

## **BECOMING A SMALL BUSINESS OWNER: THE HISPANIC EXPERIENCE**

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### **ABSTRACT**

*This study examined the paths to ownership, demographic characteristics, incubator organizations, motivations and attitudes, and start-up experiences of a sample of 92 Hispanic business owners. Results were compared with Cooper, Dunkelberg, Woo and Dennis's 1990 study examining alternative paths to ownership of a predominantly non-minority sample of owner-managers. The results indicate 85.7% of Hispanic business owners started their own firm, as opposed to 63.6% in the Cooper, et al. study. Several differences were also found in their ownership profile including: the availability of parents as role models, the age when they became owners, industry representation, education, and the sources of funding available to them.*

### **INTRODUCTION**

Small business ownership has been shown to be an important factor in the development of economically depressed populations (Birch, 1979, 1987). As such, it is important for researchers to ascertain the conditions determining minority small business ownership and the career paths enabling such groups to reach this status. A search of the business literature reveals relatively little information on the career paths to ownership of minority populations. Cooper and Dunkelberg (1986) have argued that there has been very little systematic, broad-based research examining people who have become business owners--in different ways, in different industries, and in different time periods and geographic areas (p. 53).

Hisrich and Brush (1986) state that, given the growth in minority entrepreneurship and its increasing impact on the business community, it is important to understand the backgrounds, management skills, type of businesses and business problems of minority entrepreneurs. (p. 3). There appears to be a consensus that the development of an economically strong minority business

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segment has been recognized as a major policy initiative by a number of different constituencies, both within the government and out. A variety of programs--set-asides, subsidies, minority purchasing and other economic assistance efforts--have been developed and are currently operating at various levels of success. However, we believe that further research on the start-up process can help to improve the services and support mechanisms currently provided to the minority community. In addition, research should enhance our understanding and knowledge of the entrepreneurial process among peoples of different ethnic and cultural backgrounds.

This research attempts to fill part of the gap noted above. It examines the paths to ownership followed by Hispanic small business owners (HSBO's). Using a sample of 92 HSBO's, the study examines (a) the characteristics and paths to ownership of HSBO's, (b) compares these characteristics with a predominantly non-minority sample of NFIB (National Federation of Independent Business) owners, and (c) discusses the implications of these results for both aspiring HSBO's and academic researchers.

## HISPANIC SMALL BUSINESS OWNERS

Hispanic-owned businesses represent an increasing segment of the U.S. economy. Based on the latest data available (1982 Survey of Minority-Owned Business Enterprises), there are approximately 250,000 Hispanic-owned businesses in the United States, representing 29% of all minority-owned firms. Average annual revenues per Hispanic-owned firm were \$60,400, slightly above the average of all minority-owned companies (\$53,800) but well below the average of all U.S. businesses (\$473,500). Average revenues have increased by almost 27% from the 1977 figure of \$47,574, and early indications from the 1987 census suggest that a similar or greater increase can be expected over the last census period.

Previous research on HSBO's has typically been conducted in one of three research settings. The first area encompasses research on "generic" minority businesses and/or business people. In these studies the results are reported in the context of a "minority" sample in order to compare them with a non-minority sample (Dadzie & Cho, 1989; Hisrich & Brush, 1986; Scott, 1983). HSBO's as well as other minority populations are only mentioned in the sense that they constituted some percentage of an overall minority sample. Such studies provide virtually no information specific to HSBO's, concentrating instead on the overall minority experience.

The second research area deals with studies of specific types of minority businesses and business people of which the HSBO is one (Feldman, Koberg & Dean, 1991; Kirchoff, 1982; Young & Sontz, 1988). These studies are frequently conducted in an effort to illustrate racial or cultural differences but often provide mixed results. Very little evidence demonstrating that such differences play an integral role in the entrepreneurial process has been found. In the few instances in which differences have been found, they have been isolated to studies of attitudinal profiles and little else.

A third area of research has focused primarily on HSBO's (Brarda, 1979; Kizilbash & Garman, 1975; Young, Welsch, & Triana, 1984). These studies have typically been conducted by researchers interested specifically in the Hispanic business experience. While these exploratory studies have been of value, there is little evidence of any systematic and sophisticated research agenda currently being pursued in this area. This may change, however, with the continuing growth of programs like the Hispanic Business and Economy Symposiums, which actively seek to develop a dialogue about the need for such a research agenda.

