

Studying Consumer Ethnocentrism as a Factor for Depressed Rates of Black Entrepreneurship

Michael N. Ogbolu
Howard University

Robert P. Singh
Morgan State University

The rate of black entrepreneurship has lagged the national average for decades. Rather than look at financial factors, as most of the literature that has explored the disparity has done, we examine the role of consumer ethnocentrism and the different views black and white consumers have about black and white entrepreneurs. Using t-test results based on the responses of 747 respondents, we found support for two hypotheses that indicate that black respondents did not demonstrate higher levels of consumer ethnocentrism than white respondents toward a black-owned business, while white respondents did demonstrate consumer ethnocentrism toward a white-owned business. This paper discusses the implications of our results, offers new insights into the lagging rate of black entrepreneurship, and discusses future directions for research.

Keywords: Consumer Ethnocentrism, Black Entrepreneurship, Economically Depressed Neighborhoods

INTRODUCTION

Over the last 50 years, the unemployment rate of blacks has consistently remained about double that of white Americans (Badgett, 1994; Hoynes, 2000; Ogbolu & Singh, 2013; Ogbolu, Singh, & Wilbon, 2015; Singh, Knox & Crump, 2007; Spriggs & Williams, 2000). This remains true today. According to the U.S. Bureau of Labor Statistics (BLS), the black unemployment rate stood at 6.3 percent in October 2018 as the national unemployment rate came in at the historically low rate of 3.7 percent (BLS, 2018). The consistent elevated rate of unemployment can have significant negative impacts on society. Experts have suggested that the recent civil unrest in places like Baltimore, Maryland and Ferguson, Missouri, are related to poverty, joblessness, and general economic depression in neighborhoods of these cities (Braha, 2012; Korkmaz, Kuhlman, Marathe, Vullikanti, Ramakrishnana, 2015). Braha (2012) stated that civil unrest contagion usually happens with slow build-up of social, economic, and political strain which is manifests into explosive social unrest.

Without question, entrepreneurship and new venture creation help shape economies (Hafer, 2013; Schumpeter, 1934; Wennekers & Thurik, 1999) and spur economic growth (Audretsch & Thurik, 2001; Kumar & Liu, 2005; Rahman & Nafeez, 2011; Reynolds, Carter, Gartner, & Greene, 2004). In fact, research has shown that entrepreneurship and new venture creation are responsible for creating most of the net new jobs in the U.S. economy (Birch, 1987; Kirchoff & Phillips, 1988; Scarborough, Wilson, &

Zimmerer, 2009; Van Stel & Storey, 2004). To this end, black entrepreneurship can help to improve the black unemployment rate and help to address critical societal issues. This is especially true because research has found that black business owners are more likely to hire African-Americans and other minority job seekers, than are white business owners (Bates, 1994). Thus, entrepreneurship represents a viable alternative to unemployment and/or discrimination in the labor market and can provide a path out of poverty (e.g., Glazer & Moynihan, 1970; Light, 1979; Moore 1983; Sowell, 1981).

Unfortunately, black entrepreneurship and self-employment also lags the national average (Fairlie & Meyer, 1996; Hipple, 2004; U.S. Census Bureau, 2007). Fairlie and Meyer (2000) reported that whites are three times more likely than blacks to own their own businesses and the significant difference in the percentage of white versus black self-employment rate has remained for nearly a century (Fairlie & Meyer, 1996; 2000). In addition, the failure rate of black entrepreneurs is higher than the national average for all entrepreneurs (Fairlie, 1999; Fairlie & Robb, 2007).

