

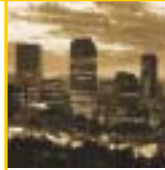
# Colorado

Office of Economic Development  
and International Trade

Prudential  Financial  
Growing and Protecting Your Wealth®

## 2006 Survey of Minority- and Women-Owned Businesses in Colorado





## **2006 Survey of Women and Minority Owned Businesses in Colorado**

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## **Executive Summary:**

In May 2006 the State of Colorado Office of Economic Development and International Trade partnered with Prudential Financial and researchers from the University of Colorado to produce the first statewide survey of women and minority owned businesses in Colorado.

Over the past three decades, the state of business in Colorado has become increasingly more diverse. Between 1997 and 2002 the number of women owned businesses in Colorado increased 18 percent, generating \$16.4 billion in revenues. In the same time period, the number of Hispanic owned firms increased by 15 percent while the number of Black owned firms increased 43 percent, Asian owned firms increased by 25 percent, and American Indian and Alaskan Native owned firms increased by 17 percent (US Small Business Administration, 2005)

Despite this growth, the state lacked substantive information on the composition of these woman and minority business as well as the obstacles and opportunities they faced. For this reason, the OED pioneered the following survey.

In particular, the goals of the survey were as follows:

1. To enhance understanding of women and minority owned businesses in Colorado by collecting information about the businesses that exceeded the limits of information already provided by the United States Census, and the Departments of Labor and Commerce.
2. To examine potential obstacles encountered by these businesses that may impede their success.
3. To assess unique opportunities generated by these businesses for the state of Colorado
4. To assess preferences for future services that may aid in the growth of women and minority businesses in the state.

The survey was developed in partnerships with key stakeholders representing women and minority businesses and distributed to over 7,000 respondents across Colorado. The survey was conducted in both English and Spanish. Survey responses were solicited in writing via direct mail, electronically via an online survey site, and in person with door-to-door sampling. In the end, over 630 responses were received. These survey responses were processed and both basic frequencies and regression models were analyzed.

### **Results:**

The survey successfully over-sampled female and minority business owners (particularly Females, Blacks, and Latinos), and thus provides a wealth of information about the needs and resources of members of these groups as well as significant points of comparison. While some White male business owners also responded to the survey, their percentage of total respondents was only 6%. Because of this, the population of Whites in the sample, refers to predominately White females.

Beginning with the descriptive data, there are important differences between men and women and between white and non-white business owners regarding access to basic resources that increase the likelihood of success, including education, prior business experience, business

knowledge, property ownership, active relationships with a bank or lending institution, and access to federal or state government contracts.

Furthermore, the descriptive data are suggestive of some differences between male and female business owners in terms of need for assistance from the OED, as well as the “most important” issues these business owners face. The data also highlight some discrepancies in these areas based on the race and ethnicity of the owners.

The most significant differences found in the data have to do with perceptions of responsiveness of banks to the needs of women and minority owned businesses. In particular, large and significant differences are found between Black business owners in general and Black female business owners in particular and their White counterparts (who are predominately female) in terms of bank outreach, availability, and responsiveness.

The multivariate regression models provide evidence that these differences have direct and indirect outcomes for minority business owners in Colorado. These include:

- 1) Many of the resource variables, including business experience, ownership of property, access to start-up capital, etc. are negatively related to one’s race, ethnicity, and gender.
- 2) Black business owners are taking in less revenue than their White counterparts, and Female business owners are taking in less revenue their Male counterparts, after controlling for other factors that influence business revenue.
- 3) Black and Latino business owners find that start-up capital was a much more important factor in the success of their businesses, all else equal.
- 4) Blacks, Female, and Immigrant business owners are much more likely to grade their bank’s level of responsiveness to their needs as insufficient, all else equal.
- 5) Black and Female business owners are less likely to use a bank for their financial needs, possibly as a result of their dissatisfaction with banks in general. This is despite the fact that these groups are more likely to be the ones who need banks to acquire start up financing because of their lack of resources.

Finally, survey respondents identified several services that they believe would be helpful in maintaining and growing their business. The top five issues identified by respondents in order of importance were: better information about targeted clientele for marketing and outreach; networking functions with other women and/or minority owned businesses; information on how corporations and government entities award contracts; networking functions with related businesses, and mentoring.

## **Acknowledgement of Participants**

The production and distribution of the survey benefited from the insights of key stakeholders from state and federal agencies, as well as private business owners and organizations representing women and minority enterprises across Colorado. These participants provided feedback on the design and execution of the survey, met with the directors and principal investigators to discuss planning, distributing, and execution and overall helped to ensure the questions asked were timely, relevant, and useful to all the parties involved. It goes without saying that any and all omissions or inaccuracies are strictly the responsibility of the principal investigators.

The following individuals and organizations deserve special recognition for the early and consistent support they provided:

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- Evan Metcalf, Senior Division Director, State of Colorado, Office of Economic Development and International Trade
- Sue Piatt, Research and Special Projects Manager, State of Colorado, Office of Economic Development and International Trade

We also recognize the generous efforts and insights of the following individuals and organizations:

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- Trish Garduño, Chief Operations Officer, Rocky Mountain Minority Supplier Development Council
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- Mary Litweiler, Colorado Women's Chamber of Commerce
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- Asian Chamber of Commerce
- Conference of Minority Transportation Officials
- Colorado Black Chamber of Commerce
- Colorado Latina Chamber of Commerce
- Colorado Women's Chamber of Commerce
- Denver Hispanic Chamber of Commerce
- Denver Public Schools, Diverse Business Directory
- Hispanic Contractors of Colorado
- Latina Chamber of Commerce
- U.S. Small Business Administration
- Pueblo Latino Chamber of Commerce
- Rocky Mountain Minority Suppliers Development Council
- Rocky Mountain American Indian Chamber
- State of Colorado Minority Business Advisory Council
- State of Colorado Women's Advisory Council
- State of Colorado Minority Business and Women's Office Contact List
- Women's Transportation Seminar

## **Introduction**

### ***Purpose of the Survey***

In May 2006 the State of Colorado Office of Economic Development and International Trade (OEDIT) partnered with Prudential Financial and researchers from the University of Colorado to produce the first statewide survey of women and minority owned businesses in Colorado. The goal of the survey was:

1. To enhance understanding of women and minority owned businesses in Colorado by collecting information about the businesses that exceeded the limits of information already provided by the United States Census, and the Departments of Labor and Commerce.
2. To examine potential obstacles encountered by these businesses that may impede their success.
3. To assess opportunities generated by these businesses for the state of Colorado
4. To assess preferences for future services that may aid in the growth of women and minority businesses in the state.

It became clear that given the growing population of ethnic minorities in the state and the expanding number of businesses created by women and minorities, developing a better understanding of this population and their obstacles and opportunities would better serve the entire state of Colorado.

### ***Background***

Over the past three decades, the state of business in Colorado has become increasingly more diverse. Between 1997 and 2002 the number of women owned businesses in Colorado increased 18 percent, generating \$16.4 billion in revenues. In the same time period, the number of Hispanic owned firms increased by 15 percent while the number of Black owned firms increased 43 percent, Asian owned firms increased by 25 percent, and American Indian and Alaskan Native owned firms increased by 17 percent (US Small Business Administration, 2005).

According to the US Census and specifically findings from the 2002 Economic Census and the 2002 Survey of Business Owners (formerly the Survey of Minority- and Women-Owned Business Enterprises (SMOBE/SWOBE)), women owned businesses in Colorado are concentrated in the following industries: Professional, Scientific, and Technical Services; Retail Trade, Health Care and Social Assistance; Administrative and Support, and Waste Management, and Remediation Services; and Real Estate, Rental and Leasing. The 135,220 women owned businesses surveyed by the US Census in 2002 generated more than \$16 million in receipts, an annual payroll of approximately \$3.1million dollars, while employing more than 128,000 people (SBO: Statistics for Women-Owned Firms by State and Kind of Business: 2002).

Among the 24,054 Hispanic or Latino owned firms surveyed by the US Census in 2002 in Colorado, the largest numbers were concentrated in Construction (4,619) followed by Health Care and Social Assistance (2,680); Retail Trade (2,685); Administrative and Support, and Waste Management, and Remediation Services (2,269); and Real Estate and Rental Leasing

(1,217). Collectively, these Latino owned firms generated more than \$5 million in receipts in 2002, over \$500 thousand in payroll while employing more than 20,000 people (SBO: Statistics for Hispanic-Owned Firms by State and Kind of Business, 2002). In addition, among Latinos in Colorado the largest number of businesses are held by those who identify as Mexican/Mexican American/Chicano, followed by other Spanish/Hispanic/Latino origin groups including Central and South Americans and finally individuals of Cuban or Puerto Rican origin (SBO: Statistics for Hispanic-Owned Firms by State and Kind of Business, 2002).

Within the sample population of 7,066 respondents surveyed by the US Census in 2002 who were Black or African American in Colorado, the largest concentration of business owners were in the field of Health Care and Social Assistance (1, 078); followed by Professional, Scientific, and Technical Services (820); Retail Trade (788); Administrative and Support, and Waste Management, and Remediation Services (688); and, Real Estate and Rental and Leasing (681). Furthermore, the 2002 Black or African American owned firms surveyed generated \$758,339 in receipts, an annual payroll of \$142,604 and employed 6,060 individuals (SBO: Statistics for Black-Owned Firms by State and Kind of Business, 2002).

Among the 10,910 Asian owned firms in Colorado surveyed in the 2002 US Census Survey of Business Owners 1,479 were in Retail Trade, 1, 337 were in Professional, Scientific, and Technical Services, 1,299 were in Accommodation and Food Services, 773 were in Health Care and Social Assistance, and 738 were in Administrative and Support, and Waste Management, and Remediation Services. These Asian owned firms generated \$2,450, 916 in receipts, with an annual payroll of \$500,075 and 21,343 employees (SBO: Statistics for Asian-Owned Firms by State and Kind of Business, 2002). In addition, among the Asian-owned firms surveyed, the largest number of businesses in Colorado were held by Koreans (2,433), followed by Vietnamese (2,311), Chinese (2,100), Asian Indians (1,222), Japanese (1,084), and Filipinos (792) (SBO: Statistics for Asian-Owned Firms by State and Detailed Group, 2002).

