



Black Women BUSINESS STARTUPS

A report by
The Federal Reserve Bank of Kansas City



By Dell Gines



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A special thanks to the 34 black women business owners who participated in focus groups.

For additional information on entrepreneurship based economic development, and entrepreneurship ecosystem building, visit www.kansascityfed.org/community/smallbusiness

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Foreword

The Federal Reserve Bank of Kansas City serves the seven states of the Federal Reserve's Tenth District, which include Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico and western Missouri. As the regional headquarters of the nation's central bank, the Kansas City Fed helps set national monetary policy, supervises and regulates financial institutions, maintains stability of the payments system and provides financial services to banks and other depository institutions.

To succeed in each mission area, the Federal Reserve relies on many resources, including current economic and banking data and expert analysis by its staff. Another resource is the Fed's community development function, created in the 1980s following Congress' approval in 1977 of the Community Reinvestment Act.

Community development professionals take practitioners and policymakers to the front lines of community issues through a range of initiatives, including forums, conferences, directed research and advisory councils. These initiatives position the central bank to respond effectively to emerging economic developments, long-term needs and new challenges that confront rural and urban low- and moderate-income communities.

The Kansas City Fed's community development efforts focus on research, resources and programming in the primary areas of community development investments, financial stability for the underserved, workforce development, small business development and working with strategic community development partners. The Kansas City Fed understands the vital role small businesses play in growing the economy by providing jobs, building communities and being key innovators of new technology and processes.

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“ ... experience is the best thing, and I’m thinking you’ve just got to go for it. Just like you said, no turning back. You’ve just got to go for it.”

—Black woman business owner, Omaha, Nebraska

Executive Summary

Black Women Business Owner Growth

The previous quote best encapsulates the broad perspectives of the 34 black women business owners who participated in five focus groups in late 2017 conducted by the Federal Reserve Bank of Kansas City. The Bank determined it was important to gain insight into this group of business owners for two reasons. First, recent growth in the rate of business ownership by black women has been faster than any other group in the nation. From 2002-12¹, the number of businesses owned by black women increased 179 percent compared with 52 percent for all women-owned businesses and 20 percent for all businesses. The second is the important contribution small business plays in the growth of national and local economies. Businesses owned by black women tend to be significantly smaller on average than other business ownership identified by race and gender. However, research shows that these microbusinesses provide valuable contributions to local economies.² Research also shows that an increase in entrepreneurial activity is associated with faster local economic growth, provides a potential pathway to developing economically challenged communities, and provides local jobs and improves the tax base.^{3,4,5}

The high growth rate of businesses owned by black women provides policymakers and economic developers a unique opportunity to develop policy and programming to accelerate and expand the economic impact of these businesses in their local economies. However, for policies and programs to be effective, policymakers and economic developers need a greater understanding of this group of business owners. The objective of this report is to increase this understanding.

A Data Driven Portrait of Black Women Who Own Businesses

Businesses owned by black women, on average, are significantly smaller than businesses owned by all men and by women of different races and ethnicities. These owners are likely to start their firms between the ages of 35 and 54, and are more likely to have a bachelor’s degree or higher than

“I’m encouraged by the growing number of black women starting small businesses in our area. This trend continues the legacy of black women, who’ve always found creative ways to take care of their families. It bodes well for our community because they’re making positive contributions ... as role models, as business leaders, as empire builders, as game changers, as policy influencers and as decision makers. Black women who own small businesses are making a difference in their lives and in our community.”

**Lee Gash-Maxey,
Colorado Black Chamber of Commerce**

black women who don’t own a business. Businesses owned by black women represent 59 percent of all black-owned businesses, making black women the only women business owners with a higher share of business ownership than their male counterparts.

Many black women who own businesses have difficulty accessing credit and face capital constraints, according to the Federal Reserve System’s 2016 Small Business Credit Survey. The survey indicates these women are more likely than their nonminority peers to identify that access to credit and financing for operations were a financial challenge. They also reported being less likely to receive some or all of the financing they requested, and are significantly more likely to not apply for financing because they already are discouraged borrowers.

Characteristics of Black Women Business Owners

Two dominant entrepreneurial characteristics expressed by many black women business owners who participated in the 2017 focus groups were determination and self-learning. They said their determination manifested itself in a willingness to overcome multiple obstacles to start and run a successful business. Self-learning was a key characteristic that allowed many to start and grow a company in an environment with limited access to formal business knowledge and training. Faith and religious belief were also important characteristics of many of these owners, who said they used both as a source of motivation and a tool to support resiliency during difficult times.

Black women who own businesses tend to be highly motivated by a passion for their industry and opportunities in the marketplace. Serving their community also was expressed as a strong motivation for starting and running a business. A catalyst for making the leap into entrepreneurship often was poor treatment and the perception of being undervalued in the workplace.

Black women business owners reported that while family and friends were their primary form of support, mentors and general social networks also provided support and valuable business insight. However, many also expressed frustrations that because family members often did not understand business, they withheld support until the business demonstrated some success. Another concern they expressed was a

perceived lack of adequate support from the black community and existing small business organizations. The greatest challenges many of these owners reported were a lack of their own general business knowledge at startup, being able to access sufficient financing and resources, identifying their target market and fear.

Improving the Entrepreneurship Ecosystem for Black Women Business Owners

Based on insights from the focus groups and using an entrepreneurship ecosystem approach, several recommendations were developed to provide communities insight into how they can support this group of entrepreneurs.⁶ Some suggestions: expanded research on black women who own businesses; improved diversity, inclusion and retention in local workplaces; creation of better access and more diverse funding sources accessible to black women business owners; and the development of local, culturally relevant business education and training programs for black women.

How the Report Is Organized

Section I uses public data sources to develop a profile and provides other insights into black women business owners and ownership. Section II shares insights into the motivations, challenges and support networks of black women owners who participated in the 2017 focus groups. Section III discusses the validity of the findings. Section IV contains recommendations on how to improve the startup rate, strength and growth of businesses owned by black women. Section V concludes.

¹Growth rates derived from the U.S. Census Bureau's 2002 and 2012 Survey of Business Owners.

²Rupasingha, A., and S. Contreras. (2010). "Factors Affecting Spatial Variation of Microenterprises in the Rural U.S.," presented at Economic Development in Underserved Communities: Where Research and Practice Meet. Kansas City, MO: Federal Reserve Bank of Kansas City.

³Barth, J.R., G. Yago and B. Zeidman. (2008). "Stumbling Blocks to Entrepreneurship in Low- and Moderate-Income Communities," in *Entrepreneurship in Emerging Domestic Markets*, pp. 69-119. Springer, Boston, MA.

⁴Edmiston, Kelly D. (2008). "Entrepreneurship in Low- and Moderate-Income Communities," in *Entrepreneurship in Emerging Domestic Markets*, pp. 1-8. Springer, Boston, MA.

⁵Cortes, B.S., and M.R. McKinnis. (2012). "Minority-Owned Small Businesses, SBA Lending, and State-Level Economic Performance," ASBBS Proceedings, 19(1), 195-207.

⁶For a summary of the Federal Reserve Bank of Kansas City's approach to entrepreneurship ecosystem building, download the [Grow Your Own](#) EBook.

I. Data Driven Portrait of Black Women Business Owners

The number of businesses owned by black women increased significantly faster than other businesses from 2002-12, making them the fastest-growing group of business owners in the nation during this period.⁷ These businesses tend to be smaller on average than businesses owned by both males and females of all major race, ethnic and gender groups. These businesses are heavily clustered in three of the 14 North American Industry Classification System (NAICS) industries. Despite their small average size, the contribution of businesses owned by black women to national and state economies is increasing. Black women business owners report that they face greater capital challenges and constraints, making them less likely to apply for financing.

