HOW TO HELP MORE BLACK AND HISPANIC ENTREPRENEURS REACH SCALE

LESSONS FOR SUPPORTING FOUNDERS WHO WISH TO GROW THEIR COMPANIES
ABOUT ENDEAVOR INSIGHT

Endeavor Insight is the research division of Endeavor, a nonprofit organization that supports high-impact entrepreneurs across the world.

It works to answer three questions:

1. How do entrepreneurs reach scale at their companies?
2. How do entrepreneurs reach scale in local networks or ecosystems?
3. What can policymakers, philanthropic leaders, investors, support organizations, and other stakeholders do to empower more entrepreneurs to reach scale in their communities?

The methodology utilized in this study builds on previous Endeavor Insight research supported by the Omidyar Network, the Kauffman Foundation, and the Heron Foundation.

SPECIAL THANKS

The authors of this research would like to thank their colleagues at Endeavor including Luisa Fajardo, Dustin Poh, Maria Enriquez, Evan Bullington, David Wachtel, Adrián García-Aranyos, and Linda Rottenberg, as well as members of the Ewing Marion Kauffman Foundation who provided valuable feedback, especially Derek Ozkal and Evan Absher. This project would not have been possible without the hard work of research assistants and analysts, including Stefania Doebbel, Janet Lin, Cornelius Saunders, Alicia Weinstein, Sughey Ramírez, Antara Anand, Liz Appel, Alan Bernal, Penmai Chongtoua, Marisa Galvez, Lisa Kato, Katina Orive, Ariadne Xenopoulos and Kimberly Young.

The authors would also like to thank all the experts who dedicated time to discussing this research, including Melissa Bradley, Gary Cunningham, Lori Rowen, and Augusto Sanabria, the academics who helped guide the methodology behind the project, including Bela Greskovits, Zsuzsanna Gyenge, Kristin Makszin, and Eric Verhoogen, as well as the more than 1,000 entrepreneurs who collectively donated more than 500 hours of their time to this research.
EXECUTIVE SUMMARY

The purpose of this report is to identify strategies that policymakers, philanthropic leaders, and other decision makers can use to support Black and Hispanic entrepreneurs as they build their companies and generate economic value for their communities. Its findings are based on new data that includes in-depth interviews with more than 1,000 founders in the United States.

This research was made possible by funding from the Ewing Marion Kauffman Foundation, with additional promotional support provided by HSBC. The authors use the words “entrepreneur” and “founder” synonymously to describe any person who has started a for-profit company. The report also uses the terms “Black” and “Hispanic,” since this is how participants in the study most commonly chose to self-identify.* The key findings of the research are outlined below.

MORE ATTENTION SHOULD BE PAID TO HELPING BLACK AND HISPANIC ENTREPRENEURS SCALE THEIR BUSINESSES.

Recent media articles have noted that Black and Hispanic Americans are less likely to start new businesses than other groups. Analyses conducted for this report indicate that the vast majority of organizations supporting Black and Hispanic entrepreneurs work exclusively with founders at the idea-development or startup stages in order to address this issue.

While it is important to increase the number of Black and Hispanic entrepreneurs, the attention and support focused on people starting new businesses overlooks the hundreds of thousands of Black and Hispanic founders who already own and operate companies. Among them are more than 70,000 entrepreneurs who have built companies so large that they are in the top quartile of American businesses according to size. The stories of the entrepreneurs at these larger companies deserve more attention since they offer more balanced media narratives on the challenges and successes of Black and Hispanic entrepreneurs.

There are a number of reasons to provide additional support toward increasing the number of Black- and Hispanic-owned companies that reach scale, as well as assisting those that have already scaled as they continue to grow. Building a business that scales is important to Black and Hispanic entrepreneurs. New data collected by Endeavor Insight indicates that these founders are more likely to cite growing or scaling as a primary business goal than other entrepreneurs.

Businesses that reach the scale of 10 or more employees are also responsible for more than 70 percent of the job creation and revenue growth found among Black- and Hispanic-led companies. Furthermore, entrepreneurs who successfully scale companies can become philanthropic donors in their communities and help reduce economic inequalities that exist among many Black and Hispanic families.