Finally, within the population of 3,931 American Indian and Alaskan Native owned firms in Colorado surveyed in the 2002 US Census Survey of Business Owners, the largest number were concentrated in Construction (743); followed by Professional, Scientific, and Technical Services (450); Retail Trade (419); Health Care and Social Assistance (380); and Transportation and Warehousing (312). American Indian and Alaskan Native owned firms in Colorado in 2002 generated \$527, 824 in receipts, employing 5,840 individuals and carried an annual payroll of \$125,213 (SBO: Statistics for American Indian- and Alaska Native-Owned Firms by State and Kind of Business, 2002).

Overall, the information generated by the US Census provides an important overview of women and minority owned businesses across the country, as well as brief profiles of each state. In addition, the Census information on business ownership is collected every five years – giving researchers a longitudinal data base from which to compare trends. In particular, the Census information serves to ground our analysis of women and minority owned businesses by collecting information on the kind of businesses, annual receipts, number of employer firms, receipts for employers, number of employees, annual payroll, number of non-employer firms, receipts for non-employers, and details among racial/ethnic groups.



However, the information provided by the US Census (as well as the Departments of Labor, Commerce and Small Business Administration) to the states regarding women and minority owned businesses is limited to these general demographic descriptors. For this reason, the Colorado Office of Economic Development and International Trade and particularly the State Director of Minority and Women Business chose to embark on the first statewide survey of women and minority owned businesses in 2006. The survey and the results complimented the existing information while yielding more substantive information questions regarding obstacles and opportunities among women and minority businesses in Colorado.

### ***Method***

In developing the survey, a central concern was the limited information available to the state regarding women and minority businesses. As such, one of the guiding principles for the survey was to expand on the available information, particularly the quality and extent of descriptive demographic information, while simultaneously addressing central questions surrounding potential obstacles encountered by women and minority owned business and avenues and opportunities for success. To address these needs, a survey instrument was designed with a greater range of questions than those asked in the Survey of Business Owners and other standard measures acquired in the decennial census. In addition, data was processed analyzing both the frequencies and relationships between variables as well as causal relationships in key questions surrounding revenue, start-up capital, and relationships with banks and lending institutions.

Actual production of the study followed five specific steps:

- Step 1: Developing Initial Survey Instrument**
- Step 2: Developing Target Group Lists and Mailings**
- Step 3: Complete Surveys and Follow-Up Questions**
- Step 4: Processing Data**
- Step 5: Final Reporting**

**Step 1: Develop Initial Survey Instrument.** The goal in this initial phase of production was to produce a brief survey instrument that would build upon the interests of the OEDIT and relevant stakeholders. In particular, the survey was to expand the base of descriptive demographic information (regarding both business owners and businesses) while serving as an appropriate measure of the obstacles and opportunities encountered by women and minority businesses in the state. The survey would be developed in consultation with the Director of Minority and Women's Business in the OEDIT and with feedback from related offices such as the Small Business Development Centers (SBDC), interested chambers of commerce, and other relevant participants.

Specific tasks accomplished in relationship to this phase of development entailed:

- Researching similar surveys conducted in the state and other survey instruments
- Drafting initial set of questions
- Meeting with key stakeholders to present drafts and solicit feedback
- Incorporating additions and suggestions, producing subsequent drafts, and re-submitting changes to stakeholders

**Step 2: Develop Target Group List and Mailings.** In this second phase of the survey the goal was to prepare a mailing and contact list sampling women and minority businesses across Colorado (paying particular attention to the counties with the highest density of women and minority businesses, namely: Adams, Arapahoe, Boulder, Denver, Douglas, El Paso, Jefferson, Las Animas, Pueblo, and Weld). These lists would balance different ethnic populations, gender, and geographical distribution, and if possible, include a control-group comprised of non-minority businesses in Colorado.

Specific Tasks accomplished in relationship to this phase of development entailed:

- Soliciting distribution lists from stakeholders, participating organizations, and other relevant parties
- Preparing targeted group list (culling non-business owners from the list, balancing list for ethnic and geographic distribution)
- Developing cover letter explaining survey
- Translating survey and cover letter into Spanish
- Developing and posting online version of the survey
- Producing hard copy mailing for respondents without electronic contact
- Developing online contact system
- Sending initial round of online and direct mail surveys

**Step 3: Complete Surveys, Follow-Up Questions, and In-Person Surveys.** After assessing the response to the initial mailings and the online survey a second (and sometimes third) mailing was completed. In addition, several surveys were collected in person via attendance at conferences and events and door-to-door surveys in selected locations.

Specific Tasks accomplished in relationship to this phase of development entailed:

- Analyzing initial responses to online and direct mail surveys
- Developing a list of respondents/non-respondents and sending reminder to non-respondents
- Attending high profile minority business events to solicit in person responses (e.g. Annual Summit of the Chambers, Colorado Business Council meetings)
- Collecting in person responses in targeted areas

**Step 4: Processing Data.** In this phase, the focus was on translating, inputting and processing data in one central location. Once the data was processed, it was analyzed using a variety of operations (specifically descriptive statistics were processed along with correlation, bivariate and multivariate regression analyses).

Specific Tasks accomplished in relationship to this phase of development entailed:

- Transferring hard copy survey data onto excel spreadsheet
- Inputting data from hard copy respondents
- Translating Spanish language surveys into English
- Conduct preliminary data analysis (including frequencies, correlations, bivariate and multivariate regression analyses)

**Step 5: Final Reporting.** In this final stage the data was analyzed and interpreted in light of pre-existing information and relevant literature. This information was compiled into the final report presented to the OEDIT and key stakeholders. The principal investigators also conducted informational presentation regarding the report and its findings to participants and other relevant parties.

Specific Tasks accomplished in relationship to this phase of development entailed:

- Produce final report (including tables, charts and executive summary)
- Provide presentations to interested stakeholders regarding the report

In the end, the survey consisted of 38 questions, divided into three parts: Demographic Data of Primary Owner(s), Description of Business, and Obstacles and Opportunities (see Appendix A). Furthermore, the survey was accompanied by an introductory letter from LeRoy Romero, State Director Minority Business and Women's Office, explaining the nature and significance of the survey (see Appendix B). Finally, the entire survey, including the introductory letter, was translated into Spanish by the Principal Investigators (see Appendices C and D).

### ***Distribution***

One of the biggest obstacles in the execution of the survey was distribution to a sizable sample of women and minority businesses across the state. In particular, no federal, state, or local agency possesses a comprehensive and current list of the women and minority owned businesses in the state. Similarly, distribution lists kept by private businesses or professional organizations are typically specific to their region (i.e. Denver or Pueblo), specific to a particular interest group (i.e. women, Hispanics, Asians), and/or include business owners as well as business professionals (with no distinguishing categories) who are non-owners and who were not the subject of this survey. In the end, the principal investigators were successful in piecing together mailing and contact lists from those available at the local, state and federal level, from private businesses, and from professional organizations willing to share their lists.

The following represent key lists that were solicited and utilized in the distribution of the survey:

- African American Contractors of Colorado
- Asian Chamber of Commerce
- Conference of Minority Transportation Officials
- Colorado Black Chamber of Commerce
- Colorado Latina Chamber of Commerce
- Colorado Women's Chamber of Commerce
- Denver Hispanic Chamber of Commerce
- Denver Public Schools, Diverse Business Directory
- Hispanic Contractors of Colorado
- Latina Chamber of Commerce
- U.S. Small Business Administration Federal 8(a) Contractors
- Pueblo Latino Chamber of Commerce
- Rocky Mountain Minority Suppliers Development Council
- State of Colorado, State Certification, Department of Transportation (CDOT) List of Registered Disadvantaged Business Enterprises (DBE)

- State of Colorado Minority Business Advisory Council
- State of Colorado Women's Advisory Council
- State of Colorado Minority Business and Women's Office Contact List
- Women's Transportation Seminar

In addition, the following organizations agreed to direct their memberships to the online survey site and/or send copy themselves to their membership:

- City and County of Denver, Office of Contract Compliance
- Colorado Aurora Black Pages
- Denver Metro Chamber of Commerce
- Denver Women's Chamber of Commerce
- Rocky Mountain American Indian Chamber of Commerce
- State of Colorado Small Business Development Centers
- State of Colorado General Support Services, Division of Finance and Procurement list

Unfortunately, distribution of the survey took longer than originally anticipated because of these obstacles. The survey was distributed via direct mail and electronic mail between June 2006 and September 2006 to over 7,000 women and/or minority owned businesses. In the end more than 630 responses were received, yielding approximately 412 usable surveys which were processed analyzing basic frequencies, correlations (specifically around gender and race/ethnicity) and causal (regression) models. There is no way to determine the actual percentage of respondents relative to the total distribution because the survey was communicated through various networks and professional associations and so we do not know the precise number which were distributed. However, because we can estimate that at least 7,000 were distributed and at minimum 636 responses were received, and because of this the response rate would approximate 9%.

In the following section we present the results from these responses. The first set of tables and analysis focuses on descriptive data drawn from basic frequencies, the second set of tables highlights significant correlations and the final four tables present the four regression models centered around questions of revenue, start up capital, and relationships with banks and lending institutions.

## **Results**

### ***General Demographics: Descriptive Statistics***

#### **Gender, Race and Ethnicity**

Results of preliminary demographic data pertaining to descriptions of the primary owner(s) gender, race and ethnicity are summarized in Tables 1 and 2. Because the survey was targeted at women and minority owned businesses we note that both populations are over sampled in these results, yielding a significant amount of demographic information as well as important points of comparison, particularly across race. Specifically, 28% of the respondents were male, 62% were female, 6% of respondents were businesses owned equally by a male and female, while 4% were businesses with publicly held stock or owned by another entity.