Profile of Black Women Business Owners

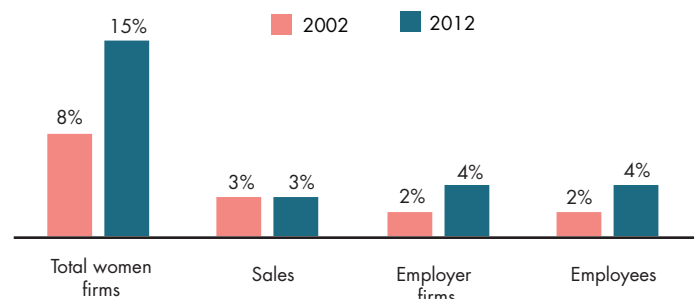
Black women who own businesses mostly were between the ages of 35 and 54, have a company that has been open less than three years, have a bachelor's or master's degree and are a first-time business owner. They were more likely to work part time in their business, use their business as a secondary source of income, and capitalize their business with family savings or with sweat equity. They also were most likely to have a business in the other services or health care and social assistance industries.⁸

Growth Rates

Growth in the number of black women who own businesses significantly outpaced all women-owned firms from 2002-12 in total firms, firms with employees, sales growth and employee growth (Chart 1).

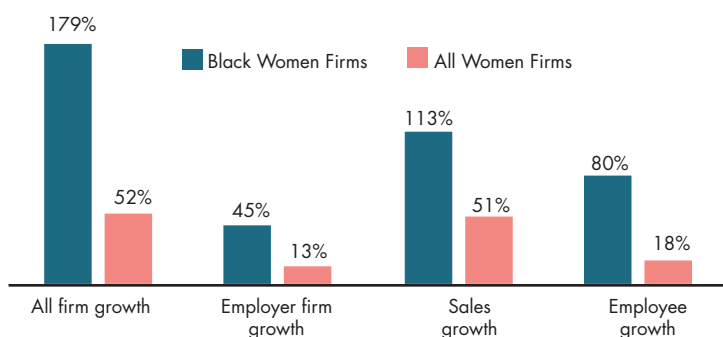
The number of black women who owned businesses grew from 8 percent of all women-owned firms in 2002 to 15 percent of all women-owned firms in 2012 (Chart 2). Black women are the only group of women that own more businesses than their population percentage. During this same period, black women doubled both their number of firms with employees and total number of employees.

Chart 2: Percentage of Black Women Owned Businesses to All Women Owned Businesses by Category, 2002-12



Dawn Rattan, EverFit

Chart 1: Growth Rates Black Women to All Women Firms, 2002-12



⁷The period 2002-12 is used for much of the quantitative analysis based on data release dates from the U.S. Census Bureau's Survey of Small Business Owners. An update will be completed when 2017 data is released by the U.S. Census.

⁸All business data are derived from the U.S. Census 2012 Survey of Business Owners.



BLACK WOMEN BUSINESS OWNERS

49% are between the ages of **35 to 54**



50% use personal or family savings to start their business

38% have a firm three years old or less



37% have a Bachelor's degree or higher



46% have their business income as their only source of income



64% work less than 39 hours a week on their business

77% are a first time business owner

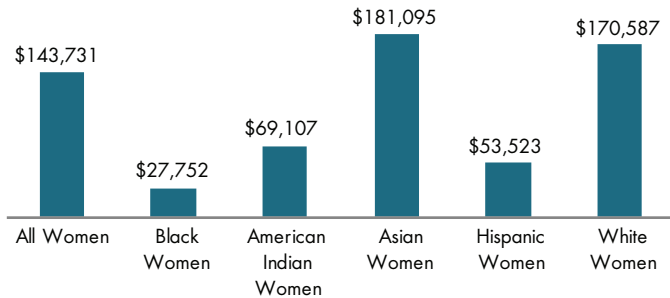


58% own a business in the other service or health care and social assistance industries

Average Business Size

Sales at businesses owned by black women tend to be significantly less than sales at businesses owned by women overall. On average, annual sales at businesses owned by black women are two times smaller than the next-lowest demographic group, Hispanic women, and close to five times smaller than for all women-owned businesses (Chart 3).⁹

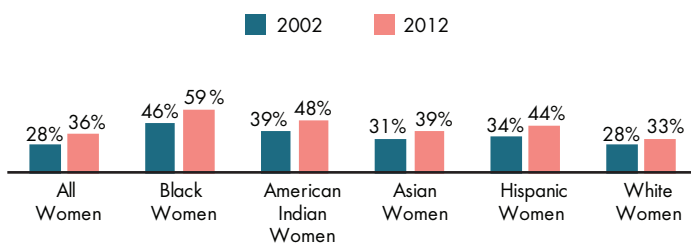
Chart 3: Average Women Owned Business Sales by Race and Ethnicity, 2012



Ownership Shift Among Men and Women

Black women were the first among all women to achieve more than 50 percent of the total business ownership within their race or ethnic group. In 2012, black women owned 59 percent of all black-owned businesses, up from 46 percent in 2002 (Chart 4).

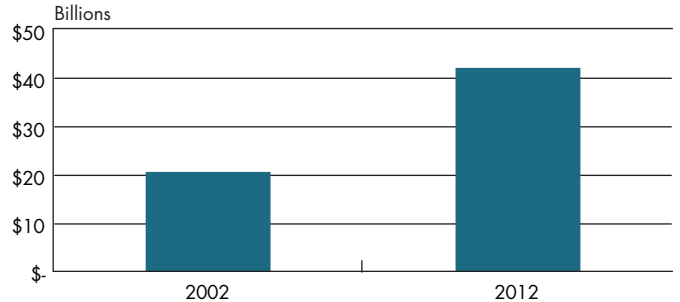
Chart 4: Women Owned Firms as a Percentage of Firms Within Race or Ethnicity, 2002-2012



Economic Impact

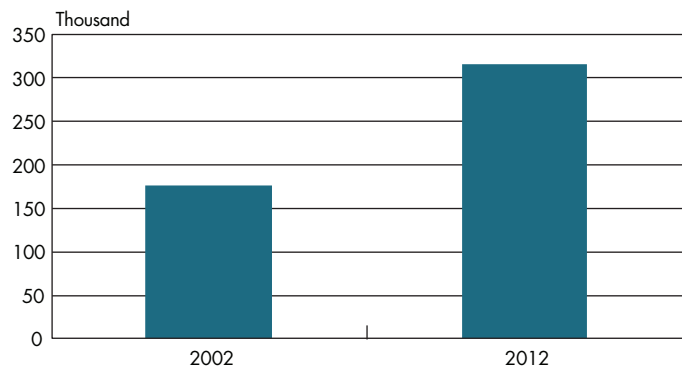
Sales receipts at businesses owned by black women doubled during 2002-12, from \$20 billion to \$42 billion (Chart 5). In 2012, businesses owned by black women accounted for 6 percent of all U.S. businesses, but produced only 0.1 percent of the sales receipts. This increases to 0.4 percent of the national sales receipts for all nonpublic companies and 3 percent of all women-owned business receipts.

Chart 5: Black Women Business Sales Receipts, 2002-2012



The number of employees at businesses owned by black women nearly doubled from 2002 to 2012, growing from 176,000 to 317,000 (Chart 6).

Chart 6: Black Women Business Employees, 2002-2012



⁹There may be a variety of explanations for the difference in business sales. These could include the number of new businesses started (which tend to have lower sales), the type of industries these businesses are in, and other factors of growth including access to financial, social and human capital.