* The names of specific ethnic groups and nationalities are capitalized in this report, following the conventions used by the U.S. Census Bureau. The authors also use the terms “people of color” and variations such as “founders of color” in this report to indicate these groups.
Though Black and Hispanic founders are more likely to aspire to grow their companies, on average, they are less likely to scale than those led by other founders in the United States. Addressing this “scaling gap” is critical if decision makers wish to make entrepreneurship, and the benefits it can provide, truly inclusive.

The proportion of Black- and Hispanic-led companies varies significantly by industry. Additional analyses from Endeavor Insight indicate that certain professional and educational backgrounds, as well as skill sets, are associated with reaching scale in a specific sector. The challenges faced by founders who have scaled companies also differ by sector.

By examining specific industries, Endeavor Insight has identified three types of Black and Hispanic founders that can be found reaching scale in large numbers across the United States and have very specific needs. They are:

- Professional services entrepreneurs with technology backgrounds;
- Professional services entrepreneurs with managerial experience; and
- Construction and maintenance entrepreneurs with fewer years in the workforce.

Decision makers should focus initial efforts on these sectors in which Black and Hispanic entrepreneurs are scaling companies to build on existing success.
Although the backgrounds and needs of Black and Hispanic entrepreneurs vary by industry, many of these founders share similar perspectives on success and trust. Decision makers should keep these viewpoints in mind when working to support more Black and Hispanic founders as they scale. The findings in this study point to three recommendations for how they can best do this.

Devote more support to industry-specific programs that help Black and Hispanic entrepreneurs scale. This can include launching new scale-focused, industry-specific programs specifically for Black and Hispanic entrepreneurs, as well as making existing industry-specific programs more inclusive of founders of color.

Build pipelines that provide potential entrepreneurs with the experience and knowledge that will help them scale in the future. In order to increase the number of Black and Hispanic entrepreneurs that scale, it is important for more people from these communities to have access to the educational opportunities and work experience associated with entrepreneurial success.

Recruit existing Black and Hispanic founders at companies that have scaled to inspire and support more upcoming entrepreneurs. Black and Hispanic founders who have built companies that scaled should be promoted as role models for other potential entrepreneurs of color and encouraged to serve as mentors and leaders in local entrepreneurship programs.
MORE ATTENTION SHOULD BE PAID TO HELPING BLACK AND HISPANIC ENTREPRENEURS SCALE THEIR BUSINESSES.

DECISION MAKERS ARE WORKING TO INCREASE THE NUMBER OF BLACK AND HISPANIC FOUNDERS.

A number of recent articles have drawn attention to the fact that Black and Hispanic Americans are less likely to start new businesses than people from other ethnic groups. Publications like the New York Times and the Washington Post have noted this disparity in entrepreneurship participation and highlighted efforts to increase the number of Black and Hispanic founders. The search for new solutions has even captured the attention of candidates for the U.S. presidency. Massachusetts Senator Elizabeth Warren has proposed a $7 billion dollar grant program to increase the number of minority-owned businesses.

A great deal of support has already been dedicated to increasing the rate of entrepreneurship among people of color. More than 250 organizations in the United States are dedicated to supporting Black and Hispanic entrepreneurs. Data collected by Endeavor Insight indicates that 85 percent of these groups work exclusively with founders at the idea-development or startup stages.

Most of these organizations are relatively young in age themselves. They tend to offer services to assist founders in raising seed funding (i.e., capital needed for a business’s initial launch), provide basic business training, and host sessions to foster collaboration and the exchange of ideas.

RELATIVELY LITTLE SUPPORT IS GOING TO EXISTING ENTREPRENEURS OF COLOR.

Although increasing the level of entrepreneurship participation among Black and Hispanic Americans is an important issue, the amount of attention and support devoted to recruiting new founders overlooks opportunities found among more than 400,000 Black and Hispanic entrepreneurs who already own and operate companies. These existing founders include over 70,000 Black and Hispanic entrepreneurs who have built companies that have scaled to employ 10 or more people, which would place them in the top quartile of American businesses based on size.

The stories of founders who have scaled businesses should be promoted. Otherwise, young people of color may develop an inaccurately pessimistic view of their own potential to be an entrepreneur due to a lack of exposure to role models from their own community.

