunity recognition (1994) was used to determine whether the entrepreneurs decided to first seek externally stimulated opportunities (recognize business opportunity) or recognize an opportunity first then create a company (internally stimulated opportunity recognition). Singh et al. (2008) suggested that entrepreneurs starting an externally stimulated business can predict lower revenues and a lower business success rate.

The study found African American females were significantly less successful than African American males in company performance, task specific efficacy, and opportunity recognition. However, they were comparable in terms of business environment and demographics, such as education levels, business industry experience, and possibility of having a mentor (Gibbs, 2014).

Self-employment gaps. Researchers have used a variety of readily available large datasets to determine the sustainability of a business by race of entrepreneur, such as the Panel Study of Income Dynamics (PSID), Consumer Population Survey (CPS), and Survey of Income and Program Participation (SIPP). Lee, Rogoff, and Puryear (1996) conducted a study to determine size of the gap between African American and White entrepreneurs with regard to their motivations and goals for starting or operating a business. White entrepreneurs were from mid-sized cities and suburban locales, mostly male, well established, and with an average of 13 years in business. African American entrepreneurs were from the New York City inner-city neighborhoods, mostly poor, over 40% unemployed, with essentially no business experience. The African American sample consisted of 51.9% female entrepreneurs while the White sample was 27% female entrepreneurs. The median age of the African American sample was 32 years compared to 40 years for the White sample. The mean difference in income of the samples was more than double. A 7-point Likert scale was applied to 12 goals. Four of the 12 goals showed significant differences between groups. Lee et al. (1996) found aspiring African American entrepreneurs' motivations and goals were similar to their White counterparts. As mentioned earlier, in a contradictory study, Wingfield and Taylor (2016) found through in-depth interviews with 19 African American entrepreneurs that racism and discrimination were strong motivators to becoming entrepreneurs.

Using the Panel Study of Income Dynamics (PSID) data from 1979-1990, Lee and Rendall (2001) conducted a study to determine if there was a self-employment disadvantage or gap with African Americans and women. The analysis variables were gender, race, age, and employment status. Increment-decrement life table (IDLT) models were used to analyze the relationship between wage-employment and non-employment over a work lifetime. Three employment categories were created self-employed, wage employed, and non-employed. There were separate estimating models for African American women, African American men, White women, and White men.

According to Lee and Rendall (2001), over a 4-year period of time self-employment for White men over the age of 30 was found to be stable, three times higher than African American men. A new finding was that almost all the African American-White gap in years of employment over a lifetime can be attributed to fewer self-employment years: African American – 1.88 years versus White – 7.52 years. When considering lifetime wage employment, African American men (31.9 years) and White men (32.9 years) were statistically the same. White women's self-employment time was shorter but approached White men's time. African American women performed the worst. White women and African American men were not as likely as White men to move from self-employment to wage-employment and vice-versa. The move frequency of White women approached those of White men. The lack of African American entrepreneurial participation as established businesses was not due to lack of trying but because of some stronger barriers of entry across races and the higher failure rates among minorities (Kollinger & Minniti, 2006).

Using Consumer Population Survey (CPS) data, Oyelere and Belton (2013) conducted a study to determine if there was a gap between African American and White self-employment. The multistage stratified data samples were divided by U.S.-born Americans and foreign-born individuals. Subgroups were created based upon race and parents' place of birth, in the United States or elsewhere. Subgroups were further divided by Americans with both parents not born in the United States, Americans with one-parent not born in the United States, and Americans with both parents born in the United States. Econometric modeling was used. Oyelere and Belton (2013) found there was heterogeneity in the African American and White self-employment gap over the 1994-2002 timeframe. Additionally, they found there was a self-employment gap between African Americans with parents born in the United States and African Americans with mothers not born in the United States.

Lofstrom and Bates (2013) conducted a study to better understand the reasons for an African American and White gap in self-employment entry rates in the United States. Self-employment for African Americans was only 3.8% while approximately 12% of White people were self-employed. The data used was based upon the Survey of Income and Program Participation (SIPP) from 1996-2004 which tracked African Americans and White people's self-employment rates. Subgroups of low-barrier and high-barrier industries were created to explain self-employment subtleties. Low-barrier industries are comprised of: personal and repair services, construction, transportation, and retail. High-barrier industries are comprised of: manufacture, wholesale, professional services, finance, insurance, real estate, and insurance. The sample size was 147,923, consisting of 20,839 (14%) African Americans and 127,084 (86%) White people.

Using the SIPP data Lofstrom and Bates (2013) found education and household wealth were strong predictors of entry into high-barrier industries. However, household wealth was negatively related to entry into low-barrier industries. In a contradictory study, Hurst and Lusardi (2004) concluded that household wealth was positively correlated to self-employment entry only for the wealthiest individuals.

In summary, there was not a gap or difference in the motivations and goals of African Americans and White people relative to becoming self-employed. However, there was a self-employment gap between African Americans and females, but not a gap between African Americans and White people. Further, White men tended to become and remained self-employed for longer periods of time than African American men. Household wealth was positively related to becoming self-employed only for the wealthiest individuals.

Transition rates into and out of self-employment. As previous stated African American males were three times less likely to transition in and out of self-employment than White males (Lee & Rendall, 2001). In 2014, Fairlie conducted a longitudinal study, using logistic regression, to evaluate the transition rates of African American males and White males into self-employment and out of self-employment. The 22 years of family units data (1968-1989) were sourced from the Panel Study of Income Dynamics (PSID) data, a representative dataset of the U.S. population.

The study found a significant difference in the transition rates between African Americans and White people. African American men were one third more likely to be self-employed compared to White men. The transition rate of African American’s into self-employment was approximately one half the rate for White people, whereas the African American transition rate out of self-employment was about two times that of White people. There was a notable difference in levels of education, levels of assets and probabilities of having a self-employed father when comparing African American men to White men. African American level of wealth was determined to be substantially lower than White, which could partially explain the difference in the entry rate into self-employment.

The studies conducted by Fairlie (2014) and Lee and Rendall (2001) yielded in similar conclusions. White men tended to remain self-employed for longer periods of time than their African American counterparts. This could be a reason for the low survival rate of African American businesses. Additionally, African American men were one third more likely to be self-employed compared to White men. The transition rate of African Americans into self-employment was approximately one half the rate for White people, whereas the African American transition rate out of self-employment was about two times that of White people.

Prior entrepreneurial experience. Lack of prior entrepreneurial experience also could be a reason for the low African American survival rate. In 2007, Fairlie and Robb conducted a study to examine the relationship between intergenerational links in self-employment and the effects family business background had on small business outcomes. They found that about 52% of the entrepreneurs participating in the confidential and restricted-access Characteristics of Business Owners (CBO) Survey had an entrepreneur family member prior to starting their businesses. Only 12.6% of African American entrepreneurs had previous experience working in a family business versus 23.3% of White business owners. Many in the group with the family member entrepreneur reported never having worked in that family member's business. Coleman (2005) noted that family-owned businesses often started in the home and experienced significant growth among African American enterprises. In contrast to previously mention studies, Fairlie and Robb (2007) found there was a weak correlation between having an entrepreneur family member and the business success of those surveyed. However, there was a strong relationship between success and previous work experience in a family member's business. Intergenerational transmission of business ownership or inherited small businesses made up only 1.6% of all small businesses surveyed.

Does previous work experience in a family business help male or female family members become successful operating a business? In 2013, Powell and Eddleston conducted a study to determine the potential business benefits available to male and female family members from having had prior family-related entrepreneurial experience and whether the benefits would be different for female and male entrepreneurs. A survey was mailed to entrepreneurs affiliated with the Center for Women and Enterprise (predominantly female). Surveys were also sent to entrepreneurs who participated in a university-based entrepreneurship program (predominately male). Both of these entities are located in the same northeastern U.S. city. Survey data from 253 founders of small to medium-sized enterprises (e.g., businesses with a maximum of 250 employees) was analyzed and comprised 64% female and 36% male participants. Aldrich and Cliff (2003) suggested family and business were interconnected and correlated. Further, Shapero (1975) found greater than 50% of entrepreneurs' fathers had been actively engaged in operating a business.

Powell and Eddleston (2013) analyzed the following entrepreneurial success factors in this study: business performance, employment growth, satisfaction with status, and satisfaction with employee relationships. Family-to-business enhancement and support factors measured were effective and instrumental family-to-business enhancement, family-to-business support, and assenting and principal component analyses. The study showed that female entrepreneurs were better able to take advantage of family-developed resources, hence would benefit most from family-to-business support.

There was a strong correlation between having had prior work experience in a family business and success for African American and White entrepreneurs. Female entrepreneurs tended to benefit more than male entrepreneur family members. Intergenerational transmission of business ownership or inherited small businesses made up only 1.6% of all small businesses.

Chapter Summary

This chapter consisted of a review of the literature relative to entrepreneurship. Studies were reviewed comparing African American and White entrepreneurs, yielding significant differences between them, notably between socioeconomic status and educational background. The socioeconomic index level for African American entrepreneurs was significantly lower than White entrepreneurs (Crump, Singh, Wilbon, & Gibbs, 2015). Also, African Americans had 2 fewer years of education than their

White counterparts. African Americans were more likely to start a business than White people, but less likely to remain in business long enough to become an “experienced entrepreneur” than their White counterparts, partly because of their lack of access to financial capital.

African American entrepreneurs expected to be turned down for loans because of their race, and therefore were reluctant to apply (Kollinger & Minniti, 2006). When they did apply, African American entrepreneurs were turned down for loans more frequently than White entrepreneurs regardless of credit worthiness (Fairlie & Robb, 2007). They were also charged a higher interest rate on debt capital.

Banks used discriminatory practices when providing credit to African American entrepreneurs, but aggressively pursued and provided financial assistance to White entrepreneurs while using rigorous screening processes to discourage potential minority borrowers in predominantly minority communities (Bates & Robb, 2016). African American entrepreneurs were five times more likely to be turned down for supplier credit than their White counterparts (Freeland & Keister, 2016). African American entrepreneurs put more money into their businesses to sustain them than White entrepreneurs.

Good management skills, strong leadership, and ability to identify and capitalize on business opportunities contributed to the success of some large African American entrepreneurs (Sonfield, 2016). There were racial disparities in the sales growth for established or experienced African American entrepreneurs compared to their White counterparts (Smith & Tang, 2013). Business size was important for sales growth. African American entrepreneurs tended to be smaller and less capitalized which could be a competitive disadvantage when competing in complex and volatile industries against mainstream businesses (Sonfield, 2016).

African American entrepreneurs experienced other business challenges. First, they were faced with unfair racial employment practices motivating many to become entrepreneurs. African Americans entrepreneurs used counterframes to deal with discriminatory practices. Second, even though African American entrepreneurs were found to have high household net worth, their White counterparts had much higher household net worth. Third, African Americans entrepreneurs tended to start businesses, then search for opportunities to pursue, resulting in lower revenue generating business opportunities. This was in contrast to White-owned businesses, which sought higher revenue generating opportunities, by first recognizing need, then developing opportunity to address the need (Singh et al., 2008). Fourth, African American entrepreneurs were challenged by concerns relative to their ability to provide quality products and services at competitive prices in their specific business areas, thus affecting patronage from both African American and White consumers (Ogbolu et al., 2015). Collectively, these challenging experiences could negatively affect African American male entrepreneurs' survival rate.

However, there were a number of success factors identified during the literature review process. Successful businesses used professional advisors, and had family-owned business experience (Lussier & Corman, 1995). Additionally, they had superior decision-making skills, strategic management skills, and were in a segment unaffected by economic downturns. Location was also identified in the success factor discussion.

Evidence for location as a success factor was found to be mixed in the studies. Location within the inner city was found to be an economic disadvantage to the success of African American-owned businesses in Philadelphia and Miami. That was a contrast to the findings in Atlanta and Detroit (Wang, Gleave & Lysenko, 2014).

During the formative phase of business development, financial capital continued to be important to the success of African American-owned businesses. During that same phase, the probability was virtually the same that African American and White entrepreneurs would acquire external and equity financing There was a significant relationship between business success and the amount of personal funds invested during the early phase (Frid et al., 2015).

The government set-aside programs were found to be necessary, albeit there were strong critics and supporters. Minority Business Enterprises (MBEs) were more likely than women and White-owned businesses to be contractors in service intensive industries, such as construction, administrative, support, waste management, and educational services. White-owned businesses were overrepresented in metal manufacturing industries.

The findings relative to the relationship of education to business success was mixed. Bates (1990) and Singh, Knox and Crump (2008) determined education was a strong predictor of business success while Fairlie (1999) concluded there was not a strong relationship between education, and entry into self-employment for either African American or White people.

There was not a gap or difference in the motivations and goals of African Americans and White people relative to becoming self-employed (Lee, Rogoff, &

Puryear, 1996). White males tended to become and remained self-employed for longer periods of time than African American males. Household wealth was positively correlated with becoming self-employed only for the wealthiest individuals (Lofstrom & Bates, 2013).

The studies conducted by Fairlie (2014) and Lee and Rendall (2001) resulted in similar conclusions. White males tended to remain self-employed for longer periods of time than their African American counterparts. Additionally, African American males were one third more likely to be self-employed compared to White males. The transition rate of African Americans into self-employment was approximately one half the rate for White people, whereas the African American transition rate out of self-employment was about two times that of White people.