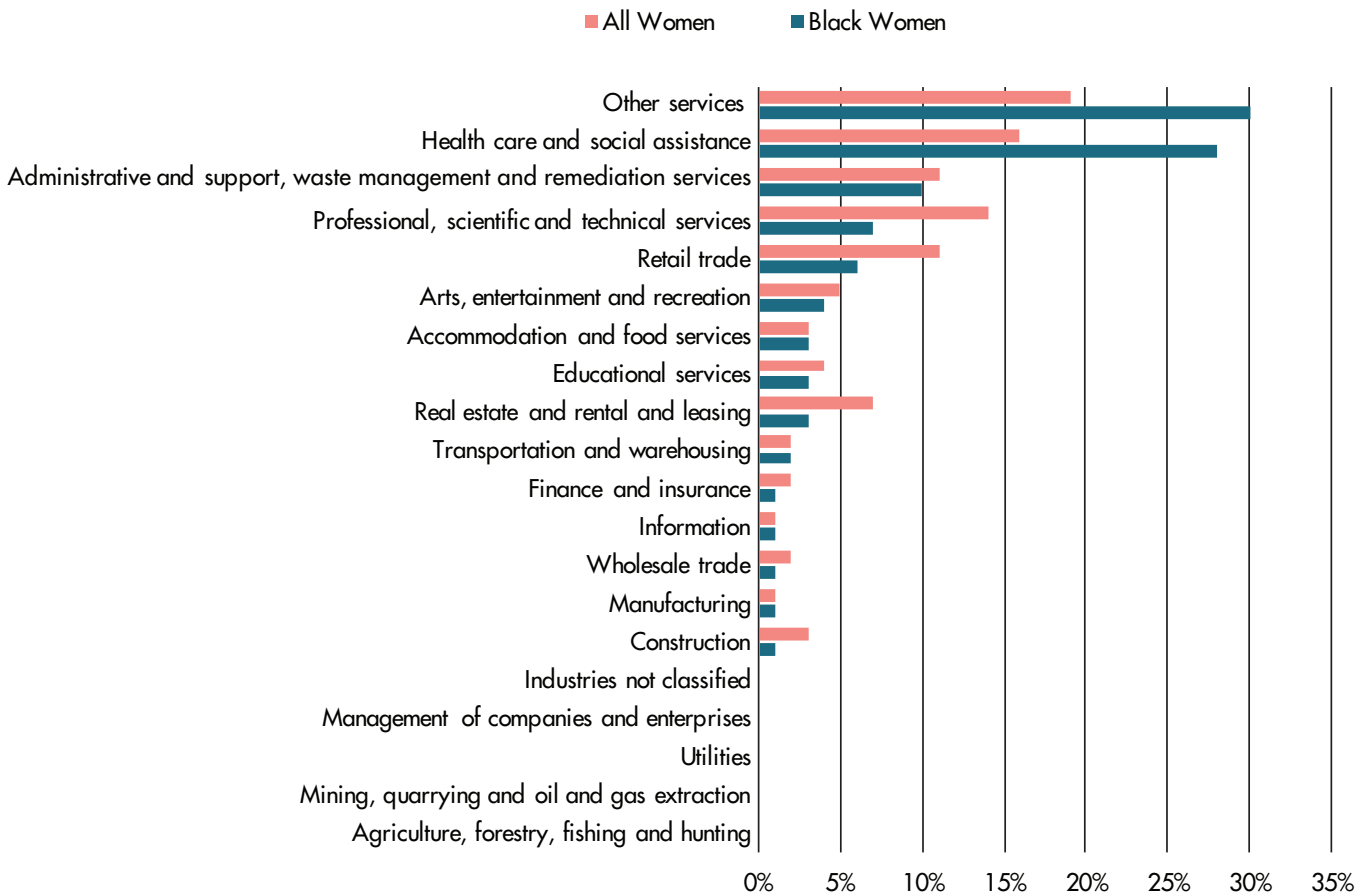
Industry Clusters

Businesses owned by black women are heavily concentrated in three industry clusters: other services; health care and social assistance; and administrative and support and waste management and remediation services. Combined, these three industries represent 68 percent of businesses owned by black women (Chart 7). In contrast, 46 percent of businesses owned by women overall were clustered in these industries. Although businesses owned by black women are overrepresented in those three industry clusters, they are underrepresented by 5 percent and 7 percent, respectively, in retail trade and professional, scientific and technical services relative to all women who own businesses. These two industries represent the fourth- and fifth-largest industries in which black women own businesses.



Lisa Kirk, Lisa Sunshine

Chart 7: Firm Distribution by Industry Black Women and All Women, 2012

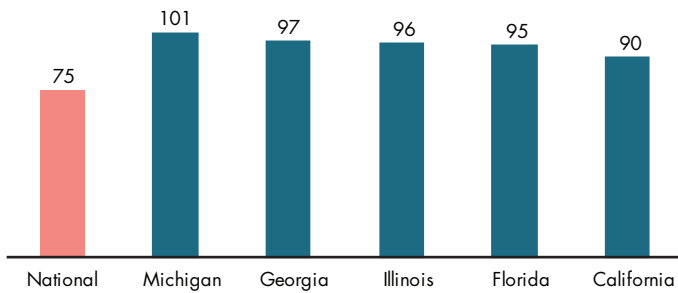


State Rankings

It can be a challenge to determine which states have the best environments for supporting business startups and growth. Many publications use different methodologies and often show varied outcomes. This report, instead, will use three indicators of business ownership by black women to show which states lead the nation in various business categories. The indicators are business density, total business growth rate and the growth rate of businesses with employees.¹⁰

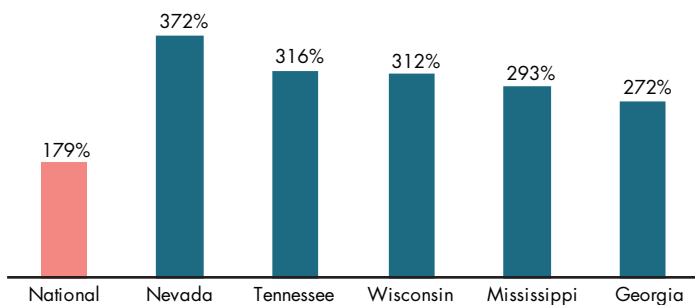
Business density, calculated as the number of businesses per 1,000 members of a population, is an important measurement that research shows contributes to state economic growth. In a 2004 Small Business Administration (SBA) research report, Ying Lowrey demonstrated that business density contributed positively to economic well-being and gross domestic product (GDP) growth at the state level (Chart 8).¹¹

Chart 8: Top Five States for Business Density of Black Women Owned Firms, 2012



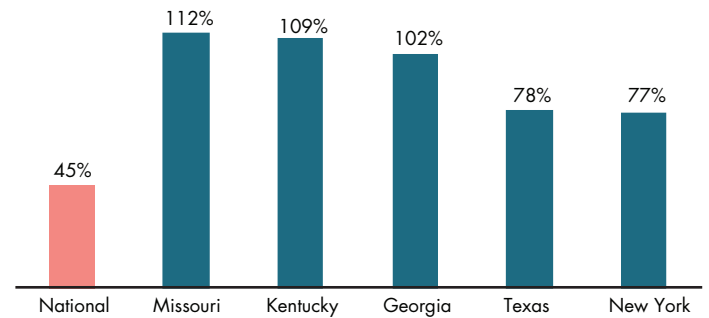
From 2002 to 2012, when excluding states with small black populations, businesses owned by black women grew the fastest in Nevada with a rate of 372 percent (Chart 9).

Chart 9: Top Five States for Total Growth Rate of Black Women Owned Firms, 2002-12



Missouri had the fastest-growing number of black-women-owned employer businesses at 112 percent (Chart 10).¹² The growth rate of employer-owned businesses may be a more suitable measure of the strength of the business environment based on what is needed to grow or maintain companies with employees. If a state is producing faster growth in employer-owned businesses, which require more inputs and managerial skill, then it could be said it has a stronger entrepreneurship ecosystem.

Chart 10: Top Five States for Growth Rate of Black Women Owned Employer Firms, 2002-12



As previously mentioned, there is little research on businesses owned by black women. One recommendation for future research is to analyze the various factors that drive state-level performance and growth of these businesses.



Shanell Reffell, Nella Yoga

¹⁰See Appendix A for a full ranking.

¹¹Lowrey, Y. (2004). "Business Density, Entrepreneurship and Economic Well-Being."

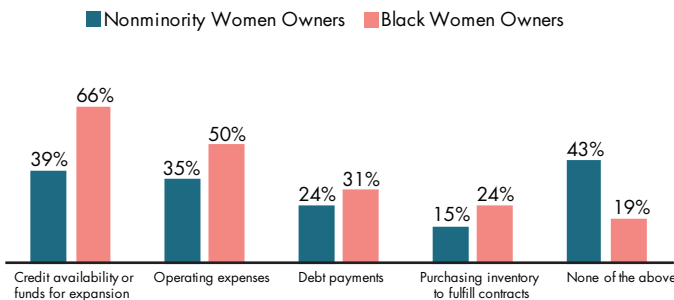
¹²States with a population of less than 5 percent African-American were not included in the rankings due to small changes creating large shifts in percentage growth.

Black Women Owners and Business Credit

Businesses owned by black women that have employees were more likely to have financial challenges due to credit access and operational needs. In addition, they were less likely to apply for business funds because they were discouraged borrowers, and less likely to receive the funding requested. Alicia Robb, in a report commissioned by the SBA in 2013, said “... undercapitalized businesses had lower sales, profits, and employment, and were more likely to fail ...”¹³ This makes the lack of access to credit a challenge to the performance of businesses owned by black women.