Building a company that scales is important to many Black and Hispanic founders. Twenty-eight percent of Black and Hispanic entrepreneurs participating in this project cited scaling or growing to significant size as goals for their companies, compared to 23 percent of White founders in similar industries.

SUPPORT FOCUS OF U.S. ENTREPRENEURSHIP ORGANIZATIONS

Few organizations that work with Black and Hispanic founders offer support to scaling companies.

Source: Endeavor Insight analysis.

* The median age of the organizations dedicated to supporting Black and Hispanic entrepreneurs is just 10 years old.
If decision makers wish to be responsive to the ambitions of Black and Hispanic founders, they should keep this growth orientation in mind. Specifically, they should focus more attention on founders who have companies that have scaled to have 10 or more employees as they continue to grow, as well as those at smaller companies that have not yet scaled, but have the potential to do so.

Entrepreneurs with businesses that scale deserve more than just attention. There are several important reasons for increasing the level of support for Black and Hispanic founders. Scaling is important to these founders because it is the primary source of the benefits that can come from entrepreneurship. The majority of job creation and economic growth generated by Black and Hispanic founders comes from companies that scale, as the charts above highlight.

- Approximately 20 percent of Black-owned businesses have 10 or more employees, but these companies have created nearly 80 percent of the jobs and over 65 percent of the revenues found among Black-owned firms.
- Similarly, 17 percent of Hispanic-owned businesses have 10 or more employees. These companies have created more than 70 percent of the jobs and around 65 percent of the revenues found among Hispanic-owned firms.

The relative impact of companies with 50 or more employees is even greater. Only 5 percent of Black-owned businesses have reached this level of scale. These companies have produced nearly half the jobs and over 40 percent of the revenues found among Black-owned companies.

Data among Hispanic entrepreneurs follows the same pattern. Only 3 percent of Hispanic-owned businesses have grown to have 50 or more employees. However, they have produced over 35 percent of the jobs and around 40 percent of the sales among Hispanic-owned firms.\(^7\)

By contrast, the contributions of companies that have not scaled are relatively small, though they are plentiful in number. Microbusinesses with less than 10 employees make up around 80 percent of Black- and Hispanic-owned businesses. In total, these companies have produced only 20 to 30 percent of the jobs and about 30 percent of the sales found among Black- and Hispanic-owned firms.

**COMPANIES THAT SCALE CAN HELP TO REDUCE WEALTH INEQUALITIES.**

Building a company that reaches scale is also one of the best ways to reduce the economic inequalities faced by many families of color. While the median wealth of Black and Hispanic families is $17,100 and $20,600, respectively, the median wealth of White families is $171,000.\(^8\) This difference of about $150,000 would be enough to buy an average-sized home in the United States or cover the costs of a four-year college education.\(^*\)

These inequalities are due in large part to the fact that many Black and Hispanic families have lacked generational wealth — property and financial gifts inherited or transferred down from older relatives. Economists estimate that 30 percent of U.S. households benefit from generational wealth, which accounts for nearly 40 percent of their net worth.\(^9\) Unfortunately, families of color often inherit much less than other Americans.\(^10\)

**Entrepreneurs can generate substantial levels of generational wealth for their families, but only if they build businesses that reach some level of scale.** Smaller entrepreneurial companies, such as lifestyle firms and microbusinesses, create incomes that are equivalent to a good salaried job, but rarely create substantial value that can be passed down to family members.\(^\dagger\)

Owning a company that has grown to just 10 to 19 employees can be enough to transform the wealth of a typical Black or Hispanic family. The charts on the opposite page indicate that ownership of a company of this size would provide enough economic value to move the median Black or Hispanic household to a financial position greater than that of the median U.S. family, which is just under $100,000. The benefit of owning an even larger company — one with more than 50 employees or over $10 million in sales — would be even more significant.

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\(^*\) According to the College Board, the average cost of tuition and fees for the 2017–2018 school year was $34,740 at private colleges.