With regards to race/ethnicity, 42% of respondents self-identified as White/Non-Hispanic, 15% identified as African American/Black, 32% identified as Hispanic/Latino,<sup>1</sup> 7% identified as Asian or Pacific Islander,<sup>2</sup> and 4% self identified as Native American/American Indian. It is important to note that the survey also included a substantive sampling of ethnic minority women business owners, with 7% African American/Black female respondents, and 14% Latina respondents. Finally, there were a small number of responses from business owners who were neither women nor minorities. That is, while some White male business owners also responded to the survey, their percentage of total respondents was only 6%. Because of this, the population of Whites in the sample, refers to predominately White females. Specifically, the total sample of White male respondents was approximately 6%. Because of this the results we generate from White respondents are predominately White females.

**Table 1: Gender of Owners**

	<b>% of Primary Owners Who Are:</b>
Male	28%
Female	62%
50/50 Gender Ownership	6%
Public Company	4%

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<sup>1</sup> Among Hispanic/Latino respondents 16% self-identified as Mexican/Mexican America/Chicano, 6% identified as Spanish, 2% identified as South American and 1% were Central American.

<sup>2</sup> Among Asian respondents 2% self identified as Japanese, while 1% identified as Asian Indian, Chinese, Filipino and Korean, respectively.

**Table 2: Race/Ethnicity of Owners**

	<b>% of Primary Owners Who Are:</b>
White	42%
African American/Black	15%
Hispanic/Latino	32%
Asian	7%
Native American	4%
Black Females	7%
Latinas	14%

**Nationality**

Among those surveyed 87% were born in the US while 13% were foreign born with over half of this population (58%) originating from Mexico, Central or South America and 35% immigrating from Asia (see Table 3). In addition, the vast majority (62%) of those who immigrated to the U.S. did so within the past 25 years, a figure consistent with social science research on the growth of immigration and entrepreneurial activity among immigrant communities in the U.S. (Portes and Rumbaut, 2005). More recent research from the U.S. Census has noted the significant growth in immigrant owned businesses, particularly in states across the Southwest. These findings lead us to believe that such growth in Colorado is being driven largely by immigrants from Latin America and Asia.

**Table 3: Nationality of Owners**

Born in the U.S.	87%
Born outside the U.S.	13%
<b>For Those Foreign Born Business Owners:</b>	
<b>Year of Migration</b>	
2005-1990	27%
1989-1980	35%
1979-1970	23%
1969 and earlier	11%
<b>Country of Origin</b>	
Latin America <sup>3</sup>	58%
Asia and Pacific Islands	35%
Europe	12%

<sup>3</sup> Includes Mexico, Central and South America.

### Other General Descriptions

While the survey generated additional demographic information captured in Table 4 below, the most important questions not covered in this section, including key resources and their relationship to gender and race are explored in greater detail in subsequent sections. In this table we find that most businesses captured in the survey were held by one owner and that these were relatively mid-size businesses with 10 or less employees and an annual revenue of between 100-500 thousand dollars.

**Table 4: General Descriptive Statistics For All Survey Respondents**

	<b>Average</b>	<b>Std. Dev.</b>	<b>Min.</b>	<b>Max.</b>
Number of Owners	1.68	1.63	1	20
Average Age of Owner	48	9	27	71
Number of Employees	10 or less		0	1000+
Length of time business open	13 years		new	100+
Annual Revenue	100K – 500K			

### ***Distribution of Key Resources Among Women and Minority Businesses***

The following data begins to paint a picture of access to important resources among women and minority businesses. While the information in these descriptive statistics delineates places where these resources are concentrated or absent, the relationship between these resources and measures of success are explored in greater detail in our regression models.

#### **Education**

Table 5 summarizes differences in the primary owner's level of education, indicating overall a fairly elite class of owners among the respondents. Specifically, 84% of respondents reported some college education, a bachelor's degree, or more advanced training in an undergraduate or graduate setting, while 32% of respondents held a post-graduate degree.

**Table 5: Education of Owners**

	<b>% of Primary Owner's Highest Level of Education</b>
Less than High School	1%
High School	8%
Associate's Degree	4%
Tech. Voc. School	3%
Some College	17%
BA/BS Undergrad.	35%
MA/MBA/JD Prof. Degree	28%
MD	0%
PhD	4%

#### **Prior Business Experience**

One of the more salient features of the demographic questions asked of the respondents pertained to their prior business experience. Previous research in this area indicates the significance of prior knowledge and experience as an indicator of one's future success. In particular, access to information regarding business operations (whether this is accumulated through formal training or informally via observation or family experience) reduces an individual's costs of information, thereby increasing their overall resource base. Tables 6 and 7 summarize the findings regarding prior business experience.

The data generated in the questions related to prior experience, indicate both direct and indirect benefits. That is, while 41% of respondents reported previous experience owning or operating their own business, a majority (51%) reported having family members with previous business experience. This difference is important because it suggests that even if the primary owner did not have a history of business experience, more than half of the respondents had resources close



to them with such experience and could reasonably be expected to leverage these resources or acquire business knowledge from their family.

This is also reflected in responses to the question: “Where did you learn about starting and maintaining a business?” The largest bulk of responses (28%) reported gaining this knowledge from either a friend, family, or through experience from a family business, while only 15% said they obtained this information via formal education (see Table 7).

In comparison, while 19% of foreign born respondents reported having prior business experience in their home country, 54% reported prior experience in the U.S. These results suggest that most immigrants are acquiring their knowledge of business through experience owning, operating, or working in U.S. businesses. This is important, particularly as the Office of Economic Development considers how best to expand and encourage growth among minority owned businesses and as professional organizations such as the Hispanic Chamber or Commerce consider which services might best serve their constituents in the future.

**Table 6: Prior Business Experience**

	<b>Entire Sample</b>	
Percent with Prior Business Experience	41%	
Percent whose Family had Prior Business Experience	51%	
	<b>Foreign Born Business Owners</b>	
Percent with Prior Business Experience in their home country	19%	
Percent with Prior Business Experience in the U.S.	54%	

**Table 7: Knowledge About Business**

**Where did you Learn about Starting and Maintaining your Business?**

Formal Education	15%
Small Business Development Centers	12%
Local Chamber of Commerce	1%
Micro-Lending Institutions	1%
Local Service Agency	1%
Friends/Family	17%
Family Business	11%
Minority Business. Development Centers	1%
Other	41%

However, when we examine this data more carefully in Tables 8 and 9 we also see significant differences in experience by race/ethnicity. Specifically, the descriptive data suggests that Blacks and Asians are more likely to have experience owning or operating a business than other racial

and ethnic groups in the survey. No statistically significant differences with regard to prior business experience appear between men and women or between women of color, independent of race. In other words, the differences that can be observed among White women, Black women, and Latinas appear to be functions of race and not gender.

**Table 8: Previous Experience Owning or Operating a Business**

Gender:	NO	YES
All Males	60%	40%
All Females	61%	39%
Race:		
Whites	60%	40%
Blacks	54%	46%
Latinos	63%	37%
Asians	56%	44%
American Indian	70%	30%
Gender/Race:		
White Females	63%	37%
Black females	57%	43%
Latina Females	62%	38%

In addition, we see some substantial differences in the amount of family experience resources between men and women and between Blacks and Whites. In general, women are much more likely than men to report having family with prior experience owning or operating a business. In the survey, 56% of women reported having family with prior business knowledge, while this was true of only 42% of all men. Moreover, this difference was true across White, Black and Latina females, with White and Black women reporting the highest percentages of family with past business experience.

Similarly, while 58% of Whites in general had family with past experience owning or operating a business, this was true of only 43% of Blacks.<sup>4</sup> As with several other measures of resources, Latinos tended to fall in between with 49% reporting family with past business experience.

Collectively, this data suggest that Blacks are more likely than other racial and ethnic groups to have direct business experience but less likely to have family members with a history of business

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<sup>4</sup> These differences were observed at the 90% confidence level. As a reminder, the Whites respondents are predominately White females.

experience. In addition, women are most likely to gain indirect benefits of family members with past business experience.

**Table 9: Previous *Family Experience Owning or Operating a Business***

Gender:	NO	YES
All Males	58%	42%
All Females	44%	56%
<b>Race:</b>		
Whites	42%	58%
Blacks	57%	43%
Latinos	51%	49%
Asians	52%	48%
Native Americans	69%	31%
<b>Gender/Race:</b>		
White Females	42%	58%
Black females	44%	56%
Latina Females	49%	51%

**Ownership of Property**

The next set of data examines the degree to which the property on which the business is located is owned or leased/rented by the primary owner, or if the business is a home based business. Much like education or prior business experience, ownership of one’s property can be a significant resource as well as an important predictor of a business’s stability, longevity, and success. In these results we begin to see parallels with the responses on prior business experience, namely differences in ownership that vary by gender and by race/ethnicity (see Table 10).

**Table 10: Ownership of Property**

Gender:	Own	Lease	Home Business
All Males	17%	65%	18%
All Females	26%	48%	27%
Race:			
Whites	30%	46%	25%
Blacks	9%	55%	34%
Latinos	19%	63%	16%
Asians	16%	68%	16%
Native Americans	33%	25%	42%
Gender/Race:			
White Females	29%	45%	27%
Black females	15%	48%	37%
Latina Females	23%	55%	21%

Overall, a majority of all respondents reported that they lease the property where their business is located (53%), while only 23% own this property. However, when we examine this same question in relationship to the owner’s gender and race we see significant differences, particularly between Whites and Blacks, and between Whites and Latinos.

Namely, 26% of all women reported owning the property where their business was located, as compared with only 17% of men. In addition, 30% of White respondents reported owning the property where their business was located, while this was true for only 19% of Latinos, 16% of Asians and only 9% of Blacks. In addition, 46% of Whites reported leasing their property, while this was true for over 63% of Latino respondents. These differences in race appear even among White and Black females with 29% of White female respondents owning their property as compared with 15% of Black Females.

While property ownership is not as pertinent to each business, it is important to underscore that this data reveals a difference in property as a resource –a difference that can have long term impacts - and that difference is related to the owner’s gender and race/ethnicity.