There was a strong correlation between having had prior work experience in a family business and success for African American and White entrepreneurs. Intergenerational transmission of business ownership or inherited small businesses made up only 1.6% of all small businesses (Fairlie & Robb, 2007).

Chapter 3 outlines the methodology for the study by describing the research design, data collection, and analysis.

Chapter 3: Research Design Methodology

Introduction

African American-owned businesses have played an important historical role in the U.S. economy and in the African American community (Butler, 2005), having started businesses during difficult times, such as pre- and post-Civil War eras, and the Great Depression—and while facing many challenges: discriminatory practices, lack of business opportunity recognition, and effects of consumer perceptions on business sustainability. Despite challenges they persevered and because many were employed in a particular field for many years, they were able to obtain valuable skills which they used to become entrepreneurs (Kollinger & Minniti, 2006).

African Americans moved toward entrepreneurship during the Great Depression at a time when many were laid off from various industries (Boyd, 2000b). Subsequently, in order to survive and provide for their families many African American males became business owners, such as barbers, carpenters, lawyers, and dentists (Boyd, 2000b).

In spite of all the challenges faced, the pursuit of African American male entrepreneurship continues today. The advantages of these businesses involve obtaining community presence; generating jobs within society; creating wealth for future generations; assisting others who desire to become an entrepreneur; and supplying products and services to the marketplace (Smith, 2004).

This chapter includes the rationale for a grounded theory study, the research setting, participants, data collection, methods of data analysis, and an in-depth picture of coding techniques used. The research problem and research questions are described as part of the context and research design. Lastly, the data collection and data analysis timeline followed for this phase of the study is presented.

Problem Statement

Research suggests African Americans are more confident than their counterparts in their ability to become successful entrepreneurs, possessing the necessary skills, knowledge and experience (Kollinger & Minniti, 2006). They start businesses at a significantly higher rate than their White counterparts (11.1% vs. 6.2%), but many are unable to stay in the business for 5 years. Conversely, African American entrepreneurs comprise 3.4% of established businesses compared to White entrepreneurs at 6.5% (Kollinger & Minniti, 2006; Minority Business Development Agency, 2011). Although identified as one of the fastest growing groups when compared to the total number of small businesses in the United States African American-owned businesses comprise a relatively minor percentage of small businesses. As stated previously, African American-owned businesses struggle to sustain their existence beyond 4 years experiencing a 61% failure rate within this time period (SBA 2010; Smith & Tang, 2013). This high failure rate has a negative impact on the U.S. economy and the African American community as jobs and tax revenues are lost (Smith & Tang, 2013).

There is a limited amount of empirical research focused on the success of African American male entrepreneurs, regardless of industry or company size. Thus, an effort to understand why African American male-owned businesses fail at a higher rate than other small businesses has led to this research. It is important to note that there is not an agreed-upon definition of success for businesses among researchers, each having their own definition. Beresford and Saunders (2005) define success as owning and operating a business as a self-employed entrepreneur for a minimum of 5 years. Augustine (2010) indicates success represents a sense of accomplishment. The Small Business Administration (SBA, 2014) defines success as businesses with profitability and longevity of 5 or more years. Stafford, Bhargava, Danes, Haynes, and Brewton (2010) define success as operating a business in such a way as to support the entrepreneur and business venture financially.

Research Context

The context for this study is African American male entrepreneurs, currently operating a business in Western New York. Specifically, the focus was on African American-owned businesses located in Monroe County, New York.

The SBA Office of Advocacy (2016) indicated that there were 28.8 million small businesses in the United States that employ 48% of the U.S. private workforce. The number of minority-owned businesses in 2007 was 5.8 million, and the number of African American-owned businesses was around 1.9 million (U.S. Census Bureau, 2012).

According to the Small Business Administration (SBA, 2016) there are approximately 451,000 businesses with employees within New York State. About 12.1% of those employers are located within the Monroe County, New York geographic area and represent a diverse economic base. The City of Rochester, New York accounts for approximately 30% of the businesses in Monroe County. Over the past two decades there has been a declining industrial base in this region which has led to the establishment of many high tech, retail, and service related small businesses. Companies providing significant employment which have declined dramatically and negatively affected the industrial business community in the Rochester, New York area include Eastman Kodak Company, Xerox Corporation, and Bausch + Lomb. As a result of the decline of these companies there has been a corresponding negative effect on small businesses (Doran, 2012).

Research Participants

The sample was selected from a City of Rochester, N.Y. approved Minority and Women Business Enterprise (MWBE) firms master list, and the Rochester Business Journal Minority-Owned Businesses list. Both lists are public documents available on the respective websites of their organizations[1]. It was challenging to establish an exact sample size prior to conducting a grounded theory study because of the inductive nature of the method and the evolution of theory as data was collected and examined (Corbin & Strauss, 2015; Strauss & Corbin, 1998). Strauss and Corbin (1998) advocated selecting participants whose most important credentials are experientially relevant because that will provide the most value to theory emergence. The participant sample size was seven African American male entrepreneurs. Purposive sampling was used to select African American male entrepreneurs to participate in the study. Purposive sampling is nonrandom sampling that deliberately selects individuals because they meet the relevant requirements for the research (Creswell, 2014; Holosko & Thyer, 2011).

Participants owned 51% or more of the equity, interest or stock ownership within their businesses and had a minimum of 4 years previous product or service-related business experience, and currently operate in the Monroe County New York area. The

[1] The City of Rochester, N.Y. approved Minority and Women Business Enterprise (M/WBE) Firms master list https://www.cityofrochester.gov/mwbe/ and The Rochester Business Journal Minority-Owned Businesses list https:rbj.net/lists-center/?djoPage=product_details&djoPid=38855&djoX1s=1&djoTry=1551324402

aforementioned criteria were established to ensure participants had the appropriate background to provide relevant information about the problem and contribute to the development of theory.

Grounded Theory Methodology

Grounded theory, a form of qualitative research, is a methodological approach that tries to develop a theory about important issues in peoples' lives—grounded in data (Corbin & Strauss, 2015; Glaser & Strauss, 1967; Strauss & Corbin, 1998)). This is done through a data collection process described as inductive, without preconceived notions to substantiate or invalidate. Issues important to participants emerge from stories shared relative to common areas of interest.

Grounded theory provides a level of flexibility and structure to guide the research while also allowing for an iterative process that can evolve as data is collected and analyzed (Creswell, 2014). There are several stages of data collection, refinement, and a relationship between categories of information (Charmaz, 2014; Corbin & Strauss, 2015). Further, interviews are the most frequently used form of data collection in grounded theory research, which are effective in obtaining data for certain research questions (Charmaz, 2014). During the grounded theory research process, data collection and analysis are interconnected, beginning simultaneously. Analysis continues by constantly comparing data, initially data to data, continuing to evaluations between their understandings rendered into codes and categories then into themes and as such is an evolving process (Charmaz, 2014; Corbin & Strauss, 2015). The constant comparison of analysis helps ground the emerging theory in the participants' experiences, separated into smaller parts with each part compared for likenesses and dissimilarities (Corbin & Strauss, 2015).

Rationale for using grounded theory. A review of the literature determined there was little empirical research about the success factors for African American male entrepreneurs. When there is a dearth of research on a particular phenomenon grounded theory is the best suited alternative (Creswell & Poth, 2018). Grounded theory was developed in the 1960s, and has a set of procedures which have been tested and validated for constructing theory from data (Mills, Bonner, & Francis, 2006). Grounded theory can provide significant knowledge of the participant's point of view (Gilgun, 2001). Grounded theory is good for analyzing data in exploratory studies (Corbin & Strauss, 1998). For all these reasons, grounded theory was chosen for this study to close part of the gap between empirical research and theory.

Data collection. The first step in the data collection process was to develop a broad, open-ended set of questions (Charmaz, 2014). Goodman (2001) suggested interview questions be asked in a consistent open-ended format and detailed notes taken during the interviews. Hornaday and Aboud (1971) suggested interview questions be short, concise, and not exceed ten items.

This study was approved by the St. John Fisher College Institutional Review Board (IRB) then a pilot test of those interview questions was conducted to test the validity of the questions. One successful African American male entrepreneur not included in the study was interviewed and provided feedback, resulting in a few minor changes made to the questions. Feedback from the pilot test established the credibility of the interview questions to provide information pertinent to answering the research question. Prospective participants were contacted by email.

All potential participants were sent an introductory email inviting them to participate in this study. In the same email, a self-administered data collection sheet (Appendix A) was sent to participants, obtaining demographics, such as (a) age, (b) marital status, (c) educational background, and (d) contact information. In addition, information was attained relative to (e) current business type, (f) start-up financing, (g) annual revenue, (h) second generation entrepreneurship, and (i) number of years in business. Both documents were collected from participants at the meeting prior to start of the interviews, and all participants were consented.

Once the documents were secured the interview process began. Consistent with grounded theory methodology semi-structured interviews were scheduled. The initial and follow-up interviews were audio recorded, using two recording devices (one as a back-up), lasting 60 minutes each per business owner. The interviews were conducted face-to-face in locations convenient for the participants and researcher. Additionally, the participant was reminded of the option to not answer any question and stop the interview at any time, if uncomfortable with the line of questioning (Charmaz, 2014). In the semi-structured interviews, a series of short open-ended questions were asked of the participants in an attempt to understand their viewpoints and their business experiences (Creswell & Poth, 2018). This collection approach provided a level of flexibility and permitted: (a) questions to be asked around the theory of how African American males can be successful in owning a business, and the importance of valuable, rare, imperfectly inimitable or hard to copy, and non-substitutable (VRIN) resources contributing to their success (Appendix B), and (b) follow-up questions tailored to a participant's initial responses (Charmaz, 2014). Fieldnotes were used to capture important points during the interview.

Following each interview, each participant was assigned a unique random identifier or pseudonym to be used in the transcription process. A professional service was used for transcription. Charmaz (2014) explained an advantage in transcribing interviews is that important details are preserved which otherwise could have been missed.

Member checking or a follow-up visit with each of the participants was used to verify the accuracy of the transcripts and to determine if material had been overlooked by the participant or interviewer (Charmaz, 2014; Holosko & Thyer, 2011; Mertens & Wilson, 2012). Data collection ended when the saturation point was reached, that is, data gathering ceased to add new insights relative to categories or themes (Charmaz, 2014; Corbin & Strauss, 1998).

Data analysis. In order to comply with the grounded theory process, data analysis commenced immediately in conjunction with the interview process, first cycle or initial coding occurred after each interview in an iterative process, but prior to beginning the next (Charmaz, 2014, Saldana, 2016). Charmaz (2014) explained coding as a process used to take data apart, and to define, and label the meaning.

Coding provided the basis for category building. In qualitative data analysis, coding's main purpose is to be able to find all the different text passages which refer to a certain topic (Bryant & Charmaz, 2007). Ultimately, grounded theory codes were expected to emerge from the data.

Second cycle or axial coding method was used to facilitate that process using first cycle codes to develop categories, aggregating initial list of codes into smaller lists of subcategories (Charmaz, 2014). Categories were not forced on the data; but emerged instead in the ongoing process of data analysis (Bryant & Charmaz, 2007). Constant comparative analysis of one participant's responses to the next and theoretical sampling were used to analyze the data and ensure validity (Bryant & Charmaz, 2007; Charmaz, 2014; Corbin & Strauss, 2008; Saldaña, 2016). In grounded theory, coding has to be constructed without a predefined scheme—and there was none—which is different from some other qualitative approaches (Mertens & Wilson, 2012). Categories emerged from the data that were attributable to specific success factors, accomplished by coding each incident in the data into as many categories as possible, with theory emerging from the data (Bryant & Charmaz, 2007; Saldaña, 2016).

Chapter Summary

For this study, being an African American male with previous business experience and knowledge of what it takes to be successful in owning a business was necessary to guide the data analysis to provide meaning (Charmaz, 2014). The grounded theory study approach sought to develop a theory that identified the key success factors for African American male business owners.

The research design methodology was grounded theory, and the data collection tool used was the interview instrument. The reason this instrument was selected was because it is the preferred tool for grounded theory research (Charmaz, 2014). Interview sessions were electronically recorded, thus allowing the interviewer to be able to take notes, be actively engaged in the process, and obtain comprehensive responses from the participants.

The sample participants were comprised of African American male entrepreneurs from the Monroe County, New York area. The sample size was seven male business owners, using a purposive sampling method of selection. They were interviewed in-person at locations convenient for the business owners and the interviewer. For confidentiality and ethical reasons, the participants were interviewed separately. Additionally, each business owner was assigned a pseudonym.

For verification purposes, the interview instrument was piloted with one successful African American male business owner from the Monroe County, New York area. Following the pilot test, interviews were scheduled. Data collection was accomplished using grounded theory methodology, which emphasizes being grounded in the data and allowing meaning to emerge from the data. Data was collected, coded, organized, and analyzed to develop a grounded theory (Charmaz, 2014) related to why African American male entrepreneurs succeed in business.

Chapter 4: Results

Introduction

The purpose of this study was to identify the key success factors for African American male entrepreneurs. This chapter presents the findings and analysis of the semi-structured and theoretical sampling interview data and the emergent grounded theory. Findings include six themes that relate to the research questions about how successful African American male entrepreneurs view the keys to success in starting and sustaining a business, and the unique attributes of their businesses. The six themes are: (a) demonstrating the ability to recognize and seize business opportunities; (b) securing financial capital; (c) utilizing mentors effectively; (d) having a detailed knowledge of their business; (e) understanding and being able to counter direct and systemic racism; and (f) demonstrating a resilient mindset. The chapter concludes with a comprehensive summary of results.