\(^\dagger\) The average lifestyle entrepreneur — a founder who starts a business primarily with the aim of sustaining a particular level of income and quality of life — earns just $72,000 a year, which is an adequate substitute for the salary found at a good job, but it does not allow families to build substantial wealth since the companies of lifestyle entrepreneurs are unlikely to have value independent of the labor that founders provide. Entrepreneurs who start companies for other reasons usually only create microbusinesses that employ nine or fewer people. Though these microbusinesses also create income for their owners, the typical microbusiness in the United States has only $575,000 in annual sales.
GROWTH-ORIENTED BUSINESSES PROVIDE OTHER BENEFITS TO LOCAL COMMUNITIES.

Furthermore, the impact of entrepreneurs who reach scale extends beyond financial wealth for their families. Founders who have effectively grown their companies accumulate knowledge and social capital that can be shared with their children and other members of their communities. Black and Hispanic entrepreneurs are also more likely to include other people of color in the companies they build. For example, they are more likely to have co-founders of color and to hire employees from minority communities.

Successful Black and Hispanic founders can also give back to their communities through philanthropic initiatives. Charles Phillips, CEO of the software company Infor Global Solutions founded the Phillips Charitable Organization, which provides financial aid to single parents and veterans. Arturo Moreno, the former owner of Outdoor Systems, a billboard advertising company, started the Moreno Family Foundation. The foundation focuses on community organizations, youth, education, and arts and culture.

Notes: The illustrative model above assumes that the revenues of a 10- to 19-employee business would be equal to the average for companies of this size for the entire United States in the most recent year for which data is available. The valuation of the business is based on a conservative assumption of only 0.10x annual revenues.

BLACK AND HISPANIC ENTREPRENEURS WORKING TO SCALE NEED INDUSTRY-SPECIFIC ASSISTANCE.

THERE IS A SCALING GAP AMONG BLACK AND HISPANIC ENTREPRENEURS.

Black and Hispanic entrepreneurs are less likely to reach scale than other entrepreneurs. Across all sectors, only 19 percent of Black-owned businesses and 20 percent of Hispanic-owned businesses reach the size of 10 or more employees, on average, compared to 25 percent of companies owned by founders from other groups. This “scaling gap” is illustrated among a number of industries on the opposite page.

The scaling gap is consistent among many of the nation’s largest sectors — those with the most employees — such as professional services, retail, and healthcare, but there are a few exceptions. For example, 20 percent of Hispanic-owned construction companies have reached the scale of 10 or more employees — a rate very close to the 21 percent among construction companies owned by other groups. Similarly, Black-owned administrative and waste management companies are nearly on par with businesses owned by other groups in terms of reaching this size.

Across most of the smaller industries (i.e., those with fewer employees across the country) such as manufacturing, finance, and information, the differences in scaling between the groups are more pronounced. In manufacturing, for instance, only 24 percent of Black-owned and 33 percent of Hispanic-owned businesses have reached the size of 10 or more employees, compared to 43 percent of companies owned by other entrepreneurs.

Similar trends can be found by examining the percentage of companies that reach the scale of 50 or more employees. No matter which threshold is used for employee size, the scaling gap between Black and Hispanic founders and other entrepreneurs seems to be present, but at different levels in each industry.

FOUNDERS WHO SCALE IN DIFFERENT INDUSTRIES HAVE DIFFERENT PROFILES.

This indicates that challenges to scaling likely vary by sector, as do the strategies to overcome them. In general, each industry faces unique market dynamics and conditions. Raising capital for an equipment-heavy manufacturing company is different than doing so for a software company with no physical assets. Growing a business in a sector like retail trade that is projected to decline, involves obstacles that a professional services firm would not face.

Black and Hispanic entrepreneurs who have reached scale, seem to have the knowledge and abilities needed to overcome these industry-specific challenges. The interviews conducted for this study support this conclusion. Within industries, the founders who reached the scale of 10 or more employees have different educational and work experience than the Black and Hispanic entrepreneurs who did not.

As previously mentioned, only 15 percent of organizations supporting Black and Hispanic entrepreneurs work with them beyond the startup stage. It is important to note, however, that even among this small percentage, the support organizations rarely specialize by industry. Instead, they tend to offer the same services to every entrepreneur aspiring to scale. Generalized initiatives of this kind disregard the important distinctions between industries.
Note: Industries are presented in order of national employment from largest to smallest. “All other businesses” represents all U.S. companies minus Black- and Hispanic-owned firms.