The reasons for the wide disparities in new venture creation rates and ultimately entrepreneurial success among blacks and whites are not well known. Most researchers have focused on differences between white and black entrepreneurs on such things as educational achievement (Hisrich, Peters & Shepherd, 2005; Singh & McDonald, 2003), personal financial assets (Evans & Leighton, 1987), household income (Fairlie, 1999), access to capital (Bates, 1995, Cavalluzzo & Cavalluzzo, 1998), and family structures (Dunn & Holtz-Eakin, 2000; Lentz & Laband 1990; Singh, Crump & Zu, 2009). But for all of the knowledge gained through research, there has been relatively little change in the rate of black entrepreneurship over the last 90 years (Bates, 1995; 1997; Fairlie & Meyer, 1996; 2000).

We believe it is important to examine other factors and variables in order to better understand the differences described above. One factor worth further exploration is ethnocentrism. Ethnocentrism refers to an individual's tendency to be disproportionately ethnically centered, while vigorously rejecting things, people, places, and cultures of others (Durvasula, Andrews & Netemeyer, 1997). Shimp and Sharma (1987) defined consumer ethnocentrism as "giving an individual a sense of identity, feelings of belongingness, and most important, an understanding of what purchase behavior is acceptable or unacceptable to the in-group" (Shimp & Sharma, 1987, p. 280).

Ethnic enclaves/communities are known to foster ethnic entrepreneurship in places such as Asian and Hispanic enclaves (Sanders & Nee, 1996), Cuban enclaves (Wilson & Portes, 1980), and Japanese enclaves (Zhou & Logan, 1989). These have been examples of ethnic enclaves organically developing vibrant economies through increased ethnic entrepreneurship. Ethnically homogeneous neighborhoods populated by African Americans that can often be found within large urban cities are akin to ethnic enclaves such as Little Havana, Chinatown, Little Italy and host of others that scattered across major cities throughout the United States. However, these African American enclaves often do not behave as other ethnic enclaves (Bates, 2006; Ogbolu & Singh, 2013). More specifically, while most black-owned businesses are located in black neighborhoods, they do not survive or succeed like other ethnic businesses within other ethnic enclaves (Cummings, 1999). These findings are troubling given the more positive results that occur in other ethnic neighborhoods.

The United States is largely multi-cultural/multi-ethnic, with each ethnic group exhibiting significant preference for its own ethnic products or businesses, especially in various ethnic enclaves (Bates 2006; Cheng & Espiritu, 1989; Durvasula, Andrews & Netemeyer, 1997; Fairchild, 2008; Quellet, 2007; Wilson & Portes, 1980). The cultural diversity within the U.S. makes understanding consumer ethnocentrism even more critical, especially in relation to regional marketing, geographic segmentation, and most importantly, community building and revitalization.

In this paper we further examine consumer ethnocentrism, or the lack thereof, and how it may impact black entrepreneurs. More specifically, we developed two hypotheses that predicted the intended patronage levels of black and white respondents to new ventures owned by black and white entrepreneurs. Using data collected from 846 black and white respondents, we found evidence to suggest that there are significant differences between intended patronage for black-owned businesses by black individuals and intended patronage for white-owned businesses by white individuals. We discuss the findings and the

implications for both practice and entrepreneurship research before offering suggestions for future research directions.

LITERATURE REVIEW AND HYPOTHESES

Ethnocentrism and Consumer Ethnocentrism

Ethnocentrism was first defined by Sumner (1906) as “the view of things in which one’s own group is the center of everything, and all others are scaled and rated with reference to it . . . Each group nourishes its own pride and vanity, boasts itself superior, exalts its own divinities and looks with contempt on outsiders” (Sumner, 1906, p.13). Sumner’s (1906) description of ethnocentrism depicts a less favorable disposition of an in-group towards an out-group with the in-group being the point of favorable reference.

Ethnocentrism is both a group as well as an individual level phenomenon (Balabanis & Diamantopoulos, 2004) and extreme ethnocentrism can result in sectionalism, racial prejudice, religious discrimination, and patriotism (Shankarmahesh, 2006). Essentially, ethnocentrism refers to an individual’s tendency to be disproportionately ethnically centered while vigorously rejecting things, people, places, and cultures or even businesses of others (Durvasula, Andrews, & Netemeyer, 1997).

