

The Herald

BUSINESS

Minority ventures struggle to find success

■ A new study by Florida International University underscored the challenges of starting a successful business, especially for minority entrepreneurs.

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For many minorities, owning a business defines the American Dream. But according to a new study by Florida International University, blacks and Hispanics struggle disproportionately to keep that dream alive.

That's one of the bleaker findings in the massive study on entrepreneurship, which will be released today.

In one of the most comprehensive studies on U.S. entrepreneurs, FIU researchers have surveyed more than 33,000 individuals over five years.

Mining through the data, researchers found that minorities are well represented in the start-up phase of businesses but suffered a much higher attrition rate than whites.

While blacks accounted for 17 percent of startups last year, their

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• ENTREPRENEURS, FROM 1A

participation rate in companies that had been established for more than 3½ years was just 3.8 percent.

Hispanics' participation rate in startup businesses was 12 percent, but was 6.3 percent in established companies.

In contrast, whites were involved in 63 percent of startups and 85 percent of established businesses.

"Something is going wrong here," said Paul Reynolds, the study's chief investigator. According to Leroy Jones, the executive director of Neighbors and Neighbors Association, which has worked with some 900 businesses in struggling areas of Miami-Dade, one of the reasons minorities fail is because they are not getting the funding they need.

"Sometimes it seems the only people getting loans are the ones that are already wealthy and that don't need it," he said.

"People who are struggling with good ideas and good

concepts are not getting it."

The study, "Entrepreneurship in the U.S.: the 2004 Assessment," found that social support is important in creating an entrepreneurial culture.

People who know entrepreneurs, for example, are more likely to become entrepreneurs themselves.

The FIU study also found that American entrepreneurs created four million fewer businesses last year — a decline of 20 percent from 2003 — and that the developing world threatens to dull the U.S. competitive edge in starting businesses.

That has significance for the U.S. economy, said Reynolds, director of FIU's Entrepreneurship Research Center, because new businesses account for about half of all job creation in the United States.

While optimists might interpret the numbers as a sign that a recovering economy is luring entrepreneurs back into the mainstream workforce, Reynolds isn't so

sure.

In the United States, "people don't start businesses out of desperation but because they see opportunities," he said. "Apparently people see fewer opportunities [now] to start new businesses compared to other career opportunities."

Another explanation, Reynolds said, may be that the numbers reflect a correction from high levels of entrepreneurship found in 2000 at the height of the tech boom.

The study found the steepest declines in entrepreneurship among men between the ages of 18 and 54 and women between 18 and 34.

"After the dot-com bubble burst, people realized it wasn't as easy to start a business as they once thought," said Jane Teague, executive director of the Enterprise Development Corp. of South Florida, which helps startups get off the ground.

"And 9/11 certainly depressed a lot of people and made them more careful about risks."