THERE ARE SEVERAL OTHER DIFFERENCES THAT SEPARATE FOUNDERS WHO SCALE FROM OTHERS.

Patterns in background can also serve as predictors for a founder’s future success. Research conducted by Endeavor Insight reveals that certain professional and educational backgrounds, as well as skill sets, are associated with reaching scale in a specific sector. For example, Black and Hispanic founders who have scaled their companies tend to have more work experience prior to starting their businesses than their peers who have not scaled, especially at large corporate or government organizations. Although these individuals constitute a smaller group, they stand the best chance at scaling successfully.

There are a number of sectors in the United States that have seen a sizable percentage of Black and Hispanic founders reach scale. Endeavor Insight used clustering analysis to identify three types of Black and Hispanic founders who are scaling their companies in large numbers across the United States. These segments represent more than 30 percent of the founders whose backgrounds were studied in this analysis. When comparing between the three groups, founders had different levels of experience before starting their companies and expressed distinct needs. The three segments are:

**Professional services entrepreneurs with technology backgrounds.** These founders have companies that offer business-to-business services in industries such as healthcare, financial services, and government. Their services include staffing, analytics, marketing, business and informational technology consulting, and human resources management. These founders tend to have the longest professional experience of the three groups, and are the likeliest to have a post-graduate education, a top university education, or experience working at a Fortune 500 company. They are more likely than any other group to have a cofounder and cite access to capital as a primary challenge.

**Professional services entrepreneurs with managerial experience.** These entrepreneurs work in the same sectors as those listed in the previous segment. They are different because they tend to have experience working as executives or middle managers and have worked for 6-8 years on average (often in finance or sales) before they decide to start a company. They also tend to have an MBA. Those with managerial experience are also

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* This analysis was based on work and educational history data drawn from more than 1,800 Black and Hispanic entrepreneurs with 10 or more employees in the United States.
## COMMON SEGMENTS OF BLACK AND HISPANIC FOUNDERS WHO HAVE BUILT BUSINESSES THAT SCALED

<table>
<thead>
<tr>
<th>Segment</th>
<th>Typical Employee Range</th>
<th>Usual Age at Start of Business</th>
<th>Educational Background</th>
<th>Relevant Work Experience</th>
<th>Proportion of Founders with Prior Managerial Experience</th>
<th>Greatest Obstacle Hindering Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Services Entrepreneurs with Technology Backgrounds</td>
<td>30-40</td>
<td>Mid 30s</td>
<td>Likely to have postgraduate degree from second-tier university</td>
<td>Often have work experience as an engineer (or in similar technical roles)</td>
<td>Many</td>
<td>Access to capital</td>
</tr>
<tr>
<td>Professional Services Entrepreneurs with Managerial Experience</td>
<td>30-40</td>
<td>Late 30s</td>
<td>Likely to have graduate degree from top university</td>
<td>Usually more than 10 years of work experience</td>
<td>All</td>
<td>Access to customers</td>
</tr>
<tr>
<td>Construction and Maintenance Entrepreneurs with Fewer Years in the Workforce</td>
<td>50-60</td>
<td>Early 30s</td>
<td>Rarely have education in finance or engineering</td>
<td>More likely to have less than 10 years of work experience</td>
<td>Some</td>
<td>Access to talent and connections</td>
</tr>
</tbody>
</table>

Source: Endeavor Insight analysis.

More likely to start their companies based on ideas gained at their previous job and mention access to customers as an obstacle.

**Construction and maintenance entrepreneurs with fewer years in the workforce.** These include those with businesses that build commercial and residential structures, civil engineering firms, landscaping companies, and contractors that install and maintain building equipment. These entrepreneurs are able to scale their companies with fewer years of work experience (i.e., they tend to be younger than those in the other two groups highlighted here), and tend to build the largest companies in terms of job creation, with an average of about 50 employees. A common challenge noted among Black and Hispanic entrepreneurs who have reached scale in the construction industry is access to talent.