Participants' Background Information

Educational background. As noted in Chapter 3, demographic data was collected by asking each participant to complete a Data Collection Sheet (Appendix A). Participants in the study included seven African American male entrepreneurs who conduct business in the western New York area. To protect the identity of the participants, they were identified by a letter of the alphabet from A through F and H, deliberately omitting G. Three of the seven held bachelor's degrees, three had received a high school diploma or GED, and one held a master's degree, as shown in Table 4.1.

Table 4.1.

Participants' Education Demographics

Participant	Education
A	Bachelors
B	High School
C	High School
D	Bachelors
E	High School
F	Bachelors
H	Masters

Business type. There were several business entity legal structures represented by the participants. Three of the seven were sole proprietorships; two of the seven were S-corporations; and two of the seven were C-corporations. One of the participants had three separate businesses, each with a different business entity, as shown in Table 4.2.

Table 4.2.

Participants' Business Entity Type

Participant	Business Entity Type
A	S-Corp
B	Sole Proprietor
C	C-Corp
D	S-Corp, C-Corp, LLC
E	S-Corp
F	Sole Proprietor
H	Sole Proprietor

Start-up financing. All participants used personal funds to finance their start-ups. For five of the seven participants this was their first business. Two of the participants had had multiple business start-ups (Table 4.3).

Even though they did not inherit their businesses, three of the seven considered themselves second-generation businessmen. This was because they felt members of their immediate families who had been entrepreneurs were the first-generation. There were no third-generation participants in this study (Table 4.4).

Table 4.3.

Participants' Start-up Financing and First Business

Participant	Start-up Financing	First Business
A	Personal	Yes
B	Personal	Yes
C	Personal	No, multiple businesses
D	Personal	No, multiple businesses
E	Personal	Yes
F	Personal	Yes
H	Personal	Yes

Table 4.4.

Participants' Second Generation Business

Participant	Second Generation Business
A	No
B	No
C	Yes, but not inherited
D	Yes, but not inherited
E	No
F	Yes, but not inherited
H	No

Previous experience. Four of the seven had previous corporate experience prior to starting their businesses. The average number of years of corporate experience was approximately 15 years. Six of the seven participants were over 50 years old and had been in business for more than sixteen years. One had been in business for 12 years, as shown in Table 4.5.

Table 4.5.

Participants' Years in Business and Age

Participant	Years in business	Age
A	24	over 50
B	12	less than 50
C	21	over 50
D	28	over 50
E	20	over 50
F	17	over 50
H	26	over 50

Average revenue. Participants also provided total annual revenue numbers from 2018. Two of the companies had revenue of less than $500,000. Three companies had revenue of $1,000,000 to $4,999,999. Two companies had more than $10,000,000 in revenue for the previous year (Table 4.6).

Table 4.6.

Participants' Total Annual Revenue in 2018

Participant	Annual Revenue
A	<$5,000,000
B	<$500,000
C	>$10,000,000
D	>$10,000,000
E	<$5,000,000
F	<$5,000,000
H	<$500,000

Participants' Perspectives on Entrepreneurship

The seven African American male entrepreneurs participating in this study started their businesses with very little money and most with limited to no business experience. They have been able to achieve a level of success in their chosen business fields, as demonstrated by their ability to generate revenue. The research participants' demographics, backgrounds and industries were mixed, but some of their perspectives and experiences as African American male entrepreneurs were very similar.

For context, during the interview process, all of the seven participants were asked why they decided to start or acquire a business, for their definition of business success, and whether location played a part in their business success. They were then asked what they felt were the key success factors for starting, acquiring, and sustaining their business. Additionally, the participants were asked about the unique attributes of their business which provided a competitive advantage. The responses are discussed below prior to the discussion of themes and subthemes. The participants' quotes are identified by "Participant" and a letter of the alphabet, and the page number where the comments can be found in the transcript.

Decision to start a business. African American male business owners in the study started businesses for many different reasons: current work-related situations; desire to control their own destiny; build wealth; leave a legacy; be happy; follow a family tradition; and to rectify a lack of career advancement.

There were several reasons Participant A decided to leave a previous employer to form his company. First, his employment situation was getting worse. He lamented about the continued employee downsizings. He said: "I was the one telling a number of people they didn't have jobs, and it started to wear on me" (p. 1). Second, he decided to pursue entrepreneurship because it would give him "more the aspect of just controlling my time and my work destiny myself" (p.1). He was working 12 to 15 hours a day for someone else and determined he would rather work for himself and put in the same amount of time, but build a business he owned and controlled. Third, his decision to start a business was driven by the desire to create wealth. He stated: “I think I felt that if wealth was gonna come from it, it was gonna help myself and my family, and building wealth was gonna be a better route than continuing in the path and working for someone” (p. 1). Further, he commented: “It’s one of the top factors, to build wealth, to help my family, and two or three generations, hopefully” (p. 1). Finally, he was influenced by the desire to be happy. He said: “I think the most important part of it is being happy; people being happy working with you” (p. 2).

Family of entrepreneurs. Family role models influenced several participants to start a business. Participant D had been exposed to entrepreneurship through a family of entrepreneurs—uncles and a granddad working for themselves—all of his life, whether as carpenters, plumbers, painters, electricians, or masons. He said:

> I grew up thinking, gosh from the time I was 10 years old that I would be a business owner. It never really dawned on me that I'd ever work for someone else. It was just what I saw, right? You know, for me it was kind of a foregone conclusion that you go into business for yourself. (p. 2)

After graduating college and working 10 years in manufacturing operations for a large printer manufacturing company, Participant D decided to use some of the skills learned there to open a business. He said, “That was kind of how I got started. It was just always there in the mind that I'm going to be my own business owner” (p. 2).

Family business ownership also influenced Participant F, but in the franchise restaurant industry. From an early age, his family and family friend were restaurant franchise owners. He commented: “My family has always owned restaurants, and we started in Buffalo. Looking at my father, looking at his friend, looking at my uncle, they’re all restaurant franchisees” (p. 1). At the age of 40 years old, he decided to pursue ownership of a large well-known fast food restaurant franchise, as he had heard they were looking for minority franchisees with a 4 year degree. He met those initial qualifications and subsequently applied for and received an opportunity to become a fast-food restaurant franchisee.

Lack of career advancement. After being passed over several times for promotional opportunities at one of the largest automobile manufacturers, in favor of “someone with less experience who didn’t look like me” (p. 1), Participant E decided to take matters in his own hands. He also decided to buy a franchise, but in a service industry. The franchise only serviced residential customers and charged a franchisee fee. He said: “It was limited to residential and along with the franchise comes a franchise fee. That was around 7.5%, I think or 7%.” (p. 1). So, after 5 years as a franchisee, paying a monthly fee, he decided to open his own business where he was able to service a wider customer base without a franchise fee.

“Business success” definition. Participants noted varied definitions of business success. Remaining in business beyond 4 years, receiving recognition from clients and the community, and obtaining a certain level of financial success were some of the definitions of success.

Being in business. When asked to explain their definition of business success, Participant B, one of the youngest participants in the study, having been in business for about 15 years, leaned forward on the couch and said, “Just still being in business, that’s a success” (p. 7). That was an astute comment from someone so young (under 40 years old), whose company began as a marketing company, but transitioned into [collateral services] as the business climate changed.

Recognition. Participant A has been in a service business for over 28 years. He started working for a well-known service company, initially at the corporate level, then in sales. There were four factors Participant A described when answering the question about defining business success. He said:

> I define it as, now, there's the profitability factor. There's the employee factor, in that your employees come to work every day and enjoy working with you, and working at the business you've built. The ability to give back to the community and to help others; then you have the objective factor in finding that your business is ranked, in this immediate area as one of the top commercial businesses in your field. So those are other factors that I've looked at that have helped me define success. (p. 2)

The same participant pointed to a recognition plaque on the wall in his large, corner office. He noted there were a number of plaques and certificates displayed on the wall in the reception area from some well-known large service companies represented by his company. He said: “We're an independent. We don't have a plaque for all, but we represent a little over 25” (p. 10). This is validation that Participant A has achieved a level of business success in his industry, including financial goals.

Financial goals attainment. Business success for Participant F, a franchise owner of one of the largest, well-known, global, fast food restaurants chains, who has been in business for 17 years, was defined as the attainment of financial goals, such as certain levels of profitability and cash flow within his business. He stated:

> I guess at the end of the day, the more profitable your business can be is very important. So, if your cashflow is very strong, very high, then it gives you flexibility to pay all your bills, pay your workforce, and also give back to the community. (p. 6)

Participant H, a contracted services broker, having been in business over 26 years, concurred with the definition offered by Participant F relative to business success being about profitability. He said: “Business success is meeting corporate goals ... making a profitable picture for the year” (p. 13). He further noted that success was being respected and having a “good reputation” (p. 8) in the community which could enhance his ability to get business. He continued: “If people see you as a person with a good reputation, one that’s respected, one that they think they can trust, then that gives you better opportunity” (p. 8).

Participant C pondered the question: How do you define business success? for a couple seconds before responding “That’s a good question” (p. 2). He continued: “I think it starts with a desire to excel and exceed expectations. So, I think in the business world, if one is exceeding the expectations that you’ve set forth, I would consider that achieving some level of success” (p. 2). Furthermore, he explained:

> The expectations or goals do not have to be financial, but could be people development goals, community support goals, being a good corporate citizen—whatever the goals are that we set for ourselves, when achieving those or exceeding those I consider that to be achieving a level of success. I don’t think success is a destination. I think it’s something that is an evolving kind of thing and it changes from time to time. (p. 2)

Many of the study participants responded that business success was financial, being able to achieve certain goals and objectives, including a level of profitability. Some noted having a good reputation, being able to give back to their community represented success, while others thought industry and community recognitions were important acknowledgements of business success.

Location impact. Study participants were asked if location played a part in their success. The responses were mixed, suggesting that they preferred to be located either in the suburbs or inner city. Participant A, located just outside the inner city, stated: “I would be naïve to say [location] hadn’t” benefited his business (p. 7). Further, he indicated there are certain groups of people who would not feel comfortable coming to his office if it were located in the inner city.

> But there is a large percentage of the population, I shouldn't say large, there's a certain percentage of the population that would not feel comfortable. And I don't think that is strictly a White and Black issue either. That's just, you're just not comfortable in certain areas. And that's true of a lot of urban areas. (p. 7)

Suburban location. Being located in the suburbs has been a challenge for Participant C. The suburbs do not have the African American customer base to support his business. He noted:

> For the last 5 years that I've been looking at numbers, maybe it has grown to about a 3% African-American population, which is may be double what it was 20 years ago. So, from a standpoint of having had a lot of people located in close proximity that would potentially be more prone to supporting African-American businesses, we haven't had that. (p. 12)

Inner city location. Participant D was very comfortable having his business located in the inner city. He grew up in the inner city, and stated his businesses would always be located there. He said:

> As it relates to being in the inner city, this is the only place I'll be. I personally grew up [here]. I grew up in the inner city. I grew up poor. I went to city schools. You know, and I'm always going to stay. My businesses will stay right here in the inner city. (p. 15)

Research Questions

In order to determine the theory of how African American male entrepreneurs can be successful, the questions guiding this study were: What do successful African American male business owners think are the keys to obtaining and sustaining success? What are the unique attributes of these businesses that provide a competitive advantage?

Data Analysis and Findings

Grounded theory, a form of qualitative research, is a methodological approach that seeks to construct theory about issues of importance in the lives of people—grounded in data (Corbin & Strauss, 1998, 2015; Glaser & Strauss, 1967). The tenets of the grounded theory methodological process were employed in this study. Theoretical coding, memo writing and note taking occurred during each phase of the coding process. The first phase, initial coding of the interview data consisted of words, phrases, or sentences copied verbatim from the data. This data was put into an Excel spreadsheet as a linkage between the raw data and the process used to draw meaning from the data. This initial coding phase provided some insight into what the study participants viewed as keys to success for African American male entrepreneurs.

The next phase, axial coding was used to begin establishing relationships between codes and consolidating some of the initial codes into categories. Those categories were then compared against the others. Theoretical coding was valuable in enabling the researcher to identify and refine concepts as they emerged from the data. They were then sorted into six main themes: (a) demonstrate the ability to recognize and seize business opportunities; (b) employ strategies to access financial capital, (c) use mentors effectively; (d) have a detailed knowledge of business; (e) use adaptive strategies to counter direct and systemic racism; and (f) demonstrate a resilient mindset. The subsequent themes and subthemes are the result of following the grounded theory qualitative process.

The Theory

The theory that has emerged from this study is: *surviving entrepreneurship as an African American male*. The embedded themes include: demonstrating the ability to recognize and seize business opportunities, securing financial capital, utilizing mentors effectively, having a detailed knowledge of their business, understanding and being able to counter direct and systemic racism, and demonstrating a resilient mindset (Figure 4.1). The white circles in Figure 4.1 represent success factors which are common for all entrepreneurs. The gold circles represent additional success factors which are critical for African American male entrepreneurs. There are facets of financial capital which are unique to the African American male experience and success.

