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## Entrepreneurs of color in Wisconsin: Bridging the gap in resources to mobilize potential

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### ABSTRACT

Despite their substantial contribution to economies, little is known about how entrepreneurs of color in rural areas leverage resources to start ventures. This study examined the experiences of these entrepreneurs in securing information and financial capital at startup. Using the Community Capital Framework as an analytical tool, we take a systems approach to highlight the influence of contextual factors impacting the entrepreneurs and their contributions to the economy. We conducted interviews with 35 entrepreneurs to explore their experiences of operating businesses in Wisconsin. Results indicate entrepreneurs face barriers to accessing financing, information, and facilitating business networks. While they reported positive views of the community, they are mostly excluded from business organizations and heavily rely on bonding social capital involving kinship and friends and human capital for leveraging information and financial capital. This research provides important insights for policymakers and practitioners in rural areas hoping to develop vibrant inclusive economies.

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Entrepreneurship; social capital; race; rural community development; immigration

Businesses owned by immigrants and black, Indigenous, and people of color (BIPOC) have become an economic engine in the United States (US.) of America, with the potential to shape the future of rural economies, as immigrants continue to move away from historical destinations, particularly larger cities of the West Coast, to rural areas in Midwestern states (Moon, Farmer, Miller, & Abreo, 2014; Valdivia, Jeanetta, Flores, Morales, & Martinez, 2012; Wang & Li, 2007). The new term BIPOC (Garcia, 2020) is used in this article to reflect the current trend of distinguishing the historical oppression and systemic racism against Black Americans and Native Americans relative to other racial and ethnic groups, including immigrants. While we are grouping African American, American Indian, Asian, Latinx, and immigrants of all races and ethnicities in this study to highlight their shared experiences in a predominantly white area, the acronym BIPOC provides a reminder that each of these racial and ethnic groups are unique and deserving of its own contextual understanding. Similarly, we use Latinx to describe all entrepreneurs of Hispanic ethnicity. Nationally, BIPOC and immigrants start new businesses at higher rates than non-Hispanic white people (Fairlie & Robb, 2010; Obuko & Planting, 2015), despite facing

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a wide range of challenges such as barriers in accessing information, technical supports in terms of business planning, and financial resources necessary for business startup and expansion (Bonds, 2007; Erdmann, 2016; Freeland & Keister, 2016; Kopkin, 2017). While the growing importance of BIPOC owned businesses and their impact on the economy is well documented at the federal level (Fairlie & Robb, 2010; Obuko & Planting, 2015; Wang, 2015), their impact at the state and local levels is not adequately understood partly due to lack of data (García-Pabón & Klima, 2017; Moon et al., 2014). The implication is that community development practitioners and policymakers who could capitalize on the rapid growth of BIPOC populations and their affinity for entrepreneurial ventures lack information to guide their decisions (Anderson & Hurwitz, 2016; Moon et al., 2014). Further complicating the situation, research on BIPOC owned businesses has traditionally concentrated in metropolitan areas (Bonds, 2007; Fortunato & Alter, 2016; Tienda & Raijman, 2004) and tended to focus on the role of startup financial resources and human capital in terms of an individual's knowledge and creative capability without considering other capitals or restricting factors (Bates & Robb, 2014; Zarrugh, 2007). This misses the bigger picture of how BIPOC entrepreneurs are affected by the community contexts in which they live and operate businesses.

This research provides a comprehensive examination of factors influencing business development among BIPOC entrepreneurs. Through a qualitative approach, we investigate how rural BIPOC business owners accessed critical business development resources including information, startup financial resources, and social networks in which resources are embedded. In recognition of contextual influence, we analyze the entrepreneurs' perception of participation and inclusion in the broader community. We describe local community capitals, highlighting gaps, and we articulate challenges facing BIPOC entrepreneurs while highlighting corresponding opportunities for policymakers and practitioners to enhance their contribution to community economic development.

## **BIPOC entrepreneurs and their role in community and economic development**

Before proceeding further, it is important to clarify the concept of community and economic development as conceptualized in this paper. The term "community" is often used loosely to describe various social groups. In this study, we consider the term from the community development perspective where "community" is defined as a group of people, though having diverse characteristics, share common interests, live in a specific geographic location, and linked by social ties (Green & Haines, 2016). The definition implies that a community cannot be viewed only in a territorial sense but as an entity more deeply bound in common interest and social relationship. Although they may be considered outsiders by the dominant group, BIPOC residents are integral to their communities, deserving all benefits available to the dominant group.