Support programs for entrepreneurs of color can build on these areas of existing success. Decision makers should build on this momentum and focus initial efforts on helping founders in these sectors as well as they continue to grow. Though the prominent sectors may vary in each community, this analysis of educational and previous work experience can be particularly useful for support programs that wish to identify more Black- and Hispanic-owned companies that have the most potential to reach scale. Efforts to increase entrepreneurship participation should focus on founders who possess these types of backgrounds and skills.
Black and Hispanic entrepreneurs have backgrounds, goals, and needs that vary by industry. However, many of those interviewed for this project hold common perspectives that are likely shaped by their life experience as founders of color. These experiences could include frequently being the only person of color in the room during business meetings or dealing with the legacies of legalized discrimination.

Analyses conducted for this study shed light on two perspectives that should be taken into account by decision makers and leaders of organizations that wish to support founders of color.

Black and Hispanic entrepreneurs are more likely than White founders to believe that success is a result of luck rather than hard work. This trend was discernible across all major industries. This may be an indication of how founders of color think about issues of fairness and meritocracy.

Black and Hispanic founders at companies that have scaled are also slightly less likely to trust other people when compared to other entrepreneurs with similar levels of success. Over 63 percent of White founders agreed with the statement, “most people can be trusted.” Only half of Black and Hispanic entrepreneurs said the same.

It is important to emphasize that neither trust in others, nor attributing success to luck over hard work, directly impacted a founder’s success in this study. These viewpoints are important to note, not because they are predictors of scale or entrepreneurial success, but because understanding them can help make entrepreneurship programs more welcoming and supportive of Black and Hispanic founders.

The data analyzed in this project points to other meaningful ways that decision makers can work to reduce the scaling gap and support more Black and Hispanic founders as they grow their businesses. There are three major recommendations for decision makers who wish to support the success of Black and Hispanic founders as they create new jobs and reduce wealth inequalities experienced by families of color.

**RECOMMENDATION 1**

**DEVOTE MORE SUPPORT TO INDUSTRY-SPECIFIC PROGRAMS THAT HELP BLACK AND HISPANIC ENTREPRENEURS SCALE.**

In order to support the continued growth of existing founders of color who have reached scale, as well as empower more Black and Hispanic entrepreneurs to grow their companies to at least 10 employees, decision makers should focus on two objectives: 1) increase the number of programs that provide industry-specific assistance for Black and Hispanic founders working to reach scale, and 2) encourage existing sector-specific programs that support scaling entrepreneurs across all ethnic groups to serve more founders of color.

It may seem counterintuitive to prioritize the needs of only a small proportion of founders that are growing their companies to scale. In the short term, however, they are the ones that will continue to create the greatest tangible economic benefits for their families and communities.
RECOMMENDATION 2

BUILD PIPELINES THAT PROVIDE POTENTIAL ENTREPRENEURS WITH THE EXPERIENCE AND KNOWLEDGE THAT WILL HELP THEM SCALE IN THE FUTURE.

There are a number of industries, in which the proportion of Black and Hispanic entrepreneurs that reach scale is significantly lower than that of other founders. In cases like these, underrepresentation likely starts long before a founder launches a company.

Decision makers who wish to support more upcoming Black and Hispanic founders should work to resolve inequities that prevent more young people from building the skills and experiences common among successful entrepreneurs. Attendance at prestigious universities, earning degrees in specific fields, and working at larger companies are all attributes found among founders of color who have scaled their companies.

Resolving the root causes of the existing barriers may take time. However, expanding the pipeline of founders with the skills and experience associated with building a company that scales is an important part of the long-term solution for empowering more Black and Hispanic entrepreneurs.

RECOMMENDATION 3

RECRUIT EXISTING BLACK AND HISPANIC FOUNDERS AT COMPANIES THAT HAVE SCALLED TO INSPIRE AND SUPPORT MORE UPCOMING ENTREPRENEURS.

The benefits of Black and Hispanic entrepreneurs who build larger companies can go far beyond their immediate financial gains or the people they employ. These founders can increase their impact if they are connected to the next generation of entrepreneurs. When newer entrepreneurs receive investment or mentorship from experienced founders of companies, it increases the likelihood of their success. This is also true for newer entrepreneurs who earn professional experience working at entrepreneurial companies that have scaled.

