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Young Minority Entrepreneurs: Personal Traits and Environmental Constraints

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Abstract

Research background: In recent years, the number of new entrepreneurs has been growing particularly among young people and minorities. The young minority entrepreneur is a distinct sub-set within the category of young entrepreneurs because he faces additional social and cultural barriers, limited economic and resource access and availability, discrimination and even outright racism not experienced by mainstream entrepreneurs. In this review, we have found it necessary to distinguish between two groups of minorities: the ‘immigrant minority’ and the ‘local ethnic minority’ who might or might not be a numerical minority but who live under the constraints of a ruling hegemony, a distinction which has profound consequences on entrepreneurial activity.

Purpose of the article: To provide an overview of the updated understanding of the young minority entrepreneur as well as to refine some critiques.

Methodology: This article is based on a review of nearly one hundred academic papers, reports, and books in the field.

Findings and value added: Entrepreneurship can be the result either of a free positive choice or a necessary escape strategy of survival for those who have no option of salaried work opportunities. It brings into play personal traits, education and environmental support or constraints.

JEL Classification: L26; J15

Keywords: young entrepreneurs; minority; personal and traits characteristics; socio-cultural aspects; environmental constraints

Introduction

Entrepreneurship is one of the economic growth engines in developing countries. The ethnic minority entrepreneur is exposed to double jeopardy: mainstream difficulties and minority status. The leading obstacle is

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discrimination which limits access to capital, resources, infrastructure, economic and social networks, etc. For example, Palia (2016) found that African-Americans borrowers are rejected for credit at a 30 percent higher probability rate than similar white borrowers. And yet entrepreneurship among young minorities is often the chosen endeavor albeit for two contradictory reasons: as a free choice or as necessary escape strategy for survival. The purpose of this paper is to clarify the reasons for this choice.

Method of the Research

This research study is based on a qualitative review of the content and conclusions of nearly one hundred papers, reports and books from the fast developing entrepreneurial field, using both the comparative method and critical analysis.

The mainstream entrepreneur

In order to better define the minority entrepreneur we must first define the mainstream entrepreneur. The Global Entrepreneurship Monitor (GEM) data shows 250 million are engaged in entrepreneurship: 110 million people between the ages of 18 and 64 were actively engaged in starting a business and 140 million were running new businesses they had started less than 3.5 years earlier (Kuratko, 2013).

A key difficulty in this field is that there is no single definition of an entrepreneur. This French term means to 'undertake'. In the eighteen century, the economist Richard Cantillon associated "risk-bearing" activity in the economy with the entrepreneur (Murphy, 1986). Despite this lack of a single definition, the shared opinion is that the minority entrepreneur is a distinctive phenomenon, with a specific subcategory of the young minority entrepreneur.

Schumpeter (1942) gives an early modern mainstream definition. An entrepreneur is someone who can transform a new idea into a successful venture. Drucker (1986) follows Schumpeter by describing the entrepreneur as an innovator who endows existing resources with new wealth-production capacities. Gartner (1985) confines his understanding of the entrepreneur to a person who starts a new business, which did not exist previously outlining a framework of four dimensions that should be taken into account: the particular individual; new venture creation process; the organizational structure and strategy; and the environmental context. For (Kuratko & Hodgetts, 1992, p.30) the entrepreneur is a catalyst for economic change who employs purposeful research, careful planning, and sound judgment in carrying out the entrepreneurial process. Kuratko (2013)
describes the entrepreneurs as pioneers of today's business successes and (Canon, 1991) describes the entrepreneur as a new 'cultural hero'.

Recently Drucker (2014) updated the definition as someone who starts his own new or small business in the United States, although not every new business is an entrepreneurial enterprise. (Burns, 2001), on the other hand, maintains that an entrepreneurial enterprise must involve applying management concepts and techniques and that it is necessary for the entrepreneur to focus attention on a specific opportunity that can make a significant impact. In contrast, Driessen and Zwart (2007) insist that that the greatest determinant of a business’ success is the entrepreneur himself. Entrepreneurship involves the ability to build a ‘founding team’ with complementary skills and talents” (Timmons & Spinelli, 2004). For example, Holden (2007) argues that entrepreneurs incorporate change as a healthy norm which they exploit as an opportunity. Complementing the above, (Timmons & Spinelli, 2004) emphasize that entrepreneurial leaders inject imagination, motivation, commitment, passion, tenacity, integrity, teamwork, and vision into their companies and that they must make decisions despite ambiguity and contradictions.