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Overlaying the above research settings are two themes specific to HSBO's: (a) the attempt to identify a psychological or sociological profile of the HSBO (Brarda, 1979; Welsch, Young & Triana, 1984), and (b) an examination of the problems/opportunities confronting HSBO's (Kizilbash & Garman, 1975; Young & Sontz, 1988; Young, Welsch & Triana, 1984).

Despite differing cultural and ethnic backgrounds, previous research has found relatively few differences of note between HSBO's and other minority sample groups. Feldman, Koberg, and Dean (1991) found no significant race differences among Hispanic, Black, Asian, and Native American small business owners according to a variety of dimensions including need for achievement, internal locus of control, external locus of control, and sense of competency. On other attitudinal and behavioral scales, the results were mixed but with no discernible patterns of racial differences. Furthermore, this research showed that minority small business owners in general appeared to possess similar ownership profiles regardless of their particular race. Young, Welsch and Triana (1984) found that HSBO's utilized professional and institutional sources of information more than non-Hispanic entrepreneurs and the reverse was true for written sources of information.

Kizilbash and Garman's (1975) study of grocery retailing in Spanish neighborhoods found that inadequate management and insufficient financing were critical problems for HSBO's and that ethnicity played a role in the success of this type of store. That is, success or failure was related to the popularity of the store owners and their expertise at satisfying their customers total needs (p. 17). Another study of grocery stores compared Korean and Hispanic owners (Young & Sontz, 1988). This study found both ethnic groups worked equally hard, were equally satisfied with their business careers and could both be viewed as successful, depending on whether financial or nonfinancial indicators were used (p. 28). However, some differences were noted between the two groups including (a) HSBO's provided more external benefits to their neighborhoods, (b) HSBO's had less formal schooling and less family help (labor and capital), (c) nonfinancial concerns such as independence and personal satisfaction were less important to the Koreans than they were to the Hispanics, and (d) financial success was more prevalent among Koreans than Hispanics. Finally, Furino, Rodriguez, and Scott (1980) found that HSBO's experienced greater difficulty in obtaining bank loans than non-Hispanic businesses and that those they did receive were frequently smaller.

In summary, the research on HSBO's is limited. Business school researchers have typically concentrated on the "minority" experience to the exclusion of specific groups such as HSBO's. Further research is needed to illuminate the concerns and issues surrounding the rapidly-growing HSBO segment. We cannot simply assume that they are the same as other minorities, nor can we assume they encounter the same experiences, obstacles, and challenges as the non-minority sector since HSBO's as well as other minorities look through the filter of their own unique cultural and ethnic heritage. As Scott (1983) asserts:

Ethnic firms may sometimes appear to be different from nonethnic firms, since business in the minority community often reflects the customs and value systems which are unique to it. Many ethnic firms have operated under special cultural patterns, providing ethnic products and services to ethnic neighborhoods. In fact, minority-owned firms are found to exhibit different operating and financial patterns from non-minority firms, in terms of the manner in which they develop their profitability. (p. 43)

Business researchers must expand their efforts to consider interdisciplinary concerns and cultural and ethnic characteristics and how they affect the minority business experience. This might help

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to identify some of the uniqueness of HSBO's as well as other minority groups. The richness of the Hispanic business community must be captured in future studies. This study helps to bridge some of the gaps in ownership literature because of its focus on a single minority group--Hispanics.

## METHOD

### Questionnaires and Measures

As part of a larger minority business study, questionnaires consisting of previously standardized measures were mailed to 424 minority small business owners in a western state. The state has a significant Hispanic presence relative to both population and business ownership. Demographic figures for 1990 project Hispanics as representing almost 13% of the state population. Additionally, 6,000 HSBO's were operating in 1982 (approximately 3% of all businesses in the state), generating a little over \$250 million in annual revenues. A check of the state's minority business population versus national statistics indicated an overrepresentation of Hispanic business owners among the HSBO sample, but it was in line with comparable state population statistics.

The sample group was obtained from a local Minority Business Development Center mailing list and consisted of firms that had contacted the center for either information or consulting help. A total of 181 usable questionnaires were returned (43% response rate) of which 92 were Hispanic small business owners (50.8% of total minority responses). Seventy-nine per cent of those responding were male, and twenty-one per cent were female. Approximately 92% of the owners were from a metropolitan rather than a rural area. A chi-square test indicated that responding owners did not differ from non-responding owners in terms of urban vs. rural orientation ( $X^2 = 3.68$ ,  $df = 1$ , ns).

