SOCIAL CAPITAL AND SUCCESS OF MINORITY ENTREPRENEURS

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ABSTRACT

This research contributes to the literature on how social capital can impact the success of minority entrepreneurs in Arkansas. The social capital outlook can develop organizational value and encompass interpersonal skills, collaborations, networking, political skills, etc. After analyzing input from minority entrepreneurs in Arkansas, this article contains results of a hypothesis to determine if social capital correlates to the success of minority entrepreneurs in Arkansas.

Social Capital and Success of Minority Entrepreneurs

Minority entrepreneurs are underrepresented and underperform compared to non-minority business owners. According to the Small Business Administration substantial racial, ethnic gaps, and inequality persists among entrepreneurs with different racial backgrounds (Blanchflower, 2009; SBA, 2015). It is important to study the growing minority entrepreneurs who provide many jobs and opportunities for economically disadvantaged groups in the U.S.

Entrepreneurship is a vital part of the U.S. economy as well as for local and state governments. The term entrepreneur is operationalized to mean: (a) business owner, (b) involvement with micro-enterprise, (c) working for money outside one's occupation, and (d) working for money when the opportunity is available (Cochrane, 2010). Entrepreneurs created most of the new jobs for the past few decades in the U.S. Entrepreneurship is a widely accepted approach minorities can adapt to withstand social and economic tendencies that impact them in discrimination, lack of qualifications, unemployment, and labor market deregulation (Pecoud, 2010). The extremely important efforts of minority entrepreneurs are turning minorities to tax contributors instead of tax burdens.

The key definition of an entrepreneur relates to activities taken by a person who seeks growth and creation of a new product or service where they did not previously exist (Collins, Hanges, & Locke, 2004). An entrepreneur is a person who creates a new business as a founder. The entrepreneur is also the person who discovers new business ideas for a venture and enables the

idea to become a new business (Gartner, 1985; Kralj, Goricanec, & Eisner, 2005). Likewise, an entrepreneur recognizes workable ideas for a business product or service and provides necessary resources such as money, people, and machinery to make the business risk possible (Daft, 2015). Moreover, an entrepreneur seeks to create valued products and services for customers.

Social Capital has been argued as one of the important factors that contributes to success of entrepreneurship. The purpose of this paper is to examine relationships between social capital and success of minority entrepreneurs in Arkansas. Backes-Gellner and Moog (2013) described social capital as economic and social networks used by people to promote transactions, tradeoffs, and collaborations. As well as a techniques to produce merchandise and services for themselves and for a common good. Social capital affects the efficiency and production of people through partisan treatment and teamwork between other individuals and groups (Backes-Gellner & Moog, 2013; Lin, Ensel & Vaughn, 1981; Nahapiet & Ghosal, 1998; Portes, 1998). Generally, for social capital to be effective and have value, economic returns and tradeoffs in the marketplace should be gained.

In this research, I presented a hypothesis about the role social capital can play in the success of minority entrepreneurs in Arkansas. I also examined two major parts of social capital, networking skills along with political and social skills. Minority entrepreneurs, similarly, need awareness of social capital to improve interactions and inspire collaborations with groups such as chambers of commerce, civic clubs, or church affiliations. Networking skills along with political and social skills, thus, hypothesize to be important factors associate with the success of minority entrepreneurs.

I conducted a survey during the summer of 2017. Some respondents completed the survey in-person while attending conferences and meetings designed specifically for minority entrepreneurs. I also gathered names and lists of minority entrepreneurs from organizations such as the Arkansas Economic Development Commission's Division of Minority Business Enterprise, Disadvantage Business Enterprise, Arkansas Office of State Procurement, and the Arkansas Small Business Development Institute. In all, I collected a total of 287 responses.

Table 1 includes the demographic data, i.e., age, gender, ethnic group and income of the respondents within the sample of minority entrepreneurs who participated in the survey.