The environment may play a significant role in the choice of entrepreneurship. A comparative study between entrepreneurs with non-entrepreneurs in China found that entrepreneurs are much more likely to have family members who are entrepreneurs, as well as childhood friends who became entrepreneurs, thus suggesting that the social context is a major factor (Djankov et al., 2006). In Russia, a comparative study between entrepreneurs with non-entrepreneurs found that entrepreneurs are better off than non-entrepreneurs along a range of income and wealth proxies. The family members of entrepreneurs had more education, better jobs and were richer. Similarly, the parents of entrepreneurs were also significantly less likely to have been workers (Djankov et al., 2005).

In the following table, Cunningham and Lischeron (1991) review different schools by their attitude to the entrepreneur, its definition, its central focus or purpose and behavior and skills. The table shows the different description of entrepreneurs each with its own unique characteristics and different points of view.
Table 1. Summary approaches for definition and describing entrepreneurship

<table>
<thead>
<tr>
<th>Entrepreneurial School</th>
<th>Definition of entrepreneur</th>
<th>Central focus or Purpose</th>
<th>Behavior and skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Great person&quot; School</td>
<td>&quot;Extraordinary Achievers&quot;.</td>
<td>The entrepreneur has an intuitive ability—a sixth sense—and traits and instincts he/she born with.</td>
<td>Intuition, vigor, energy, persistence, and self-esteem.</td>
</tr>
<tr>
<td>Psychological Characteristic School</td>
<td>Founder control over the means of production.</td>
<td>Entrepreneurs have unique values, attitudes, and needs which drive them.</td>
<td>Personal values, risk taking. Need for achievement, and others.</td>
</tr>
<tr>
<td>Classical School</td>
<td>People who make innovations breaking risk and uncertainty &quot;creative destruction&quot;.</td>
<td>The central characteristic of entrepreneurial behavior is innovation.</td>
<td>Innovation, creativity, and discovery.</td>
</tr>
<tr>
<td>Management School</td>
<td>Creating value through the recognition of business opportunity, the Management of risk taking through the communicative and management skills to mobilize.</td>
<td>Entrepreneurs are organizer of an economic venture; they are people whom or organize, own, manage, and assume the risk.</td>
<td>Production planning, people organizing, capitalization, and budgeting.</td>
</tr>
<tr>
<td>Leadership School</td>
<td>&quot;Social architect&quot; promotion and protection of values.</td>
<td>Entrepreneurs are leaders of people; they have the ability to adapt their style to the needs of people.</td>
<td>Motivation, directing, and leading.</td>
</tr>
<tr>
<td>Intrapreneurship School</td>
<td>Those who pull together to promote innovation.</td>
<td>Entrepreneurial skills can be useful in complex organizations; intrapreneurship is the development of independent units to create, market, and expand services.</td>
<td>Alertness to opportunities, maximizing decisions.</td>
</tr>
</tbody>
</table>

Source: Cunningham and Lischeron, (1991, p.47, p.56)

The minority entrepreneur

The term ‘minority’ always has socio-economic-political and cultural implications of inferiority but it may not necessarily represent a numerical value. Minorities may be either immigrants or members of a locally native ethnic population as in Israel. The social environment may not play a role
among oppressed minorities but it may be vital for second and third generation immigrants.

According to Jack and Anderson (2002) the appeal to a potential entrepreneur of establishing his or her own business is influenced by social factors; having family in the area, their children having made good friends, and liking the way of life and the social relations it involves. Bagwell (2008) found a heavy reliance on strong family network ties for almost everything related to the development and operation of the business of Vietnamese nail-shop business owners in London. Barret et al (2002) also determined that being embedded into the local environment enables entrepreneurs to realize opportunities. Jack and Anderson (2002) studied seven successful entrepreneurs who had established local businesses in rural Scotland documenting the nature and extent of their local embedding, which occurred prior to their successful localized entrepreneurship.

The Arab as a minority falls into two categories: the ethnic minority in Israel and the immigrant minority in the West. The difference in outcome of these statuses is significant. In Israel, Drori and Lerner (2002) found that the gap between the Jewish and the Arab sectors in Israel reflects the bureaucratic barriers set up by the Jewish sector to prevent Arab development. Also, Schnell and Sofer (2003, p. 58) agree that the case of the Israeli Arab ethnic minority requires the recognition that there are deep cultural, economic and political gaps between the Jewish and the Arab milieus and that entrepreneurship is not a major lever of economic growth of the Arab population in Israel. Mohammed Abu-Asbeh and Heilbrunn (2011); Heilbrunn et al (2014) argue that Arab women in Israel suffer from the double discrimination of being a minority woman thereby experiencing more difficulties than Jewish women with many turning to community-based traditional micro-enterprises. In contrast, the Arab as an immigrant is discussed in several papers. Smith et al (2012) discovered several important pathways to success used by Arab Americans in Detroit: help provided by families and friends, training and education, support networks and support organizations. Lalonde (2013) examined the Arab immigrant minority in Canada and found that the influence of the Arab culture on enterprise creation processes is significant and contributes to its success. With respect to new venture creation, culture-driven behavior was observed and analyzed, finding that human, market and social capital combined to facilitate ethnic entrepreneurship (Ilhan-Nas et al., 2011).

