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Article

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The role of networking, entrepreneurial environments, and support systems in the creation, survival and success of ventures founded by minority, women, and immigrant entrepreneurs

Introduction

This Special Issue sought to develop new theories or expand on existing paradigms and perspectives on how social networks, entrepreneurial environments/ecosystems and support systems of minority, women and immigrant entrepreneurs' (MWI) impact new venture creation and entrepreneurial processes, such as opportunity recognition, resource acquisition, venture success and survival. An expansive examination of the entrepreneurship literature elucidated the need for studies on support systems, entrepreneurial ecosystems as attributing factors to MWI venture creation, survival and success.

Consequently, the editors devised a call for papers requesting that authors explore new perspectives and paradigms incorporating environmental conditions that impact MWI's, and the role of social networks in venture creation, survival and success. Questions posed by the Special Issue include: first, what environmental factors, support systems or types of entrepreneurial ecosystems provide coping mechanisms for challenges faced by these entrepreneurs; and help facilitate success? second, how do MWIs network with others, develop their social networks and build social capital both before founding and after founding their ventures? third, what barriers to startup/success limit the potential of these entrepreneurs? fourth, what theories best explain venture creation, survival or failure among MWIs? fifth, are there important differences between these entrepreneurial groups and the general population, and sixth, how might these differences and/or generational status positively/negatively impact creation, survival or success?

Three manuscripts were accepted spanning topics on network diversity, immigrant entrepreneurial intentions with environmental stressors, emotional carrying capacity (ECC) and entrepreneurial self-efficacy (ESE). The following paragraphs highlight the importance of MWIs to the US economy, with demonstrative evidence of the critical role that support systems and entrepreneurial ecosystems play in manifesting positive outcomes for MWI ventures. An abbreviated review and discussion of the contributions made by the accepted manuscripts in this Special Issue is then followed by advice for future research directions.

Literature

Entrepreneurship and new venture creation help shape economies and advance societies (Hafer, 2013; Schumpeter, 1934; Wennekers and Thurik, 1999). However, research and government statistics show that new venture creation and entrepreneurship have been on the decline in the USA for the last several decades (Hathaway and Litan, 2014; Lockhart, 2013; Ozimek, 2013; Pethokoukis, 2014; Singh and Ogbolu, 2015). In 1978, startup ventures made up almost 15 percent of all firms but had fallen to just over 8 percent by 2011



(Hathaway and Litan, 2014). In a March 2016, US Bureau of Labor Statistics (BLS) study, it was reported that 10.1 percent of the US workforce was self-employed in the US in 2015; down from 16.5 percent in 1994 (Hipple and Hammond, 2016). This figure continues to trend downward. It had dropped to 10 percent in June 2017 and fallen further to 9.7 percent by July 2018 (BLS, 2018). As the demographics of the country change and the population becomes more diverse, understanding minority and immigrant entrepreneurs, as well as the rapidly growing number of women entrepreneurs becomes more important.

Of the 27.9m small businesses in the USA, 8m are minority-owned (US Department of Commerce, 2012). These firms add \$1 trillion in economic output to the economy, lead the nation in exporting, and enhance the global competitive advantage of the USA (Minority Business Development Agency, 2012). A recent report on the state of women-owned businesses indicated that women-owned firms in the USA totaled 11.3m (6.3m firms were owned by non-minority women), and generated \$1.6 trillion in sales (Womenable, 2016). According to the report, women-owned firms increased by 45 percent compared to a 9 percent increase for all businesses. Similarly, immigrant-owned businesses contribute \$775bn to US gross domestic product, and employ one out of every ten American workers (New American Economy, 2012). The importance of immigrants to new venture creation in the USA cannot be overstated as immigrants are twice as likely to start a business as native-born Americans (Stangler and Wiens, 2015). These statistics point to the importance of MWIs to entrepreneurship in the USA.