Sumner’s (1906) description of the sentiments of the in-group towards the out-group may be the origin of the consumer ethnocentrism construct. Consumer ethnocentrism is a domain-specific sub-set of ethnocentrism, which is useful for studying consumer behavior (Shimp & Sharma, 1987). In its broadest sense, consumer ethnocentrism is an individual’s propensity to buy only domestic products and shun all foreign products irrespective of quality or price due to nationalistic reasons (Shankarmahesh, 2006). Balabanis and Diamantopoulos (2004) also addressed consumer ethnocentrism in the context of domestic country bias, where individuals are less favorably disposed toward foreign goods.

Ethnocentrism and consumer ethnocentrism are strongly linked to ethnic identity (Greenwald & Banaji 1995; Negy et al., 2003). Greenwald and Banaji (1995) reported that social behaviors, such as consumer behaviors, are often implicit or unconscious and are heavily influenced by experience, attitudes (favorable or unfavorable dispositions toward people, places, and policies), self-esteem, and stereotypes. Research concerning implicit consumer behavior is sparse as most existing consumer behavior research has focused on research methodologies specific to conscious beliefs (Perkins, Forehand, Greenwald, & Maison, 2008). Even though consumer behavior is a critical factor for entrepreneurial success, research related to consumer behavior is sparse in the field of entrepreneurship.

Consumer ethnocentrism, like ethnocentrism can be explained by identity theory (Stryker & Burke, 2000) and social identity theory (Hogg & Abrams, 1988; Tajfel & Turner, 1979). Ethnicity and associated behavior are not just stable sociological individual traits but also a psychological state that manifests differently for different situations (Stayman & Desphande, 1989). Identity theory is a micro-sociological theory that addresses individuals’ role-related behaviors, while social identity theory is a social psychological theory that addresses group and intergroup dynamics (Hogg, Terry, & White, 1995). Consumer ethnocentrism is congruent with social identity theory in that social identity theory describes, evaluates, and prescribes what perceptions and behaviors are acceptable for the in-group, how the out-group should be perceived, and what behavior is expected toward the out-group. Interestingly, Negy et al. (2003) reported a significant correlation between ethnic identity and ethnocentrism for whites and Hispanics but not for blacks. This may be the result of the unique properties of ethnic enclaves in which blacks live in the U.S.

Ethnic Enclaves

Classic urban theory suggests that high population density and mobility in urban areas result in individuals who suffer social isolation, while living in the suburbs is thought to be conducive to happiness, due to lower population density, lower crime, and more stable population (Adams, 1992). Adams (1992) suggested that urban neighborhoods are plagued with crime and other social ills, have high turnover of residents, and provide fewer opportunities for residents to meet and develop friendships when compared to more stable suburban neighborhoods. Higher crime and resident turnover rates make these

neighborhoods unattractive to mainstream businesses resulting in minority segregation. Given that a large percentage of blacks are concentrated in inner cities/urban areas, they are more likely to struggle with the negative consequences and issues of living in more isolated urban communities, while whites are more likely to enjoy the benefit of suburban life.

Fischer (2003) reported that minority segregation tend to be greatest in cities with large minority populations. This is in line with ecological theory, which suggests that that higher status groups tend to live in the suburbs, where there is less segregation between minority and majority groups (Darden & Kamel, 2000). Cummings, (1999) and Nee & Sanders, (1987), concluded that segregation concentrates poverty and other social ills, making the urban areas unattractive to businesses.

Bates (2006) reported that most urban areas are currently experiencing outward migration of jobs resulting in disproportionate job growth in the suburbs. This further negatively affects urban dwellers (again, a high percentage of whom are black), leading to isolation. Physical isolation leads to social and intellectual isolation between blacks and whites. Isolation can lead to perpetuation of negative stereotypes, limited access to positive role models, social capital, and other resources. Blacks, being the minority group, are more negatively affected by isolation since whites' perceptions of and attitudes toward blacks are more often based on stereotypes (Fairchild, 2008). Residential segregation (especially in the urban areas) coupled with labor market discrimination, low education levels, and low income negatively influence black-owned businesses in black neighborhoods because many small businesses compete for a very limited market, resulting in high business failure (Fairchild, 2008).