The research analyzed the characteristics of the sample relative to the types of industries in which HSBO's competed, the number of employees per startup, and the owners' years of ownership. It examined the reasons that HSBO's left their prior jobs, how they achieved their ownership roles and the motivations and attitudes that got them there, growth expectations, sources of financing, and a number of additional personal characteristics including the availability of family role models, level of education, and previous job experiences. The primary purposes of this research were to (a) form a profile of ownership characteristics, and (b) to examine the various paths to ownership used by the Hispanic business community.

### Ownership Measures

The Cooper and Dunkelberg (1986) questionnaire was used for this study. It contains a variety of questions pertaining to the owners' (a) backgrounds, (b) motivations and attitudes, and (c) previous careers, incubator organizations, and their start-up experiences. Using this instrument allowed us to compare the HSBO results with a later study by Cooper et al. (1990), which consisted primarily of a non-minority sample of NFIB (National Federation of Independent Businesses) owners ( $n = 2994$ ).<sup>1</sup>

Where appropriate, Chi-Square tests of significance were performed to see if the NFIB sample group differed from the present sample group. The Chi-Square tests indicate whether differences exist between the proportions of the responses of each group. Thus, a significant Chi-Square value shows that the proportions are not the same across the two sample groups.

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## RESULTS AND DISCUSSION

### Owners, Businesses and Industries

Tables 1a-1c list the industries represented, the size of the firms with respect to their number of employees, and the year in which these HSBO's became owners. For comparative purposes the results from the NFIB study (1990) are presented alongside those of the current study. Table 1a shows that the majority of these HSBO's were concentrated in four industries: construction, miscellaneous services, professional careers and manufacturing and mining. Over 80% of the HSBO sample fell into these four categories versus only 39.7% of the NFIB sample. Major differences in industry representation (more than 10%) were found in construction and professional services, where HSBO's were far more prevalent. Alternatively, 46% of the NFIB sample were in retailing as compared with only 4.4% of the HSBO's in this study.

Employment levels (Table 1b) were rather similar among the two sample groups. Both were heavily populated by small firms, as measured by low employment levels. For example, 79% of the HSBO's and 91% of the NFIB companies had fewer than 11 employees. Although statistics were not available for the NFIB firms, only two HSBO's had employment levels above 50.

The 1990 NFIB study did not provide data on when the initial ownership role occurred. The study, however, demonstrated the recency of the ownership event for HSBO's; 81.5% of the sample became owners within a 13 year period, 1976-1988, and 57.6% over the eight years from 1981-1988. An earlier NFIB study by Cooper and Dunkelberg (1986), although not directly comparable due to different time periods, found a smaller percentage, 48%, (n = 1756) had become owners during a slightly longer time period, the nine years previous to their study (1971-1979).

### Personal Characteristics

Table 2 lists the personal characteristics of the HSBO's examined. Almost 39% of HSBO's had parents who owned their own business. This result is consistent with the 41% found in Young and Sontz's (1988) research, and it is not significantly lower than the 45.1% found among the NFIB respondents ( $X^2 = 1.57$ , ns). Thus, it would appear that a fairly substantial number of HSBO's have ownership role models. With regard to the 61% of HSBO's without ownership role models, these individuals appear to have embarked on careers different from those of their parents and prior generations and may be the vanguard of a new era of Hispanic entrepreneurs. This conclusion seems to be borne out by the latest statistics showing the continuing increases in the number of Hispanic-owned businesses (1982 Survey of Minority-Owned Business Enterprises).

In most studies of entrepreneurs/small business owners, sizable percentages of entrepreneurs are either foreign-born or the children of at least one foreign-born parent. The authors expected, with the growing Hispanic immigration into the U.S., to find the same pattern in their sample group. Thus, it was not surprising to find 26.4% of the HSBO's fit this characteristic. This was considerably more than the 15.2% found in the Cooper and Dunkelberg (1986) study of NFIB owners. (Cooper et al. [1990] did not provide data on this issue).