Community development, according to Green and Haines (2016, p. 7), is a "planned effort to produce assets that increase the capacity of residents to improve their quality of life." These assets include a variety of capitals, including built, human, social, financial, and natural discussed later in this paper. It is a process aimed at building the capacity of residents to engage in collective action to achieve mutually beneficial goals (Flora, Flora, & Gasteyer, 2016; Phillips & Pittman, 2009). Economic development, on the other hand, has

evolved from a traditional focus on individual wealth creation and infrastructure, to emphasize the quality of life outcomes for community members (Markeson & Deller, 2015; Phillips & Pittman, 2009). Therefore, community economic development involves the mobilization and utilization of resources to improve the well-being of all residents in any given setting. As small businesses are increasingly recognized as key for the long-term economic viability of local communities (Lichtenstein, Lyons, & Kutzhanova, 2004; Markeson & Deller, 2015), it is important to recognize and address the challenges of developing successful local businesses.

A body of research (Fairlie & Robb, 2010; Wang, 2015; Wang & Li, 2007) reveals BIPOC starts new businesses at higher rates than their white counterparts. According to Obuko and Planting (2015), in the years 2002–2007, the number of BIPOC owned businesses grew four times faster than the number of non-Hispanic white-owned businesses, hitting the 1 USD trillion annual sales mark. Wang (2015) found that immigrants of both genders were more likely to own businesses than their US-born counterparts and suggests that economic development policies concerned with business development should consider sociodemographic factors such as race and ethnicity in economic development policy and programs. Achieving this remarkable growth suggests that BIPOC entrepreneurs are shaping the economy and cannot be ignored. Instead, their entrepreneurial efforts should be supported to maximize contribution by removing obstacles. This would require a paradigm shift toward policies and practices that support BIPOC businesses to reach their full potential, build more wealth, and contribute to development. To connect and work with BIPOC, investing in relationship building through investment in social capital is crucial.

### **Social capital theory**

Social capital has gained attention among scholars and development practitioners in recent decades as a crucial resource for economic development (Flora & Flora, 2016; Lichtenstein & Lyons, 2001). Bourdieu (1986, p. 248–249) defined social capital as “the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition.” Considering social capital at the individual level, Bourdieu emphasizes benefits that people can derive from membership in a group as their motivation to engage in social networks. Other scholars (Flora et al., 2016; Putnam, 1993) conceive of social capital at the community level, defining the concept in terms of norms of trust and networks that facilitate collaboration and collective action toward mutual interests, a glue that holds communities together. Social capital can be divided into bonding social capital and bridging social capital. Bonding social capital reflects strong ties among people or groups with similar characteristics, such as racial background, and it facilitates community cohesion. For example, research indicates BIPOC entrepreneurs rely on bonding social capital for initial startup capital (Hum, 2006). Bridging social capital describes networks that connect people from different backgrounds and characteristics and is central for information flow to leverage outside resources. Although bonding social capital is important during the startup phase (Greve & Salaff, 2003), expanding business requires developing diverse social networks for entrepreneurs to leverage needed resources.

Mobilizing bridging social capital can be challenging for BIPOC, particularly in rural communities characterized by strong bonds with limited interaction with people from different cultural and racial backgrounds. In a recognition of the importance of bridging social capital in community and economic development, Lichtenstein and Lyons (2001) conceived the Entrepreneurial Development System (EDS) to facilitate information flow among all stakeholders. EDS is an alternative approach for transforming local economies by creating infrastructure and service systems rooted in local communities and responsive to the needs of entrepreneurs at different stages of growth. In the EDS framework, entrepreneurs are intentionally connected with peers, funders, and technical experts to build bridging social capital and increase access to resources. However, Lichtenstein and Lyons' work does not address the need to develop culturally relevant and effective outreach across race and ethnicity for inclusive economic development (Anderson & Hurwitz, 2016). As both rural and urban areas become more racially and ethnically diverse, understanding how both bridging social capital and bonding social capital can be effectively leveraged to enhance BIPOC entrepreneurship becomes essential.

