

## African American Women and Entrepreneurship

*Minority women-owned businesses are a growing force in the U.S. economy. Firms owned by women of color now represent 20% of all privately-held, majority-owned firms in the U.S. and they are growing in numbers at four times the rate of all U.S. firms.<sup>1</sup> In recognition of Black History Month (February), the National Women's Business Council has compiled the following facts about African American women business owners.*

- As of 2002, there are an estimated 365,110 majority-owned, privately-held firms owned by African American women in the U.S., employing nearly 200,000 people and generating almost \$14.5 billion in sales.<sup>1</sup>
- Between 1997 and 2002, the number of African American women-owned firms increased by 17%, employment grew by 17%, and sales rose by 7%.<sup>1</sup>
- Some 10 million American adults are involved in the process of starting nearly six million potential new businesses at any one time, with African Americans 50% more likely to start a business than whites.<sup>2</sup>
- Among CEOs of African American "gazelle" businesses – that is, firms that have grown at a rate of 5% over the past five years – the greatest influence on the decision to start their business was the desire to exercise more control over their own destiny, with more than 80% indicating that this played a significant role in their decision. Other important motivations included the desire to use their management experience and education (75%), desire to build personal wealth (71%), desire to serve their community (71%), and desire to overcome racial barriers (60%).<sup>3</sup>
- African American women business owners are more likely than their Latina, Asian and Caucasian counterparts to say that they want to be a role model for others and that they want to make a difference in their communities as business owners.<sup>4</sup>
- More than one-third (35%) of all African American-owned firms are owned by women. African American women-owned firms employ 25% of the workers in African American-owned firms and generate 15% of the sales.<sup>1</sup>
- Nearly one-third (30%) of minority women-owned firms are owned by African Americans. Firms owned by African American women now represent 6% of all privately-held, majority-owned women-owned firms in the U.S.<sup>1</sup>
- African American women have a higher propensity for entrepreneurship than white or Hispanic women, who are about equally as likely to attempt to start a business.<sup>2</sup>
- The 10 states with the greatest number of African American women-owned firms as of 2002 are: New York; 2) Florida; 3) Illinois; 4) California; 5) Georgia; 6) Texas; 7) Maryland; 8) North Carolina; 9) Michigan; and 10) Virginia.<sup>1</sup>
- The states where African American women-owned firms comprise the greatest share of all women-owned firms are: 1) District of Columbia (30%); Maryland (16%); 3) Mississippi (15%); 4) Georgia (14%); 5) Louisiana and New York (tied – 12%); 7) Illinois and South Carolina (tied – 11%); and 9) Delaware, Alabama and North Carolina (tied – 10%).<sup>1</sup>
- Compared to other women business owners, African American women business owners are more likely to start or acquire their firms alone (72%), and to currently be the sole owner of their firms (80%).<sup>4</sup>
- Nearly half (47%) of African American women business owners say they have encountered obstacles or difficulties when trying to obtain business financing in the past, compared to 28% of white women business owners, 27% of Latina business owners, and 22% of Asian women business owners.<sup>4</sup>
- The impact of urban context varies for whites, African Americans and Hispanics. For white and African American men and women, the tendency to initiate start-up efforts is greatest among those living in more urban areas. But for Hispanic men and women, the highest levels of activity are in non-urban areas.<sup>2</sup>

<sup>1</sup>From Minority Women-Owned Businesses in the United States, 2002. Center for Women's Business Research. December 2001.  
(<http://www.womensbusinessresearch.org/Research/12-18-2001/12-18-2001.htm>).

<sup>2</sup>From the Panel Study of Entrepreneurial Dynamics, a report sponsored by the Ewing Marion Kauffman Foundation (<http://projects.isr.umich.edu/PSED/> or <http://www.emkf.org/pages/316.cfm>).

<sup>3</sup>From the ING Gazelle Index: Confidence Index of African American Business Leaders, Third Quarter 2003 Study. [www.inggazelleindex.com](http://www.inggazelleindex.com).

<sup>4</sup>From Women Business Owners of Color: New Accomplishments, Continuing Challenges. Center for Women's Business Research. October, 2002.  
(<http://www.womensbusinessresearch.org/Research/10-22-2002/10-22-2002.htm>).