Generally, enclave businesses benefit from certain important business resources, such as market penetration and power, tight-knit financial and social networks, and enhanced ethnic bond and loyalty (Model, 1985). Furthermore, ethnic enclaves serve as incubators for enclave entrepreneurs, who are protected from competition in the wider market and are able to take advantage of a concentration of large numbers of loyal customers (Cummings, 1999). Having a concentration of loyal customers and lower operating costs allow enclave entrepreneurs to grow at a quicker rate than entrepreneurs in the wider market (Cummings, 1999; Waldinger, 1983). However, some of the disadvantages of ethnic enclaves include that they are usually located in older residential areas away from new suburban economic growth and are more likely to have dilapidated or antiquated amenities and lower quality public primary and secondary schools (Cutler, Glaeser, & Vigdor, 2008). A combination of poor public schools and limited exposure may imply lower future socioeconomic outcomes for the present and subsequent generations and may have other negative implications, such as higher crime rates (Cutler et al., 2008). Another potential drawback of ethnic enclave business is that there is limited diversity in ethnicity of the labor force. Businesses owned by people of certain ethnicity are more likely to employ people of the same ethnicity (Bates, 2006). Another critical disadvantage of ethnic enclaves, especially for African American enclaves, is the perpetuation of negative stereotypes that people hold of black people, black entrepreneurs, and black enclaves/neighborhoods.

We believe that this negativity spreads to those individuals within the communities themselves. As reported in a previous study (see Ogbolu, Singh, & Wilbon, 2015), negative stereotypes negatively affected attitudes and consumer legitimacy perceptions individuals had of black-owned businesses. Consumers' favorable or unfavorable attitudes toward a specific ethnic group may determine their likelihood to patronize a business establishment owned by that ethnic group, especially in the neighborhoods that they live. Although, members of an ethnic group usually have a favorable attitude toward co-ethnic businesses, which lead to higher levels of consumer ethnocentrism for most ethnic consumers (Quellet, 2007), businesses located within predominantly white and predominantly black areas are likely to be perceived differently by consumers in these respective areas. In addition, when entrepreneurs enjoy elevated levels of legitimacy in the minds of consumers, they are more likely to achieve success (Zarkada-Fraser & Fraser, 2002) because this can ultimately lead to patronage. This is part of the reason that ethnocentrism helps entrepreneurs achieve success (Cummings 1980). In other words, the success of ethnic enclave businesses is directly related to the level of consumer ethnocentrism the founding entrepreneurs/business owners benefit from by their co-ethnics.

This premise may be a positive norm for individuals living in most ethnic enclaves, but given the history of blacks in America and their continued marginalization and isolation, consumer ethnocentrism may not hold for black-owned businesses which may impact intentions to patronize these businesses. We believe that white entrepreneurs are more likely to benefit from consumer ethnocentrism than black entrepreneurs. Based on the discussion above and the brief review of the literature, we hypothesize the following with respect to patronage of new businesses:

Hypothesis 1: *Black customers will not demonstrate consumer ethnocentrism and are equally likely to patronize a new black-owned business as white customers.*

Hypothesis 2: *White customers will demonstrate consumer ethnocentrism and are more likely to patronize a new white-owned business than black customers.*

RESEARCH METHODS

Survey Questionnaire and Sample

The data that was used in this paper was collected as a part of a larger earlier study that received Institutional Review Board approval. The data were originally collected over a two-month period between December 2010 and January 2011. Respondents voluntarily participated after being approached by a data collector. They were assured complete confidentiality and the survey took about 10 minutes to complete.