## **Home Based Business and Access to Capital**

The US Census recently reported an increase in the number of home-based businesses in the country, especially among women and minorities (Bergman 2006). This data from the 2002 Survey of Business Owners also suggested that most business owners rely on their own personal savings, or money from family members, to cover their start up capital costs. Specifically, the Census reported:

Home-based businesses made up 56 percent of American Indian- and Alaska Native-owned firms, 56 percent of women-owned firms, 53 percent of black-owned firms, 53 percent of Native Hawaiian- and Pacific Islander-owned firms, and 45 percent of Hispanic-owned firms. In contrast, 2-in-3 Asian-owned firms reported they conducted business from nonresidential locations (Bergman 2006).<sup>5</sup>

In addition, with regard to capital the Census reported the following:

People using their own money or family assets for business startups included 77 percent for businesses with paid employees and 59 percent for businesses with no paid employees...Nearly 3-in-10 (28 percent) of all entrepreneurs started or acquired their business with no capital at all (Bergman 2006).

While the data generated from our survey suggest a less robust economy of home-based business among ethnic minorities in the state, the responses regarding access to start-up capital strongly parallel those reported by the Census. Specifically, only 34% of Black respondents reported operating a home based business, compared with 25% of white respondents and 16% of Latinos. However, when asked about their primary source of capital 71% of all respondents said it was from their personal savings/loans, family or friends (see Table 11). We examine the more specific relationships between, ethnicity/race, gender and access to capital in subsequent regression models.

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<sup>5</sup> While the data reported by the U.S. Census is noteworthy because it reflects the largest collection of economic, employment, and descriptive data on business owners and business, its usefulness in understanding the experiences of women and minority owned business is limited. For example, the 2002 Survey of Business Owners (which is part of the 2002 Economic Census) was distributed to over 23 million firms (actually number of responses varies depending on question). However, the Census reports :

"Of those responding to the survey, 92 percent identified themselves as white, 5 percent as Asian, 4 percent as black, about 1 percent as American Indian or Alaska Native and 0.1 percent as Native Hawaiian or other Pacific Islander. Five percent identified themselves as Hispanic (who can be of any race)" (Bergman 2006). In other words, less than 10% of the respondents were non-white, a factor that severely compromises the accuracy of their findings, particularly in states such as Colorado where the population of non-whites exceeds 27% of the state's population.

**Table 11: Descriptive Statistics: Start-Up Capital**

	<b>What was the Primary Source of Start-Up Capital?</b>
Personal Savings/Loans	61%
Family	8%
Bank/Credit Union Loan	10%
Friend	2%
Business Partner	3%
Micro-Lending Inst.	0%
Private Investor/ Venture Cap.	3%
Money from Other Business	3%
Other	10%

**Registration as Woman or Minority Owned Business (State and Federal)**

Another important resource for both women and minority owned businesses in the state are lists compiled by the US Small Business Administration and the State of Colorado identifying women and minority owned businesses. Businesses registered in these programs have better access to government contracts for public projects and other types of public procurement. Tables 12-15 provide a breakdown of the respondents in our survey who reported being registered with the SBA 8(a) program or as a disadvantaged business enterprise (DBE) with the State of Colorado. The tables also provide a breakdown, by gender and race, of the business that currently have contracts with the federal or state government. Overall we found that a relatively small percentage of businesses reported being registered with the SBA 8a program for women and minority businesses (29%) as well as the relatively small percentage with procurement contracts from either the state or federal government, 24% and 33% respectively.

**Table 12: Registered as a Woman or Minority Owned Business with SBA (Program 8(a))**

Gender:	NO	YES
All Males	59%	41%
All Females	76%	24%
<b>Race:</b>		
Whites	79%	21%
Blacks	70%	30%
Latinos	65%	35%
Asians	50%	50%
Native Americans	67%	33%
<b>Gender/Race:</b>		
White Females	77%	23%
Black females	81%	19%
Latina Females	73%	27%

**Table 13: Federal Contract Sales?**

Gender:	NO	YES
All Males	62%	38%
All Females	69%	31%
Race:		
Whites	70%	30%
Blacks	73%	27%
Latinos	66%	34%
Asians	50%	50%
Native Americans	50%	50%
Gender/Race:		
White Females	70%	30%
Black females	73%	27%
Latina Females	69%	31%

With regard to federal resources, we see that the male respondents were almost twice as likely to be registered with the SBA 8(a) program, whereas Asians were the mostly likely among all ethnic/racial groups to be registered with this program. When we examine this further we see that White Females are among the groups least likely to be registered with the SBA 8(a) program. Similarly, Male respondents were more likely than Female respondents to report revenue in 2005 from sales or contracts with the federal government. In addition, Asians and Native Americans were the ethnic groups most likely to report sales and contracts with the federal government.



**Table 14: Registered as a DBE with the State of Colorado?**

Gender:	NO	YES
All Males	57%	43%
All Females	53%	47%
<b>Race:</b>		
Whites	56%	44%
Blacks	48%	52%
Latinos	62%	38%
Asians	50%	50%
Native Americans	25%	75%
<b>Gender/Race:</b>		
White Females	50%	50%
Black females	52%	48%
Latina Females	63%	37%

**Table 15: Sales from Contracts with State of Colorado?**

Gender:	NO	YES
All Males	78%	22%
All Females	74%	26%
<b>Race:</b>		
Whites	72%	28%
Blacks	81%	19%
Latinos	80%	20%
Asians	70%	30%
Native Americans	67%	33%
<b>Gender/Race:</b>		
White Females	72%	28%
Black females	80%	20%
Latina Females	78%	22%

Some interesting differences exist when we examine respondents who were registered with the state as a DBE, as opposed to those registered with the SBA 8(a) program. In Tables 14 and 15 we see that women were more likely than men to be registered with the state as a DBE and Native Americans and Blacks were more likely to be registered as DBEs than all other racial or ethnic groups. In addition, women and Native Americans were more likely to report a portion of their revenue in 2005 coming from sales or contracts with the state of Colorado. This data suggests some important differences in the use of these resources at the state and federal level.

***Relationship with Bank or Lending Institution:***

Finally, we asked our survey respondents whether they were currently relying on a bank or lending institution for any of their financial needs. Recall that when asked whether they had used a bank or credit union for start-up capital only 10% of respondents said that they had. However, when asked about their current relationship, 53% reported working with a bank or other formal lending institution.

Like the breakdown in other resources, we observe some important differences by gender and race here as well. Notably in Table 16, 61% of Male respondents reported currently working with a bank as opposed to 49% of Female respondents. Among ethnic and racial minorities, Asians and Native Americans were most likely to report a current relationship while Blacks in general, and Black females in particular, were the least likely to report a current relationship. Overall, the data suggest significant differences in the degree to which men in general and Black respondents report utilizing a bank for their current financial needs.

**Table 16: Currently Using Bank or Formal Lending Institution?**

Gender:	NO	YES
All Males	39%	61%
All Females	51%	49%
Race:		
Whites	44%	56%
Blacks	60%	40%
Latinos	46%	54%
Asians	42%	58%
Native Americans	42%	58%
Gender/Race:		
White Females	46%	54%
Black females	69%	31%
Latina Females	52%	48%

Given the significance of this resource and the disparities in respondents by gender and race, we also examined how women and minority businesses *perceived* the level of responsiveness among banks and lending institutions to themselves and to other women and minority businesses. The results are presented in Table 17 and the subsequent chart on the next page.

**Table 17: Grade Your Bank on Responsiveness to Your Needs**

	<b>How Would You Grade the Bank?</b>
A	16%
B	24%
C	17%
D	10%
F	8%
Not Working With a Bank	25%

In Table 17, we see that among respondents working with a bank or lending institution, approximately 40% graded their bank at a ‘B’ or higher while 17% gave their bank a ‘C’ grade and 18% assigned a ‘D’ or lower grade to their bank.

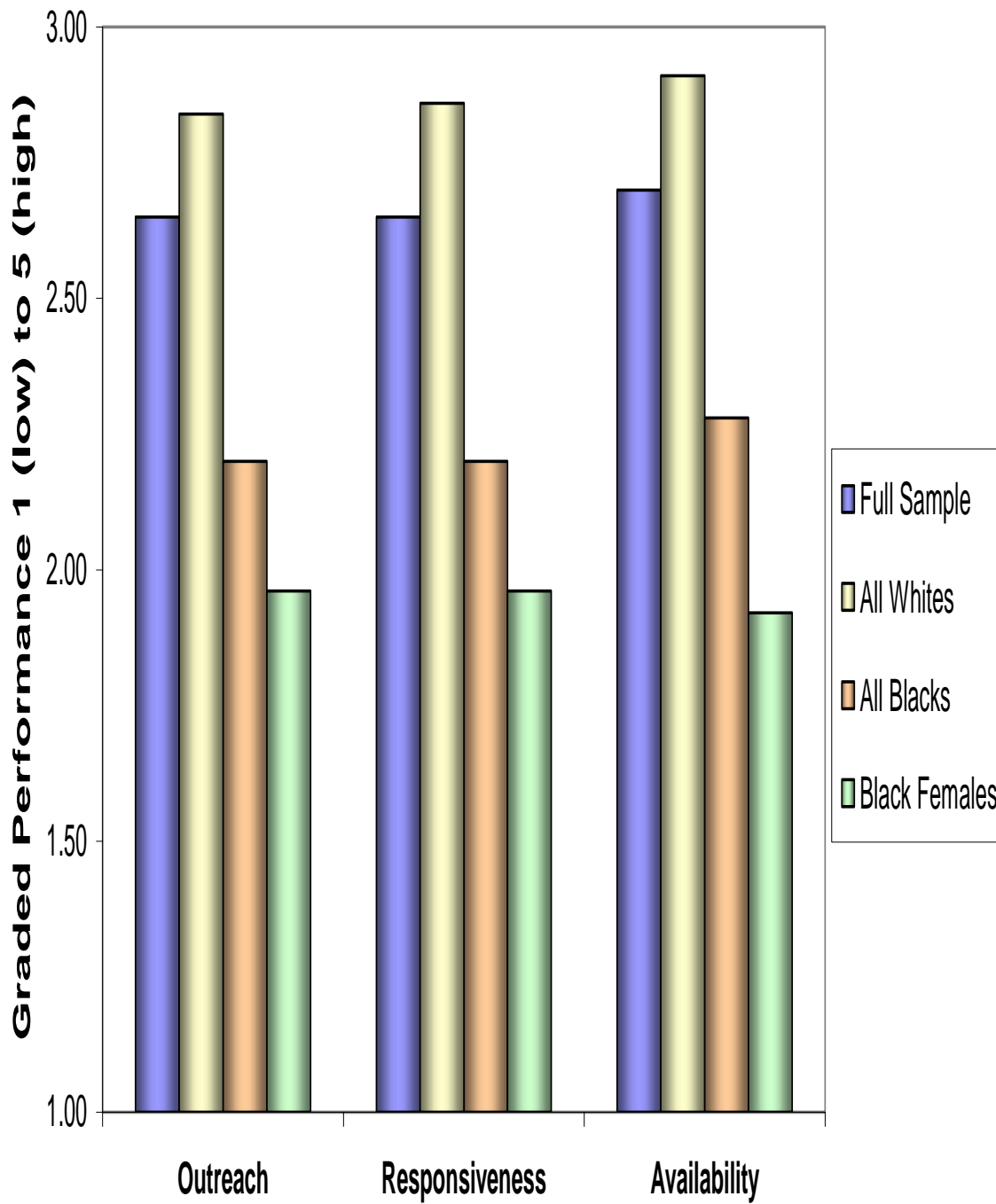
However, we get a far different picture when we asked respondents for their perceptions on the performance of banks and financial institutions in Colorado with regard to outreach, responsiveness, and availability/accessibility to women and minority businesses. These results in the subsequent chart suggest a poor perception across the three measures, with the average grade hovering around a C-. Of greater interest, are the significant difference between White and Black respondents (recall that the White respondents are predominately White females) and that of Black female respondents who provided the poorest evaluation of banks on all three points. This perception question is significant because, as we will see later, it impacts the likelihood of these same respondents working with a bank and can subsequently stand to limit the range of key resources accessed by women and minority businesses in Colorado.