Decision makers should encourage Black and Hispanic entrepreneurs who have achieved scale to share their knowledge and experience with the next generation of founders. Evidence from previous studies suggests that in most cities, entrepreneurs who have reached significant scale, regardless of race or ethnicity, are not as involved in mentoring or investing in other entrepreneurs as they could be.

These Black and Hispanic founders can also play a valuable role as local role models. Their stories can help to balance out negative messages about entrepreneurship in their communities by providing near-to-home examples of success.
ENDNOTES


3 Endeavor Insight analysis.

4 Ibid.


6 Endeavor Insight analysis.


15 Endeavor Insight analysis.


17 Ibid.
METHODOLOGY

RESEARCH SCOPE
The research summarized in this report sought to understand how Black and Hispanic founders grow their companies and how philanthropic leaders and support organizations can help more founders of color reach scale. The research scope includes Black, Hispanic, and White entrepreneurs with companies of all sizes, in all industries across metropolitan areas with 300,000 or more inhabitants in the United States.

RESEARCH DESIGN
It was crucial for the Endeavor Insight team to be able to analyze data on comparable entrepreneurs, which meant examining entrepreneurs within industries. To separate entrepreneurial pathways by industry, ethnicity, and level of scale, Endeavor Insight used the 2016 Census Bureau Statistics on Small Business Owners to create a list of city-industry combinations with a significant number of minority-owned businesses that reached scale.

All businesses were located in large metropolitan areas, the largest of them New York City (population: 8.6 million), the smallest Riverside, California (population: 320,000). Any city included in the research had to have at least 1,000 Black or 1,000 Hispanic-owned businesses according to the 2016 Census.

DATA COLLECTION

Primary Data Collection
The list of city-industry combinations allowed the team to conduct a targeted email outreach campaign in cities with a high representation of minority-owned businesses.

The team conducted over 1,000 phone interviews with Black, Hispanic, and White business owners using a questionnaire that combined qualitative and quantitative methods to learn about the work and education histories of entrepreneurs, their ultimate goals, and their perspectives about issues of trust and locus of control. The team then reviewed the dataset and narrowed it down to interviews with founders who self-identified as either Black, Hispanic, or White.

Secondary Data Collection
To gain a deeper understanding of the work and education histories of Black and Hispanic founders, the team analyzed the LinkedIn profiles of 1,800 Black or Hispanic founders who had at least 10 full-time, permanent employees according to publicly available databases.

ANALYSIS
To designate differences between White entrepreneurs and Black and Hispanic entrepreneurs, the team compared the means of different variables between four large groups of entrepreneurs:
1. White entrepreneurs with zero to nine full-time, permanent employees;
2. Black and Hispanic entrepreneurs with zero to nine, full-time, permanent employees;
3. White entrepreneurs with 10 or more full-time, permanent employees; and
4. Black and Hispanic entrepreneurs with 10 or more full-time, permanent employees.

To control for the effects of industry representation, these groups of entrepreneurs were compared within their industries (on the 2-digit level in NAICS groupings vocabulary).

To maximize the practical applicability of the findings, many of the research questions focused on five industries that were identified in a literature review as the largest industries in the United States by number of for-profit companies, and those are:
1. Construction;
2. Manufacturing;
3. Information;
4. Professional, Scientific, and Technical Services;
5. Health Care and Social Assistance.

Segmentation
Endeavor Insight used K-modes clustering to identify segments of scaled Black and Hispanic entrepreneurs by industry representation, work, and education histories. K-modes clustering is a machine learning technique that seeks to identify features that commonly occur together.

TERMINOLOGY

Entrepreneurs are individuals who founded companies.

Minority entrepreneurs are entrepreneurs who did not identify as White.

Black and Hispanic entrepreneurs are founders who self-identified as Black or Hispanic in the interviews Endeavor Insight conducted with them and in publicly available databases.

Entrepreneurship support organizations are organizations with a mission to support entrepreneurs.

Scale is defined at 10 full-time employees or more. Of the several applicable measures of what scale means for a company, the number of full-time, permanent employees was used to maximize sample size: entrepreneurs were typically open to sharing their current number of full-time, permanent employees, but they were less open to sharing their revenue numbers.

Segments are groups of entrepreneurs who share certain traits in terms of industry, education, and work history.