The research method utilized two versions of a survey questionnaire that asked respondents to answer questions about an entrepreneur and his new venture – a family-style restaurant that he was planning on opening in the area. Both versions of the questionnaires were the same except that the entrepreneur was represented by two different pictures – one was a white man and the other a black man. The entrepreneurs' pictures were similar in terms of background, clothing, etc., and there was no mention of race on the brief bio-sketch of the entrepreneurs. The only differentiating factor between the two questionnaires was the picture. The survey design was useful in that it allowed us to attribute any differences in responses to be related to the race of the entrepreneur (for more information about the survey instrument and research methodology please contact the first author).

There were 846 total respondents in the sample, Table 1 summarizes the demographic characteristics of the full sample. The mean age of the participants was about 40 years. The study had more female participants (59.4%) than male participants (40.6%). In terms of gender and race, the study participants are as follows: 444 female (58%), 303 males (42%), 415 black (55.6%), and 332 white (44.4%). About 75% of the participants were high school graduates or better, with a third having attended some college. More than half of the participants (55.7%) reported an annual income above \$50,000, and again a third having an annual income of \$75,000 or more.

TABLE 1
CHARACTERISTICS OF STUDY RESPONDENTS

	Black Respondents N=415	White Respondents N=332
	<i>Frequency (Percent)</i>	<i>Frequency (Percent)</i>
Gender		
Female	264 (35.3)	180 (24.2)
Male	151 (20.2)	152 (20.3)
Education		
< than HS diploma	31 (4.1)	6 (0.8)
HS Diploma	75 (10.0)	64 (8.6)
Some College	128 (17.1)	120 (16.1)
BS Degree	64 (8.6)	80 (10.7)
Some graduate	27 (3.6)	15 (2.0)
Graduate degree	88 (11.8)	46 (6.2)
Income		
< \$25, 000	80 (10.7)	60 (8.0)
\$25,000- \$49, 999	106 (14.2)	74 (9.9)
\$50,000-74,999	81 (10.8)	76 (10.2)
>\$75, 000	140 (18.7)	105 (14.1)

MEASURES AND STATISTICAL ANALYSES

The hypotheses were tested using *t*-test analyses. The variables used in the analyses are as follows:

- *INTENDED PATRONAGE* – This variable was calculated by adding responses to two questions that measured intended patronage in the survey instrument. These were also 5-point Likert-type questions with a minimum score of 2 and a maximum score of 10. This two-item scale had an alpha of .75. See Table 2.

TABLE 2
PATRONAGE SCALE ITEMS

	No. Items	α	M/SD (range)
Patronage Scale	2	0.75	8.5/1.4 (2-10)
I would try his restaurant if it is located in my neighborhood			4.1/0.8
If I liked the food and prices, I would recommend Keith’s restaurant to friends and relatives.			4.3/0.7

- *RACE OF RESPONDENT* – This dummy variable identified the race the respondent, and was taken directly from the survey. Black respondents were coded as “1” and white respondents as “0.”

- RACE OF ENTREPRENEUR – This was also a dummy variable. Respondents who filled out the survey with the picture of the black entrepreneur were coded as “1” and those with the picture of the white entrepreneur as “0.”

RESULTS

Patronage of the Black-owned Business

For the study participants who received the survey instrument with the picture of the black entrepreneur, there was no statistically significant difference between black respondents and white respondents (see Table 3). This was consistent with Hypothesis 1 and indicates that there is no extra benefit of consumer ethnocentrism for black entrepreneurs from co-ethnic consumers. Both black and white respondents indicated that they were equally likely to patronize the new business owned by the black entrepreneur.