In 2017, the Federal Reserve System compiled from its 2016 Small Business Credit Survey findings that are specific to businesses with employees owned by black women. The following charts share some of the key findings from the 2016 survey (Chart 11).

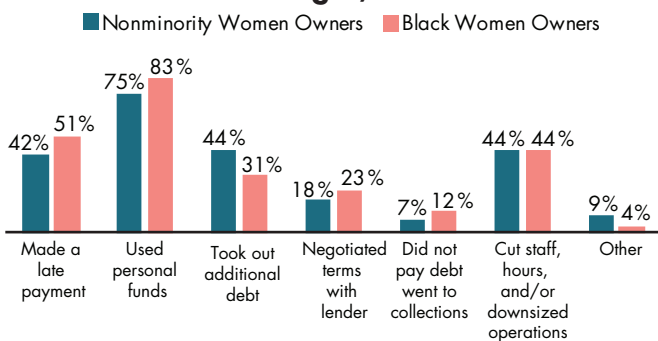
Chart 11: Greatest Business Financial Challenges, 2016



Black women owners were more likely to express having financial challenges. The greatest challenges were in funds for expansion and operating expenses.

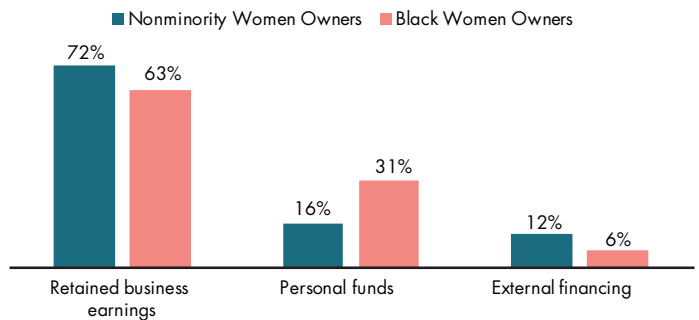
In response to these challenges, black women owners were more likely to make a late payment, use personal funds, negotiate payments with their lender or let their debt go into collection (Chart 12).

Chart 12: Response to Business Financial Challenges, 2016



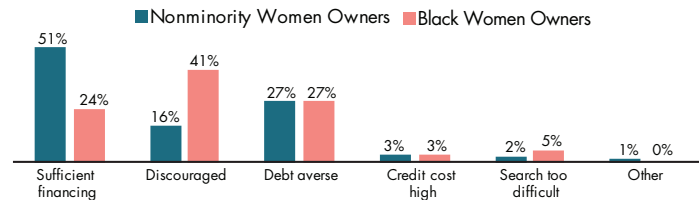
Black women owners were much more likely to rely on personal funds to finance business needs compared to their nonminority women peers (Chart 13).

Chart 13: Sources of Business Financing, 2016



Black women owners were much more likely to report not applying for credit because they were discouraged about credit opportunities (Chart 14). They also were significantly less likely to report they did not apply because they had sufficient financing.

Chart 14: Reasons for Not Applying for Business Credit, 2016

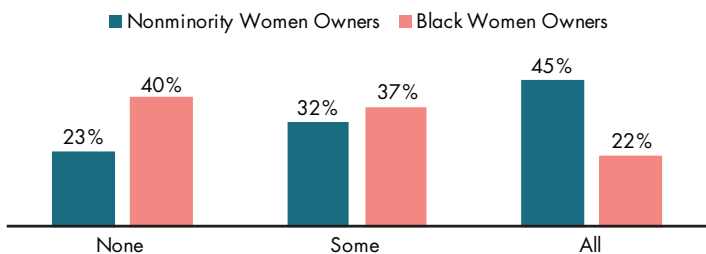


Dewanna O'Guinn, Lee Andrew Hall & Gardens

¹³Robb, A., Marin Consulting LLC. (2013). "Access to Capital Among Young Firms, Minority-Owned Firms, Women-Owned Firms, and High-Tech Firms." Office of Advocacy, U.S. Small Business Administration, Washington, D.C.

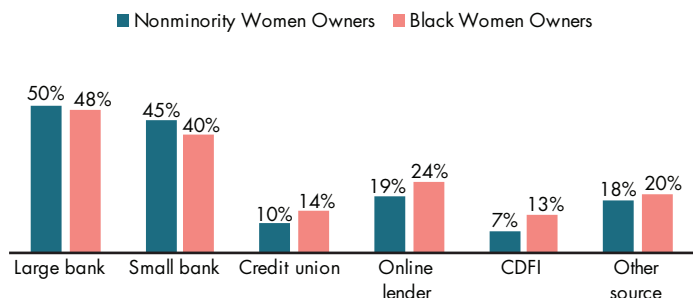
Their discouragement may be a result of experiences when they have requested financing. Black women owners were much more likely to report they received none of the financing they requested (Chart 15).

Chart 15: Amount of Business Financing Received Based on Amount Requested, 2016



Black women owners were more likely to apply for financing at credit unions, online lenders and community development financial institutions (CDFI) than nonminority women owners (Chart 16).

Chart 16: Business Loan Application Location, 2016



“According to NWBC research, as one of the fastest-growing segments of entrepreneurs, black women business ownership has seen a sharp rise—nearly 67 percent since 2007, adding over 71,000 jobs to the economy. However, there are persistent challenges in terms of receipts, investment, representation and growth. It is important to cultivate sustainable solutions to create and improve on funding opportunities, networks and entrepreneurial supports for black women business owners so they can reach their full economic potential.”

**Shannon Trudge,
National Women’s Business Council**

Summary

Businesses owned by black women have experienced unprecedented growth over the past two decades. This growth has established them as the only racial or ethnic group in which women own more than 50 percent of all businesses within the group. This expansion has led this group to be overrepresented by race and gender when compared to their population percentage in the United States. Businesses owned by black women tend to be newer, smaller and more clustered in fewer industries than their male and female business-owner peers. Black women tend to start businesses with no capital, or use personal or family savings. Employer firms owned by black women tend to have worse outcomes in the credit market than women overall. Their greatest financial challenges have been access to credit for growth and operations. They also were more likely to be discouraged borrowers, and, therefore, not apply for financing. When they did apply, they were less likely to receive funding or received less than they requested.



Adrienne Haynes, SEED Law

II. Insights into Black Women Who Own Businesses

In late 2017, the Federal Reserve Bank of Kansas City held five focus groups with 34 black women who own businesses in Kansas City, Oklahoma City, Wichita, Omaha and Denver.¹⁴ During these groups, four questions were asked to determine motivations, challenges and other characteristics of black women business owners.

Why did you start?

What were your challenges?

What support did you receive?

What do you wish was available to you when you started your business?

A summary of the major themes from the answers make up the basis for this section of the report. The subsections will consist of key entrepreneurship characteristics, startup motivations, business challenges, support systems, recommendations by black women business owners, the impact of race and gender and the role of faith and belief. The following table shows the major themes shared in each question.

Startup Motivation	Startup Challenges	Startup Support	Startup Recommendations
Negative Workplace Treatment	Lack of General Business Knowledge	Positive Support	General and Specific Business Knowledge Information and Training
Not Feeling Valued at Work	Lack of Financing and Resources	Family and Friends	Increased Mentoring
General Workplace Dissatisfaction	Understanding how to Effectively Identify and Market to Key Markets	Mentors and Key Individuals	More Peer to Peer Engagement
Passion for Industry	Fear and Confidence	Social Network	Better Financing Opportunities
Business Opportunity		Negative Support	
Schedule Flexibility and Freedom		Family	
Service to Community and Others		Absence of Mentoring	
		Community	

¹⁴Full participant profile and methodology is in Appendix B.

Entrepreneurship Characteristics

The two dominant entrepreneurial characteristics that emerged from the focus groups about black women who own businesses were self-learning and determination. Many of the women said that starting and running a successful business required them to constantly learn business skills from a wide variety of sources. Some of this learning consisted of formal classes in the community; for others, it was experiential learning. Determination, or the ability to persist and continue to strive despite obstacles, also was a common theme shared by participants.

Self-Learning

“And so I knew my craft, but I didn’t know necessarily how to run a business. So, everything I just kind of learned as I went and it’s working for me now.”

“ ... We just started going to One Million Cups. We started getting more involved and I got a consulting gig that introduced us to Kauffman and FastTrac and so I went through the program.”

Determination

“You must keep going for it, otherwise, you’ll always deal with that fear stage and that will keep you stuck. That will hinder you.”