### Source and access to financial resources

Inadequate financial capital is a consistent challenge restricting the startup and growth of BIPOC businesses (Bates & Robb, 2014; Fairlie & Robb, 2010; Freeland & Keister, 2016). As a standard of practice, financial institutions provide loans based on the analysis of an individual's or firm's financial history, including credit scores and evidence of collateral, all of which BIPOC are less likely to have compared to non-Hispanic whites (Erdmann, 2016; Fairlie, Robb, & Robinson, 2016; Kopkin, 2017). For example, Fairlie and Robb (2010) found that lack of personal assets to invest in business accounted for 25% of the difference in how many businesses were started by Mexican Americans compared to non-Hispanic whites. In addition, research has long shown that BIPOC experience pervasive discrimination in credit markets, resulting in a higher loan denial rate relative to non-Hispanic whites even when controlling for factors such as credit scores, personal wealth, and underwriting differences (Bates & Robb, 2016; Cavalluzzo & Wolken, 2005). When approved for credit BIPOC tend to receive smaller loans (Bates & Robb, 2016) and are subjected to higher interest (Cavalluzzo & Wolken, 2005; Fairlie & Robb, 2010). Excluded from formal lending this way, most BIPOC entrepreneurs rely on personal savings, supplemented by contributions from relatives and close friends for startup resources which may not be adequate to launch successful enterprises.

Most recently, the COVID-19 pandemic has disproportionately affected BIPOC businesses in part because they are clustered in high-risk exposure industries such as restaurants. According to Fairlie (2020), Black-owned businesses were hit the hardest with 41% closing between February and April 2020. Latinx, Asian, and immigrant entrepreneurs also closed their businesses at higher rates than white and native-born entrepreneurs during this time (Fairlie, 2020). In response to the impact of COVID-19, the government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act from which the Paycheck Protection Program (PPP) was established to help keep businesses in operation and maintain their employees. Although data on borrowers have not been fully released, there is already ample evidence that discriminatory lending practices deprived BIPOC

entrepreneurs of accessing the PPP for their businesses (Fairlie, 2020; Lederer, Oros, Bone, Christensen, & Williams, 2020).

### **Inclusion in the community**

Scholars have acknowledged that community development efforts inclusive of BIPOC and others who are often marginalized make significant improvements in communities (Flora & Flora, 1993; Valdivia et al., 2012). Similarly, the International Economic Development Council (Anderson & Hurwitz, 2016) has signaled the need for their profession to make policy changes to expand the opportunity to all people with special consideration for those who may be in a disadvantaged position. The effectiveness of BIPOC establishing successful businesses and integrating into the community is contingent upon the environment in which they live and conduct businesses (Fortunato & Alter, 2016). Portes and Sensenbrenner (1993, p. 1322) argue that immigrant business owners' "economic destinies depend heavily on the structures in which they become incorporated and, in particular, on the character of their own communities." The combination of low trust associated with lived experience of discrimination, and the absence of culturally appropriate services likely discourage BIPOC business owners from seeking credit and other technical supports (Bonds, 2007; García-Pabón & Klima, 2017) from white-dominated financial institutions, making their businesses more susceptible to failure. Given their lived experiences, genuine inclusion of BIPOC in community and economic development would include more than mere provision of financial assistance or membership in organizations but full participation in all aspects of community activities, including assuming leadership roles and decision-making authority to have their interests and voices heard.

Supporting BIPOC entrepreneurship will entail moving beyond the traditional economic-oriented focus on financial and human capital to utilize an interdisciplinary approach that considers contextual factors, their interactions, and how they shape BIPOC business outcomes. Considering all forms of capitals and assessing how capitals interact to enhance one another (Emery & Flora, 2006) can provide important insights and broaden the picture on challenges faced by BIPOC entrepreneurs in rural Wisconsin. This, in turn, can increase awareness among policymakers, practitioners, and communities who want to implement policies and practices that encourage inclusive community and economic development.

### **Community capital framework as an analytical tool**

To examine the influence and interactions of various capitals in entrepreneurial activities, we use the Community Capital Framework (CCF) as an analytical tool (Flora et al., 2016). CCF offers a tool for interdisciplinary analysis of community and economic development efforts from a system perspective. It provides an integrated process to pull together essential community assets and describe how assets can be reconfigured to achieve a vibrant local economy that is inclusive of all community members while enhancing the ecosystems that support life. CCF can advance our understanding and improve the design of entrepreneurship by analyzing complex interrelated factors and social dynamics that affect BIPOC, thereby providing insights that can bring together different sectors to

work together in identifying solutions for systemic changes. This is particularly important in rural areas with declining populations and shrinking economies.