TABLE 3
MEAN SCORES FOR RESPONDENTS WITH RESPECT TO BLACK-OWNED BUSINESSES

Variable	Black Respondents	White Respondents
Patronage	8.7 (SD=1.3)	8.7 (SD=1.2)
# of Respondents	N =196	N = 174

Patronage of the White-owned Business

It appeared that white respondents were more likely to demonstrate consumer ethnocentrism. As can be seen in Table 4, white respondents were more likely to indicate that they would patronize the white owned business than black respondents ($p < .05$). The results support Hypothesis 2 and suggest that white co-ethnic respondents were more inclined to patronize the white-owned business relative to black respondents.

TABLE 4
MEAN SCORES FOR RESPONDENTS WITH RESPECT TO WHITE-OWNED BUSINESSES

Variable	Black Respondents	White Respondents
Patronage	8.1 (SD=1.7)*	8.4 (SD=1.3)*
# of Respondents	N = 217	N = 156

* $p < .05$ level

When taken together, the results shown in Tables 3 and 4 seem to indicate that white respondents demonstrated consumer ethnocentrism while black respondents did not. The fact that there were no differences between black and white respondents with respect to the black entrepreneur, but there were with respect to the white entrepreneur with white respondents having significantly higher patronage intentions bears this out. However, both white and black respondents indicated higher levels of intended patronage for the black-owned business. This result was somewhat surprising and it may indicate that black and white ethnocentrism is somewhat more complicated to understand. The results and implications are discussed further in the next section.

DISCUSSION

The results of this study are exploratory but they point to an issue that some black entrepreneurs may face – the apparent lack of consumer ethnocentrism from their potential co-ethnic consumers. Black and white respondents in this sample were equally likely to indicate that they would patronize the restaurant

owned by the black entrepreneur, but white respondents were more likely than black respondents to indicate that they would patronize the restaurant owned by the white entrepreneur. These results support the two hypotheses and suggest that white entrepreneurs may enjoy the benefits of consumer ethnocentrism while black entrepreneurs do not. That said, both white and black respondents indicated elevated levels of patronage toward the black owned business. Rather than indicate elevated consumer ethnocentrism for the white-owned business among potential white customers, it may be a sign that black customers show a bias against white-owned businesses. Thus, it is possible to interpret the overall results as showing black respondents demonstrating consumer ethnocentrism toward the black-owned business.

There are two unique aspects of the research methodology that bear mentioning and which may help to explain the results. First, the response data were collected from two different locations. One was outside of a suburban shopping mall and the other was in a downtown/urban location. While the black respondents were almost equally divided between these two locations, majority of the white respondents were from the suburban location, therefore, very few white respondents were identified or surveyed in the urban location. In addition, the data were collected by a black male. These two factors may have biased the responses in that the respondents – particularly the white respondents when working with a black data collector – may have felt some pressure to respond in socially desirable ways.

Public and private opinions on race and race related issues differ and normative changes in the United States have made racial prejudice increasingly socially undesirable (Krysan, 1998). Since a great deal of our knowledge of human behavior comes from self-reports, the mere presence of a data collector may influence participants' responses and may unjustifiably inflate respondents' liberal racial attitudes because of the pressure of not wanting to appear prejudiced (Krysan, 1998). Randall and Fernandes (1991) stated that individuals will report behaviors that they feel others consider appropriate. Krysan (1998) suggested that social desirability response bias pressures are strongest among white respondents with higher education levels because they have a greater understanding of what responses are socially acceptable. This may have been the case with respect to white respondents in this study who tended to be better educated and higher income than the national average.

The fact that there was a black data collector may have put social pressure on white respondents to provide more favorable responses about intended patronage for the black-owned business than they may have given with a white data collector. The same could be true about black respondents. They may have felt a need to bias their responses in order to show support for their co-ethnic entrepreneur. We do not mean to suggest that the results are unreliable, but it is important to acknowledge the challenges of studying race effects.