Scholars agree that entrepreneurs need nurturing entrepreneurial environments, appropriate support systems (Isenberg, 2011), and meaningful social networks for the provision of information and resources to create and grow viable new enterprises (Levenstein, 1995; Singh, 2000; Chrisman *et al.*, 1998). Isenberg (2010) describes ideal entrepreneurial ecosystems that include leadership, culture, capital markets and customers which can be adapted based upon regional variations, geographic conditions and the concentration of relevant industrial clusters in a location. He claims this is achievable even in the most isolated environments, if regions focus on their natural strengths (and resources), maintain the right combination of public-private-university partnerships, and recruit seasoned entrepreneurs willing to serve as mentors and advisors. The challenges within the ecosystems of MWIs are explored within this Special Issue, including the benefits of networks and support systems which are often different from traditional entrepreneurs (Fairlie, 1999; Hughes *et al.*, 2012; Singh *et al.*, 2009; Singh *et al.*, 2008). Researchers intimate that the composition of minority social networks – often based on family, kinship, racial, ethnic or religious identifications – may account for differences in the patterns of entrepreneurship (Butler, 1991; Levenstein, 1995; Light, 1972). Hence, desirable outcomes from the Special Issue are contributions that demonstrate how MWIs might fully leverage social networks, or frameworks that enable policymakers and practitioners to develop proper support systems and entrepreneurial environments for MWIs to survive and thrive.

Ecosystem benefits may be fleeting for MWIs whose support systems and social networks may be poorly developed or insular. Thus, we must acknowledge and take stock of the unique challenges and obstacles often encountered by MWIs. While entrepreneurial activity among minority entrepreneurs is high, failure rates consistently exceed that of other groups (Dadzie and Cho, 1989; Sullivan, 2007). Minority-owned firms tend to be smaller and less profitable than their white counterparts (Edelman *et al.*, 2010). Entrepreneurship scholars attribute low survival rates to factors such as education, access to capital, lack of financial resources, work experience, credit market discrimination, lack of role models and uncontrollable external constraints, to name a few (see Dadzie and Cho, 1989; Sullivan, 2007; Köllinger and Minniti, 2006). Statistics also show that women entrepreneurs have smaller firms, lower survival and profitability rates than their male counterparts (Fairlie and Robb, 2009). Persistent gender gaps that exist are attributed to access to resources, human capital, prior work experience,

startup capital, the masculine culture of entrepreneurship and type of industry (Greene *et al.*, 2003; Fairlie and Robb, 2009). Women entrepreneurs are often erroneously characterized as not pursuing venture capital, lacking suitable networks and avoiding ownership of high growth ventures (Menzies, Diochon, and Gasse, 2004; Brush *et al.*, 2008). Consequently, many have called for initiatives and policies to overcome gender gaps in entrepreneurship (Greene *et al.*, 2003; Gibbs 2014; Sequeira *et al.*, 2016). Exploring women's social networks and the entrepreneurial support systems in which they operate may serve to dispel myths, and level the playing field for women-owned businesses.

In addition, the politically charged immigration debate does not change the fact that immigrants' energy and intellectual capital are needed in the US labor market, especially given the low unemployment rate. As stated above, immigrants are more likely to found new ventures than the indigenous population in the US. Research has found important differences between immigrant and non-immigrant entrepreneurs. In 2010, over 40 percent of Fortune 500 companies were founded by immigrants, or their children (Stangler and Wiens, 2015). Given their impact on the US economy, immigrants continue to be an important group to study.

The study of MWIs and how they differ from traditional entrepreneurs will continue to grow in importance as the demographics of the USA change and women continue to found firms at a faster pace than their male counterparts. In this issue, we sought to expand the base of knowledge on MWIs and to open up new directions for future research. In the next few paragraphs, we summarize the key findings and some of the implications of the papers included in this Special Issue.

Papers in this special issue

The first article by Mayank explores the performance gap between black- and white-owned ventures. Black-owned ventures have consistently been found to underperform those owned by white entrepreneurs (Fairlie and Robb, 2007; Sullivan, 2007). How and why the gap persists beyond the race of the owner can help us understand how to address the issue. Mayank proposed and tested for three mediators between the race-performance relationship: first, the demographic characteristics of venture's location, second, the financial size of the venture and third, the venture's credit riskiness. Thus, the research examined the external environment and the internal venture characteristics in a search for differences between ventures founded and owned by black and white entrepreneurs.