CCF includes seven capitals: natural capital, cultural capital, human capital, social capital, political capital, financial capital, and built capital. Natural capital includes environmental assets with which a place is endowed, such as farmland, natural beauty, and other amenities. Cultural capital refers to the way people know the world, shaping their actions, and determining their comfort level in interacting and collaborating with others from different cultures or ethnic backgrounds. Cultural capital determines what voices are heard and how creativity is encouraged and supported. Human capital includes an individual's education, knowledge, skills, and creativity. Built capital refers to infrastructure including roads, buildings, and other facilities that support economic development activities. Financial capital describes resources such as savings, equity, and credit that can be invested in business development to grow and accumulate more wealth within communities. Political capital reflects access to power, including institutional influence and policymaking processes. Finally, social capital describes the norms of trust, and the networks that facilitate collaboration and exchange of resources (Putnam, 1993). In a multicultural setting where trust may be lacking, social capital is crucial for connecting people, in this case, white entrepreneurs and community leaders with BIPOC entrepreneurs, moving them beyond close bonding ties to building bridging networks that facilitate information exchange and innovation.

### **Background of Fond du Lac county and existing community capitals**

This study took place in Fond du Lac County in northeastern Wisconsin. The county has a population of 103,704, with 43,679 living in the City of Fond du Lac (U.S. Census Bureau, 2016). Viewed through the lens of CCF, Fond du Lac County is endowed with abundant natural capital that provides the foundation for its strong agricultural economy. It ranks among the top counties in the state for milk, grain, silage, soybeans, winter wheat, commercial vegetables, and alfalfa production (University of Wisconsin-Madison Division of Extension, 2019). With its abundance of natural resources, including forests, lakes, and parks, the county offers opportunities for recreational activities, including public hunting, camping, and fishing. Built capital is extensive and includes robust highway systems connecting the county to the state's largest cities of Green Bay, Milwaukee, and Madison which are all within a 90-minute drive, as well as rail transportation to Chicago, Illinois, and the Port of Green Bay on Lake Michigan. Financial capital is available through many banks, credit unions, and philanthropy from employers. With these resources and amenities, Fond du Lac County attracts new residents with employment opportunities in dairy farming, nonmetallic mining, vegetable processing, manufacturing, and engineering industries.

In the past three decades, the county has experienced a significant increase in racial diversity, with BIPOC now making up 9% of the total population (U.S. Census Bureau, 2016). Notably, the population of Latinx residents has grown from 937 in 1990 to 4038 in 2010, a 120% increase, making them the largest ethnic group in the county after white European ethnic groups who are dominant. Similarly, the populations of Black and Asian residents increased by 43% and 33%, respectively (U.S. Census Bureau, 2010). BIPOC residents bring a variety of assets to the County, especially human,

social, and cultural capital which could interact with and strengthen existing resources. Like other Midwestern communities, Fond du Lac County faces a decline in human capital due to an aging population. A survey conducted in 2011 showed about half of responding workers intended to retire within 15 years (Fond du Lac Area Association of Commerce, 2011). This prompted business leaders and elected officials to begin strategizing to improve workplace inclusion and attract new workers. However, the dominant population of non-Hispanic white Lutherans and Catholics in Fond du Lac County (Social Explorer, 2009) is characterized by tight bonding social capital and can exclude newcomers, affecting who accesses political capital in institutions (Stettbacher et al., 2010).

Fond du Lac County is suited for this analysis because it is typical of other rural, Midwestern counties experiencing an increase in racial and ethnic diversity. These are areas where, as Flora, Emery, Thompson, Prado-Meza, and Flora (2011) observed in rural Iowa, “the hegemony of white America is still palpable” and economic development organizations are slow to offer targeted support to BIPOC entrepreneurs. However, with the aging and shrinking of the white population in rural areas, such places could harness and support BIPOC to enrich their communities and improve economies. BIPOC and other new residents have diverse sets of experiences, talent, leadership, and creativity that could augment existing human, social, and cultural capital to create a spiral up of community assets (Emery & Flora, 2006). Therefore, a deeper understanding of how BIPOC entrepreneurs start and grow businesses is especially instructive for rural communities seeking to increase their entrepreneurial social infrastructure (Flora & Flora, 1993) for the benefit of more residents.

## Method

A qualitative approach was used in this study to better understand BIPOC business owners’ experiences in accessing resources. As Maxwell (1996) points out, a qualitative research approach allows for an in-depth understanding of research participants’ experiences and perspectives that underlines worldview, thus shaping behaviors and action within a social context. Given that the BIPOC context in economic development is less well understood, such in-depth knowledge is crucial as it provides a window to identify processes that can be used to develop appropriate policies and programs consistent with their perspective and priorities. Qualitative data collection in this research provided opportunities for direct observation to capture the feelings of BIPOC entrepreneurs and to observe business environments. A purposive sampling approach was utilized to include all potential BIPOC owned businesses in Fond du Lac County. In a purposive sampling technique, research subjects are selected based on specific characteristics that allow intensive and detailed exploration of a phenomenon of interest (Ritchie, Lewis, Nicholls, & Ormston, 2014). As neither government nor private agencies had complete lists, websites including Facebook, LinkedIn, and individual business websites were used to identify potential BIPOC owned businesses. Personal observation while driving around the area was also used along with a snowball approach in which identified BIPOC owners were asked to help locate others. Altogether, 70 potentially BIPOC owned businesses were identified in Fond du Lac County. Contact was attempted with all via phone, e-mail, and/or in-person visits to invite participation in the study.