**Table 1a-1c***Sample Characteristics*

1a) Industries Represented (%)		NFIB Owners (n = 2994)	Hispanic Owners (n = 91)
Construction		7.3%	31.9%
Miscellaneous service		19.2	19.8
Professional		5.4	15.4
Manufacturing and mining		7.8	13.2
Wholesale		4.2	8.8
Transportation & comm.		2.4	2.2
Retail		45.9	4.4
Agriculture		2.1	1.1
Financial		4.9	0
Others or unknown		0.7	3.3

  

1b) Number of Employees	NFIB Owners (n = 2988) %	Cum. %	Hispanic Owners (n = 90) %	Cum. %
<2	26.0%	26.0%	26.1%	26.1%
2-3	23.2	49.2	17.4	43.5
4-6	31.6	80.8	20.7	64.2
7-10	9.9	90.8	15.2	79.4
>10	9.2	100%	20.7	100.1%

  

1c) Year Became Owner	Hispanic Owners (n = 92) %	Cum. %
Before 1941	0%	0%
1941-1950	1.1	1.1
1951-1955	0	1.1
1956-1960	0	1.1
1961-1965	1.1	2.2
1966-1970	4.3	6.5
1971-1975	12.0	18.5
1976-1980	23.9	42.4
1981-1985	43.5	85.9
1986-1988	14.1	100%

**Table 2***Personal Characteristics of Business Owners*

Characteristics	NFIB Owners (n = 2994)	Hispanic Owners (n = 92)	Chi-Square
Parents owned business: Yes	45.1%	38.5%	1.57
No	54.9	61.5	
Foreign-stock: Yes	N/A	26.4%	N/A
No	N/A	73.6	
Education:			
Less than college degree	67.2%	48.4%	14.16**
Number of full-time jobs			
More than 3 jobs	51.8%	53.4%	0.08
Ave. # of full-time jobs before ownership	N/A	4.4 jobs	N/A
Age when became owner:			
<30	26.5%	14.3%	11.22**
30-39	38.8	54.9	
>39	34.8	30.8	
Ave. age when became owner	N/A	36.1 yrs.	

*Note.* Number of full-time jobs held between leaving school and becoming owner of this business, counting military service as one job.

N/A = Not Available    \* $p < .05$     \*\*  $p < .01$

Another interesting aspect of these HSBO's was their relatively high levels of educational achievement. Chrisman and Carsrud (1990) argue that education is one of the major sources of information available to entrepreneurs regardless of race, and this sample of individuals availed themselves of this opportunity. Approximately 51% of these HSBO's had a college degree compared with only 33% of the NFIB sample. These results are not only significantly different ( $X^2 = 14.16$ ,  $p < .01$ ), but also consistent with Gomolka's (1977) and Hisrich and Brush's (1986) findings that minority entrepreneurs frequently have a college education, regardless of the fact that they tend to come from lower or middle class families. Minority entrepreneurs appear to couple achievement in education with achievement in business.

With regard to the other personal characteristics examined, several similarities were noticed between the two groups. For example, significant percentages from both groups of respondents held more than three full-time jobs before embarking on their current careers as owners. In fact, 52% of the NFIB sample and 53% of the HSBO's fit this category. Furthermore, the sample of HSBO's averaged 4.4 full-time jobs before engaging in their current ownership role. The sample groups did differ ( $X^2 = 11.22$ ,  $p < .01$ ), however, with regard to the age at which they became owners. Hispanics tended to become owners at a later date in their life. It would appear that HSBO's serve a longer "apprenticeship" period before embarking on their entrepreneurial careers than non-minority small business owners.

**Table 3***Paths to Business Ownership*

	NFIB Owners (n = 2994)	Hispanic Owners (n = 91)	Chi-Square
Started the business	63.6%	85.7%	27.76**
Purchased the business (not from family)	29.7	7.7	
Inherited the business, or purchased from member of family	2.2	4.4	
Promoted or brought in by other owners	3.5	0	
Other paths	1.0	2.2	

\*  $p < .05$     \*\*  $p < .01$

**Paths to Ownership**

A significant difference ( $X^2 = 27.76$ ,  $p < .01$ ) was found in the pathways to business ownership by HSBO's and NFIB owners (see Table 3). This result was due primarily to the heavy reliance by HSBO's on starting their businesses (85.7%), whereas the NFIB sample either started (63.6%) or purchased their businesses (29.7%). While a fairly large number of owners from the NFIB sample followed the latter ownership path, only 7.7% of Hispanics did so. The small number of HSBO's purchasing businesses may be symptomatic of a lack of knowledge of the purchasing process and/or a lack of financial resources. Alternative paths to ownership (inheritance, promotion, etc.) were followed infrequently by both groups.