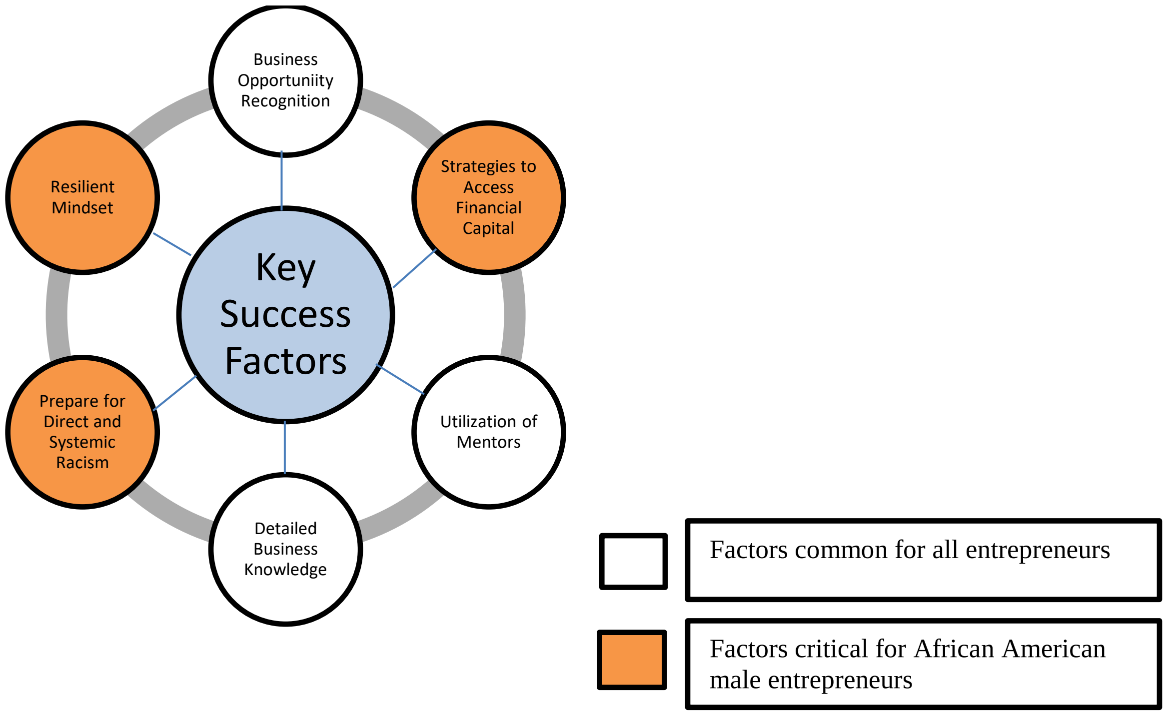

Figure 4.1. Key Success Factors for African American Male Entrepreneurs.

Business survival is predicated upon the African American male entrepreneur's ability to "figure it out," being able to maneuver around barriers, such as lack of community acceptance, and reluctance of businesses to award large contracts to "a black business owner." Participant D stated: "I always make the statement that entrepreneurs are going to always be entrepreneurial. Basically, all that means is that we're going to find a way because going out of business for an entrepreneur is not an option" (p. 4).

Recognizing and seizing business opportunities. Being a successful African American male entrepreneur suggests having a level of astuteness. Specifically, that assumes having the ability to see opportunities weighed against capabilities, and financial capital needs and make appropriate business decisions.

The first theme that emerged from this study was to recognize and seize business opportunities as a couple tenets of successful African American male entrepreneurs.

Entrepreneurs by definition are able to “figure it out” (p. 4). Even though faced with racial discrimination and immense competition in the selected line of business, Participant D said: “I just put racial discrimination in a bucket of business things to overcome”(p. 1). Furthermore, “We’re businesspeople [and] our job is to figure it out”(p. 4). So, they have been able to recognize opportunities, racial discrimination, and carve out a niche which has allowed them to survive for more than 20 years.

The subthemes for this section include preparation, unmet needs, and opportunity knocking. Each subtheme is discussed in the following sections.

Preparation. “Figuring it out” means being prepared and able to respond quickly to business opportunities. That suggests having the requisite skills, resources, products or services either internally or externally at one’s disposal. “I believe preparation is very important” said Participant C (p. 3). Moreover, whatever it is “that you’re passionate about that they really prepare themselves [and] train very heavily in that direction. Prepare yourself in that direction. Look at what opportunities are in that direction and start to pursue that” (p. 5).

While “figuring it out”, make sure customer requirements are understood, according to Participant D, who said, “Understanding what those requirements are, and making sure you are well prepared” (p. 5) is vital to seizing business opportunities. Securing that information might require some research to minimize business risks.

Participant A noted that to be well-prepared suggests minimizing risks by “having a plan that’s gonna demonstrate success and sustainability” (p. 8) and the ability to survive during “the ups and downs,” according to Participant C (p. 13). Sometimes being prepared means commitment and devoting a significant amount of time to the endeavor.

Participant H stated: “If you’re gonna be in this type business [then] you better be prepared to spend a lot of time” (p. 3).

Unmet need. Participant B was prepared and saw an unmet or perceived overlooked need for marketing in the area as an opportunity to start a business. At the time he launched his business, there were no other African American male or female-owned businesses operating a similar business in upstate New York. The potential customers were small businesses, with very little money, and little to no knowledge of marketing. He said:

> There was a need for marketing in the inner city area. There was a lot of mom and pop shops that didn't have marketing. They couldn't basically afford it, or they weren’t educated about marketing their business. So, we decided basically to start knocking on doors and seeing if we could provide them with that service. (p. 1)

After a few years operating exclusively as a marketing company, Participant B, who was technologically savvy, observed the changing marketplace and decided to add different development capabilities to his business. He stated, “We expanded to [business] development as well” (p. 1). Later, [business] development was added as part of their business. When asked why they decided to pursue [business] development, he responded:

> [This type of product] was very, very new, and it wasn't really something that was mandatory to have back then. So, it was more of a luxury [to have this type business development capability], but we saw where the future was heading. We knew that [this] was gonna be [the future]; you have to have [it] if you're in business. (p. 1)

Opportunity knocking. Participant H stumbled upon an unmet location and product services need. He said, “I really hadn't planned on going into business. Here's an opportunity probably knocking right at my door, and I'm getting ready to turn it away without even giving it any thought or even taking a look at it" (p. 1). After much consideration and market research, he decided this was a great opportunity and opened his business as a contracted services broker (sole proprietor) with one of the largest, well-known brands in the industry.

Sometimes when an opportunity is identified by African American male entrepreneurs, seizing it might require securing financial capital. Strategies to access financial capital is the theme for the next section.

Strategies to access financial capital. Seizing opportunities and being successful would require having access to financial capital to be able to respond quickly to business opportunities. Financial capital was the second theme identified. The subthemes for this section are financial acumen, banking relationship, and debt management types. One of the ultimate goals of starting a business is sustainability, which would be difficult without adequate financial resources.

Nevertheless, many of the participants started their businesses with limited financial resources, bootstrapping themselves in the early stages of business by either using personal funds from savings or using monies received as a “buy-out” from corporate downsizing. Participant H said: “They were giving a package, and I had an opportunity to take it” (p. 2).

Financial capital needs tended to get a lot of attention, as the participants were concerned about start-up business survival or longevity. Participant A indicated that:

> When you start a business, and depending upon when you start that business, capital is always a factor. And so, it was very important that when you start this business that you're gonna be able to sustain some form of your lifestyle and still build your business. So, a lot of businesses start, and it's not for lack of a good idea, most of them run out of capital before they're able to make it a success. (p. 3)

Participant A continued, "So, when you start off, you have to have savings [at your disposal], some money there to start the business, to be able to sustain the business through the early growth phase" (p. 4).

Participant H concurred with Participant A, emphasizing the importance of having a source of financial support during the early stages of business development. When asked what he thought were the keys of success when thinking about African American males becoming entrepreneurs, he responded:

> To come into any position like I came into here, I had to have at least 2 years of solid income to carry me. And that had to be an investment out of my pocket to say, for 2 years, I can survive until I build this business in order to make a living out of it. (p. 5)

It is important for African American male entrepreneurs to have enough financial capital to sustain the business during the early stages. Having an understanding of finance could help determine how much is enough.

Financial acumen. Having more than a basic understanding of finance and working knowledge of some key metrics was noted as important by more than half of the participants. Participant F spoke of the importance of "being financially literate, knowing your numbers” and “understanding the key ratios of your business” (p. 9). Participant H talked about “knowing how to keep books” and having “an understanding of profitability and income versus expenses” (p. 13).

Businesses need a closed-loop financial process to survive and be a profitable entity. This process begins when businesses get customer orders and continues as they provide products or services and collect money. Participant E talked about the need to, “…bill a customer, get paid, know how much out of the dollar is yours. It may not be but 5 cents out of that dollar it’s yours” (p. 5).

Participant H appropriately pointed out the need to understand how credit works as many of the business transactions are made using credit. “If you don't have good credit, you're gonna have a hard time getting anybody to lend to you” (p. 5) as an African American male entrepreneur. Further, he said, “You need good credit where you can borrow, do a personal loan if you so need to” (p. 5). Additionally, he said, “If you don't have good credit, even if you get financing, there's gonna be such a high interest rate that it's a disadvantage to you” (p. 5). The interest rate charged is driven by credit score, a number that represents the risk a lender takes when you borrow money, which “is a big deal in just about anything you do” (p. 6).

Banking relationship. Banks and other financial institutions look at credit score to help determine credit worthiness. Sometimes it might be necessary to seek a bank loan to start or sustain a business. Without a solid banking relationship, obtaining a loan and a favorable interest rate charged could be difficult, particularly as an African American male entrepreneur. They have had differing experiences with banks. Participant A explained:

> I've had some, I've had success. I didn't have it initially, just like a lot of us, and part of it was, I think the fact that going into business, being a bank, or being an African-American and starting a new business, I guess we don't get the benefit of the doubt [as White people do]. But as my business has grown, I've been able to go to various banks in the area and have gotten [financing]. (p. 8)

Further, he noted that relationships with African American male entrepreneurs are improving because smaller regional banks are seeking to serve a diverse set of customers. His comments were, “[With] the advent of regional banks and the small regional banks comin' in that were more small business owner friendly” (p. 9). These banks see African Americans as an untapped market opportunity.

Participant E was not as confident about securing a bank loan. He noted that banks do not aggressively pursue lending opportunities with African American-owned businesses as they do other races. This is partially because of race, location, type of business, and perceived risk. He indicated that:

> Most people think banks are there to fund your business. Banks are there when you don't need them. A bank is there to make money [so,] don't just depend on the bank to fund your business, 'cause that could be money you could save. It could make you more competitive, as opposed to putting a percentage on there where you got to pay the bank, if you can get a loan from the bank. (p. 7)

Debt management types. Having a good banking relationship suggests being able to borrow money or take on one of three types of debt for business reasons. The three types of debt are good, bad, and line of credit; each needs to be managed.

The decision to take on debt or not can be agonizing for some African American male entrepreneurs as they recognize debt can come at a cost: survival. Participant D suggested the financial survival of the company is threatened when the decision to borrow funds or "go into debt" is made versus paying cash, even though having no debt negatively impacts the credit score (p. 12). The comments made above and below demonstrate Participant D's preference for having "zero debt." He said, "It was a struggle meeting those notes" (p. 5) and "[being debt free] kind of helps you weather the storm when business goes down" (p. 6). Participant H said he preferred to remain debt-free by "self-funding" his business's start-up and growth phases. That position was supported by most, but not all of the participants.

Good debt. Good debt is considered an investment that will grow in value or generate long-term income. Participant E noted that there are times when it makes sense to go into debt when the opportunity is "so large you can't finance it yourself" (p. 8). Supporting that line of thinking, Participant F explained debt could be used appropriately to "pay for capital improvements" which he considered "good debt" or an investment (p. 5). Participant F was given an ultimatum by corporate to improve the restaurant by investing close to $1,000,000 or lose the franchise. The good news was not having to pay the total cost. He said, "So, they partnered with us where they would pay 55%; we're responsible for 45%. But it's still a lot of money. So, a lot of it, I tried to pay cash originally" (p. 9). The goal was to, "get the lowest interest rate possible and to pay it off as quickly as possible." Further, he said: "I do everything I can to be debt-free" (p. 9) and certainly not take on bad debt.

Bad debt. Credit card debt, payday loans or cash advance loans are examples of bad debt which generally carry a higher interest rate. Often these are the only choices available to African American male entrepreneurs, given banks' reluctance to lend to them. Participant A explained that part of: "… my initial financing … was credit cards", as he was unable to borrow money from a bank as a new business (p. 8).

Participant F noted: "Bad debt is where basically you have unexpected expenditures that keep coming up ... . It could be the heat and air conditioner unit goes out. It could be liabilities with people slipping and falling and causing your insurance rates to go up" (p. 5).

Line of credit debt. Another debt option is line of credit which is a preset amount a bank agrees to lend you. It can be used as needed up to the maximum approved amount. Some of the participants used line of credit debt to support short-term working capital needs, even though the terms were less than favorable, with the goal of paying down the line of credit as quickly as possible. Participant E cited an occasion where he was unable to get an unsecured line of credit from a financial institution. He had to resort to obtaining a line of credit 100% secured by his own money, a common challenge expressed by many of the participants.