A modified interview instrument developed by Moon et al. (2014) was used to collect information from BIPOC business owners See [Appendix 1](#). The instrument was written in English, translated into Spanish, and interpreted in Mandarin to Chinese business owners. Due to socio-cultural factors, there have been concerns about BIPOC willingness to reveal information about their business and finances, particularly when they interact with interviewers outside their cultural backgrounds (Lichtenstein et al., 2004). To gain accurate information, we recruited Latinx, Native American, African, and Chinese students from a local university to help conduct the interviews. The students received orientation on how to conduct interviews, including Human Subjects Protection, and communicated regularly with the lead author who is white and fluent in Spanish. Semi-structured, face-to-face interviews were conducted with 35 BIPOC business owners from August 2014 – October 2015. Interviews were mostly conducted at the business location as preferred by respondents except for three that were conducted by phone due to logistical reasons. Field notes were taken to capture additional information and observations. The notes were typed as soon as possible after each interview and translated into English as needed.

To maintain informational accuracy and achieve the goal of trustworthiness, as defined by Lincoln and Guba (1986), the lead author reviewed the interview notes as soon as possible and clarified questions with the students as necessary. The data were analyzed by two authors to achieve consistency and to make sure no important point was missed. Together, this ensured that our data interpretation and results reflect the true experience and perspective of the participants (Lietz & Zayas, 2010; Lincoln & Guba, 1986). Qualitative data coding techniques and processes were used to analyze information and identify common themes. This was accomplished using MAXQDA qualitative data analysis software. The authors used the software to enter each interview data set, develop coding segments and memos, creating broader categories and themes. From the initial broad coding categories, multiple sub-coding systems were further developed to refine and analyze major themes. Excel was also used to generate outputs for the characterization of the entrepreneurs and their business.

## Results

### *BIPOC entrepreneur's demographic and business characteristics*

The participants in this study were Latinx (13), Asian (10), European (7), African American (3), and Native American (2). Most (27) were immigrants, while eight were U.S. born. Eleven of the 35 participants were female. Participants ranged in age from 29 to 76 years old, with an average age of 46. Most of their firms opened in the last 5 years (15), although three have been operating for more than 20 years, and two had just started in 2014–2015 when this study took place. Three categories of businesses were represented: food (16), service (15) which included businesses such as insurance or accounting firms as well-personal care businesses such as nail salons, and retail (4) which included gas stations as well as other sales. Thirteen entrepreneurs had previously owned other businesses in the United States, and eight were currently operating more than one. Regarding educational achievement, 23 had a high school diploma or less, nine had some college education, and three had master's degrees. These business owners contribute to employment in the community, with the number of employees ranging from only the self-employed owner

(8) up to more than 20 employees (5) with 20 noting they employ at least one family member.

### **Access to information**

Information is crucial in making decisions and mitigating risks in business development and management. Our results indicate entrepreneurs lack access to critical information to help manage and grow businesses in Fond du Lac County. Traditionally, both new and established entrepreneurs rely on professionals such as paid consultants or public organizations for critical information and technical supports such as advice on business planning. In this study, almost all participants reported that information about business planning, marketing strategies, licensing and tax regulations, and financing was of most concern during their startup phase. This information deficit is consistent with other studies on Latinx immigrant business owners (Moon et al., 2014; Zarrugh, 2007).

Membership and participation in business organizations are a way to enhance information flow through the building of bridging social capital. However, when asked about membership in local business networks, a majority (28) of the participants did not belong to any business organizations. Similarly, when presented with a list of the 11 business development organizations in the area, only seven of the 35 owners indicated having had minimal contact with them. Participants cited different reasons, including language barriers and time constraints. As one Asian immigrant business owner said “[Enterprises like ours] usually don’t belong to this type of organization because of language and no time.” For business owners with limited resources, time is critical and participation in community and business organizations must be weighed against anticipated benefits accrued from participation. An African American entrepreneur described it this way:

I don’t intend to belong . . . until they can prove that they do something other than take your money. I think they’re a useless organization right now. [Tell me] what are you going to do? [What I’d like is that they] partner people together at a networking event - make sure [the new business] is able to make money. Have an interview like this and set them up with five other members who could use your service.