The increasingly rapid growth of minority businesses (and Hispanic businesses in particular) is likely to highlight the need for further knowledge of the purchasing path to ownership along with the other paths to owning a business. Far more family businesses are likely to be handed down to succeeding generations, requiring an increased understanding of the inheritance path to ownership. Topics such as succession and estate planning will probably become more relevant to HSBO's than they are today. Training and support programs may need to be revised and revamped to accommodate these changes in the minority business sector.

**Career Characteristics and the Start-up Process**

Table 4 examines a variety of career characteristics including information on the owners' incubator (previous) organizations and several key aspects of the start-up process. A significant difference ( $X^2 = 8.69$ ,  $p < .05$ ) was found among the supervisory backgrounds of our two sample groups. On the one hand, previous supervisory experience of HSBO's was primarily with workers (52.7%) rather than managers (13.2%); however, a full third (34.1%) had absolutely no supervisory background. On the other hand, NFIB owners also had more experience supervising workers (39.3%) than managers (11.1%), but in both cases their supervisory experience was less than that

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of HSBO's. Almost half of the NFIB group (49.6%) had no prior supervisory experience. As indicated by the numbers above, both groups had very little experience in higher-level positions requiring them to "manage" managers.

The results show about one out of four (27.6%) of the HSBO sample left their prior organization due to negative "pushes," (i.e., their job was discontinued, they were fired, they quit with no specific plans, or they would have quit even if they had not become an owner). Unfortunately, Cooper et al. (1990) provided no data on this issue. However, an earlier study by Cooper and Dunkelberg (1986) found 19.8% of that NFIB sample experiencing the same negative pushes. Alternatively, 51.7% of the HSBO's left their prior jobs to start their new ventures, suggesting at least some form of preplanning.

The above figures appear to support partially Cooper and Dunkelberg's (1986) argument that entrepreneurs are less likely to accept authority and to "succeed" in larger organizations (when success is measured by supervisory experience). However, it should be recognized that the relative youth of these owners (average age of 36.1 when they became owners) may also have contributed to their lack of experience in managing and supervision.

The two groups were similar in their use of partners or investors. That is, 38.5% of the HSBO's and 29.8% of the NFIB sample had full-time partners or investors at start-up. HSBO's averaged 2.3 full-time partners or investors at start-up. In addition, both groups were similar in that comparable percentages (52.8% of the HSBO's and 44% of the NFIB group) started new ventures servicing the same or similar customer groups as those dealt with in their previous organizations (incubators). However, a significant difference ( $X^2 = 16.24$ ,  $p < .01$ ) was found among the groups when examining the types of products/services provided their customers. That is, almost two-thirds (65.5%) of all HSBO's provided products/services similar to those of their respective incubator organizations. Only 43.7% of the NFIB sample did the same.

Many experts believe that smaller firms provide better training for future entrepreneurs than larger firms because their employees have the opportunity to participate in a wider variety of activities relevant to the entrepreneurial experience. Alternatively, career training in large firms is often characterized as in-depth but lacking in the breadth needed for a well-rounded entrepreneurial apprenticeship. Yet, only 38.5% of the HSBO's worked in organizations with fewer than 100 employees, compared to the NFIB sample of 46.9%. Although no significant difference was found, we need to ask whether Hispanics perceive better career opportunities with larger firms than smaller firms. Do larger businesses provide a superior "incubator" experience in readying HSBO's for their entrepreneurial endeavors? Are Hispanics pursuing the kind of business career paths that will prepare them for future entrepreneurial success? And are Hispanics themselves doing what is necessary to encourage the "apprenticeship" function among aspiring HSBO's? Are they doing "enough" in the way of training their own kind for future small business careers? These appear to be topics worthy of future research.

Sample groups differed in their proclivity to move when starting their new businesses ( $X^2 = 10.70$ ,  $p < .01$ ). Only 6.7% of HSBO's set up their business away from where they lived, whereas 20.8% of the NFIB sample did so. This suggests that HSBO's recognize the importance of their local market knowledge; not moving offers fewer family disruptions, and it allows them to take advantage of their personal contacts. It also supports Scott's (1983) contention that ethnic firms frequently operate in ethnic neighborhoods. Moving away from such areas would remove them from their prime market segments and the neighborhoods and people they know best.

