Minority Entrepreneurs Face Added Challenges

Sterling Bone, an assistant professor at the Jon M. Huntsman School of Business, recently completed research that shows entrepreneurs who are minorities face more obstacles to success than their Caucasian counterparts.

Their research included sending “mystery shoppers” to banks seeking information about loans. They also did in-depth interviews with 39 people who already own small businesses in the United States about their work and the obstacles they have faced. Their research included conducting an experiment that asked minority and nonminority consumers to apply for a loan and asked them how they felt about themselves before and then after they were rejected.

“In the United States of America we are all about freedom of choice,” Dr. Bone said. “A lot of research and business practice starts with the premise that individuals have equal choice and what we found, instead, are that there are systemic restrictions to choice for some people just because of their ethnicity. We hope that this study will help people become aware of the inequalities that exist in the marketplace.”

The studies also found that minority entrepreneurs deal with setbacks differently than others, Dr. Bone said. They asked a number of consumers to apply for a loan in an experiment was set up so that every application would be rejected.

“In general, when the minority consumers were rejected they saw it as a threat to their self-esteem,” he said. “Caucasian entrepreneurs shook off the set back and often saw it as evidence of bad judgment on the part of those making the decision.”

These inequalities are troubling, in part, because sometimes people who lack traditional employment choices become entrepreneurs to create their own opportunities, yet to their dismay find that financing choices are restricted, Dr. Bone continued.

“They knock on doors and they chase after this dream only to find that because they are a person of color, their ability to lay hold of that dream for themselves and their families is frustrated,” he said. “Unfortunately, it is an uphill battle for minority consumers to obtain equal and fair access to financial products.”

This research was featured in national publications such as The Washington Post, Boston Globe and Business Week. Check out The Washington Post’s version of this article here.