Cultural capital in terms of worldview, often shaped by lived experience, plays a role in deciding whether to join local business networks and some may refrain from seeking help for the fear of being turned down. This ambivalence was reflected in this statement from a Latinx immigrant. “I’ve never asked for any help. I’ve never needed anything . . . I don’t ask for anything because I know they aren’t going to help. When a person is Latino, they’ll deny everything.” While this owner expressed pride in his ability to get ahead with his own resources, there is a sense of frustration and isolation also as he describes the confidence that discrimination would result if he asked for help. These examples are consistent with the individual level conceptualization of social capital that investing in networks is motivated by expected benefits for entrepreneurs (Bourdieu, 1986). The effort involved in joining and participating in the organizations did not seem worth the intangible or unlikely benefits they perceived would result, and signals the needs for culturally appropriate outreach services to build bridging social capital and connect BIPOC with established white entrepreneurs and expertise to enhance human capital in terms of technical knowledge. In another example, one family who was new to the area

said they wished that they had greater familiarity with the community, the people, and the various businesses in the area when starting their business. This again signals the needs for connectedness to learn about existing community assets and local dynamics that may impact business outcomes.

It also appears there may be a lack of clarity around what business organizations can do for startups. One entrepreneur, who eventually received technical assistance and funding from at least three organizations, said it was difficult to find someone to guide him on the process at first. He did not know who to ask, what to do, or where to go to get his business going. He tried asking others already in the same industry but decided that they were not well educated or helpful. He felt much pressure to get his business started right because of the tight competition in his chosen industry. He eventually found support from an ethnicity-specific, statewide organization and two local ones. Due to his pre-startup profession, his network likely already included people who directed him to local economic development technicians. This example is insightful as it shows that even someone within easier reach of local connections felt quite lost and alone, lacking an awareness of how close he may have already been to the specific support he needed and therefore unaware of how to use his bridging social capital to provide the human capital (information and mentoring) he needed at the beginning of his entrepreneurial journey.

As a result of this implicit or perceived exclusion, participants in this study relied on their own human capital and bonding social capital. Consistent with other research (Hum, 2006; Tienda & Raijman, 2004; Zarrugh, 2007), most (33) of the entrepreneurs said they gained information only through kinship (relatives, and close friends) to start and manage their current venture. They mobilized their bonding social capital to learn business planning and daily management, even transcending state boundaries, as illustrated by one European immigrant who explained, “[I go to my] relatives in Illinois. They are in the restaurant business for longer ... I refer to them every time I had a question. They are successful businesspeople.” Likewise, two Chinese immigrants stated they hired Chinese professionals in other states to provide technical assistance in business planning, even though those services are locally provided free of charge by various economic development practitioners in the area. The BIPOC owners had no awareness of available local support and made effort to find resources in their own cultural context.

### ***Access to financial capital***

As with information, BIPOC entrepreneurs in Fond du Lac County reported difficulties in accessing financing for their businesses. Although most indicated the need for startup financial capital, accessing loans through banks was challenging. For example, of the 15 entrepreneurs who reported applying for loans through banks, only six were approved. A European immigrant business owner who attempted to secure a loan stated, “It’s hard to get banks to believe in your business.” Similar frustration was echoed by many participants including an African American business owner who expressed concerns that bank requirements are too stringent for small businesses with little or no credit history and are likely to charge high interest rates. This experience is reflected by another African American entrepreneur who said:

It is extremely difficult; they don't give money for startups which is a tragedy. Their requirements fit people who have been in business for years; people who have projections, a track record. The average person doesn't have that. There needs to be creative funding for people who have a skill ... a resource pool or incubator.

This experience is consistent with the literature regarding BIPOC exclusion from financial markets and self-rationing of credit based on the perceived likelihood of loan denial (Fairlie et al., 2016). Taken together, these experiences show (1) lack of bridging social capital resulting in some missing information which limited their participation in the existing white-led business organizations, (2) restricted access to financial capital from formal lending, partly from self-rationing beliefs and perhaps due to institutional bias in the financing, and (3) obstacles to using their human capital in the absence of culturally appropriate services. Consistent with other studies (Portes & Sensenbrenner, 1993; Zarrugh, 2007), most participants resorted to bonding social capital which leveraged trusting relationships to move their business forward, human capital in their ability to learn and find information other ways, and interactions where their cultural capital had value and could liberate needed resources.