**Table 4***Characteristics of Careers, Incubator Organizations and the Process of Starting*

	<i>NFIB Owners</i>	<i>Hispanic Owners</i>	<i>Chi-Square</i>
<b>Prior supervisory level:</b>			
Supervised workers	39.3%	52.7%	8.69*
Supervised managers	11.1	13.2	
No supervisory experience		49.6	34.1
<b>Prior organization:</b>			
<100 employees	46.9%	38.5%	2.53
≥100 employees	53.1	61.5	
<b>Major reasons for leaving prior organization (negative pushes)</b>			
Job discontinued	N/A	27.6%	N/A
Fired	N/A	1.1	
Quit/no plans	N/A	0	
Quit anyway	N/A	5.7	
Quit for business	N/A	51.7	
Other reasons	N/A	20.7	
<b>Similarity of business to that of incubator:</b>			
<b>Customers same/similar:</b>			
Yes	44.0%	52.8%	2.71
No	56.0	47.1	
<b>Products/services same or similar:</b>			
Yes	43.7%	65.5%	16.24**
No	56.3	34.5	
<b>Had full-time partners or investors present at start-up:</b>			
Yes	29.8%	38.5%	3.17
No	70.2	61.5	
<b>Ave. # of full-time partners or investors at start-up</b>	N/A	2.3	N/A
<b>Moved when became owner:</b>			
Yes	20.8%	6.7%	10.70**
No	79.2	93.3	

N/A = not available \* p<.05 \*\* p<.01

**Motivations and Attitudes**

Previous research (Cooper & Dunkelberg, 1986; Smith, 1967; Smith & Miner, 1983) suggests there are two primary types of entrepreneurs—managerial and craftsman. Managerial entrepreneurs possess a desire to achieve economic gain and to build a successful organization. They attempt

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to do so by putting controls in writing and by spending a large amount of their time in administrative duties. They frequently have higher rates of organizational change. Craftsman entrepreneurs tend to be very different. They prefer to do the work they want to do and not to work for others. They favor selling and technical activities, their firms are less formalized (fewer controls in writing), and they experience less organizational change. Lifestyle concerns tend to be emphasized over economic concerns. Given the general ownership demographics of HSBO's mentioned earlier in the paper, it was expected that the HSBO sample would be predominantly craftsman entrepreneurs. The questionnaire allowed us to test this hypothesis and compare the HSBO results to those of the NFIB study.

Interestingly, HSBO's placed greater importance on the managerial goal of building a successful organization (43.2%) than the respondents in the NFIB study (32.2%), but this along with the results of the other categories was not statistically significant ( $X^2 = 5.00$ , n.s). This was a somewhat surprising result since we had anticipated having far more craftsman than managerial types in the HSBO sample. However, the educational achievements of this group may help to explain their higher aspirations and managerial orientation. The fact that business ownership is seen as an important path to financial and social success for Hispanics may also help to account for this result.

Substantial differences were found between this study and one by Young and Sontz (1988) in terms of independence and what owners are seeking from their ventures. Only 17.0% of HSBO's responded that they began their businesses in order to avoid having to work for others (independence), and 21.6% answered that they were looking for personal satisfaction. Alternatively, 84.7% of the Hispanic respondents in Young and Sontz's research said they wanted independence, and 39.9% said they were looking for personal satisfaction. These differences may be due to the fact that the sample group in Young and Sontz was comprised of Hispanic immigrants as opposed to this study's group, which was primarily born and raised in the U.S. Independence may represent the ultimate 'dream' to those who had been restricted or limited from business ownership in their native countries. Owning a successful business and economic self-sufficiency may be the way to achieve part of this dream and the independence and satisfaction that comes with it.

Further differences were found among the motivational and attitudinal scales examined (see Table 5). For example, both the NFIB sample and the HSBO's generally agreed (strongly or somewhat strongly) that their businesses were changing rapidly, but a statistically significant difference was found in terms of the numbers within each group that felt this way ( $X^2 = 4.90$ ,  $p < .05$ ). That is, a smaller portion of NFIB owners (64.2%) than HSBO's (75.5%) felt their company was changing rapidly. An even more substantial difference was found in their attitude toward making a comfortable living ( $X^2 = 18.65$ ,  $p < .01$ ). Only 35% of HSBO's felt that making a comfortable living constituted "enough" success than the much larger percentage (57.9%) of the NFIB sample. Significant differences also were found as to the extent to which HSBO's were more apt to put operating controls and methods in writing (54.5% vs. 42.2%;  $X^2 = 5.36$ ,  $p < .05$ ). Both groups were more comfortable working on management issues than technical or selling problems. In summary, HSBO's were motivated primarily by their desire to build a successful organization but not to the exclusion of quality-of-life issues. To some extent there appeared to be a stronger orientation toward the managerial entrepreneur, but it was not absolutely clear from the data.