Table 1

Means and Standard Deviations for Demographic Analysis

Variable	N	%	Means	S.D.
Gender				
Male	167	58.2		
Female	119	41.5		
Missing	1	.3		
Total	**287**	**100**		
Age			**42.26**	**11.75**
21-30	44	15.3		

31-40	88	30.7			
41-50	80	27.9			
51-60	49	17.1			
61-70	23	8.0			
71+	1	.3			
Missing	2	.7			
Total	**287**	**100**			
Ethnic Group					
African American	145	50.5			
Hispanic American	65	22.6			
Asian American	43	15.0			
American Indian	19	6.6			
Pacific Islander	2	.7			
Other (Indian, Disabled Veteran)	11	3.8			
Missing	2	.7			
Total	**287**	**100**			

In Table 1, males comprised 167 or 58% and females comprised 119 or 41.5% of total respondents. Almost 60% were found to be in two age groups. Specifically, ages 31-40 (88 or 31%) and ages 41-50 (80 or 28%). The average age of respondents was 42 years old and the standard deviation (S.D.) was 12 percent. African Americans were the largest ethnic group in the survey at 51%. At 23%, Hispanic Americans were the second largest ethnic group. The percentage of entrepreneurs by ethnicity were parallel to ethnic demographics of the Arkansas census (U.S. Census Bureau, 2012).

In Table 2, both Cronbach alpha's for each component were greater than .70 which are .80 for networking and .86, for social and political skills, respectively. Each component suggested good internal consistency. There is little difference between the means for networking which is 4.46 and political and social skills with a mean score of 4.33.

Table 2
Cronbach's Alphas, Means, and Standard Deviations for Reliability Analysis on Social Capital Variables

Variables	α's	Means	S.D.
Networking	**.80**	**4.46**	**.54**
I spend a lot of time at work developing connections with others.		4.36	.66
When communicating, I try to be genuine in what I say and do.		4.60	.60
It is easy for me to develop good rapport with most people.		4.50	.65
Political and Social Skills	**.86**	**4.33**	**.66**
I am good at building relationships with influential people.		4.40	.69
I know a lot of important people and am well connected.		4.22	.86

| | I am good at using networks to make things happen. | 4.36 | .75 |

Table 3
Frequencies, Means and, Standard Deviations of Dependent Variable Success

Variables	N	%	Means	S.D.
Revenue			**$129,605.60***	**$128,692.19**
$1-50,000	87	30.3		
50,001-100,000	58	20.2		
100,001-250,000	88	30.7		
250,001-500,000	24	8.4		
500,001-1,000,000	5	1.7		
Missing	25	8.7		
Total	**287**	**100.0**		
Number of Employees			**5.90**	**5.08**
0-5	195	67.9		
6-10	63	22.0		
11-20	23	8.0		
21-50	6	2.1		
Total	**287**	**100.0**		
Self-Assessment Entrepreneur's Scores 0-5, Five is highest			**4.19**	**.65**
1-1.9	1	.3		
2-2.9	5	1.7		
3-3.9	30	10.5		
4 thru highest	245	85.4		
Missing	6	2.1		
Total	**287**	**100.0**		

*Two millionaires were eliminated to avoid outliers or skewness in computing mean and standard deviation.

Success of minority entrepreneurs is measured by business revenues, size of establishment by number of employees, and self-assessment. In Table 3, the average revenue was $129,605 with a standard deviation of $128,692. To avoid outliers and skewness, two millionaires were excluded from this computation. The average number of the employees were 5.9 with a standard deviation of 0.65. The self-assessment scores for success of entrepreneurs was 4.19 on a scale of 0-5.

Social Capital Hypothesis Testing

A previous factor loading and Cronbach alpha analysis identified two variables, human capital (HC) and social capital (SC) had common attributes and were combined as Human Capital and Social Capital. The primary hypothesis for this study will be H1 HC_SC. By comparing correlations with independent variable HC_SC, with dependent variables revenue, number of employees, and self-assessment.

A Pearson correlation was used to test for linear associations between variables in H1. Correlation scores between the applicable variables are in Table 4. None of the correlations were greater than .80, so problems with multicollinearity were not indicated (Field, 2013).