> I had to put up $100,000 when I started my line of credit to get $100,000 line of credit. They hold your $100,000 in an account against the line of credit, and in most cases, don't pay you any interest, but charge you interest on a line of credit they're allowing you to work off. (p. 8)

Participant F reluctantly opened and used a line of credit with a financial institution instead of going to a bank to satisfy an immediate financial need. He said:

> For the first time in the last, I'd say 3 months, 4 months, I've had to rely on lines of credit. So, I have paid off my line of credit as that was something I just had to do in lieu of trying to get more money from the bank, [or] loans, stuff like that. I don't like lines of credit, unless you have to have them. (p. 9)

Participants felt having mentors with financial experience could help African American male entrepreneurs understand the importance of and how to secure financial capital.

Utilization of mentors for business success. The third theme speaks to the importance of having and using a mentor as a resource to improve chances of business success. The impact mentors have had on African American male business owners' success was apparent for most of the research participants interviewed. The gender of the mentor did not matter, nor did the race. What mattered was the connection or trust created between the mentor and the African American male entrepreneur; and the relevant experience of the mentor.

The study found three subthemes for this section which include valuable resource, available for advice, and give you tough love. Each subtheme is discussed in the following sections.

Valuable resource. Mentors were considered a valuable resource for African American male business owners during the early and growth phases of their business development, providing guidance on a number of issues confronting them. When asked about the key to their success starting and sustaining a business, Participant B stated, "We learned to sustain it, one, by relying on our mentors. A lot of those early relationships that we built, they became mentors to us" (p. 3). Mentors provided them guidance when faced with unfamiliar situations. The same participant stated:

> We learned to, when we get into situations we don't understand or know how to get out of, we go to our mentors because nine times out of 10 they've been through it and they can instruct us on how we can get through it. (p. 3)

Furthermore, mentors are a resource to increase the African American male entrepreneur's learning curve, particularly for first-time business owners. Mentors can also help to improve the longevity of the business because of advice rendered.

Available for advice. Participant C indicated that "finding a mentor … who was available to call on for different advice or direction if we want feedback regarding business" (p. 3) was very important.

Participant D also confirmed the significance of having mentors. He stated:

> I personally think it's very, very important to have mentors. Even if you don't define them as a mentor, just to have people that you can bounce things off of. Especially, when you first start in business, and if you've never run a business, there are going to be so many gaps. (p. 12)

Further, Participant D provided some insight into the relationship he had with one of his mentors, a successful Italian businessman, who helped him close many of his business related gaps. He said, "I was very, very lucky I had a local owner [who was]" (p. 11) willing to give me advice and spend time with me. "Any time I had a question I could just pop over. I didn't even need an appointment. He would answer any question that I may have had" (p. 11).

Many of them valued having someone give them advice who had experienced issues similar to ones they were currently facing. Even though sometimes the advice might not be what they expected, the participants welcomed having a mentor be honest with them by giving them tough love.

Give you tough love. Participant F noted that as a businessman, there are times when he might be conflicted or unsure of a business decision. Having a mentor “who will give you tough love” is good to help him “figure it out” (p. 19). Participant F’s experience articulates the need for input from someone outside the business with an independent perspective because “chances are someone has already done it. So, if they already did it, then you might want to just piggyback off them” (p. 19).

Mentors are considered a valuable resource for the success of African American male entrepreneurs. They provide a different perspective often making themselves available when needed to clarify points of view. It is good for entrepreneurs to receive positive feedback, but it is equally important to get a reality check. Mentors provide tough love or a reality check to aid entrepreneurs in making tough decisions. Additionally, they stress the importance of knowing their businesses which is the next theme.

Detailed business knowledge. The fourth emergent theme was business knowledge. Knowledge of the business establishes credibility with stakeholders, customers, and suppliers. It also enables strategic market positioning to gain a competitive advantage based upon product or service uniqueness. The three subthemes that emerged under this theme were: unique product or service offering, understanding the market, and understanding the business. Each is discussed in the sections that follow.

Unique product or service offering. Offering a product or service that is unique from the competition can be an appropriate strategy for African American male-owned businesses to gain a competitive advantage, which aligns with the resource-based theory which was discussed in Chapter 1. When asked what was unique about his business, customization and being a minority-owned business in his chosen field was the response from Participant B. He stated, "[We provide] customer [product] customization [whereas products from] most marketing firms or [business] development firms, they utilize templates". Further, he said, "We're a minority business and it's sad, but there aren't many minority businesses in our industry in this area" (p. 8).

Participant C suggested that being in a capital intensive industry, with high barriers to entry, as an African American male owned business, in this region of the United States, was unique and his products were not easily copied or substituted. He said: "There have been 15 plus African Americans…in this market over a period of time and there were three that survived" (p. 10). Being able to survive for more than 20 years is also unique without being a second- or third-generation business.

Participant A submitted that his business was unique in that it is able to offer customers advice not only on the purchase of their product, but other ancillary or complementary services. He spent 14 years in some of those complementary service areas. As a result, his company is able to serve a wider array of customers, from individuals to commercial clients. Some of their competitors are not able to do that, being restricted to one customer base or the other. Further, Participant A stated, "It's a huge competitive advantage because they can't write some of the commercial accounts that we can. They don’t do a lot of bonds. They don’t do large manufacturers and even some small manufacturers” (p. 10).

Participant D indicated there is nothing really unique about the capital intensive manufacturing businesses he chose to open. He said, “There are so many of us that do what I do. I chose the field because there were so many that did it” (p. 9). Moreover, he stated, “I think the one thing that I do that's probably different [is] we focus on cost no matter what. Where you can make an impact today is in costs” (p. 9).

Other participants saw being aligned with a well-known major brand offered a unique competitive advantage. That alignment ensured the need to understand the market served.

Understanding the market. An understanding of the market suggests that some market research has been conducted to determine if the product or service is needed in the industry or government agency being considered. Conducting the research can help identify unmet customer needs, potential competitors, and prevent unnecessary financial risks. Participant C noted that:

> It's important to understand the market and understand is there a market for this thing that I think I would like to do? ‘Cause you can love it and prepare for it but if there's not a market for whatever that is then that’s kind of a concrete barrier that one doesn’t need to beat their head against. (p. 5)

Participant D asked, “Is there anyone out there that has a need for that product” (p. 5)? Depending upon the need, different marketing tools and tactics might need to be deployed to keep up with changing market directions.

Participant A felt the need to use different marketing tools to determine or validate the opportunity for his company to capture a portion of a new market segment, the Hispanic market. He said, “We can also market to different, to [a] bilingual market. We can market with Spanish flyers to the Hispanic community” (p. 6).

Participant E concluded there was a market for his business services within the government and was the only participant to mention government programs as a potential source of business. He had heard about the federal government’s SBA 8a program which is an SBA business assistance program designed to help small disadvantaged businesses, such as his. The program required businesses to become certified, and they did. Subsequently, through a bid process, his company secured a lucrative contract and several smaller contracts over a 20-year period.

Participant E was asked if he thought the 8a program was beneficial and should be discontinued. He responded it was beneficial and should not be discontinued: “8a was our primary success” (p. 3) with the federal government. Further, he said there was room for improvement in the certification process:

> Being certified in the 8a program allows you to compete with other companies that are on the same level you are. 8a should never be done away with. However, I think it needs to be scrutinized. Back when I was certified you had to prove that you were socially and economically disadvantaged. Now it looks like they’re really bending the rules on the certification for 8a. (p. 3)

Participant E explained seeing White-owned companies at trade shows claiming to be minority-owned and 8a certified who did not look like him. He was asked by the researcher how they received certification and said “I can’t comment on that. I don’t know" (p. 3). He suggested some of the rigor of the process faced during his certification process may have been relaxed and may need to be reviewed by the SBA.

When asked if he had done any business with New York State, Participant E noted the amount of business was minimal. He responded: "With the state, we're last on the [supplier list], even though we are certified as a minority-owned business" (p. 2). He indicated most of the contracts they bid on are offered to a preferred source and "it's only when the preferred source turns them down that they can come out and offer them to other businesses," (p. 1) such as his.

After conducting some unsophisticated market research, Participant B understood the market was ready and the timing was right for the introduction of customized business products to small African American and Hispanic businesses in the area. The concept of having one's own customized product was still growing, as not every business had one and fewer understood how to create them. The strategy used by Participant B was to begin selling or informing customers about the value of their product. He said: "So we started educating our clients on the importance of having… and what this investment would do for yourself in the future. Once they understood that, then that's how we dove into the [business development] side of things" (p. 1).

Understanding the business. In order to understand the business, participants noted the importance of having intimate knowledge of their products' or services' capabilities relative to the market needs. Participant D stated when given an opportunity to bid on a job for his company, he would compare the customer requirements to his businesses' capabilities. He said, "I look at my own limitations and say okay, that's the product you want to do. I have the ability to manufacture, market, sell, and distribute that product" (p. 5). If there is no match, then there are decisions which need to be made like declining the offer to produce the product or subcontracting with another business. Further, he noted, "The one thing that you learn very, very quickly is when you start from scratch and, you're building up with no product at all going through…you learn the business. You learn that full business" (p. 5).

Participant C said that, "Understanding the nuances of the industry was something I had to learn; I had no teacher" (p. 8). Understanding nuances helps determine what the business is able to perform, Participant E commented that, "observing and attending trade shows" (p. 9) increased his business knowledge.

Participant F suggested that the way to learn the business is by "performing many of the duties in the restaurant" (p. 5) from cooking, to cleaning, to working the register, to supervising employees, to managing the books. The experience gained helps the owner be knowledgeable of all facets of the business.

Knowledge of the business includes offering a unique product or service into a market to gain a competitive advantage, as well as understanding the market and the entrepreneurs' specific businesses. Having intimate knowledge of the business is no guarantee African American male entrepreneurs will not be faced with direct and systemic racism during the normal course of business dealings.

Prepare for direct and systemic racism. The fifth theme which emerged from the data was direct and systemic racism and which was experienced by all of the participants. In this study, direct and systemic racism is the overt or hidden actions and reactions from White people towards African American male entrepreneurs. These acts of racism often occurred when meeting with White people for the first time. During these encounters, critical decisions were made relative to with whom to do business, whether to recognize the owner as an African American male, to prejudge capabilities, and whether to give the benefit of doubt or not. Many of participants referred to these as institutional racism.

Participant A noted that history played a significant role in institutionalized racism. He said, “But I think history has a lot to do with it, and I believe some of it is systemic [racism] in our society.” (p. 8). Further, he stated:

> I think people of color face other obstacles that White people don’t face. I mean it’s been proven through studies and statistically and through court cases, just the ability to gain access to capital for people of color who are in business, is a much [bigger] roadblock than it is for non-people of color [White people]. African Americans tend to have more roadblocks in business than other nationalities [sic]. (p. 8)

The subthemes which emerged from the data were: when I see you for the first time, not given the benefit of the doubt, and comfortable with people who look like me. Each is discussed in the sections that follow.

When I see you for the first time. There were several direct and systemic racist messages received by African American male entrepreneurs during first meetings, with the same or similar results. Participants shared direct and systemic racism experiences where they had “good over the phone” relationships with customers, such as getting steady orders, but which changed once they met face-to-face. Participant A noted, “You can walk into a business and you've talked to them on the phone, but when you walk in, they find out you're not who they thought you were” (p. 4). He was asked to explain and said:

> They thought you were a majority business when you communicated with them over the phone. But when you sit down in front of them, they find out that you're an African American business. And sometimes, those meetings would be very short, or you wouldn't get an opportunity that you thought you were going to get over the phone. (p. 4)

Participant D cited some blatant examples of direct and systemic racism from White people during their first meetings. He said:

> You know, I've had flat out cases where and, you know, this was a true case with [ABC] company a number of years ago and, the sourcing manager looked me right in the face and said, "There's a lot of people around here who don't want to see a black man make more money than them." I mean, that came right from the person responsible for sourcing work to us. (p. 1-2)

He understood very quickly as an African American male business owner that no one was going to give him a $2,000,000 or $3,000,000 contract. So, he used a different strategy to get the same amounts. He diversified his business becoming more vertically integrated, completing many of the processes internally. Instead of focusing on getting one large contract, he would get 10 smaller contracts for $200,000 or $300,000. Contracts that size were more palatable to his customer base.

Another example was cited by Participant D. He said:

> You know, I had a case where this company sent us work; we were doing the work, we were performing well. They had never seen me, they'd only talked to me

on the phone and, they'd invited me to come out to see them because they were pleased with our work. When I walked into the door, they came out to greet me, this one white woman looked at me and said, "Oh, you're black." That was her first response, she didn't say, hello, she just said, "Oh, you're black." And, they didn't take work from us. They let us finish out all the orders we had, and we never received another order from them again or, another chance to quote. So, the stories are real. (p. 2)

Further, Participant D indicated there are customers who refuse to answer or return his calls. He decided not to waste too much time on them, but continued searching for the next customer willing to take a chance with them by giving them the benefit of the doubt.