**Table 5***Motivations and Attitudes*

	NFIB Owners	Hispanic Owners	Chi-Square
<b>Primary Motivation</b> (most important goal):			
<b>Craftsman goals:</b>			
To let you do the kind of work you wanted to do	28.4%	21.6%	
To avoid having to work for others	19.9%	17.0%	5.00
<b>Managerial goals:</b>			
To make more money than would otherwise	19.5%	18.2%	
To build a successful organization	32.2%	43.2%	
<b>Attitudes and perceptions</b> (Agree strongly or somewhat)			
Your business is changing rapidly	64.2%	75.5%	4.90*
Making a comfortable living is enough success	57.9%	35.2%	18.65**
In your business, operating controls & methods are in writing	42.2%	54.5%	5.36*
You are most comfortable in selling or handling technical problems rather than in working on management issues	38.8%	33.4%	1.11

\*  $p < .05$     \*\*  $p < .01$

**Sources of Funding**

Finally, the study examined sources of funding used by HSBO's (see Table 6). Unfortunately, the 1990 NFIB study by Cooper et al. reported only the percentage of firms using various sources of capital and did not ask the owners to identify their most important source of business funding. The earlier Cooper and Dunkelberg (1986) study, however, did ask this question and found personal savings to be the most important source of business funding for 48.4% of their sample. This study also found personal savings to be the most important source by far of initial financing for HSBO's (65.2%). Although difficult to compare, such a sizable difference between the samples seems to suggest that HSBO's have fewer alternative sources of start-up funding available to them at the inception of their businesses. Because the NFIB study does not discuss this issue, we cannot state whether Hispanics had more trouble finding alternative sources of financing, but certainly these results are not encouraging.

Only one statistically significant difference was evident in Table 6—the use of government funds. Almost 10% of HSBO's had obtained some form of government funding, whereas NFIB owners were less dependent, using this source in only 3.2% of their start-ups ( $X^2 = 11.63$ ,  $p < .01$ ). The results also indicate that beyond personal savings, lending institutions and friends and relatives

**Table 6***Sources of Financing*

	1979 NFIB Study n = 1756	Hispanic Owners (n = 88)
<b>Most important source of initial financing:</b>		
Personal savings	48.4%	65.2%
Lending institutions (banks, insurance co's, others)	N/A	16.9%
Friends or relatives	N/A	10.1%
Individual investors (not friends or relatives)	N/A	0
Venture capital	N/A	1.1%
Government sources	N/A	3.4%
Other sources*	N/A	3.4%
<b>% of firms using this category as a source of capital:</b>		
Personal savings	N/A	82.1%
Lending institutions	N/A	40.5%
Friends or relatives	N/A	30.3%
Individual investors	N/A	7.8%
Venture capital	N/A	2.2%
Government sources	N/A	10.1%
Other sources	N/A	5.6%

*Note.* \*\*"Other sources" were typically considered internally generated funds.

N/A = Not Available

were the next two most popular sources of capital used by both groups. Contrary to popular opinion, venture capital was virtually non-existent among both groups. Individual investors acted as a funding source for both sample groups in only about 7% of their start-ups. In summary, the results highlighted the heavy reliance on personal savings as the most important initial source of capital for HSBO's.

The issue of funding to Hispanic businesses (and minority businesses in general) is a critical area for further research. Many questions remain that were beyond the scope of this study. For example, does the low percentage of firms able to obtain funds from individual investors (not friends or relatives) suggest that HSBO's have not yet been able to penetrate their own Hispanic business community for investment capital? Are Hispanics being discriminated against by banks? Some banks have expressed an attitude that they do not have time to teach the Hispanic business person what is necessary to qualify for the type of financing available. Also, the funding community itself, often dominated by Caucasians, may suffer from a lack of knowledge and understanding

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of the Hispanic community. A cultural wall may separate the communities. Hispanic businesses are frequently located in Hispanic neighborhoods where there may be few, if any, banks or other funding sources. Hispanics may not have sufficient material wealth—such as their own home or money borrowed from relatives—to meet a bank's stiff collateral requirements. Difficulty in getting small-business loans can disrupt the bootstrapping process for without loans and other sources of investment the start-up process becomes inherently more difficult. Fewer businesses mean fewer jobs and role models. Further research on these issues is critical in order to extend our knowledge of the minority and, in particular, the Hispanic approach to entrepreneurship.