“Hard work and sweat, tears, blood.”

“But then when you have people who are supposed to support you and they are not really supporting you, it kind of plays on you. But you’ve got to encourage yourself and tell yourself, ‘I can do this. It’s already in me, and this is what I know I can do.’ ”

Startup Motivations

The purpose of the “Why did you start” question was to determine the primary motivations for business ownership by black women. There are a variety of entrepreneurship motivation theories in the research. One common theory is the push/pull theory of entrepreneurship.¹⁵ Push motivation occurs when an entrepreneur chooses to start a business in an attempt to escape an adverse situation. This could mean starting a business because the household does not have enough income. Pull motivation occurs when an entrepreneur sees an opportunity to take advantage of. This opportunity could be the desire to start a business in a field they are passionate about or they are presented with a business opportunity.



Angela McCain, I Am Definition

As might be expected, startup motivation often is a combination of push and pull factors. For example, if an individual sees there is financial opportunity in starting a business, but that it would require them to leave a job they enjoy, they may not pursue the opportunity. Conversely, if they did not enjoy the job as much, the pull opportunity may be sufficient for them to take the entrepreneurship risk. The following shares the dominant push and pull motivations shared by women in the focus groups.

¹⁵Schjoedt, L., and K.G. Shaver. (2007). “Deciding on an Entrepreneurial Career: A Test of the Pull and Push Hypotheses Using the Panel Study of Entrepreneurial Dynamics Data,” *Entrepreneurship Theory and Practice*, 31(5), 733-752.

Push Themes

The dominant push motivations for women in the focus groups were workplace challenges. These challenges were broken into four subthemes of treatment, value, uncertainty and general dissatisfaction. Of 25 push comments identified, 22 were related to a workplace challenge. The following sections cover the three largest push themes of workplace treatment, perception of value and general dissatisfaction.

Workplace Treatment

A number of women identified negative workplace treatment as a primary motivation for starting their own business. For some women, it was conflict with management; for some, it was lack of flexibility during a major life crisis; and for others it was the perception of unfair treatment.

“I had a very terrible boss who did not appreciate the 100 percent that I was giving the organization, and I just prayed and said, ‘Lord, just please,’ and He’s given provision”

“... I used to work for a large corporation, and then my son got sick Companies could choose year to date from last occurrence (of family medical leave), or they could choose the calendar year. The year prior I was diagnosed with cancer, so I had taken off six weeks. My son got cancer the following year, and so it was all within a 12-month period, but two different years, and the company chose to do the 12 weeks (year to date) that way. Because of this I was out of leave time and he was diagnosed with cancer. When my son died, I was thinking, ‘Gosh, who wants to work for a company that would make you choose between coming to work and being with your dying child?’ ”

Perception of Workplace Value

The perception of being undervalued in the workplace was a dominant push theme. This issue showed in the form of high performance versus low reward, access to less opportunity and a lack of commitment by the employer.

“I worked in corporate America for most of my life it feels like, and I finally found my dream job. I was excelling; I was getting to do everything that I wanted to do, and then the company sold.

When they sold, I just assumed that I would make it through because of who I am, and every boss I’ve ever been under has always excelled, and they all got promotions based off a lot of times what I suggested to them. And no, I didn’t make it through and I got laid off. It killed me because I was in leadership development and organizational development so I played a lot of roles in the company. The biggest part was my team and I had to sit around a table like this and watch my team cry—men, women—because they believed so much in what we had set up, and it broke me. I said I’ll never do it again. But I never put someone else’s dream and legacy above my own.”

General Workplace Dissatisfaction

Many women expressed a general dissatisfaction with the workplace that manifested itself as workplace fatigue.

“I worked in corporate America for 19 years in management, and I got into corporate America out of necessity to take care of my family. I had a greater opportunity than my significant other at the time and it took me away from them. So it was an offset. I committed to it, worked a lot of hours, traveled a lot, and I burned myself out. That’s what led me to start my own business.”

“I went back to work so I could get health insurance and those kinds of things. It was fun for a while because I looked at it as a job with a purpose. For many years I looked at it that way until it started becoming more of a burden than blessing. I decided I couldn’t play that game anymore. So I decided to restart my business.”

Workplace challenges served as a significant push factor and often were identified as a catalyst for black women when they launched their business.

Pull Themes

As previously mentioned, pull motivations are opportunity-based motivations that pull an individual into starting a business. While impossible to weight as a motivating factor relative to push themes, participants’ comments about pull motivations were nearly double the comments about push

motivations. The four main pull motivations identified were passion, opportunity, service and flexibility.

Passion

Passion for the particular industry or business type was the pull motivation most often expressed by focus group participants.

“I would do someone’s wedding or someone’s company party, mostly because I have a love and passion for the industry. It’s what I went to school for. I only wanted to do it the right way. I just said, ‘Well, I’m going to start my own business.’ ”

“I’ve always had my own style and had that passion for fashion and wanted to be different and stand out from others. So I just kind of followed that and I did it and did pretty good.”

Opportunity

The participants identified taking advantage of an opportunity as the second-largest pull motivation. Women identified opportunity in two primary ways: the owner identified a market-based opportunity to expand their business, or a business opportunity was presented to them by another source.

“Every organization that I was working with always raised more money. I thought, ‘Hmm, I’m on to something here.’ Then when I found I could actually make money at it, and make a lot, then I thought I’m really on to something.”

“Then maybe two years later, the second (salon) owner, got an opportunity to move back to Texas. So she offered the salon to me ... I felt right there that was a blessing for me and I had to keep telling myself, ‘Do not walk away from this blessing.’ ”

Other Pull Themes

Two other themes that stood out as pull motivation factors were flexibility and service. Multiple women said the ability to

have flexibility and freedom were important. In some cases, this was expressed as a desire to be available for family; others said it was a desire not to be bound by workplace hierarchy or to be their own boss. In regard to service, a number of women said the motivating factor for operating their business was a desire to help people through their business.

“I started because I wanted flexibility in my schedule and lifestyle. It was very important for me to be able to contribute to be a single mom; being able to support my kids, and being able to still go to their games and still do some other activities to be a mom.”

“I started my business because I worked (with disadvantaged children) for 10 years. They didn’t know how to survive on their own. So I started a leadership academy because they didn’t have basic interpersonal leadership skills. They didn’t know how to fill out an application; they didn’t know how to use an ATM.”

The Complexity of Motivation

Women in the focus groups mentioned pull motivation more than push motivation. However, motivation is complex, and either push or pull motivations may serve as a greater motivator depending on the entrepreneur and how significant the push or pull motivation is. The dominance of the push motivation factors related to black women’s experience in the workplace suggest what may be at play is the disadvantaged theory of entrepreneurship. Disadvantaged theory of entrepreneurship suggests that labor market discrimination affects the rate of entrepreneurship among minority women.¹⁶ While only one participant suggested her negative workplace experience was because of race or gender, this also may be a factor. What can be confidently suggested is that many of the participants were motivated by positive pull factors. It is worth noting that only one participant identified money as a motivator. Like identifying race and gender as a factor in their negative workplace experiences, the fact

¹⁶Smith-Hunter, A.E., and R.L. Boyd. (2004). “Applying Theories of Entrepreneurship to a Comparative Analysis of White and Minority Women Business Owners,” *Women in Management Review*, 19(1), 18-28.

that a desire to make money is not a major motivation theme could be because it is implied that one starts business at least in part to generate revenue.¹⁷



Shanita Bryant, Magnolia's On The Move

Business Challenges

The “What were your challenges when starting” question was asked to gather insight into the various obstacles black women faced when starting their businesses. The top two challenges were business knowledge and finance, with marketing challenges being a close third.

General Business Knowledge

Participants seeking to start their own business stated that having a general knowledge of how to organize and operate a business was their biggest challenge. For some women, it was lack of knowledge about business basics. For others, it was general knowledge about the industry in which they wanted to start their business. This is consistent with research on the lack of business knowledge among black entrepreneurs at startup.¹⁸

“It’s not knowing enough. My family has always had jobs. I’ve got people in my family who make six figures, but they don’t know how to run a company. They don’t know how to work for themselves.

I’ve always been a good leader, but I didn’t necessarily know how to work for myself. I own a retail store, and I’ve never worked in retail.”