Thus, when we examine the data presented on the resources highlighted in Tables 5-17 we find substantive differences in the distribution of these resources across gender and race. Notably, Blacks and Asians are least likely to have experience owning or operating a business, whereas Females and Whites are least likely to benefit from having family with past business experience. Blacks and Latinos are least likely to own the property where their business is located. In addition, Blacks are more likely than others to have a home-based business, and over two-thirds of all respondents relied on either personal savings or money from family and friends to start their own business and these findings are largely consistent with the most recent Census data on the same questions.

With regard to registration as a woman or minority owned business with either the state or federal government, we find that in Colorado minority men are almost twice as likely as women to be registered with the SBA 8(a) program, while Asians are more likely than other racial and ethnic minorities to benefit from this resource. On the other hand, more women and Native Americans reported being registered as a DBE in Colorado than any other group.

Finally, men are much more likely to report currently using a bank to meet their current business's financial needs, while Black business owners in general, and Black female business owners in particular, were the least likely to report using a bank to meet these needs. Similarly, Black business owners in general, and Black female business owners in particular and provided the lowest evaluation of the banks and financial institutions with regard to their outreach, responsiveness and accessibility to women and minority businesses in Colorado.

**Banks and Financial Institutions in CO:  
Perceptions of Performance Towards Women and Minority Business Owners**



## **Evaluating Obstacles and Preferences**

We now turn from a general description of women and minority business owners and businesses in Colorado to evaluating the respondents own impressions of obstacles and opportunities. Table 18 presents an overview of issues that respondents identified as the most important issues facing their business. Of these the three most important are: sustaining profitability, competition from larger companies in their same area of business, and information about marketing, networking and/or developing a clientele.

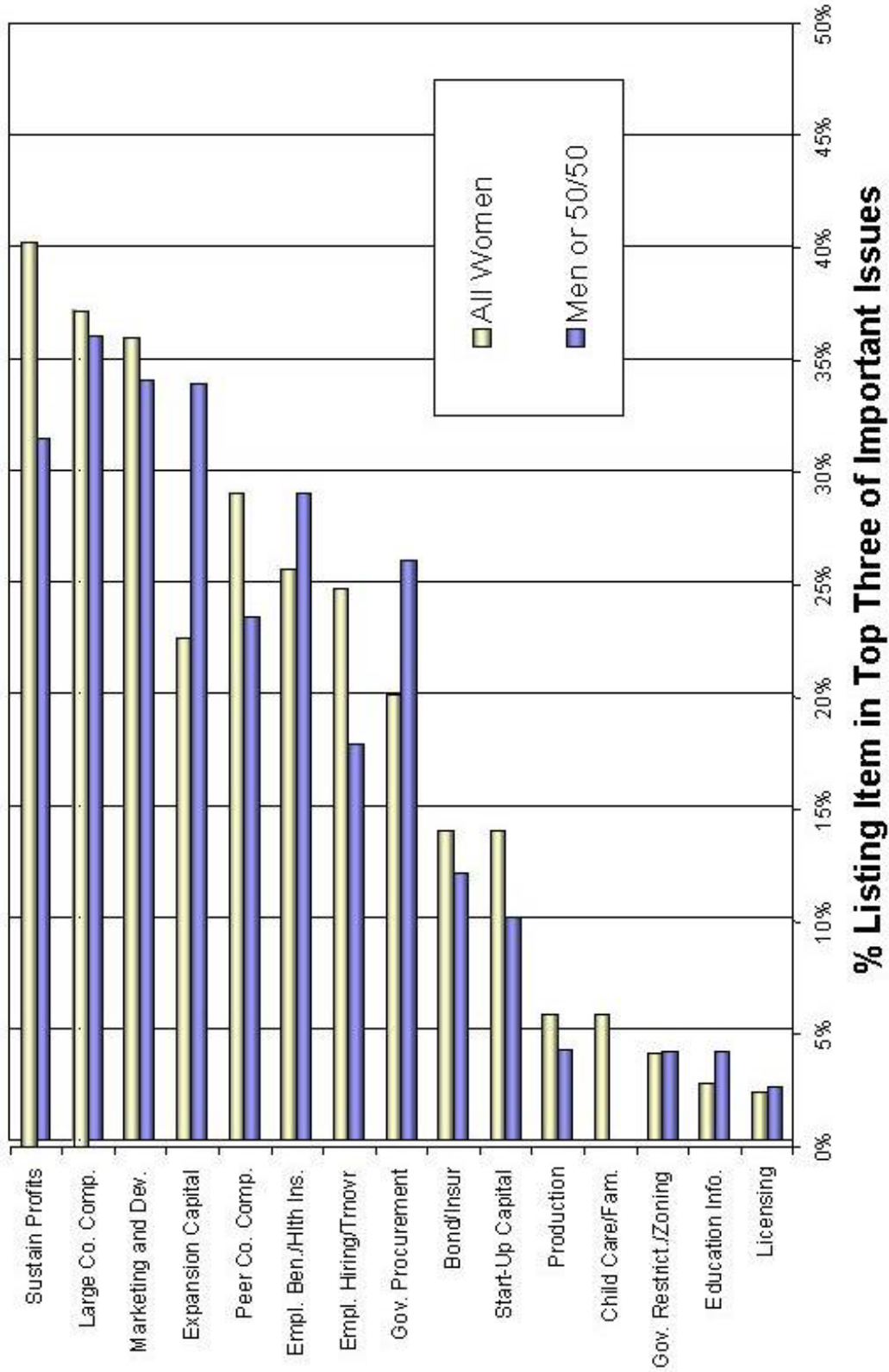
**Table 18: Obstacles and Opportunities**

	<b>% Who Listed the Following as One of the Three Most Important Issues Facing Their Business</b>
Sustain Profitability	36%
Large Company Competition	35%
Marketing/Networking	34%
Employee Benefits./Health Insurance	27%
Peer Company Competition	25%
Expansion Capital	25%
Employee Hiring/Turnover	21%
Government Procurement Services	20%
Start-Up Capital	13%
Bonding/Insurance	12%
Production	5%
Child Care/Family	4%
Gov. Restrict./Zoning	4%
Education Information	3%
Licensing	2%

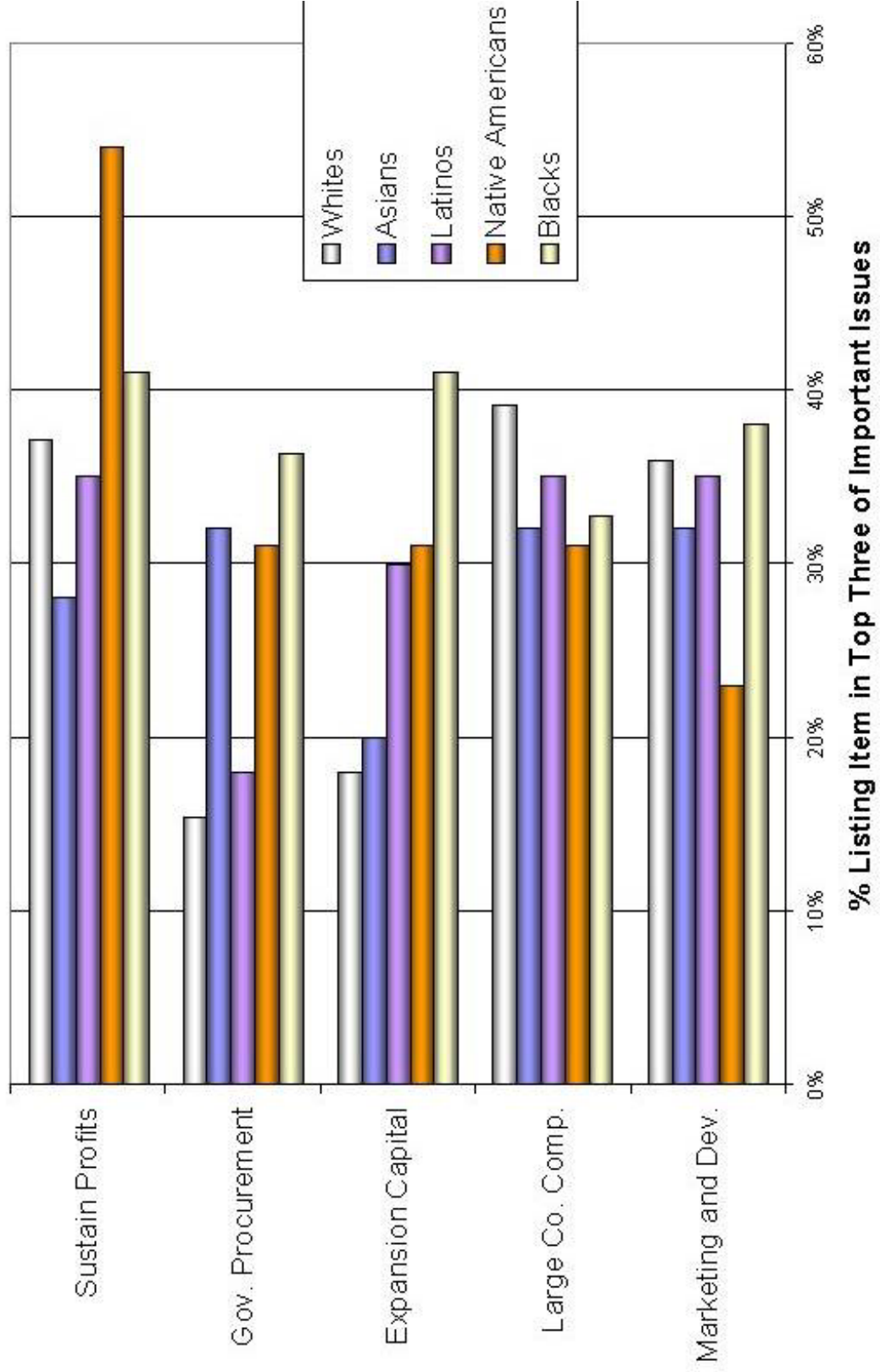
The subsequent two charts provide a breakdown of this same question in relationship to the owner's gender and race/ethnicity. Overall, Males and Females tended to identify the same issues as important, albeit with different emphasis. Hence, Male respondents identified sustaining profitability, large company competition, and marketing and development as their top three concerns; whereas, Female respondents identified large company competition, marketing and development and access to expansion capital as their top issues. Similarly, all racial/ethnic groups tended to identify the same five issues in their top concerns, with varying degrees of emphasis. These issues were: sustaining profitability, access to government procurement services, access to expansion capital, large company competition, and information about marketing and development.