## CONCLUSIONS

The results of this study tend to correspond with the profiles of owners found in previous studies of minority business people. That is, founders were relatively young (although somewhat older than their non-minority counterparts), often started a company in an area in which they had prior experience with products or customers, almost always started their own firm, left prior jobs to start their own businesses, often were college educated with higher educational levels than the general minority population, and started their businesses because they wanted to launch their own successful organization.

At the same time, however, there were some obvious differences between the HSBO experience and that encountered by the NFIB ownership group. Most noticeably HSBO's take a different path to ownership. Their approach to ownership is almost entirely starting from scratch. They use their education and substantial experience in incubator firms to start businesses which are often reflective of their past work experiences. For example, customers are often similar, but the product/service delivered is even more representative of their previous firm(s). Their business is most often located within their own minority neighborhood, where they are more comfortable and knowledgeable about the cultural mores and attitudes of their potential customers. Their businesses are predominantly financed through personal savings. If other funds are needed, they are most often obtained from lending institutions, friends or relatives. Self-employment is often pre-planned, but about a quarter of the time they receive negative pushes that provide the impetus for starting their own businesses. They possess some attitudes that are more managerial than craftsmanlike in orientation; that is, they are prone to putting controls and methods in writing and their primary motivation is to build a successful organization.

The results suggest that education is an important factor in an Hispanic's career path to ownership. Higher education is not a necessity, but it appears to be a characteristic possessed by many HSBO's. We speculate that such education enhances the opportunities for Hispanic entrepreneurs. For instance, education may be important because Hispanics do not have an abundance of entrepreneurial role models. Thus, their business acumen comes from experience and education. As Hispanics enter the business world in ever greater numbers, it is likely that education will continue to play an important role in their ability to achieve an ownership role, whether it occurs through their own start-up, the purchase of a business, or a promotion to ownership. As they succeed in this effort, more and more HSBO's will ultimately transfer their businesses to their next generation. Today, however, training and support programs designed to increase the number of HSBO's focus almost entirely on the start-up option as the sole path to ownership. These programs will need to be broadened in the future to accommodate the expected increase in the use of alternative paths to ownership. Future studies should be helpful in identifying such trends over time and in providing

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suggestions about how support groups can shift their strategies and programs in order to meet the changing needs of the Hispanic small business community.

The results show that upper-level management (in which one manages other managers) is not an experience shared by most HSBO's on their path to small business ownership. Many HSBO's in this study had supervised workers before becoming business owners, but over a third had never before been in any type of supervisory role. While supervisory experience may be important in fostering new ownership, the lack of it does not appear to be a major impediment to achieving an ownership role.

There is a need for research that examines the funding process for Hispanics. More alternatives for initial funding must be made available to aspiring HSBO's in order to promote the entrepreneurial process as an alternative career path, or at the very least we must find out what the impediments are that keep these alternatives limited. Is it that the businesses being started are not candidates for such investments or is it something else? Further research should also be performed on "career" issues. Is there such a thing as a better incubator experience--the large or small firm--to prepare Hispanics for a future business ownership role? Are Hispanics doing enough on their own to encourage business ownership as an alternate career path?

Finally, there is a problem in terms of the set-up of this and other studies utilizing Hispanic sample groups. This study as well as a number of prior studies of Hispanics has treated them as a homogeneous group. Mescon (1987) has alluded to the lack of homogeneity among Hispanics, while others have argued for a view of diversity. For example, they can be grouped into Cuban Americans, Mexican Americans, and Puerto Ricans, all possibly warranting different approaches in terms of marketing and management. By grouping them as a homogeneous population, the possible differences between these Hispanic groups may be lost and with it a better understanding of the differences in their business practices. It may well be that differences among different groups of Hispanics may cause variations in their approaches to the ownership role.

This study may also be limited in terms of its generalizability. The HSBO population responding to our survey had in common the fact that they had all contacted their local Minority Business Development Center for information or help, but to what extent they reflect the larger Hispanic business community is unknown. Thus, generalizing our results to a larger Hispanic business population must be considered questionable and suggests the need for larger and broader sample studies.

#### Footnotes

<sup>1</sup>Cooper and Dunkelberg did not identify the racial composition of their sample. It is assumed, therefore, that their sample was representative of the racial make-up of the U.S. business community, that is, approximately 95% non-minority and 5% minority-owned businesses according to *The State of Small Business: A Report of the President*, (Washington, D.C.: U.S. Government Printing Office, 1986), pp. 192-194.

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