Not given the benefit of the doubt. Participant A stated:

…we have to demonstrate, I think, constantly that we are very knowledgeable in what we do. I think they [White people] get the benefit of the doubt sometimes. I believe there are times when they walk through the door, they're considered to be knowledgeable, right? We walk through the door; we have to demonstrate right off the bat that we know what we're doing. (p. 7)

Additionally, Participant A suggested there is a difference in the margin of error provided African American entrepreneurs compared to White people who can make mistakes and still be given another opportunity. He said: “I don’t think our margin of error is the same” (p. 7).

Further, Participant A noted there were times doubt was expressed about him being the business owner when visiting customers, often automatically perceived by White people to be a staff member. He stated, “I have walked into businesses with my staff and have people start talking to my staff as if they were the owner” (p. 7). They were corrected by the staff.

Participant B indicated disappointment with not being given the chance to compete for business with some non-profit organizations. This occurred even though he had a good reputation and had been in business for over 10 years. He said:

> …sometimes we may walk into a place to sell our service and just right off quick glance, we come in dressed up professional, we have a 15 year business and before we can even let them [not-for-profits] know who we are, what we do, it's just an immediate no. And I honestly feel it's because that we don't sometimes look like they do. It kind of sucks because sometimes they don't even give us the opportunity to sell them on it. And I promise that if you give us 5 minutes, you'll be blown away with what we've done, where we're heading, what we do for everybody around us. We constantly, constantly, constantly have to go above and beyond. We can rarely make mistakes because the one time we make a mistake, we're going to get disqualified or put on a pedestal for that, and not a good one. (p. 9-10)

Many of the participants suggested they were not rewarded with business or given the benefit of the doubt because White people were uncomfortable with them because they looked different.

Comfortable with people who look like me. African American male entrepreneurs sometimes are perceived as less knowledgeable, unable to lead businesses in the suburbs versus the inner city, compared to their White counterparts. Therefore, they get passed over for opportunities even though capabilities are the same. This could be because some White clients and suppliers are uncomfortable with people who do not look like them.

In an effort to mitigate the discomfort, Participant E used an adaptive strategy. He hired a White development person, to break through the roadblock with customers unwilling to do business with him directly. He had tried for many years to get a contract with some businesses but was unsuccessful until he hired a White development person. This is a strategy used by some but not all African American male entrepreneurs. He explained:

> I personally found out that people provide opportunities to people, to companies, because of relationship, because of who they feel more comfortable dealing with. He has been able to get in doors that I've never been able to get into, over 30 years. So, there is a relationship when it comes to ... and a trust factor when it comes to people that look like you. If I must say. People feel more comfortable dealing with people they know or who look like them. (p. 1)

Participant A was uncomfortable utilizing a similar strategy indicating that he was unwilling to do business with someone who did not want to do business with him because of his race. He commented: “If you can’t do business with me, then we’re not right for you nor am I the right person to do business with you” (p. 8).

Participant F experienced a level of discomfort from the franchisor by not being given a “better” store in the suburbs like his White counterparts. He was given an inner-city store which was rundown, and had drug-related problems, instead of a store in the suburbs. Further, he noted there were different, even higher standards, such as store ratings, being applied to him because of his race. He said:

> My majority friends, we talk about it all the time, they don't see the stuff. I think they get some passes on when it comes to some store ratings. I think that if it comes to deals coming up or new stores coming available, they find out about it first before we find out about it. Unless you're in the group or connected to them at a level where they're gonna tell you stuff. You have to understand that you have to work harder than everybody else. And that being said, majority owners, the franchisees, they generally get the better restaurants. They're in a suburban area and so forth. (p. 10-11)

Participant A noted there were times when things happened which appeared suspicious where he had the same capabilities as his White counterparts, but was not given the same opportunities. He thought it was because the people making the decisions/giving the opportunities were not comfortable with him because he was an African American male. He said, "[It is strange that] when you have the same thing on paper as other small business owners, you're not able to access opportunities that other businesses have" (p. 4).

Resilient mindset. Even though African American male entrepreneurs are overlooked for business opportunities, it is important for them to maintain a resilient mindset. This was the sixth theme emerging from the data. The subthemes were: reinvestment as a strategy, building a network, utilizing technology, staffing, and visibility. Each is discussed in the following sections.

There were many tough and sometimes conflicting decisions the study participants needed to make to survive, hence stay in business, which required a resilient mindset. For them going out of business was not an option. Participant D was asked to explain resiliency. He paused for a moment, sat back in his big, black executive leather chair, and said:

> I looked at my business and said, okay things aren't going that great, what do I need to do to stay afloat? Do I need to cut employees? Do I need to downsize in terms of my physical overhead? What do you need to do to survive? (p. 12)

Participant D was resilient in the decision making process. He further explained the importance of removing emotions so he could think clearly and make the best decision for the business. He noted that in business having a resilient mindset is sometimes needed when deciding between long-term survival of the company and short-term personal sacrifice:

> There are times you're going to need to not take a paycheck. You're going to sacrifice and say, in order to keep these four people on my payroll because I need them, I'm going to have to either reduce my pay, or not take a pay at all. (p. 13)

Reinvestment as a strategy. Participant B recognized the need for resiliency by choosing to reinvest in both the owner and the company to survive, as they are not mutually exclusive. Further, Participant B shared a lesson learned from being in business for more than 10 years:

> We also learned to sustain just by really reinvesting into the company too, because the company is really like the life force of everything. So, if we don't continually invest in the company and continually build the company, then there is no way that we can all grow as a team. (p. 3)

Moreover, Participant B said:

> Also, to sustain yourself you have to continually reinvest in yourself. If you are just collecting but not reinvesting in yourself the business may look old. It may be outdated. But you're trying to go out there and sell people on this new platform or new idea, whatever the case is, if your business doesn't match up to what you're trying to sell or doesn't look appealing as that product you're trying to sell, you know it won't work. So constantly reinvest in yourself. (p. 6)

Participant E explained that it took a certain amount of resiliency to sacrifice personal benefit for business survival, "For the first 5 years, we didn't even take a paycheck. We put everything back into the business. That's how we were able to grow the business" (p. 2).

Building a network. Participant F, the owner of one of the largest, most well-known restaurant franchises, viewed resiliency a little different. He saw it as a means to an end by "building a strong network" (p. 11) to develop a level of trust with those in the know. As a result, they would "invite you into the circle" so you can benefit from information being shared, "you learn more," (p. 11) and improve chances of survival. You could learn the good and the bad about a franchised restaurant up for sale. Without networking, "They ain't gonna tell you that the business or the school or the whatever around the corner's shutting down," (p. 14) which could negatively impact the viability of that restaurant. The comments above demonstrate Participant F's awareness of the need to build a strong network to survive in business.

Utilizing technology. By remaining resilient about business success, Participant A's company was able to survive by "staying ahead of the curve" (p. 5) using technology to their advantage. He said, "We are always looking at technology…being paperless for

18 years. We tend to spend more on technology versus overhead, which has allowed us to do more and be more efficient" (p. 5).

Additionally, they are constantly comparing themselves to their competition to determine any competitive advantages possessed by them. "We look at our competition, so we know what we have to do to keep up with our competition" (p. 5). What new technologies are they using which should be considered to remain competitive?

Staffing. Many of the study participants used technology to find employees, as staffing seemed to be an issue for almost all of the participants. Finding and placing the right employee into the right position, with the right attitude, and the right level of integrity was an issue faced by some of the participants. Participant C commented that he believes it is important to "…surround [ourselves] with the right people and have the right people in the right places" (p. 5). Further, he noted the significance of having: "the right person with the right attitude and the right culture and the right level of integrity" as part of his organization (p. 4).

Another staffing issue the participants faced was the shortage of employees. Participant E commented that, "There's a shortage of workers with the unemployment rate being down to 3%" (p. 12). Even with the shortage they still screen for the best employees. "It's difficult to find qualified workers. We don't hire people because they say they're qualified anyways; we have a three-phase training program" (p. 12) that ensures those hired measure up to the company standards and customer expectations.

Participant C also experienced difficulty getting qualified employees. He said: "Staffing can be a little more of a challenge because usually…when one is going into a rural market…the seasoned people are already stable somewhere…for the most part stable people in the market won’t leave their stable, third-generation business to come and join the … relatively new African American business …” (p. 10). Participant H had the same issue, with a different location, within the city, as well as a retention issue. He commented, “You spend all that time and money, and by the time you get them…trained really well where they're making some major input, they're jumping ship. Seriously. They're gone. So, you just get to a point you almost don't even want to invest in them” (p. 4).

When asked how he is able to recruit and keep good employees, Participant F responded that the quality of employees for hire has decreased over the past 10 years. He said, “So it's challenging now. Back probably, I'm going to say 10 years ago, I used to be able to interview five people and only hire one. Now I'm interviewing about 15 people to hire one, okay” (p. 7).

Participant D noted that staff hiring decisions was one of the toughest and trickiest decisions he has to make: “Do I bring on people now when not generating any money? Because if you bring them in now all of a sudden you're just going to have a sea of red at your bottom line for however long it takes to build that up” (p. 7).

Participant B did not feel recruiting and hiring staff was an issue because of the proximity to a local technical university and the pool of high quality talent graduating. He indicated the university “puts out amazing, amazing, amazing talent year after year. So, a lot of our talent actually comes from them” (p. 6).

Visibility. Visibility and maintaining a resilient mindset were seen by most participants as important factors needed to recruit and retain the right staff. Participants A stated: “People need to know who you are. It’s still about making contact with people.

And so, every day we have something that goes out in an email to them, to certain segments of our customers. It’s on a rotational basis [as] we want to make sure that they know we’re here for them. So, that’s the key” (p. 7).

Participant B indicated the need “to just let people know who you are as a business” (p. 6) and “always be available for your client” (p. 6). Likewise, Participant H noted that word of mouth is one way clients find him: “A lot of folks come in [to the office] because they hear that you will take time to help them.” (p. 3).

Participant C commented that it is important to be visible in the community. He said:

> We have gotten very ingrained in the community, and doing things like supporting Scouts, we support schools. This is the fourth year we've done a [major] give-away to a high school senior. We support, you know, the local law enforcement, local first responders. I'm involved in the community. We're probably as closely connected and attached to the community as anyone in our industry, in this market, I would say. (p. 5)

Resiliency was needed by African American male entrepreneur participants in order to survive and thrive. The subthemes noted in this section were: the importance of reinvesting in the business; building a support network to help navigate business unknowns; effective use of technology; selecting and staffing appropriately; and being visible in the community.

Summary of Results

This grounded theory research study provided a detailed discussion of what successful African American male entrepreneurs think are the keys to successfully starting and sustaining a business. It also included their views of business success, an understanding of why they decided to launch their businesses, and the importance of location to business success.

In addition, it addressed the uniqueness of their businesses that provided them a competitive edge. One of the participants frankly stated that his business was not unique, but that he entered the industry because there were so many competitors that were doing well, thus felt he could, too. Collectively, this information was important to determining the themes and ultimately the theory.

The theory that emerged from the study was *surviving entrepreneurship as an African American male.* Further, six themes were embedded in the theory as key success factors. The first theme was being able to recognize and seize business opportunities which are tenets of successful African American male entrepreneurs. There were three subthemes: preparation, unmet need, and opportunity knocking.

The second theme identified was strategies to access financial capital. As opportunities are being pursued having access to financial capital could allow entrepreneurs to respond quickly to them. The subthemes for this section were financial acumen, banking relationship, and debt management types.

The third theme which emerged from the study was the importance of mentors to business success. The impact mentors had on African American male business owners' success was apparent for most of the research participants interviewed. The gender and race of the mentor did not matter. Having trust and relevant experience was what mattered. The subthemes included valuable resource, available for advice, and give you tough love.

The fourth theme was detailed business knowledge which establishes credibility with stakeholders, customers, and suppliers. It also enables strategic market positioning to gain a competitive advantage based upon product or service uniqueness. The subthemes were unique product or service offering, understanding the market, and understanding the business.

The fifth theme was prepare for direct and systemic racism which is overt or hidden actions and reactions from White people towards African American male entrepreneurs. This racism often occurred during their first meeting. The subthemes which emerged were when I see you for the first time, not given the benefit of the doubt, and comfortable with people who look like me.

The sixth theme which emerged from the data was having a resilient mindset. Even though African American male entrepreneurs are overlooked for business opportunities because of their race, it is important for them to maintain a resilient mindset. There are many tough and sometimes conflicting decisions the study participants needed to make to survive, hence stay in business, which required a resilient mindset. The subthemes were reinvestment as a strategy, utilizing technology, staffing, and visibility.

As noted in Figure 4.1, to be a successful entrepreneur three of the six key success factors are common for all entrepreneurs. First, one needs to be a top entrepreneur which means being able to recognize and seize business opportunities. Second, one needs to have an intimate knowledge of their business, and fourth, understand the value of and utilize mentors effectively.

Of the six key success factors noted there are three which are critical to the success of African American male entrepreneurs. First, the approach to access and secure financial capital is going to be different than a White male. Second, preparation for direct and systemic racism is something African American male entrepreneurs encounter daily during the normal course of business. White males do not have a similar experience. As a result, African American male entrepreneurs utilize different strategies or approaches to counter the racism, and survive in business. Third, a resilient mindset is needed because African American males have additional challenges that White male entrepreneurs generally do not experience.

The data shared from the study participants have provided the basis for the key success factors as shown in Figure 4.1. Chapter 5 will explore the implications of the findings, discuss the limitations, provide recommendations for future research, and summarize the conclusions.