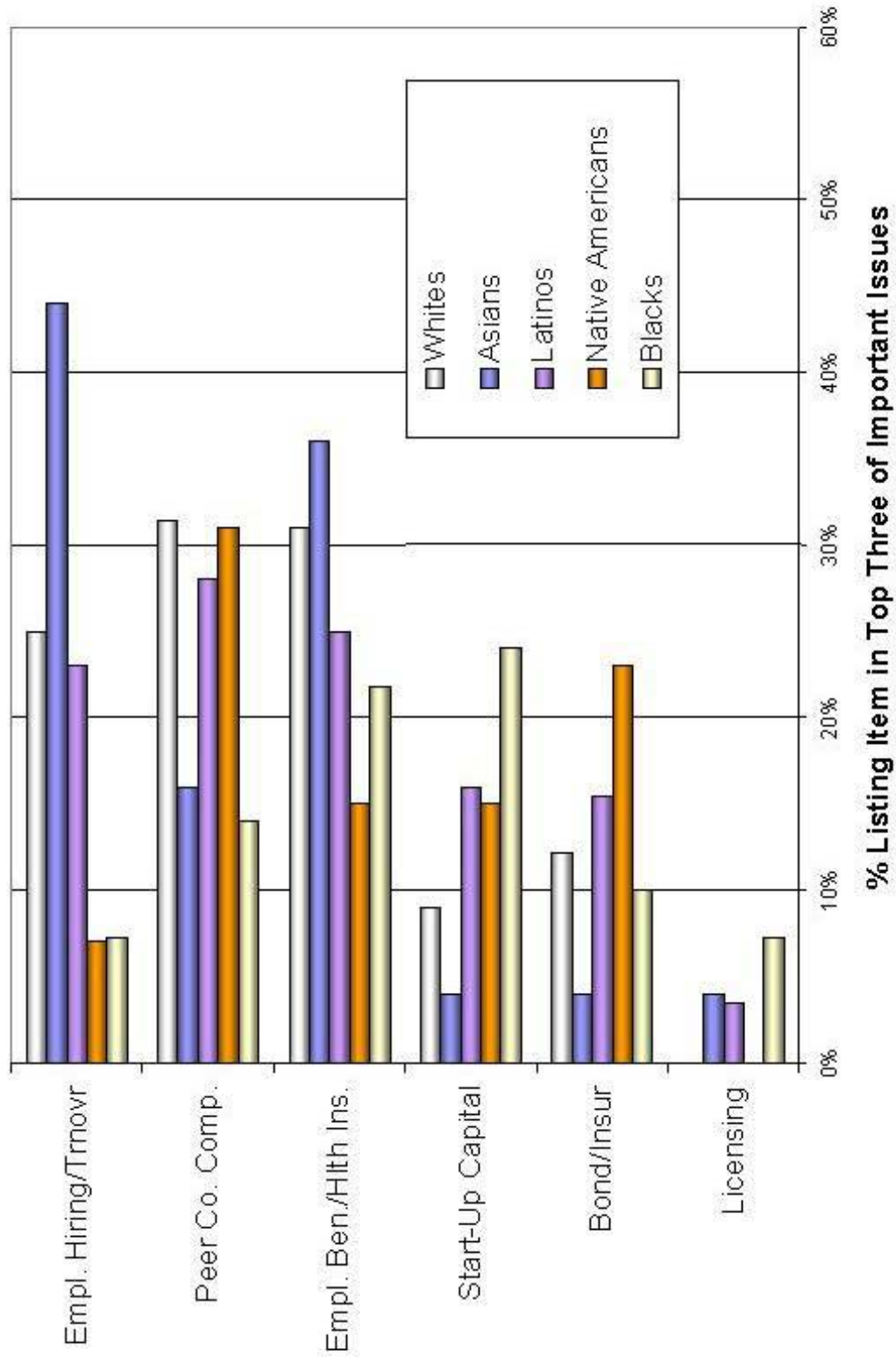
## The Most Important Issues Facing the Business: by Gender



### The Most Important Issues Facing the Business: by Race/Ethnicity



### The Most Important Issues Facing the Business: by Race/Ethnicity



**Importance of Start-Up Capital and Financial Strategies**

Beyond a general understanding of the issues that women and minority businesses identified as most important, we also wanted to examine their perceptions on two key issues: access to start-up capital, and knowledge of financial strategies involving investment and insurance. Overall, 68% of all respondents identified access to start-up capital as a serious or very serious issue for the success of their business and 30% told us it was not a serious issue. Interestingly, more respondents told us that knowledge of financial strategies was significant to the success of their business. Specifically, 85% responded that knowledge of investment and insurance strategies was a serious or very serious issue for the success of their business, while only 13% said that it was not a serious issue.

**Table 19: Start-Up Capital**

<b>How Serious an Issue was Start-Up Capital to Business Success?</b>	
Very Serious	40%
Somewhat Serious	28%
Not Very serious	14%
Not Serious at All	16%
Don't Know	2%

**Table 20: Knowledge of Investment and Insurance Strategies**

<b>How Serious an Issue is this Knowledge to your Success?</b>	
Very Serious	50%
Somewhat Serious	35%
Not Very serious	7%
Not Serious at All	6%
Don't Know	2%

Tables 21 and 22 present the findings from these questions broken down by gender and by race. Overall, while men are more likely than women to view access to start-up capital as a serious issue, there is no difference in the high value both place on knowledge of financial strategies for the success of their business.

In addition, when we examine the results by race and ethnicity we find that the predominately White females in the sample, were least likely to view start-up capital as important whereas Latinos in general and Latina females in particular were most likely to view it as important. With regard to knowledge of investment strategies, all racial and ethnic groups viewed this as seriously important; however, over 90% of Native Americans and Latina females viewed this as an issue vital to the success of their business.

**Table 21: Start-Up Capital**

	<b>How Serious an Issue was Start-Up Capital to Business Success?</b>			
	<b>Very Serious</b>	<b>Somewhat Serious</b>	<b>Not Very Serious</b>	<b>Not Serious at All</b>
All Males	46%	30%	15%	9%
All Females	38%	27%	14%	20%
Whites	30%	27%	19%	23%
Blacks	52%	23%	13%	13%
Latinos	51%	30%	11%	7%
Asians	25%	42%	13%	17%
Native Americans	50%	25%	8%	17%
White Females	29%	28%	17%	25%
Black Females	55%	15%	15%	15%
Latina Females	55%	26%	9%	9%

**Table 22: Knowledge of Financial Strategies**

	<b>How Serious an Issue is Knowledge of Financial Strategies Involving Insurance and Investments?</b>			
	Very Serious	Somewhat Serious	Not Very Serious	Not Serious at All
All Males	47%	38%	7%	7%
All Females	51%	33%	8%	6%
Whites	50%	37%	9%	5%
Blacks	45%	30%	9%	13%
Latinos	57%	31%	7%	5%
Asians	29%	50%	8%	8%
Native Americans	50%	42%	8%	0
White Females	48%	37%	9%	6%
Black Females	37%	33%	7%	15%
Latina Females	74%	20%	4%	2%

## **Determining Causal Relationships: Multivariate Regression Analysis**

The distribution of key resources across gender and race that emerged in our earlier observations of the descriptive data also emerges in the following regression models. Overall, the multivariate analyses presented in this section reveal that access to resources is different across groups and that this plays a large role in how minority and female owners deal with banks, perceive the importance of start-up capital, and indirectly contribute to differences in annual business revenue. Keeping in mind this idea of access to resources, consistent relationships emerge in the data primarily for Black and Female owners, and to a lesser extent Latinos.

Regression is a simple way to test relationships between two variables *while holding all other variables constant*. That is, instead of simply looking for basic differences across groups in the amount of revenue their businesses take in, we can compare apples to apples (for example, owners with similar education backgrounds, with similar resources, but of different races or of different genders). First, we want to know if differences in annual revenue can in any way be attributed to the race/ethnicity/gender of the owner. Under ideal conditions, we would not expect to find any differences across groups, but given the different history of each group under consideration and the remnants of past discrimination that are intertwined with access to current resources, the significant results are not surprising.

