

Social Network, Financial Capital, and Business Success among Minority Women Small Business Owners

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Abstract

Using data from the 2003 & 2005 NMBOS (National Minority Business Owners Surveys), this study examined to what extent minority women-owned small business owners were involved in social networks and to what extent minority women-owned small business owners had access to funding sources. This study also investigated factors associated with business success among minority women-owned family businesses. The study sample included 71 African-American women business owners, 93 Korean-American women business owners, and 95 Mexican-American women business owners. African-American women business owners were more likely to have higher level of business revenues from their own ethnic group, while Korean-American women business owners were less likely to have business revenues from their own ethnic group. African-American and Mexican-American small business owners were very satisfied with their community support, compared to Korean-American small business owners. Among the three ethnic groups, Korean-American women business owners were least likely to be satisfied with community support.

Descriptive findings suggest that African-American women business owners were more likely to be involved in social networks such as religious organizations, community-based social organizations, business organizations, professional organizations, and/or other organizations with whose members they share an affinity. On the other hand, Korean-American women business owners were less likely to be involved in social networks. As for the funding sources, Mexican-American women business owners were less likely to borrow from commercial banks, while Korean-American women business owners were more likely to borrow from commercial banks. Compared to other ethnic groups, African-American women business owners were more likely to borrow from family or friends.

The results of the OLS indicated that there were no significant differences in business success among the three minority women groups. The effects of social networks and access to financial capital on business success were not statistically significant among minority women business owners. It is interesting to note that all else being equal, the coefficient associated with business need first was significant and negative, indicating that when women business owners placed family needs first over business needs, the level of business success decreased. However, when the women business owners had been successful in achieving their business goals, it positively affected the level of business success. The findings of this study could contribute to ongoing scholarly discussions on the traditional views of women entrepreneurship and minority ownership.

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