Chapter 5: Discussion

Introduction

The purpose of this grounded theory study was to identify key success factors for African American male entrepreneurs. This focus on the success rate of African American male entrepreneurs was selected because of this population’s low business survival rate (39%) beyond 4 years while their White and Asian counterparts’ survival rates were 92% and 91%, respectively, for the same period of time (Turner, 2016; U.S. Census Bureau, 2007). Another reason for this focus is due to the dearth of research on this topic. African American male entrepreneurs are clearly underrepresented in the literature. Seven study participants who have been in business beyond 4 years shared lived experiences describing what it takes for them to be successful.

Multiple themes emerged from the study during data analysis. These themes were summarized in the findings. The results from this study have implications for African American male entrepreneurs, banking industry, government policy makers, K-12 educational institutions, and for future research about the success of African American male entrepreneurs.

This chapter discusses implications of the findings, as well as limitations, and makes recommendations for future research. The implications and findings are described in the following section.

Implications of Findings

The findings have identified or revealed several implications relative to the key success factors for African American male entrepreneurs, including implications for future research and expanding knowledge about achieving success as an African American male entrepreneur. The grounded theory study resulted in an emergent theory of *surviving entrepreneurship as an African American male*, and a model (Figure 4.1) of Key Success Factors for African American Male Entrepreneurs. These success factors are needed for African American male entrepreneurs to survive in the business environment.

In order to contribute to the current body of empirical knowledge relative to African American male entrepreneurs, it is important to correlate the findings of this study with the preexisting literature on the topic as well as the theoretical framework of resource-based theory. There were six themes determined from the research study: 1) recognize and seize business opportunities; 2) strategies to access financial capital; 3) importance of mentors to business success; 4) business knowledge; 5) adaptive strategies to counter direct and systemic racism; and 6) resilient mindset. This study explored lived experiences of successful African American male entrepreneurs to identify factors which from their perspectives, contribute to their ability to remain in business beyond 4 years. Bates et al. (2007) asserted that among the reasons for the failure rates of African American-owned businesses are the lack of financial capital, appropriate business experiences, and access to markets for their products. African American-owned businesses have a good chance of survival if they are able to recognize and seize opportunities, as well as recognize limitations and pitfalls, ahead of their competition.

Recognize and seize business opportunities. Theme 1 involves being able to recognize and seize opportunities quickly as an important factor in African American male entrepreneurial success. In the study, African American males recognized opportunities first then started businesses, rather than starting businesses and then looking for opportunities to address a need. These results are inconsistent with research conducted by Singh et al. (2008) which suggested African American entrepreneurs started businesses, then searched for opportunities to pursue a need. Based upon the shared experiences of the participants, one approach that might be key to success is to continually look for the next opportunity. The study participants discussed and provided examples of how they continually looked for new business and new market opportunities to grow and sustain their businesses.

There were certain characteristics which were described in the study relating to opportunity recognition. To be able to seize the opportunity requires preparation which suggests having the right skills, resources, products or services either internally or externally at your disposal. Participant C stated, “I believe preparation is very important.” Further, he suggested finding something one is passionate about, preparing for it, and looking for opportunities in that area. The results of the study suggest being well-prepared by having a plan to demonstrate success, and sustainability as well as to minimize risks. Another contribution of this study to the literature is that identifying an unmet need and being able to capitalize on the need was vital to business success.

This grounded theory study was completed using successful African American male entrepreneurs compared to the Singh et al. (2008) study which was conducted using Panel Study of Entrepreneurial Dynamics (PSED) data. Thus, this study expands the knowledge of the Singh et al (2008) study.

Strategies to access financial capital. Theme 2 suggested that financial capital was a vital resource for a successful African American male entrepreneur. Having financial capital or easy access to it, improves the ability to grow and survive. The study revealed that many of the participants started their businesses by using personal funds from savings or from a corporate downsizing "buy-out." One of the reasons for using personal savings was due to difficulty in obtaining funds as an African American male start-up business; hence, they were reluctant to pursue financing from a bank or other financial institutions.

Another corollary finding was fear or concern about being turned down, and anxiety about the potentially high interest rate for a loan which could be burdensome. The fear of being turned down is consistent with the findings in the Kollinger and Minniti (2006) study, which showed African American entrepreneurs were turned down for loans because of their race and therefore were more reluctant to apply. Participant E talked about an experience with a financial institution where he was required to 100% personally fund a line of credit. This was done by depositing 100% ($100,000) of the line of credit requested without receiving interest; but being charged interest on the line of credit used. He chose this approach despite the discriminatory terms regarding his relationship with the bank and his history of being unable to procure a loan from the bank. According to Bates and Robb (2016), banks practice discriminatory practices when providing credit to minority-owned businesses.

Additionally, a key finding noted the importance of having more than a basic understanding of finance, a working knowledge of key performance metrics, and an understanding of how credit works by most of the participants. Having that knowledge and applying it enabled them to understand the health of their businesses and when an infusion of funds or debt, was necessary. If debt was required, that knowledge could allow them to consider different types of debt: good, bad or line of credit. In order to grow, it may be necessary to incur debt. Research shows that during the early business phases there are few options available to small businesses (Frid, 2015), particularly for African American male entrepreneurs. As a result, they often resort to using bad debt, such as credit cards, payday loans or cash advances to fund their businesses. However, the decision can be agonizing, recognizing that taking on debt could be expensive, threatening to business survival, and result in exposure to an aggressive screening process (Bates & Robb, 2016).

There was a strong desire by many of the study participants to remain debt-free as it provided a level of comfort and helped them survive during business downturns. One of the participants stated, “It was a struggle meeting those notes.” Others noted there were times when it made sense to go into debt, such as when the financial requirement was too large for self-funding, and when it was “good debt,” such as facilities improvements.

One of the finding’s implication was that banks and other financial institutions may be missing an opportunity to service a growing business segment by reluctantly seeking to do business with African American male entrepreneurs. Banks could provide valuable financial mentorship to African American male-owned businesses which could improve survivability. The benefits to banks are potentially expanded market, positive perception, and community goodwill.

Importance of mentors to business success. Theme 3 noted the significance of having a mentor(s) to provide guidance and different perspectives and suggests having a mentor can improve the chances of business longevity or survival. Some mentoring relationships shared by the study participants grew out of prior business arrangements. Study participants suggested mentors are a valuable resource to increase the learning curve of African American male entrepreneurs. Some of the keys to successful mentoring relationships were being available when needed and giving “tough love”. Participant C noted, “Finding a mentor…who was available to call on for different advice or direction if we want feedback regarding business” was very important. Sometimes African American male entrepreneurs were conflicted about business decisions, but having a mentor to help them determine the correct action was helpful, according to Participant F.

Gibbs (2014) conducted a quantitative study to determine which variables were essential for African American entrepreneurial success. Mentoring was mentioned as one of the essential variables. In this study, gender and race were not considerations when selecting a mentor. Connection or trust created between the mentor and African American male entrepreneur, and relevant experience were necessary. Many of the participants provided examples of meaningful interactions with mentors. Participant D said, “I was very, very lucky I had a local owner [who was] willing to give me advice and spend time with me.” An implication of this study may be that some aspiring African American male entrepreneurs will be influenced to seek and establish a mentoring relationship early in their business start-up phase. That relationship would be with individuals who was approachable, with the desired experiences, regardless of race or gender.

Detailed business knowledge. The need for detailed business knowledge was Theme 4 and key finding from this study. Having an intimate knowledge of the business increases the probability of success for aspiring African American male entrepreneurs, as it establishes credibility with customers, and suppliers. Kollinger and Minniti (2006) found that when an entrepreneur possessed the necessary business skills, knowledge, and experience, confidence in their ability to be successful was increased.

The study participants suggested knowledge of the business allowed them to offer a product or service that is unique from its competition to gain a competitive advantage. They shared experiences that demonstrated their knowledge of the business. Participant A indicated the uniqueness of his business was the ability to offer customers advice on the purchase of their product, as well as on ancillary or complementary services. Some of their competitors were not able to do that, being restricted to one customer base or another. He stated, “It’s a huge competitive advantage because they can’t write some of the commercial accounts that we can.” Participant C noted being in a capital intensive industry, with barriers to entry, as an African American male, was unique and his products were not easily copied or substituted. He said, “There have been 15 plus African American [males] in this market over a period of time and there were three that survived.” That makes his business unique and gives him a competitive advantage.

Sustainable or long-term competitive advantage and business success will occur when entrepreneurs own or can acquire and control a bundle of resources that are valuable, rare, inimitable or hard to copy, and non-substitutable (Dollinger, 2008). The study supports the findings of Dollinger (2008) by connecting to the theoretical framework of the resource-based theory relative to the need for product or service uniqueness. However, it did not accurately describe the theory that would emerge. This study also expands the empirical knowledge by applying it to African American male entrepreneurs.

Another finding was the need to understand the market before introducing a product or service into it by conducting market research, sophisticated or not, to ensure the market has a viable customer base to support it. Participant D asked, “Is there anyone out there that has a need for that product?” This is a critical question and should be strongly considered and evaluated prior to pursing certain business ventures, as the chances of survival are at stake. That could be true, particularly, when considering one’s business’s products or service capabilities relative to the market. Participant D noted that when pursing business, he looks at internal and external capabilities compared to customer or market requirements to determine the appropriateness of entering a market. This is consistent with the findings from Grant (2001) who suggested designing a strategy that makes the most effective use of the company’s resources and capabilities.

The study findings imply African American males must know the capabilities of their businesses and the marketplace served and must provide products or services that afford them a competitive advantage. Even then there is no guarantee that clients will readily do business with them because of direct and systemic racism.

Prepare for direct and systemic racism. Theme 5 explored perceptions African American male entrepreneurs expressed when confronted with direct and systemic racism. This theme revealed the existence of blatant racism they faced during the normal course of business, requiring them to use adaptive strategies to survive. Among the strategies used were hiding their identity, and hiring a White person to secure previously unattainable business because of race; deciding not to do business with them; where possible, diversifying their business by becoming vertically integrated; and focusing on smaller contracts. This is not represented in the resource-based theory; but supported the findings of Wingfield and Taylor (2016), particularly as they relate to concealing identity. However, Wingfield and Taylor (2016) conducted their study of 19 inexperienced African American entrepreneurs. The current study expands the empirical body of knowledge to include the views of seven experienced, successful African American male entrepreneurs. The results of this study suggest that African American male entrepreneurs face racial discrimination daily, in the normal course of business. This could negatively impact their business success, particularly if they do not employ a counterstrategy or counterframe as noted in the works of Wingfield and Taylor (2016).

Participant E used a counterstrategy to secure business from clients previously unwilling to do business with him directly. He described a situation which resulted in hiring a White person to break through a roadblock. He said, “I personally found out that people provide opportunities to people, to companies, because of who they feel comfortable dealing with.” People feel more comfortable dealing with people they know or who look like them. Wingfield and Taylor (2016) cited several examples of how African American male entrepreneurs dealt with discriminatory practices through anonymity by hiding their identity, by not putting personnel pictures on the company website, and by conducting business exclusively online to not reveal their race.

Not everyone of the participants agreed with that approach, choosing instead not to continue pursing businesses with those who did not want to do business with them because of their race. Rather, they decided to vertically integrate their business to allow opportunities to obtain smaller contracts to counter concerns about the amount of business being given to him, an African American male entrepreneur.

Another finding was that African American male entrepreneurs are often dismissed as viable option during first meetings with clients. It did not matter that they presented themselves professionally; neither did it matter that they had spoken with clients via telephone on many occasions, without concerns being expressed. Further, it did not matter that they had provided quality products or services with the expectation of a continued business relationship, hence more business contracts. White clients who were not able to determine the race of the African American male entrepreneur over the telephone were shocked when they met for the first time. The meetings tended to be short, future contracts were limited or non-existent, size of contracts was reduced, and phone calls were not returned. These are examples of direct and systemic racism experienced daily by African American male entrepreneurs.

The study found African American males are not given the "benefit of the doubt." This first occurred when they sought to purchase a franchise. They were generally selected to purchase less-desirable franchises, often located in lower revenue-generating operating areas. They were not considered (at least, not offered) for opportunities in the suburbs like their White counterparts.

Second, they were not given the same "benefit of the doubt" relative to the margin of error for mistakes compared to White people, who were usually given several opportunities. Third, there was doubt expressed by some clients about company ownership, not willing to accept the African American male as the owner but perceiving him as a staff member. Participant A said: "I walked into businesses with my staff and have had people start talking to my staff as if they were the owner.” Subsequently, they were corrected by the staff.

The implications are that due to direct and systemic racism some African American male entrepreneurs will become discouraged, demotivated, and go out of business prior to reaching a level of maturity beyond 4 years. Additionally, some White clients could miss an opportunity to diversify their supplier base, especially important to those doing business with the government.

Resilient mindset. Theme 6 suggested the need to demonstrate a resilient mindset to survive in business. The theme of resilient mindset was not found by the researcher in the literature which currently exists related to success factors for African American male entrepreneurs.

Based upon the shared experiences of the participants, having a resilient mindset was one of the significant findings. The participants discussed how being faced with tough and sometimes conflicting decisions forced them into a resilient mindset to survive.

Having a resilient mindset means looking at the facts, removing emotions, as much as possible from the decision process, and reaching the best action for the company which will allow it to grow and survive. This is complicated by the fact that the decision could require personal sacrifice to achieve long-term business survival which for African American male entrepreneurs is a daily struggle. They usually find a viable solution for survival because going out of business is not an option.