“Mine was understanding the requirements when you contract with the federal government. I went to contract (with a government procurer) and he says, ‘Can you bond?’ ‘Yeah, I have a bond.’ I was excited. But it wasn’t the bond that I needed.”

Finance

Financing also was seen as a major business challenge. This challenge was expressed in three themes: general lack of financing, lack of venture capital for businesses more oriented toward high growth and lack of financial management knowledge.

“I’m doing it out of my own pocket, funding it myself off of my labor. Sometimes it’s hard when you do it like that because you don’t have everything in place to be successful. It makes it hard to succeed sometimes. That was my biggest obstacle in real estate, just having the money to make the money.”

“Being financially literate. I used to go to work and make money and do whatever with the money. In business however, you’ve got to move your money way different. I always knew how to make money; I didn’t always know what to do with it and how to apply it the right way.”

“I’ve done all these things to get to this point, but the real hurdle is going to be between now and June of next year when my seed round closes. If I can’t raise that money, who can? I mean, I’m to that point where I have done everything I’ve needed to do. I did research. I put together a business plan. I have my projections and pro forma. I’m operating. I have revenue on the books. I have hired employees. But I won’t be able to physically pay for the space that I’ve signed a lease for without raising some additional capital.”

¹⁷In this focus group, specific questions about race and gender and startup motivation were not asked. Future research with questions specific to how race and gender affect both startup motivation and other factors of entrepreneurship would add additional insight into ownership of businesses by black women.

¹⁸Fairlie, R.W., and A.M. Robb. (2010). *Race and Entrepreneurial Success*. MIT Press.

Marketing

Identifying and marketing to their target market was a challenge for many participants. Many women indicated that they initially had a product, but struggled to find a market that would be willing to purchase that product. Others discussed the challenges of finding the right marketing mix or strategy to expand their business.

“How do you get the client? I had to understand that. I had to actually put down what that client looked like, how do they dress, where they shopped, where they did all those things and market to that.”

“Just learning different ideas, different tricks, different marketing strategies is a challenge right now because there’s so many things you can do. What can we do? Can we do more commercials? Can we get on the radio? What are some more ideas that we can do to get ourselves out there, especially as black women.”

Fear

Many women said fear was an obstacle during the startup phase of their business and that it emerged in different areas. For some, it was a fear that they were not capable; for others, it was fear of taking the risk associated with being a business owner.

“I think we all battle our inner selves already. We ask ourselves, ‘Are we good enough to do this?’ The fear plays in us. But you’ve got to encourage yourself and say, ‘I can do this; it’s already in me, and this is what I know I can do.’ ”

“I have thought about it often and my fear is I’m a single mother and I don’t have a family here, and I don’t have any other support. If I have to go full time, I have to pay my rent. That’s where I’m struggling with, but I want to do this and I want to be successful but I’m still tied up with this other fear.”

Support Systems

Black women were asked to share what support they received when they launched their businesses. Many of the responses, however, were about the *lack* of support they received. Responses were split nearly evenly between what support they received and the lack of support they received. Therefore, this subsection will identify participants’ responses to both.

Support Received

Many of the black women who own businesses said family and friends were their primary sources of support. This often was their significant other or parent. Second to family and friends was a mentor or key individual. This could be a formal or informal mentor, or



Catina Taylor, Dream KC

a technical expert that provided support and advice in a key business area. In addition, many women said their social network, such as a church or their general network of business relationships, provided support.

Family and Friends

Participants cited family and friends as the most significant source of support. This support most often was in reference to encouragement, but in other instances it was financial support or business insight.

“My biggest support came, fortunately, from my mother. I had the dream; my mama had the money. So she took her retirement money and she invested it in me. That’s where the B&B comes from. She was the Queen B and I’m the Baby B. Now I’m the Queen B and my daughter is the Baby B. So my first level of support was my mama. To this day, if I breathe it, my mom believes it.”

“I’m thankful that I’ve had a lot of support, my husband being number one behind the scenes, a very quiet supporter. You rarely see him out with me at events or anything, but I’m very thankful for him.”

“I have people in my corner that are pushing me. One of my girlfriends texted me the other day, ‘Have you started on such and such yet?’ Because I know those are the things that I need to do.”

Mentors and Key Individuals

“I had a great banker who helped me understand the structure for getting the paperwork filed correctly. I had a few struggles with that, just understanding what is the best structure.”

“For me, it was a contracting officer that actually taught me how to maneuver. I could call him off the record, and we had several conversations, and he said, ‘I wouldn’t do it this way, I would look at it this way.’ ”

“But periodically, me and (my mentor), we will talk sometimes in the parking lot or we would meet

sometimes at Starbucks and we would talk. She would say, ‘You can do this, you can get this done.’ I say, ‘I know I can.’ ”

Social Network

“But I have five dynamic wonderful women in Texas. We call ourselves ‘The Girls.’ Anytime we need a sounding board, a cry fest, a laugh fest, a wine fest, or whatever we need to get off our chest and get back on track we talk. I believe truly in having that structure of women.”

“Our church family invested into us a lot.”

Support Challenges

While many women said they had some support when they started their business, there was a consensus that black women who start a business do not have a strong enough support system. Family and friends were seen as the primary form of support by many women, while others saw them as obstacles. In addition, while mentoring was seen as a support for some women, the absence of mentors within the support system also was an issue. One race-specific issue that emerged in the discussion about support was community-centered challenges. Many women said the black community did not provide adequate support for their business.

Family and Friends

“I found that the journey to entrepreneurship can be lonely sometimes even with the people who are closest to you. I’ve had so many people say, ‘You know, when are you going to apply for a real job,’ or things like that. It’s hard to get people to jump on board with you.”

“I was a junior in high school and I went home and told my mom, ‘One day I’m going to own my own business.’ My mother told me, ‘Just finish high school and go to college and get a good job.’ ”

Absence of Mentoring

“Just having a good source of information that I felt like I could trust. I had my dad who was positive, but no one in my family had owned a business. I didn’t have that relationship with somebody

where I could say, 'Uncle started a business', and have that inside knowledge. I think that's what was missing, someone with information that I know truly was looking out for me."



Angela McCain, I Am Definition

"I really didn't have any support and I didn't know where to go. A mentor would have been amazing."

Community

"And if you come to our shops and shop, and you go to her restaurant to eat, we need that support amongst ourselves especially when we're women and trying to grow our businesses. We don't have that."

"But as far as the community is concerned or with clients or other people, women, black women or anybody who's in business, I've never had them support me."

Recommendations from Black Women Who Own Businesses

The final question in the focus group was, "What do you wish was available to you when you started your business?" The design of this question was twofold: first, to gather any additional insight into the participant's startup experience, and second, to gather recommendations on what black women owners said was needed in their community to help other black women start and grow businesses. Participants said they wished for or would recommend four things be available for black women startups: access to general and specific business knowledge, mentoring, peer engagement and financial resources.

General and Specific Business Knowledge

"I think that if there was more information around not just how to write a business plan but rather a step-by-step process. What you need to do before you even apply for your business license? Do you have your financing in place? Do you have your investors? Just some step by step, technical assistance before you even think about your business plan ... would be helpful."

Mentoring

"Not having a mentor, not having someone, that would step-by-step hand-hold me in that early process was a struggle."

Peer Engagement

"I would like more examples of women-owned businesses and minority-owned businesses that are readily accessible to talk to. To sit here among you all, this is the best thing I've done all week. I know that you all understand and have walked in my shoes. I needed more of this."

Finances

“The other thing of course is just finances and resources. Being able to figure out how your finances look and scale down your life so that way you can invest everything into your business, because truly you believe in yourself.”

The Impact of Race and Gender

Participants were not asked specifically about race or gender, however, significant comments about race and gender emerged throughout the conversations. Most comments were related to the combination of race and gender, meaning most participants discussed their experience of being black and a woman, not one or the other. The second-most comments on race were about community and the challenges they saw operating within the black community.

Race and Gender

“They’re used to Caucasians or other cultures running businesses. It was just foreign to people. When they see us coming. They’re like, ‘Oh, you’re the owner?’ ”

“I’m having a problem now. My audience probably thinks that my product is just for blacks, but it’s not. It’s just a mixture of a lot of things.”

“ ... and (nonblack potential clients) see two African-American ladies walk up, and they think, ‘Oh it’s a black business’ They think we just take pictures of black women. So we had to make a choice to just go with it and get the low-hanging fruit (black clients). If other people don’t want to patronize us then that’s what it’s going to be until they figure out that the camera works on other people too.”