To finance their startups, most entrepreneurs relied on their own savings and small loans from relatives and friends. For example, a Latinx immigrant recounted, "I sold [my first business] ... in [another city] which was too small for so many similar businesses, and with the funds I opened the store in [this city]." A Vietnamese immigrant found the building she wanted in a competitive, high traffic strip mall, but working with the bank would take time, she discovered. "I want to get in. They asked more paperwork, take a while to process. I needed it in one to two weeks." She responded by using her own savings supplemented by a loan from family to rent the building in time, explaining another benefit, "family is free." Another example of limited understanding of the formal lending process is evidenced by a Latinx immigrant recalling the purchase of a building, "There was too much red tape. The bank wanted to know how the conditions were, so I paid a friend to do a land transfer. I looked for other ways to do it." An additional complicating factor to financing a business was immigration status. As one Latinx immigrant said, "At the beginning, it doesn't make anything easier being [illegally present in the country.] Now my business could [apply for a loan.]" Another said, "A person doesn't have a [social security number] and they ask for all of that." Researchers in Iowa (Flora et al., 2011) found similar evidence of self-rationing credit when interviewing Latinx business owners in rural areas who were discouraged from seeking startup capital through banks due to cumulative experiences of credit denial and high interest rates.

While perceived volatility in the food-service industry may be the reason banks are reluctant to fund BIPOC businesses in this sector, five out of the six loan recipients in this study were restaurant owners. These owners appear to be highly networked, with two describing strong bonding social capital in terms of extensive connections with other owners of the same ethnicity or nationality that facilitated loans. Given the documented bias against BIPOC businesses (Bates & Robb, 2016; Cavalluzzo & Wolken, 2005; Fairlie, 2020), the negative attitude about lending to food-service businesses may exacerbate discrimination against BIPOC, resulting in a vicious cycle of loan denial.

### ***Perception of inclusion in community***

As established in the literature, it is important to understand the social ecosystems in which BIPOC live and operate businesses, particularly in rural areas characterized by bonding social capital with the tendency to exclude those considered as outsiders. In sharp contrast to their perception of institutional exclusion, participants overwhelmingly reported positive views regarding experience with the general community, summarized in the words of a Chinese immigrant, “people here are really nice and friendly.” A European immigrant said, “I like the [name of city], the people of [city], the community itself. It’s a very good city to raise a family. I think we have good schools.” In perhaps the greatest sign of their contentment in the community, a majority (31) of the owners have plans to expand their current businesses, and all but one agreed that they do “feel at home,” a phrase Cowell and Green (1994) used as a proxy for measuring community attachment and perception of inclusion. The feeling of safety in Fond du Lac County was also mentioned several times as a benefit of living in the area. Lastly, business owners described great involvement in a variety of community activities, with most indicating that their businesses support nonprofit fundraisers, sports teams, and festivals through donations of food and other products and services, thus adding to the overall community capitals.

Participants also expressed satisfaction with the business climate and amenities of the area such as natural beauty, availability of institutions of higher learning, proximity to larger cities, and the specific locations of their businesses which give them high visibility and ample parking. In other words, natural capital and built capital play a role in attracting and sustaining BIPOC entrepreneurs in the area. This shared positive attitude makes a natural starting point for local leaders to build trust with BIPOC entrepreneurs, creating bridging social capital, leading to a spiraling up of other capitals, and strengthening the local economy.

### **Discussion and conclusion**

The objective of this research was to provide a comprehensive examination of factors influencing BIPOC access to critical resources, particularly information, and startup financial capital necessary for starting and growing businesses in Fond du Lac County, Wisconsin. Utilizing CCF, we moved beyond the traditional focus on human and financial capitals to analyze the contribution and interaction of various community capitals, including the impact of community context and how BIPOC perceive their own inclusion within the community. Our results indicate BIPOC have limited access to information needed to make important decisions and mitigate risks associated with initiating new enterprises. Pursuing entrepreneurship requires a network of support from experts and trusted peers with knowledge about the area and business culture. However, most participants in this study were isolated and did not participate in business organizations nor connect with established white counterparts. Similarly, access to startup financial capital presents a serious barrier and only a few were able to secure loans from banks. This is attributed to a combination of factors including limited credit history, absence of collateral, perceived likelihood of discrimination, and potential institutional bias against BIPOC in the credit market. Determined to own businesses, most entrepreneurs relied

almost exclusively on bonding social capital and their own human capital in the form of prior business experience, creativity, and persistence. In addition to reliance on savings, relatives and friends were the main source for information and startup financial capital. Despite the barriers, BIPOC expressed a positive sense of community and appreciate the amenities of Fond du Lac County. This provides an opportunity for culturally appropriate outreach to build trusting relationships and work with the entrepreneurs to enhance their contributions.