Table 23 displays a multivariate regression analysis that models annual revenue using a 14-point scale (drawn from question 14 on the survey regarding), from 0 (businesses taking in less than \$10k per year) to 14 (businesses taking in over \$10 million per year). Coefficients with an asterisk next to them are considered “significant” in the sense that we can make relatively safe inferences about their relationship with the dependent variable (“annual revenue” in this case). Coefficients without these “significance” markers are not considered to have any meaningful relationship with the dependent variable. The sign of the coefficient tells us the nature of the significant relationship (whether it is positive or negative). In Table 1, a positive coefficient tells us that the variable, for example “ownership of the business property,” is associated with businesses that have more annual revenue than those where the property is leased or where the business is home-based. This makes intuitive sense, and indeed the size of the coefficient tells us that property owners are associated with annual revenue that is 1 category above other business owners (1.063 to be precise).

**Table 23: Determinates of Revenue  
(Scale from 0 – 14; Categories of Revenue, Q14)**

	<b>Coefficient</b>	<b>Standard Error</b>
Education	.024	.105
Own the Property	1.063**	.245
Black Owner	-1.750**	.542
Latino Owner	-1.716*	.672
Asian Owner	.616	.734
Native American Owner	-3.312**	.888
Female Owners	-1.818**	.494
Latina (Female) Owner	1.926*	.802
Owner Born in U.S.	.368	.597
Current use of Bank	1.173**	.357
# Years in Business	.048**	.013
U.S. SBA Registered Business	.661	.444
DBE Registered Business	.362	.382
Federal Contracts	1.710**	.411
Colorado Contracts	.774*	.407
Number of Observations	301	
R <sup>2</sup>	.48	
F	12.92**	
Root MSE	2.79	

\* Indicates statistical significance at the .05 confidence level, \*\* at the .01 confidence level. Experience, Age, Use of a Financial Advisor, Number of Employees, and Importance of Financial Information were also included in the model. None of these variables reached statistical significance.



With regards to the other variables in the this table we see that the education level of the owner has no significant relationship with annual revenue, but being a Black, Latino, Native American, or Female owner is negatively associated with annual revenue. Members of these groups are operating businesses that take in revenue that is roughly two categories below their Anglo or Male counterparts.<sup>6</sup> On top of these findings, and in line with the idea of access to resources, we know that Latino and Blacks are less likely to own their business property. This relationship works indirectly through the “ownership” finding here to further lower revenue for members of these groups. That is, not only are Blacks and Latinos directly related to businesses with less revenue, but they are also indirectly (and additionally) burdened by the fact that they are less likely to own the property on which the business operates.

In Table 24 we see the results of a model of the perceived importance of startup capital to the success of the business (Q#26). Variables with positive (and significant) coefficients are associated with an increased sense of the importance of startup capital. Black and Latino owners think that access to startup capital is a much more serious issue than Whites, all else equal. This is important on its face, but is also important because of how this affects these individual’s relationship with banks (below). Note too that those owners who used their personal savings for startup (60% of the sample) think that access to startup capital was less important to their success than those who used other means. This actually makes sense if we look at the “other” means people used to gain startup capital; the latter would of course think that access to outside money was crucial to their success. The key to this table however is that even after controlling for other factors, race and ethnicity (Blacks and Latinos) remain as significant variables in the perception of the role of access to startup capital.

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<sup>6</sup> We want to be very careful with our comparisons here. There are very few White Males in the sample, and thus, many times here we are comparing Blacks to White Females, or Females to Latino and Black Males (as opposed to White Males). Given this, we interpret the “Female” coefficient here in contrast to minority Male owners, and thus as an added effect for minority females (generally, although specific deviations are noted in the paper).

**Table 24: What Determines the Perceived Importance of Access to Start-Up Capital? (Scale from 0-4; Not Important to Very Important) (Q26)**

	Coefficient	Standard Error
Education	-.118**	.041
Own the Property	-.032	.096
Black Owner	.834**	.202
Latino Owner	.407*	.180
Asian Owner	-.201	.280
Native American Owner	.566	.346
Female Owners	-.005	.155
Annual Revenue	.037	.023
Use of Personal Savings for Start-Up	-.276*	.135
Owner Born in U.S.	-.386	.243
# Years in Business	-.005	.005
U.S. SBA Registered Business	.071	.171
DBE Registered Business	-.199	.146
Federal Contracts	.129	.164
Colorado Contracts	.120	.157
Number of Observations	295	
R <sup>2</sup>	.17	
F	2.96**	
Root MSE	1.07	

\* Indicates statistical significance at the .05 confidence level, \*\* at the .01 confidence level. Experience, Age, Use of a Financial Advisor, Number of Employees, and Importance of Financial Information were also included in the model. None of these variables reached statistical significance.

In Table 25 we start to see a larger pattern come into focus. Remembering that race and ethnicity are directly (and negatively) tied to the ownership of property, we see those who own their property are more likely to use a bank for their financial needs. Next, we observe that those who perceive the role of startup capital as relatively important are associated with bank use as well. This bodes well for minorities, as they are more likely to think startup capital was important, however even after controlling for this important variable, racial and gender differences remain. Black and Female owners are much less likely to rely on banks for their financial needs, *even* after controlling for their perception of seriousness about the importance of startup capital, annual revenue, and ownership of property.

These are robust findings because we have included, piece by piece, all of the other variables used so far. Not only are we seeing indirect affects through these other “resource” variables, but we are still seeing direct effects due to race and gender. There is some reason why these individuals are not using banks, and the findings clearly suggest a connection to the race/gender of the owner (independent of other explanations). This is not the case for Latinos (although the indirect effects through ownership and revenue are still there).

**Table 25: What Determines the Use of a Bank for Financial Support? (0 = No and 1 = Yes) (Q28)**

	<b>Coefficient</b>	<b>Standard Error</b>
Education	.016	.053
Own the Property	.364**	.121
Black Owner	-.594*	.266
Latino Owner	-.237	.234
Asian Owner	-.097	.346
Native American Owner	.071	.444
Female Owners	-.390*	.198
Importance of Start-Up Capital	.217**	.075
Owner Born in U.S.	.304	.288
Annual Revenue	.086**	.030
# Years in Business	.001	.006
U.S. SBA Registered Business	.009	.212
DBE Registered Business	.379*	.186
Federal Contracts	-.090	.206
Colorado Contracts	-.338	.203
Number of Observations	300	
Pseudo R <sup>2</sup>	.18	
LR Chi <sup>2</sup>	73.09**	
Log Likelihood	-170.44	

\* Indicates statistical significance at the .05 confidence level, \*\* at the .01 confidence level. Experience, Age, Use of a Financial Advisor, Number of Employees, and Importance of Financial Information were also included in the model. None of these variables reached statistical significance.

One reason that these differences seem to be so robust is that Black, immigrant (not necessarily Latino), and Female owners are more likely to grade Colorado banks as unresponsive (all else equal). Table 26 displays the results of a model of “bank responsiveness” (using a scale of 1 to 5, “F” to “A” respectively). The size of the effects due to race and gender are about three-fourths of a letter grade lower on the “responsiveness” scale. These are fairly large independent effects considering all of the other factors for which the model controls.

<b>Table 26: How Responsive is the Bank to Your Needs? (Scale 1-5; Grades F through A, where F is worst and A is best) (Q29)</b>		
	<b>Coefficient</b>	<b>Standard Error</b>
Education	.023	.054
Own the Property	.245*	.129
Black Owner	-.904**	.261
Latino Owner	-.256	.232
Asian Owner	-.132	.419
Native American Owner	-.425	.419
Female Owners	-.364*	.185
Importance of Start-Up Capital	-.169*	.078
Use of Personal Savings for Start-Up	-.273	.169
Owner Born in U.S.	.676*	.310
# Years in Business	.007	.006
U.S. SBA Registered Business	-.278	.210
DBE Registered Business	.489**	.180
Federal Contracts	.479*	.201
Colorado Contracts	-.389*	.194
Number of Observations	225	
R <sup>2</sup>	.26	
F	3.53**	
Root MSE	1.14	

\* Indicates statistical significance at the .05 confidence level, \*\* at the .01 confidence level. Experience, Age, Use of a Financial Advisor, Number of Employees, and Importance of Financial Information were also included in the model. None of these variables reached statistical significance.

In sum, the multivariate regressions provide consistent direct and indirect evidence of group differences in terms of relationships with banks, ownership of property, the importance of startup capital, and annual revenue. In each case, minority owners (particularly Blacks, and to a lesser extent Latinos and Native Americans) and Female owners find themselves at a significant and substantial resource disadvantage.

### **Assessment of Future Services**

The final portion of the survey assessed which services respondents would most like to see in the future. Given what these owners told us about themselves, their businesses, and the issues of most concern to them, we want to determine which services they were likely to find the most useful in the maintenance and growth of their business. The results are presented in Table 27 and the subsequent charts.