Race and Community

Lack of Information Sharing and Competition

“I think that we’re conditioned to compete versus working together. People literally have come into

my store on more than one occasion like, ‘How’s the store across the hall, how’s the competition?’ I’m like, ‘We’re not competition. That’s my friend.’ ... You know, Walgreens and Costcos are right across the street. This bank is next to this bank. There is enough room for all of us to succeed, but I don’t think that we’re conditioned to think that. I see a lot of challenges with that.”

Support

“ ... but when I tried to go out into my community of people who look like me, they wanted me for free. They did not want to support me. I could not get anything to turn around so I started branching out. It wasn’t until I started branching out and getting business elsewhere that they decided to say, ‘Hmm, maybe we should give you a try.’ Why did it take that? Why didn’t you support me in the very beginning?”

The Role of Faith and Belief

Like race and gender, the subject of religious faith and belief was interwoven throughout the focus group conversations. This is consistent with a 2009 Pew Research report, which found that:

African-American women also stand out for their high level of religious commitment. More than eight of 10 black women (84 percent) say religion is very important to them, and roughly six of 10 (59 percent) say they attend religious services at least once a week. No group of men or women from any other racial or ethnic background exhibits comparably high levels of religious observance.¹⁹

Many of the participants said they used faith as a motivation to start, as a source of resilience, as a framework for interpreting life and business experiences. In addition, many used their faith institution as part of their business support network.

“Then when God continued to take me out of corporate, I kind of figured He has a plan for you and I have to go to that calling.”

¹⁹Pew Research Center. (2009). “A Religious Portrait of African-Americans.” Retrieved 2018, from Pew Research Center: <http://www.pewforum.org/2009/01/30/a-religious-portrait-of-african-americans>.

“Everything just kind of hit me at once and I found myself at a place where I didn’t really know who I was. I just prayed and thought I needed a purpose and I needed to find out who am I.”

“Church was my support. I was pregnant with my last son. When I left my other church I heard about empowering the kingdom with your gift. My gift is just working with people.”

“But besides my mom, I had the community. The community has been extremely good to me. I was actually in a white church when I started my business and that church poured so much into me. It was incredible. They literally paid me to do ministry. In our churches, you know, it’s volunteer. This particular church, my gift of course is cooking and serving, so I got paid.”

Summary

Black women are motivated by both push and pull factors prior to starting their businesses. Negative experiences in the workplace and a passion for the industry in which they start their businesses are two of the largest motivators. Two of the biggest challenges black women said they faced were a lack of general business information and a lack of mentoring when they started their business. The primary support most black women said they received at startup came from family and friends, but many also said there was a lack of support as they were starting their business. Many also shared that they were treated or perceived negatively as a business owner because of race and gender. Black women said belief and faith are important to their business experience, adding that faith serves as a motivator and also helps with resiliency in challenging times.

“Research has shown that when women gain more wealth, it raises up the entire family. The median income for households headed by women with a microbusiness owner or employee is significantly higher than similar households that do not have the microbusiness involvement. In addition, the children of families with self-employed parents perform better academically, attending college in higher percentages. That means we need to do more to support black women business owners, immediately, because when we support them we support black families, the communities they live in, and the regional economy and national economy overall.”

**Connie Evans, President and CEO,
Association for Enterprise Opportunity**

III. Validity of the Findings

One main criticism of qualitative inquiry, like focus groups, is the inability to both generalize the findings and determine their validity. One way to address these concerns is through triangulation, which compares findings from multiple research reports to determine similarities. There are two qualitative research reports that can be used to triangulate the findings from the Federal Reserve Bank of Kansas City focus groups. The first is a 2016 report by Walker’s Legacy, under the commission of the National Women’s Business Council and the U.S. Small Business Administration’s Office of Advocacy.²⁰ The second is the 2011 Ph.D. dissertation submitted by Cassandra Bailey at Pepperdine University’s Graduate School

of Education and Psychology, titled “African American Female Entrepreneurs: What Motivates them to Pursue Entrepreneurism.”²¹

The Walker’s Legacy report is based on three meetings in Washington D.C., New York and Houston. At each meeting, 40 to 50 black women who own businesses were asked a variety of questions about startup motivations and challenges. Bailey conducted open-ended interviews with six black women business owners to assess entrepreneurship motivation. The following chart compares major findings each research report shared.²² The shaded boxes indicate shared findings.

Startup Motivation		Federal Reserve Bank of Kansas City	Walker’s Legacy	Bailey Dissertation
	Passion			
	Opportunity			
	Flexibility and Freedom			
	Service to Community			
	Workplace Challenges			

Startup Challenges		Federal Reserve Bank of Kansas City	Walker’s Legacy	Bailey Dissertation
	General Business Knowledge			
	Financing			
	Marketing			
	Challenges Accessing Information			
	Race and Gender			

Support Environment		Federal Reserve Bank of Kansas City	Walker’s Legacy	Bailey Dissertation
	Family and Friend Support			
	Mentors and Key Individuals			
	Social Network Support			
	Absence of Mentoring			
	Lack of Community Support			

Several findings were shared across the three research reports. All five motivations findings by the Federal Reserve Bank of Kansas City were shared by at least one other research report. Five of the six business challenge findings were shared by at least one other research report, the exception being the marketing challenge. All of the positive findings on support overlapped with at least one other research report.

None of the research reports asked a formal question about the absence of support. However, absence of mentoring was a shared finding of the Federal Reserve Bank of Kansas City and one other research report. These overlaps allow us to make a general statement about the findings' validity. They also suggest that the findings may apply to a broad cross section of black women who own businesses.

²⁰Walker's Legacy. (2016). "Black Women Entrepreneurs: Past and Present Conditions of Black Women's Business Ownership." Walker's Legacy.

²¹Bailey, C.L. (2011). "African American Female Entrepreneurs: What Motivates Them to Pursue Entrepreneurism." Pepperdine University.

²²The questions asked owners in each report are in Appendix C.

"The data is clear: investing in the growth and development of African-American female entrepreneurs pays off. Enhancing the potential within this demographic will help cultivate a more successful local ecosystem for all."

Christina Long, Create Campaign

IV. Recommendations

Based on focus group insights, several recommendations were developed using an entrepreneurship ecosystem approach.²³ Entrepreneurship ecosystem building examines how key institutions, systems and resources are connected and can be improved to better support local entrepreneurs as they start and grow. The following are recommendations designed to help build local ecosystems that support black women businesses and improve local economic development by increasing these businesses' productivity and growth.

Recommendations for Public and Private Institutions	
College and academia	<p>Expand research on black women who own businesses and share with key local and national stakeholders</p> <p>Form clubs and organizations that support black women in business and entrepreneurship</p>
Employers	<p>Improve diversity, inclusion and retention in local workplaces</p> <p>Improve women and minority supplier diversity to support supply chain and operations needs with a specific focus on minority women</p>
Economic development	<p>Create and support more inclusivity in entrepreneurial networks, specifically those that support high-growth minority women-owned firms</p>
Education K-12	<p>Increase entrepreneurship education and financial literacy in urban schools with predominantly black populations</p>
Financial institutions	<p>Focus bank Community Reinvestment Act activities and programming to support a variety of small business needs, including access to capital, in urban areas with dense black populations</p> <p>Improve diversity and inclusion among both frontline workers and leadership in financial institutions, microfinance organizations and angel and venture capital groups as well as improved diversity among funding recipients</p>
Small business support providers	<p>Create better connectivity and referral sharing, as well as stronger marketing in diverse communities by small business support providers</p> <p>Locate more small business training organizations and activities in predominantly black communities</p>
Workforce development	<p>Expand the ability of workforce institutions to train and support entrepreneurship in urban core communities</p>

²³For a summary of the Federal Reserve Bank of Kansas City's approach to entrepreneurship ecosystem building, download the [Grow Your Own EBook](#).