A hypothesis is a theory based on insufficient evidence that lends itself to additional analysis and testing. With additional experimentation or analysis, a hypothesis can normally be determined true or false. During the analysis a null hypothesis indicated no statistical significance between the two variables in the hypothesis (Argyeous, 2005; Salkind, 2011). According to Argyeous (2005) and Salkind (2011) a researcher typically wants to challenge the null hypothesis and prove there is a statistically-significant relationship between the two variables in the hypothesis.

During analysis an alternative hypothesis (Ha) was identified, a Ha is the inverse, or opposite, of the null hypothesis. As a result, the intent of a Ha during analysis would be to demonstrate there is a statistically significant relationship between applicable variables (Argyeous, 2005; Salkind, 2011). In the next section, I will show relevance and application of a null hypothesis and alternative hypothesis. As well as acceptance and rejection of the null hypothesis.

Table 4
Pearson Correlation among Major Independent and Dependent Variables

Variables	PT	HC_SC	EM
PT	1.00		
HC_SC	.48**	1.00	
EM	.50**	.25**	1.00
Age	.00	.14*	.01
Work Experience	.08	.24**	.04
Gender	.08	-.10	.08
Education	.12	.26**	.02
Revenue	.03	.21**	-.04
No. of Employees	-.06	.18**	.00
Self-Assessment	.30**	.37**	.15*

**Indicates Significance at .01 level
*Indicates Significance at .05 level

The analysis in Table 4 found social skills correlated with all three types of success measurements (revenues, size of business, and self-assessment) for minority entrepreneurs in Arkansas. Social capital correlated to self-assessment success (please see Table 4). The study confirmed networking, political and social skills were significant factors that contributed to the success of minority entrepreneurs in Arkansas.

Hypothesis 1 (H1): Human and social capital (HC_SC) and success of minority entrepreneurs.

Human and social capital factors (HC_SC) correlated to the success of minority entrepreneurs in Arkansas.

The hypothesis posited HC_SC correlated to the success of minority entrepreneurs. Correlations were analyzed between HC_SC and the dependent variables, revenue, number of employees, and self-assessment for measuring success of minority entrepreneurs in Arkansas. The Ho: HC_SC and Revenue are not significantly correlated. The Ha: HC_SC and Revenue are correlated. The correlation coefficient r = .21 is significant at p < .01 level. Therefore, reject the Ho and conclude HC_SC and revenue are significantly correlated (Argyrous, 2005; Meyer & Gamst, 2013; Tabachnick, & Fidell, 2001).

The Ho: HC_SC and number of employees are not significantly correlated. The Ha: HC_SC and Number of Employees are correlated. The correlation coefficient r = .18 is significant at p < .01 level. Therefore, I rejected the Ho and concluded HC_SC and number of employees are significantly correlated (Argyrous, 2005; Meyer & 2013; Tabachnick, & Fidell, 2001).
The Ho: HC_SC and Self-assessment are not significantly correlated. The Ha: HC_SC and Self-assessment are correlated. The correlation coefficient r = .37 is significant at p < .01 level. Therefore, reject the Ho and conclude HC_SC and Self-assessment are significantly correlated. HC_SC is significantly correlated with all three measures of success.

To conclude, social capital affords opportunities for minority business owners in Arkansas through personal and business networks. The social capital components may include different social networks, trust, political skills, financial resources, leads, industry information, goodwill, and other relevant knowledge commonly accepted in the literature as keys to quality entrepreneurial and business success (Foley & O'Connor, 2013). Moreover, this research provides a viewpoint on how social capital influences the economic structure for minority-owned businesses and their communities.

This research suggests that minority entrepreneurs should seek to build social capital as a means to increase opportunities for gaining business and strategic alliances, new customers, knowledgeable employees, access to financing, and better-quality organizational learning. A good social capital network enables minority entrepreneurs to contribute to the community by serving and working with others. In turn, minority entrepreneurs benefit personally and professionally while influencing their business to be more relevant and connected to the community.

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