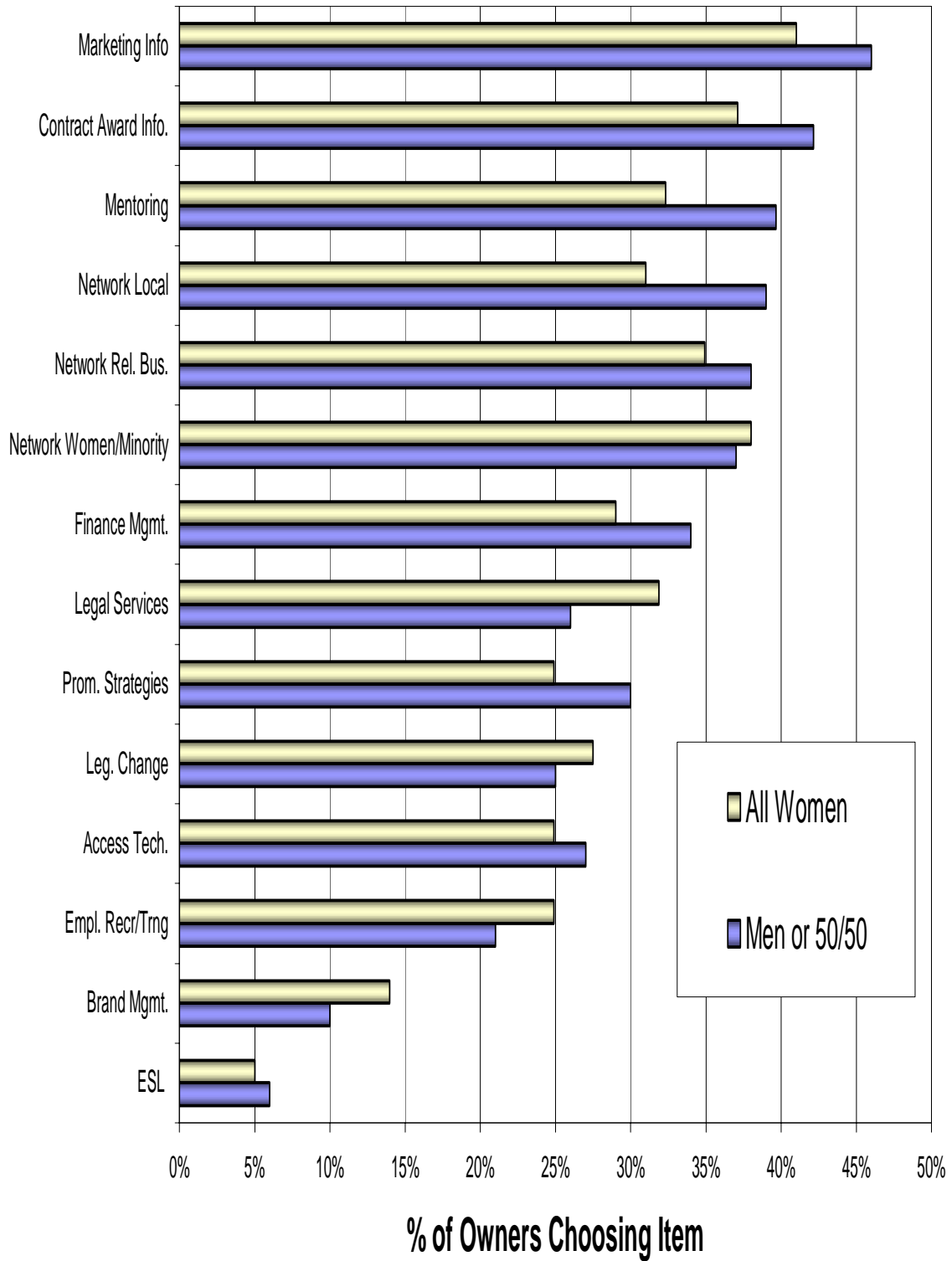
Overall, the top five resources identified as helpful by the respondents were as follows: better information about targeted clientele for marketing and outreach; networking functions with other women and/or minority owned businesses; information on how corporations and government entities award contracts; networking functions with related businesses, and mentoring.

As with the breakdown in those issues identified by women and minority owned businesses as most important, we see little variation in preferences for services by either gender and/or race and ethnicity. Overall, there is broad agreement on the same five issues identified in Table 27 with minor variations in the order of importance.

**Table 27: Useful Services?**

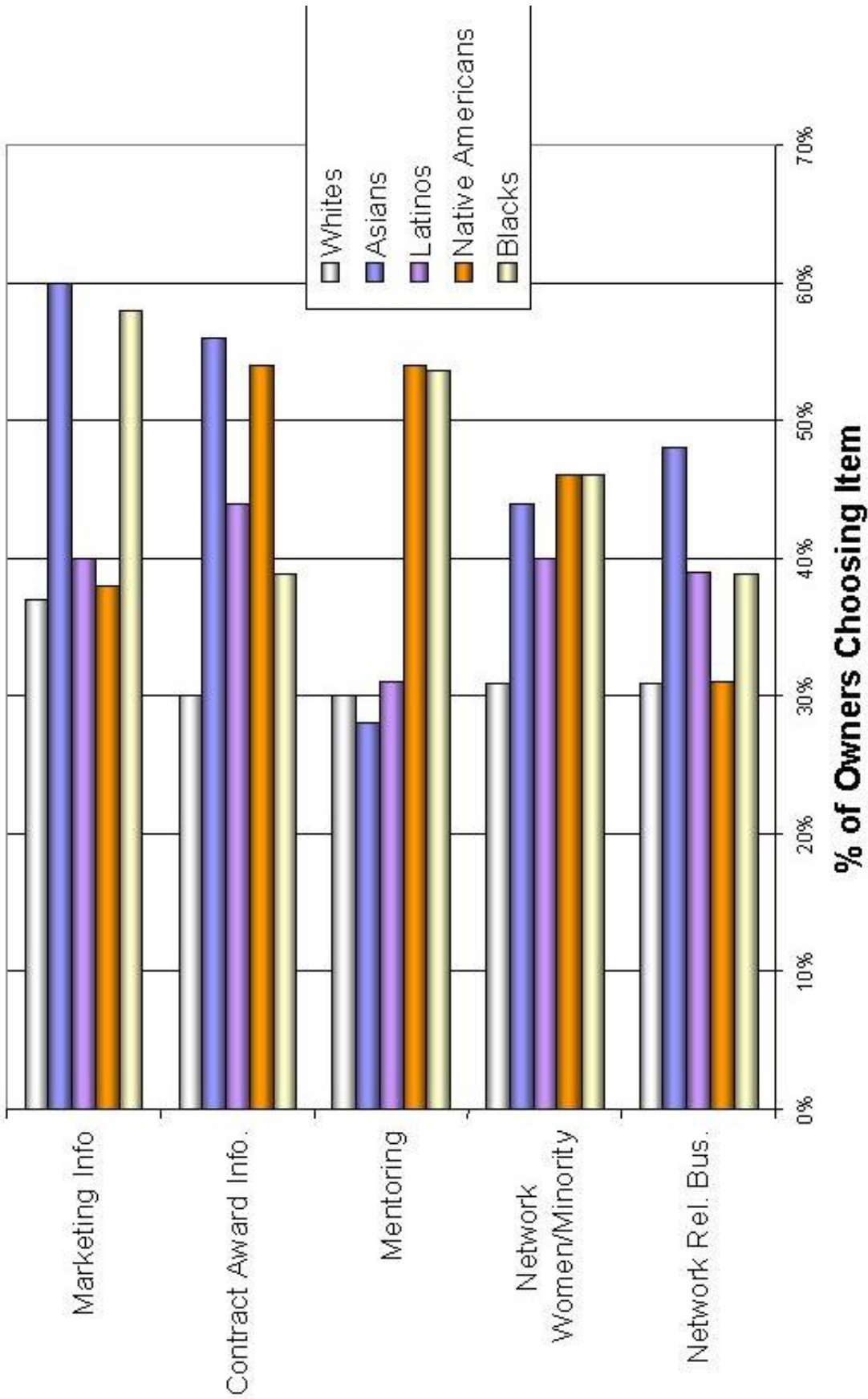
	<b>% Who Listed the Following as a Useful Service to Maintaining or Growing Their Business</b>
Marketing Info.	42%
Network Women/Minority Bus.	37%
Government Contract Award Info.	37%
Network Info. w/Related Business	35%
Mentoring	34%
Network Info. w/Local Business	33%
Legal Services	30%
Financial Management Info.	30%
Legislative Change Info.	27%
Access to Technology	26%
Promotional Strategies	26%
Employee Recruitment./Training	23%
Brand Management	12%
ESL Training	5%

## Preferences for Services: by Gender





# Preferences for Services: by Race/Ethnicity



## **Summary:**

Ultimately, the most important findings of this survey are distilled in the items below.

1. Many of the significant resource variables are negatively related to one's race, ethnicity, and gender. Prior research suggests that access to these resources can increase the likelihood of a business's success; hence the negative relationship suggests potential problems for the future of many of the businesses surveyed. These resources variables for which we found a negative association with either a business owner's race/ethnicity and/or gender include: prior business experience, ownership of property, registration with state or federal women and minority certification programs, contracts with state or federal governments, relationship with banks, and access to start-up capital.
2. Female business owners identify sustaining profitability, marketing and/or networking, and competition from larger companies in their same area of business, as the top three most important issues facing currently facing their business. Male business owners identify competition from larger companies in their same area of business, marketing and/or networking, and access to expansion capital as the most important issues. The most commonly identified issues of importance across all racial/ethnic groups (with varying degrees of emphasis) are: sustaining profitability, access to government procurement services, access to expansion capital, large company competition, and information about marketing and development.
3. Black business owners are taking in less revenue than their White counterparts, and Female business owners are taking in less revenue their Male counterparts, after controlling for other factors that influence business revenue.
4. Black and Latino business owners find that start-up capital was a much more important factor in the success of their businesses than their White counterparts (who are predominately White females), all else equal.
5. Black, Female, and Immigrant business owners are much more likely to grade their bank's level of responsiveness to their needs as insufficient, all else equal.
6. Black and Female business owners are less likely to use a bank for their financial needs, possibly as a result of their dissatisfaction with banks in general. This is despite the fact that these groups are more likely to be the ones who need banks to acquire start up financing because of they tend to have fewer of the key resources identified earlier.
7. Finally, both women and minority business owners consistently identify the following five services as important to the maintenance and growth of their business: better information about targeted clientele for marketing and outreach; networking functions with other women and/or minority owned businesses; information on how corporations and government entities award contracts; networking functions with related businesses, and mentoring

In sum, the data reveal that minority owners (particularly Blacks, and to a lesser extent Latinos and Native Americans) and Female owners find themselves at a significant and substantial resource disadvantage. There is no way to test, using these data, from where these differences arise. Possible culprits include the long legacy of past discrimination (so intertwined with property, capital, experience, education, networks, and other resources), factors other than race and gender, or current discriminatory practices (or at least perceived discrimination).

Whatever the causes, it is clear that these resource differences will not disappear without paying attention to what members of these groups are telling us in their response to these questions and without careful deliberation of future resources for women and minority businesses in Colorado. Finally, respondents offer an indication of where they see the most useful resources for future development, particularly in marketing, outreach, networking, mentoring and access to contracts from the state.

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