A holistic understanding of factors underlining access to community resources is important to address root causes. Although they contribute to the community and economic development, BIPOC business owners are not represented in key business organizations such as banks and other public or private institutions. Subsequently, they lack the bridging social capital to connect with influential people in the community to access information and other resources outside their kinships. The implication is that BIPOC have diminished political capital in terms of accessing power and influencing resource allocation, as well as diminished opportunity to develop human capital in terms of technical knowledge and leadership capacity to understand and participate in decision-making. Inclusion in decision-making will provide the opportunity to have their voice heard on important matters, thus influencing the prevailing dominant culture to embrace diverse perspectives and acknowledge their contribution. As the rural Midwest becomes more demographically diverse, it is important for practitioners and policymakers to be intentional in addressing institutional bias to ensure equity in resource allocation. Without purposeful efforts to minimize barriers, BIPOC business owners are likely to remain on the periphery of formal development efforts, and the community as a whole is likely to be worse off. As a starting point, community development practitioners and policymakers could begin by building trusting relationships with BIPOC to understand their priorities. This will include using a person-centered approach to listen and tailor programs to strengthen their capacity and support their initiatives.

In terms of the methods used, we are cognizant that our results may not be generalizable; however, the use of a qualitative approach has provided a close examination of the subject as directly captured from the voices of BIPOC entrepreneurs. This provides a context-specific knowledge grounded in lived experiences and wisdom that can inform the design of a targeted program (Flyvbjerg, Landman, & Schram, 2012) to address their unique needs. Our study has three important limitations. First, we understand that BIPOC entrepreneurs are not homogenous, and their individual characteristics such as race, education, and gender play important roles in resource access and business outcome. However, due to the relatively small sample, we have not included an analysis of these factors. Secondly, we did not audio record the interviews out of sensitivity to the participants' needs for confidentiality. This limited the number of direct quotes captured from hand-written notes. Thirdly, our study has not directly addressed institutional bias and discrimination against BIPOC in accessing business resources. Future research could use a mixed method and include a larger sample covering more areas and disaggregate entrepreneurs to explore the contribution of their characteristics. Such studies could include a sample of white counterparts to contrast their experiences in accessing community assets and assess potential discrimination against BIPOC.

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## Appendix 1. Example interview questions used

- (1) When did you open this business?
- (2) How many employees do you have? How many of your employees are family members?
- (3) What is the main reason you chose to open your own business?
- (4) How did you learn to establish this business? Choose all that apply. From family, friends or acquaintances, previous employment in this type business, formal schooling (education, trade school, workshops), Taught myself, Other, please describe.
- (5) Do you own any other businesses in the US? Did you own any other U.S. businesses previously?
- (6) What was the biggest problem, if any, you encountered when trying to start business here?
- (7) How did you learn about licensing information? Choose all that apply. From a government office, family, friends/acquaintances, a business partner, Other, please describe.
- (8) How did you acquire the money to start the business? Choose all that apply. Private savings, loan from a bank or other lending institution, family loan, Other, please describe.
- (9) Did you ever try to obtain a loan from a bank? Yes, because; No, because.
- (10) What assistance, if any, did you receive in starting your business here?

- (11) What business development organizations, if any, did you work with when starting up your business? (List of local organizations was read to participants).
- (12) What information that you did not already have would have helped you to start this business? What else would have been useful to you as you got started in your business here?
- (13) What are your future plans for your business? Choose all that apply. Add another location, expand this location, expand customer base, add new goods and/or services, other, please describe.
- (14) What do you like about the area that makes this a good place for you to do business?
- (15) Does your business belong to any business associations? If so, which ones?
- (16) Does your business sponsor or participate in any community activities? Choose all that apply. Sports tournaments, sports teams, nonprofit fundraisers, parades, community festivals, art shows, religious events, other, please describe.
- (17) If your business does not belong to any community organizations or does not participate in activities, why not? Choose all that apply. Not interested, don't know about them, not invited, not important for my business, cost of membership too expensive, other, please describe; Is there anything else your business do in the community?
- (18) Would you say you feel at home in the community where you live? Yes, No, Don't know
- (19) Your Gender
- (20) Year of your birth
- (21) Highest educational level attained: – elementary school, – High school or GED, – some college, – associated degree, – Bachelors', – -Masters' –, PhD/doctoral degree
- (22) Is there anything else you want to share with us?