Recommendations for Communities and Programs

Accessibility	Create more culturally relevant and tailored business education and training programs for black women
Culture	<p>Create social marketing campaigns that celebrate black women who own businesses and expose them to the community at large</p> <p>Work with black churches and community organizations to do more entrepreneurship education and support activities</p>
Financial capital	Develop more capital sources with diverse leadership in the form of microlending, peer-to-peer lending, traditional lending and angel and venture capital
Human capital	<p>Create strong business mentoring programs that comprise both black women business owner mentors and diverse business mentors</p> <p>Develop more business mentoring programs, but with black women business owner mentors as well as diverse mentors for black women</p>
Infrastructure	Develop more low-cost small retail and office space, as well as co-work space in predominately black communities
Political capital	Encourage more black women who own businesses to serve in leadership positions, both politically, on nonprofit boards and in neighborhood associations
Social capital	<p>Create strong peer-to-peer networking and learning activities for black women who own businesses</p> <p>Encourage black women who own businesses to participate in general business networking events outside their community</p>

VI. Conclusion

Businesses owned by black women in the United States have been growing significantly since 2002, more than doubling in total numbers, sales and employees. There has been, however, little research on this growth. While these businesses are some of the smallest on average, their economic impact is growing, particularly within their communities. This makes understanding the motivations, challenges and support systems important to economic and community developers and policymakers.

Black women are the only racial or ethnic group with more business ownership than their male peers. These businesses are heavily clustered in fewer industries relative to businesses owned by other major demographic groups. Black women who start businesses tend to be between the ages of 35 and 54 and are more likely to be college educated than black women who don't own a business. They also are more likely to report having had challenges in accessing credit when compared to non-minority women owned businesses.

Black women who own businesses are determined self-learners, who mostly are motivated to start their business because of passion and to escape challenges in the workplace. They are challenged at startup by a lack of business knowledge and mentoring. Their support system is limited and they most often gain support from family and friends. Many black women who own businesses say they have been treated negatively because of their race and gender.

Finally, the Federal Reserve Bank of Kansas City recommends taking an entrepreneurship ecosystem building approach to support black women who own businesses. This approach looks at reforming, expanding, or developing organizations, institutions and programs that take a culturally sensitive and inclusive approach to supporting the needs of black women within a community context.

For more information on entrepreneurship-led economic development and entrepreneurship ecosystem building visit: www.kansascityfed.org/community/smallbusiness

Appendix A

Full State Business Rankings

Business Density Rankings by State of Businesses Owned by Black Women, 2012

Rank	State	Density	Rank	State	Density
	United States	75	26	Alaska	62
1	Michigan	101	27	Hawaii	62
2	Georgia	97	28	Washington	61
3	Illinois	96	29	Oklahoma	59
4	Florida	95	30	North Carolina	59
5	California	90	31	Colorado	59
6	Nevada	85	32	Rhode Island	57
7	Oregon	82	33	Vermont	56
8	Texas	82	34	New Jersey	55
9	Tennessee	82	35	Connecticut	53
10	Maryland	77	36	Utah	53
11	New York	76	37	South Carolina	52
12	Louisiana	75	38	Arkansas	52
13	Indiana	74	39	Virginia	51
14	District of Columbia	74	40	Idaho	51
15	Wisconsin	73	41	Maine	50
16	Nebraska	71	42	Kansas	49
17	Ohio	70	43	New Mexico	47
18	Iowa	69	44	Delaware	46
19	Alabama	67	45	Pennsylvania	45
20	Mississippi	67	46	Montana	44
21	Wyoming	66	47	Kentucky	43
22	Minnesota	66	48	Massachusetts	43
23	North Dakota	65	49	West Virginia	43
24	Missouri	63	50	South Dakota	41
25	Arizona	63	51	New Hampshire	38

Growth in Black Women Owned Businesses with Employees, 2002-12

States highlighted in blue have a black population of less than 5 percent

Rank	State	Growth Rate
	National	179%
1	Nevada	372%
2	Utah	354%
3	Iowa	324%
4	Tennessee	316%
5	Wisconsin	312%
6	Mississippi	293%
7	Georgia	272%
8	Texas	265%
9	Indiana	249%
10	Alabama	246%
11	Louisiana	231%
12	Florida	220%
13	Arkansas	219%
14	Michigan	210%
15	Arizona	205%
16	South Carolina	203%
17	North Carolina	199%
18	Ohio	194%
19	Minnesota	175%
20	Pennsylvania	168%
21	Washington	167%
22	Nebraska	162%
23	Oklahoma	160%
24	Oregon	159%
25	Delaware	151%
26	Missouri	149%
27	Virginia	144%
28	Illinois	138%
29	District of Columbia	137%
30	Maryland	119%
31	New Jersey	118%
32	Maine	117%
33	Connecticut	116%
34	Kentucky	111%
35	Idaho	110%

Rank	State	Growth Rate
36	Colorado	105%
37	Massachusetts	105%
38	New York	100%
39	California	94%
40	Kansas	85%
41	Wyoming	70%
42	Hawaii	66%
43	Alaska	51%
44	Vermont	51%
45	New Mexico	38%
46	Montana	Data Not Available
47	New Hampshire	Data Not Available
48	North Dakota	Data Not Available
49	Rhode Island	Data Not Available
50	South Dakota	Data Not Available
51	West Virginia	Data Not Available

Appendix B

Focus Group Methodology and Participant Profile

Participant Profile

To find participants, the Federal Reserve Bank of Kansas City reached out to key partners that had strong relationships with black women who own a business. Thirty-four women participated. The following is a profile of participants:

Owner Age					
Younger than 21	21 to 30	31 to 40	41 to 50	51 to 60	61 or Older
3%	6%	36%	36%	18%	0%

Marital Status		
Married	Single	Other
47%	44%	9%

Number of Children		
0	1 to 3	More than 3
26%	59%	15%

Years in Business			
1 Year or Less	2 Years	3 Years	More than 3 Years
15%	15%	24%	45%

Business Sales			
\$0-\$10,000	\$10,001 to \$50,000	\$50,001 to \$100,000	Greater than \$100,000
35%	35%	6%	23%

Business Type					
Service	Retail	Wholesale	Manufacturing	Other	Multi
53%	25%	6%	0%	3%	14%

Number of Employees			
0	1 to 3	4 to 10	More than 10
26%	47%	15%	12%

Education				
HS Diploma	Associate	Bachelor's	Master's	Other
15%	18%	35%	26%	6%

Methodology

The data acquisition methodology was focus group methodology. Five local small business support organizations that worked with black women who own a business were asked to reach out to five to 10 women to participate. Each woman that agreed to participate was provided preliminary information on the purpose of the inquiry and what would occur during the focus group.

Each focus group was in the evening at a location that the small business support organization partner determined was most appropriate and comfortable for the participants.

Ahead of the start of the focus group, there was a dinner, which gave participants the opportunity to get to know each other, and the facilitator. During this time, a participant waiver form, and the demographic intake sheet, was filled out.

The facilitator was a member of the Federal Reserve Bank of Kansas City staff with experience in small group facilitation and qualitative research.

The focus group was structured around the four questions:

- Why did you start?
- What were your challenges?

- What were your support systems?
- What do you wish was available to you when you started your business?

The facilitator asked everyone to answer the first question, as it was the primary focus of the inquiry. Participants were invited to answer each additional question at their own discretion.

Each of the focus groups was recorded and transcribed. The transcriptions were uploaded in the MAXQDA software and coded. There were three forms of coding. The first identified specific answers to each of the four questions. The second was open coding, identifying major themes that emerged outside of the primary questions. The third reviewed and revised the coding from the second coding for consistency.

Research limitations are as follows:

- Nonrandom sampling of business owner participants.
- Concentration of business owners in five Midwestern states.
- Selection bias by small business support organizations who invited the participants.

Appendix C

Research Validity

The Federal Reserve Bank of Kansas City used research from two outside sources about the motivation for black women to start a business to help determine the validity of the findings. Similar to the Federal Reserve Bank of Kansas City, the report by Walker’s Legacy and Cassandra Bailey’s dissertation also asked questions about business challenges. The following is a breakdown of the questions asked to participants in each piece of research.

Federal Reserve Bank of Kansas City	Walker’s Legacy Report	Cassandra Bailey Dissertation
Why did you start your business?	Motivations for starting one’s own business	What motivated you to become an entrepreneur?
What challenges did you face?	Mentors and networks	What role did family concerns play in your motivation to become an entrepreneur?
What support did you have?	Access to capital and resources	What social barriers did you face that challenged your decision to become an entrepreneur?
	Challenges to starting and maintaining one’s own business	What formal or informal educational influences molded you to pursue your current professional role?