The findings from the study uncovered not only the strategies, but the mindset African American male entrepreneurs need to increase chances of survival. Additionally, implications of the findings suggest improving the survival rate could have a positive effect on the number of African American male business start-ups, the U.S. economy, and jobs creation (Smith & Tang, 2013). As noted in Chapter 4 other factors for a resilient mindset are: reinvestment strategy, networking, technology utilization, staffing, and visibility.

Other findings. While the literature shows there is a high failure rate among African American male entrepreneurs, the data from this study does not address that issue, as the focus was on successful entrepreneurship rather than failure. There were some other findings which were collected for context. For context the participants were asked why they decided to start a business, their definition of success, and whether location played a part in their business success.

Decision to start a business. The participants decided to start a business for different reasons, such as current work related situations, desire to control own destiny, build wealth, leave a legacy, be happy, follow a family tradition, and lack of career advancement. Having a family of entrepreneurs, and lack of career advancement were the predominate reasons noted by the participants. This study's findings support Fairlie and Robb's (2007) research which determined there was a strong relationship between success and previous work experience in a family member's business.

Further, the study findings of a desire to control one's own destiny and current work related situations, such as lack of performance recognition, and promotional opportunities, support findings from Wingfield and Taylor (2016). They found similar work related situations to be untenable, leading some African American males to become entrepreneurs.

Business success definition. Participants noted various definitions of business success. Remaining in business beyond 4 years, receiving recognition from clients and the community, and obtaining a certain level of financial success were some of the definitions of success. These definitions are consistent with the findings of Beresford and Saunders (2005) who defined success as owning and operating a business for a minimum of 5 years, and the Small Business Administration (SBA, 2014) which defined success as being a profitable business for 5 or more years.

Location impact. Participants were asked if location played a part in their business success. The responses were mixed, suggesting that they preferred to be located either in the suburbs or inner city. One of the participants noted that being located in the suburbs was more comforting to some of his customers, regardless of race. Another participant insisted an inner city location was the right place for his business and he had no intentions of relocating, hence the mixed responses. These are consistent with the findings of Wang, Gleave, and Lysenko (2014), who found there was a significant difference in the success of African American businesses in three large metropolitan U.S. cities, and Dayanim (2011) who found minority-owned businesses experienced economic disadvantage because of their location.

Limitations

This study was limited in several ways which could have impacted the results. Although invitations were sent to a larger number of African American male entrepreneurs, the demographics of those completing the data collection sheet were primarily those over 50 years old with approximately 20 years business experience. There were no “true” second or third generation participants. Three of the seven participants considered themselves second generation, but did not inherit their businesses. Having a younger group of African American male participants and the voice of business inheritance would have added a different perspective, although with similar experiences as the findings of this study.

Recommendations

Recommendations for African American male entrepreneurs. The findings of this study lead to recommendations related to experiences of African American male entrepreneurs. The recommendations are for aspiring and current African American male entrepreneurs, banking industry representatives, government policy makers, K-12 educational institutions, and future research. The purpose of this study was to determine key success factors for African American male entrepreneurs. Additionally, the study focused on the resources that are valuable, rare, imperfectly inimitable or hard to copy, and non-substitutable, and the impact those resources have on their businesses. The results of this study may lead to improved survival rate for African American male entrepreneurs.

The findings of this study suggest that mentoring was a significant factor in the success of African American male entrepreneurs. Providing guidance, support, motivation, and increasing their learning curve were some of the benefits.

It is recommended that African American male entrepreneurs seek out mentors who are successful to bridge their knowledge gap, including utilization of resources such as the SBA Mentor-Protégé program. Additionally, African American males should mentor other business owners, regardless of race, or gender, as a way to give back to the community and build their networks.

Based upon study findings, African American male entrepreneurs will encounter racism in the normal course of doing business because of their race. There will be a percentage of customers who refuse to do business with them because of their skin color. For those who are irredeemably racist, African American males may consider one or more of the following adaptive strategies: resolve not to try to do business with them at all; hide one's level of success because of potential backlash and resentment; hide one's ethnicity by hiring a White person to be an interface; communicate only via email, text, and telephone; and refrain from posting identifying pictures on websites. This is direct and systemic racism and can have tangible and real negative effects on the success of African American male entrepreneurs' businesses, if one fails to employ an adaptive strategy, thus contributing to the possible low survival rate.

A further recommendation is that African American male entrepreneurs seek new markets for any unique (valuable, rare, imperfectly inimitable or hard to copy, non-substitutable) products or services which provide a competitive advantage over their competition.

Another recommendation is the pooling of resources to form joint African American male ventures, collaborating to get larger business opportunities, and turning over money in the community more than one time. One way to do that is to develop a 10 year regentrification plan which does not include displacement of lower-income people.

As a possible corollary, it is recommended African American male entrepreneurs look for synergies to work with White entrepreneurs to develop partnership or collaboration opportunities in markets previously unavailable to them in private industry, and within government agencies. This could be a win-win relationship.

Recommendations for banking industry. The findings of this study suggest there continues to be a problematic relationship between African American male entrepreneurs and the banking industry. Banks tend to have more strenuous credit screening processes for African American males versus their White counterparts. Banks readily provide financial assistance to White male-owned businesses, but not to African American male-owned businesses. Banks do not aggressively pursue lending opportunities with African American male-owned businesses, particularly if located in the inner city. Additionally, because of perceived credit risks, banks charge higher interest rates to African American borrowers and require tougher personal standards to obtain unsecured loans (Bates and Robb, 2016).

Bates and Robb (2016) found banks aggressively pursued and provided assistance to White-owned businesses compared to minority-owned businesses. Further, banks practiced rigorous screening processes to discourage potential borrowers in minority communities.

It is recommended that banks require regular reporting of lending disparities and progress against goals at board level meetings. It is also recommended that banks establish their own compliance and accountability independent review system to monitor and improve financial practices and relationship with African American male entrepreneurs. Banks may be missing a growth opportunity by not aggressively pursuing business in this community.

It is recommended that African American male entrepreneurs aggressively work with the appropriate government agencies and pursue the formation of banks in their communities, in addition, to the creation of a minority bank friendly rating system and posting information online. This would highlight those banks practicing predatory lending towards African Americans.

It is recommended that African American male entrepreneurs pursue banking executives as mentors, and as members of their direct or advisory boards. Also, work with banking executives to institute goals and incentives for managers to create more contracts and loans with African American male entrepreneurs. Additionally, it is recommended that they pursue and interact with banks that have CRA (Community Reinvestment Act) requirements which were designed to “make banks responsive to the credit needs of the communities in which they operate” (Bates & Robb, 2016, p. 159).

Recommendations for government policy makers. There are government entities formed and policies created to help minority-owned businesses succeed, including African Americans. The federal government’s Minority Business Enterprise (MBE) or 8a program is the only one mentioned in this study. Participant E found the program to be helpful; and thought it should be continued with reforms to its certification process recommended to prevent White male-owned business 8a certifications who pose as minority-owned businesses. It is recommended that the federal government and the State of New York take stronger actions to enforce established, but unmet requirements. In addition to the MBE and MWBE goals, create African American male specific goals. There are other potential opportunities for improvement, which should be explored in future studies.

Recommendations for K-12 educational institutions. Recommend educational institutions develop a business course curriculum for all schools at the secondary or high school level with a primary focus on schools servicing minority students. This will teach students basic business concepts and give them an early understanding of what it means to be an entrepreneur, the type challenges expected, and the ability to interact with successful business owners outside the classroom. In addition, they will learn business and critical thinking skills early, enabling the students to practice confronting and resolving business related challenges in a non-threatening environment. It could conceivably be an extension of or collaboration with Junior Achievement USA into schools, not previously served, and provide college credits. As part of that collaboration, work with Junior Achievement in the annual Titan of Business Challenge competition to encourage some participants to pursue a program dealing with issues MBEs deal with.

Additionally, it is recommended that high schools develop a diversity and inclusion course as part of the curriculum to sensitize them, early, to the characteristics, and effects of racism. The course could also provide tools for how to cope with direct and systemic racism.

Recommendations for future research. This study highlights the key factors which influence the success of African American male entrepreneurs. The participants in this study were all successful African American male entrepreneurs who had been in business at least 12 years and were currently doing business in western New York. Future research should seek a more diverse group in terms of age, and years of business experience. A similar study with African American second- or third-generation African American male entrepreneurs, women, or Hispanics may reveal additional insights.

Since African American male entrepreneurs’ survival rate tends to decrease after 4 years (Turner, 2016), this study focused on key success factors beyond 4 years. A longitudinal study which tracks success for at least 10 years could provide valuable insight relative to key success factors.

This was a grounded theory study. It is recommended that a quantitative study with more participants be conducted. Additionally, a study in a different location could uncover additional success factor information for African American male entrepreneurs.

Conclusions

The purpose of this study was to create a theory out of the experiences of successful African American male entrepreneurs which led to the survival of their businesses beyond 4 years. Additionally, the intent was to add to the limited body of knowledge relative to African American male entrepreneurs. This research study included seven entrepreneurs who had been in business for at least 4 years and were currently operating a product or services business in the western New York area.

The study used a grounded theory research methodology. Semi-structured interviews were conducted face-to-face with research participants in their individual locations. Field notes and a data collection sheet were used to collect demographic content and information on business success factors. Data was thoroughly analyzed and categories and themes developed based upon the grounded theory process which eventually lead to the model outlined in Figure 4.1. Generated transcripts and memo checking were used to validate the data.

This study provides a roadmap for aspiring and current African American male entrepreneurs. Based on findings and implications the study outcomes offer recommendations for African American males, the banking industry, government policy makers, and K-12 educational institutions.

The study revealed that African American male entrepreneurs are treated differently by banks and other financial institutions when it comes to business pursuits, and financial capital attainment, which could be strong contributors to their lower success rate. It also pointed out the fact that many of the study participants preferred to be debt free, given the difficulty obtaining financial support and the risk to business survival, even though the decision might negatively affect their credit score. I understand their reluctance and share their concerns, but would encourage them to develop a banking relationship, obtain and maintain a level of credit and utilize it periodically to minimize the potential risk of not being able to attain credit when absolutely needed.

The study found having a mentor and meeting with them regularly increases the chances of business success. It is not always easy for African Americans to approach someone and ask them to be their mentor. I encourage them to venture out of their comfort zone. The data suggests having a mentor during the various stages of business growth is important. Also, I suggest if a successful businessperson, regardless of race or gender, offers to mentor an African American male entrepreneur, that they be open to engaging with the mentor, particularly if they have the desired skillset which can change one's business direction or trajectory.

The successful African American male entrepreneurs participating in this study provided valuable insight into what it takes to survive in business beyond 4 years. The analysis of the data brought to light some contradictory and some supportive findings, resulting in a grounded theory. The theory revealed some success factors which were common for all entrepreneurs, and those critical to the success of African American male entrepreneurs. These findings added to the limited body of knowledge relative to the key success factors for current and aspiring African American male entrepreneurs.

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Appendix A

St John Fisher College Data Collection Sheet

For each question below circle the letter that applies.

1. What is your age?
    a. 18 - 29 years
    b. 30 - 39 years
    c. 40 - 49 years
    d. +50 years

2. What is your highest level of education?
    a. High school or GED
    b. Associates Degree
    c. Undergraduate Degree
    d. Master's Degree
    e. Doctoral Degree
    f. Other ___________________

3. Do you own at least 51% of your business equity, interest or stock?
    a. Yes
    b. No

4. What is your business type?
    a. Sole proprietorship
    b. C-Corporation
    c. S-Corporation
    d. Limited Liability Corporation (LLC)
    e. Other _________________________

5. How did you finance your business during the start-up phase?
    a. Personal finances
    b. Family/Friends
    c. Bank loans
    d. Other_________________________

6. Is this your first business?

a. Yes
b. No
c. If no, number of previous businesses______

7. How long have you been in this business?
    a. 0 - 4 years
    b. 5 – 10 years
    c. 11 – 16 years
    d. +16 years

8. Are you a second or third generation entrepreneur?
    a. Yes, second generation
    b. Yes, third generation
    c. Neither

9. What is your annual revenue/income?
    a. Less than $499,999
    b. $500,000 – $999,999
    c. $1,000,000 - $4,999,999
    d. $5,000,000 - $9,999,999
    e. +$10,000,000

10. Can you recommend any of your colleagues who might be interested in participating in this study?
    a. Yes
    b. No

11. Contact information
    a. Name ____
    b. Business name____
    c. Email address____
    d. Telephone number(s)____
    e. Website____

Appendix B

St John Fisher College Interview Questioning Protocol

1. Can you tell me how you decided to start or acquire a business?

2. What are the key success factors for starting, acquiring and sustaining your business?

3. How do you define business success?

4. What are the unique attributes (valuable, rare, hard to copy or non-substitutable) of your business that provide a competitive advantage? Explain..

5. What is your theory for success for African American male-owned businesses?

Prompt Questions

1. What attracted you to this business and how did you know it would be successful?

2. What strategies have you used to become successful and is collaboration an option?

3. How has formal education benefited you in your business?

4. How have you funded your business growth?

5. What has been your experience dealings with banks, other financial institutions or suppliers? Explain.