The demography of location was not found to play a part in the performance gap which suggests that both types of entrepreneurs are able to locate their firms in equally opportune locations. However, both of the other mediators were supported. It would seem that the internal characteristics of the venture differ between black and white entrepreneurs with black entrepreneurs founding financially smaller ventures that are also deemed to suffer from more credit risk. The research provides further evidence of the financial challenges facing black entrepreneurs and suggests that solutions aimed at developing subsidies to increase the asset base and reducing the credit risk would help to close the subsequent performance gap.

In the second article of the Special Issue, Awotoye and Singh present a conceptual paper focusing on immigrant entrepreneurs. More specifically, the authors examine how the elevated stress immigrants must deal with factor into immigrants' intentions to start, grow and abandon a venture using Azjen's (1985) theory of planned behavior. The authors focus primarily on one tenet of the theory – perceived behavioral control – to develop five propositions, one of which uses entrepreneurial resilience as a moderator between the demands of immigration and venture abandonment, such that those immigrant entrepreneurs who demonstrate higher levels of resilience are less likely to abandon their ventures.

While research has consistently shown that immigrants are more likely to found ventures than native-born citizens, this paper recognizes the challenges immigrants must deal with as they adapt to their new environments and explores new factors and behaviors of immigrants. Awotoye and Singh proposed that immigrant entrepreneurs are more likely to have intentions to found new ventures, have lower intentions to grow their businesses, and have higher intentions to abandon their businesses. As they point out, pursuing new venture creation — which is challenging in and of itself — would seem less likely for immigrants than non-immigrants, yet this is not the case. The authors argue that the knowledge of their own ethnic culture and population, combined with the challenges of integrating into a new society, often pushes immigrants into ethnic entrepreneurship. This type of entrepreneurship, which focuses on niche markets may be easier to start, but results in smaller ventures with limited growth potential that can be abandoned relatively easily if necessary.

Immigrant entrepreneurship is of central policy interest and deserves more critical examination. The paper adds important context and provides a more refined framework for understanding the challenges, behaviors and intentions of immigrant entrepreneurs. This may help researchers better consider how and why immigrants pursue their entrepreneurial ventures.

Finally, Javadian, Opie and Parise study the role of context by examining how entrepreneurs' social networks influence ESE. Typically, ESE is used as an independent variable that impacts survival and success of new ventures. However, this paper examines ESE as a dependent variable. In their study, they compare white and black entrepreneurs and find that the ECC and the network ethnicity of a white entrepreneur's social network relationships are both positively related to his or her ESE. For black entrepreneurs only ECC — not network ethnic diversity — was found to influence ESE. The authors pointed out that black entrepreneurs' networks were more ethnically diverse than white entrepreneurs. This finding possibly explains why black entrepreneurs may not specifically benefit from network ethnic diversity. That is, because black entrepreneurs' networks, as compared to white entrepreneurs' networks, are already characterized by higher ethnic diversity, black entrepreneurs may not reap the additional benefits that white entrepreneurs do when they increase the ethnic diversity of their networks.

Overall, the results indicate the relative significance of contextual variables beyond company and entrepreneur demographics with respect to ESE. When all of the network variables were entered into the model, owner and business demographic variables were no longer significant. The inclusion of ECC is novel and unique and the results suggest that entrepreneurs should work to diversify their networks in hopes of improving their ESE and ultimately success in their entrepreneurial endeavors.

Conclusion and future research

We believe that much more work is needed in coming years to better understand the unique challenges faced by MWIs and the significant potential benefits of further spurring entrepreneurship among this group of individuals. The US population is changing and the population of entrepreneurs is also changing. Immigrants have always been an important source of new venture creation, but the growth in women-owned and minority-owned businesses require re-evaluation of entrepreneurship theories and processes which have emerged in the entrepreneurship literature primarily based on research conducted on mostly white male entrepreneurs. In the Special Issue, contextual and environmental factors, economic and emotional challenges and social network analyses helped to advance the literature base and knowledge about MWIs. We hope that the articles assist with introducing readers to MWIs and leads to increased emphasis on the issues raised in this Special Issue which may spur new lines of research and knowledge that lead to better entrepreneurial outcomes.

We want to conclude with our thanks to those who submitted manuscripts, the authors of the papers that were selected for inclusion, and the reviewers who gave generously of their time and expertise. Without all of you, this Special Issue would not have been possible. Finally, we want to give a special note of thanks to Editor-in-Chief Grace Guo, who helped shepherd this project to a successful completion.

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