Recognizing that there are challenges of studying race and consumer ethnocentrism, we believe this study opens up possible new avenues of research that may be worth further exploration with respect to black entrepreneurship. The support for the two hypotheses suggests that there are difference in the way potential consumers view black- and white-owned businesses. The research methodology provided business scenarios the introduced respondents to would-be ventures that were expected to open near where the surveys were taking place. Although there was no specific cue about the race of the entrepreneurs, a different picture was provided to different respondents and there were differences in the responses that were given by black and white respondents. The results suggest that there was consumer ethnocentric support for the white entrepreneurs rather than the black entrepreneurs, although the results are not as simple to interpret given the discussion above. Further study is certainly needed.

LIMITATIONS

There are several limitations that should be acknowledged beyond the fact that there may have been social pressure bias resulting from the use of the data collector. The most significant limitation beyond this may have been that this is a cross-sectional entrepreneurship study that was limited to two racial/ethnic groups in the United States. Cross-sectional studies represent only one point in time and cannot be used to establish cause and effect relationships. The study was implemented in a relatively small area, one state, within the United States. The results are likely to be only generalizable to other

regions of the world with similar history of institutionalized racial/ethnic discrimination. Another related factor was that data were collected in two locations – a suburban mall location and an urban/inner city location. While black respondents were found and surveyed in both locations, the overwhelming number of white respondents only came from the suburban location. There simply were not enough white people to survey in the urban location. This is likely to have had an impact on the results as discussed earlier.

FUTURE RESEARCH DIRECTIONS

Further study should implement and test the possibilities of social pressure bias by implementing different types of data collectors, including both male and female as well as racially diverse data collectors. An interesting study would be to see how responses differ based on the gender, race, age, etc. of data collectors. We suspect that the responses would differ simply based on who collected the data.

The present study was cross-sectional, therefore, as stated earlier, cause and effect relationships could not be established. In the future, a longitudinal study may be used to establish if indeed attitudes and legitimacy predict intended patronage and/or actual patronage. Participants enrolled in the longitudinal study would complete an initial survey and would then be followed for a number of years. Follow-up surveys would be given to these participants yearly to determine if and how their responses change over time. Results from a longitudinal study will more accurately explain the factors that predict patronage of black-owned businesses versus white-owned businesses. Moreover, real businesses, instead of hypothetical businesses could be studied. The use of real businesses would also differentiate between intended patronage and actual patronage. Finally, similar studies can be conducted in other parts of the country to see what impacts differing neighborhoods have on the results. The results can also be tested using cross-country study designs in order to compare results from different countries.

CONCLUDING THOUGHTS

The immediate cause of the civil unrest in some major cities in the United States in the past few years may have been attributed to police brutality and killings of black individuals, but it is likely that the underlying cause remains economic in nature. High rates of unemployment of residents of these neighborhood due to very low numbers of viable businesses. This begs the question; Why are businesses in black enclaves not performing nearly as well as businesses in other ethnic enclaves. In the past, researchers have focused on the entrepreneur and the entrepreneur's situations when examining the reasons for the low entrepreneurship or entrepreneurial entry and high failure rates of African American enclave businesses. This study also links sociology concepts (e.g., ethnocentrism, social identity, ethnic identity) and marketing concepts (e.g., consumer ethnocentrism) with entrepreneurship and entrepreneurial outcomes.

Enclave entrepreneurs depend heavily on patronage enclave residents. About two-thirds of African Americans live and/or work in black enclaves, however, with low entrepreneurial entry and high failure rates, these businesses that should provide employment for enclave residents are struggling to survive. This usually translates to less people working in the enclaves and economic depression of neighborhoods. Despite dense populations of black enclaves, black-owned businesses are failing at twice the rate of white-owned businesses. This is surprising given the benefits other ethnic enclave entrepreneurs in other ethnic enclaves enjoy, including protected markets, the enclave acting as an incubator, concentration of loyal customers, intra-ethnic business linkages, increased venture founding, and trust. We believe that much more work is needed and hope that this paper provides some direction for future study that will help to further our understanding of challenges black entrepreneurs face.

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