Similar successful results were found for some other immigrant minorities. Min and Jaret (1985) found a strong positive correlation between success and cultural values with adherence to a work ethic and frugality among Koreans in Atlanta, GA. Min (1987) argued that some
minority groups have cultural characteristics which are conducive to small business development and the impact of the social structure of the host society, such as work ethics, future orientation and ethnic ties influences towards ethnic businesses. Piperopoulos (2010) argued that immigrant entrepreneurs in Greece are pushed to self-employment owing to ethnic discrimination or restricted work opportunities. Cultural influences are not always determinative. Basu and Altinay (2002) who surveyed six different immigrant ethnic groups, found that culture in the form of a family tradition in business and strong family ties had an impact on business entity motives, on the financing of new startups, on the nature of the business chosen and on women's participation in the business. There were also entrepreneurs who were driven by the desire for independence and a greater control over their lives. Hameed and Yang (2016) found that among five immigrant entrepreneurs from Sweden the structure of the skilled labor market, educational requirements and cultural barriers are major push factors. Among Arab American entrepreneurs in San Antonio, Omar (2011) factors pushing individuals to self-employment included difficulties in finding a job and difficulties in a previous job and feeling disadvantaged in the US job market.

**Young entrepreneurs**

Fairlie (2005) found in his research among young adults that the difference between the income of the self-employed and the salaried employee is large. It is comparable to the difference in income between young adults from educated and uneducated families, where the latter earn less than the salaried worker. The Brixiová, Ncube and Bicaba (2015) model shows that for young entrepreneurs educational training is more effective in stimulating productive start-ups than subsidies, outweighing the high cost of searching for business opportunities. New young entrepreneurs who received business training (formal or advanced) reported better performance than those entrepreneurs with only an informal, basic or no business training. Clark and Drinkwater (2010) argue that self-employment rates have fallen for Indians and Chinese, but remain high for Pakistanis who continue to suffer from severe racism and discrimination. Groups of mostly Muslims can choose entrepreneurship because of cultural factors, some of which may be related to the decision with respect to the location of residence in cultural milieu. Geldhof et al., (2014) show that self-regulation skills, financial risk tolerance, innovation orientation, and the presence of entrepreneurial adults may be especially important for promoting
entrepreneurial intent in older adolescents and young adults. Al Habib (2012) found significant differences between entrepreneurs and non-entrepreneurs along the four personality variables examined in his study. Arcand (2012) in his interview survey with young people (between 20 and 35 years of age) from ethno-cultural minorities whose parents immigrated to the Montreal region and were, or are still, in business, found that the ethno-cultural background did not play a significant role. Parents did not have a direct influence on the development of an entrepreneurial spirit among their offspring. Interviewees identify more with an “open culture” rather than with a specific ethnic identity. Aslam and Hasnu (2016) found in their study among young MBA graduating students in Pakistan that most of them thought about starting a business of their own, but perception about various constraints and barriers prevented them from doing so, essentially because of the risks and unknown factors involved. In the US minority entrepreneurs come mainly from an entrepreneurial background because of the lack of employment opportunities, discrimination, and lack of education. Studies show that entrepreneurs generally exhibit a higher level of entrepreneurial qualities compared to people who are not entrepreneurs, such as education, entrepreneurial and family support, economic wealth, opportunities, of opportunity, as well as personal characteristics of ambition, self-confidence and social skills.

Conclusion

Although the term ‘entrepreneur’ has no single definition, it does include some defining characteristics. Self-employment is its sine qua non today rather than innovation and creativity. Personal characteristics such as creativity, ambition, education, vision, diligence, etc. may contribute to success or failure but do not always necessarily define it, because of environmental conditions. For the young minority entrepreneur, a higher education may facilitate entrepreneurship and its success while the lack of education may prevent any other type of employment, in which case entrepreneurship becomes a necessary escape strategy for survival. The conclusion of our review therefore, is that environmental constraints take precedence over personal traits and characteristics, when a society reveals discrimination between the majority and ethnic minorities. However, without environmental constraints, the personal traits and characteristics take precedence.
References


